



JOSH MANDEL
STATE TREASURER OF OHIO

September 28, 2017

**TO: John Kasich, Governor
Ohio General Assembly**

FROM: Josh Mandel, State Treasurer of Ohio

**TREASURER OF STATE LEASE-REVENUE OBLIGATIONS
(Chapter 154 & 152 O.R.C.)**

ANNUAL REPORT

AND

ACCOUNTANTS' REPORT

**FISCAL YEAR 2017
(July 1, 2016 --- June 30, 2017)**

**MENTAL HEALTH CAPITAL FACILITIES
PARKS & RECREATION CAPITAL FACILITIES
CULTURAL & SPORTS CAPITAL FACILITIES
STATE CORRECTIONAL CAPITAL FACILITIES
ADMINISTRATIVE CAPITAL FACILITIES
JUVENILE CORRECTIONAL CAPITAL FACILITIES
HIGHWAY SAFETY CAPITAL FACILITIES
AND
TRANSPORTATION CAPITAL FACILITIES**

**LEASE - REVENUE OBLIGATIONS
ANNUAL REPORT
For the period July 1, 2016 through June 30, 2017**

The Treasurer of State (“Treasurer”) makes this annual report for the Fiscal Year ending June 30, 2017 (FY 2017) in accordance with Section 154.05(B) of the Ohio Revised Code (“Act”) and its lease-revenue bond proceedings.

Chapter 154 of the Act was enacted pursuant to the power granted to the General Assembly by the Ohio Constitution, and, in particular Section 2i of Article VIII, which authorizes the issuance for stated purposes of revenue obligations 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 Act originally authorized the Ohio Public Facilities Commission (“Commission”) to issue obligations of the State to pay costs of capital facilities for (a) mental hygiene and retardation, (b) state supported and state assisted institutions of higher education, (c) parks and recreation, and (d) housing branches and agencies of state government (for which no specific authorization to issue obligations was ever granted and which was repealed in FY 2001). Am. Sub. H.B. 640, 123rd General Assembly, effective September 14, 2000, reassigned to the Treasurer the issuing authority and functions of the Commission with respect to these special obligations (lease-revenue) bonds. The Treasurer succeeded the Commission as issuer and with all responsibilities and obligations under the bond proceedings relating to previously issued obligations.

Pursuant to House Bill 16 of the 126th General Assembly, effective July 1, 2005, all matters relating to the issuance of obligations for financing of cultural and sports facilities, including all arts and sports obligations previously issued by the Ohio Building Authority, under Ohio Revised Code Chapter 152, were transferred to the Treasurer as Issuing Authority. The legislation transferred thirteen bond issuances with combined outstanding principal as of that date in the amount of \$184,150,000. Subsequent to July 1, 2005, all new issuances of cultural and sports facilities bonds will be governed by Chapter 154 of the Ohio Revised Code, and the provisions thereof, as described above.

Pursuant to Amended Substitute House Bill 153 of the 129th General Assembly, effective January 1, 2012, all matters relating to the issuance of obligations for financing of capital facilities for housing branches and agencies of State government, which were previously issued by the Ohio Building Authority under Ohio Revised Code Chapter 152, were transferred to the Treasurer as Issuing Authority. The legislation transferred forty-one bond issuances with combined outstanding principal as of that date in the amount of \$1,514,920,000. Subsequent to January 1, 2012, all new issuances of facilities for housing branches and agencies of State government will be governed by Chapter 154 of the Ohio Revised Code, and the provisions thereof, as described above.

Pursuant to House Bill 497 of the 130th General Assembly, effective July 1, 2014, the Treasurer of State is authorized to issue and sell obligations for financing of transportation facilities. This authorization is in addition to the original issuance of obligations authorized by prior acts of the General Assembly. All new issuances of transportation facilities bonds will be governed by Chapter 154 and section 307.021 of the Ohio Revised Code, and the provisions thereof, as described above.

The Treasurer may issue obligations only as authorized by the General Assembly, which has authorized lease-revenue obligations (“Obligations”) for capital facilities projects in aggregate principal amounts of up to \$1,657,000,000 for mental health, \$841,000,000 for parks and recreation, \$641,000,000 for cultural and sports facilities, \$2,262,000,000 for state correctional facilities, \$379,000,000 for juvenile correctional facilities, \$1,939,200,000 for administrative facilities, \$140,285,000 for highway safety facilities, and \$341,000,000 for transportation facilities. Within these authorizations, the Treasurer issued the following Obligations in FY 2017:

| Bond Program & Series No. | Amount | Dated Date | Final Maturity Date |
|--|---------------|-------------------|----------------------------|
| Administrative Facilities – 2017A ¹ | \$70,000,000 | 4/19/2017 | 4/01/2037 |
| Adult Correctional Facilities – 2016B ^{1, 2, 3} | \$32,320,000 | 10/26/2016 | 10/01/2036 |
| Adult Correctional Facilities – 2016C ^{1, 2, 3} | \$32,300,000 | 10/26/2016 | 10/01/2036 |
| Adult Correctional Facilities – 2016D ^{1, 3} | \$15,380,000 | 10/26/2016 | 10/01/2021 |
| Cultural Facilities – 2016A ¹ | \$40,000,000 | 8/25/2016 | 10/01/2026 |
| Parks & Recreation Facilities – 2016C ¹ | \$100,000,000 | 10/06/2016 | 12/01/2031 |

The principal and interest requirements on the Obligations sold and delivered in FY 2017 are set forth in the attached Schedules 1 through 6. The Obligations issued in FY 2017 were sold at either public or private sale pursuant to Section 154.08 of the Ohio Revised Code. No bond anticipation notes were issued.

As of June 30, 2017, the Obligations that the Treasurer is authorized to issue were rated as follows:

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

¹ New money issuance.

² Variable rate issuance.

³ Referred to in the Accountants’ Report and Financial Statements as State Correctional Facilities.

As contemplated by the Act, the financing arrangements for the eight categories of capital facilities -- mental health, parks and recreation, cultural and sports facilities, administrative facilities, adult correctional facilities, juvenile correctional facilities, highway safety facilities, and transportation facilities -- involve separate proceedings and separate leasing arrangements between the Commission (its only remaining responsibility with regard to the Obligations) and, respectively, the Ohio Department of Mental Health and Addiction Services (ODMHAS), the Ohio Department of Developmental Disabilities (DODD), the Ohio Department of Natural Resources (ODNR), the Facilities Construction Commission (OFCC), the Department of Administrative Services (DAS), the Department of Rehabilitation and Correction (DRC), the Department of Youth Services (DYS), the Department of Public Safety (DPS), and the Department of Transportation (DOT) (collectively, the "Using Agencies"), under which the Commission undertakes to finance capital facilities designated by or pursuant to acts of the General Assembly. In turn, the Using Agencies assume the management of those facilities intended for the particular department's use. Each Using Agency agrees, in accordance with the applicable lease and the supplements to it entered into in connection with each bond or note issuance, to pay rent in amounts sufficient to pay principal of and interest on the obligations issued, to establish and maintain any applicable required reserve, and to pay incidental expenditures, such as bond issuance costs.

As provided in each lease, the agreement of the Using Agency to pay rent during any period for which appropriations may lawfully be made by the General Assembly is effective and binding only when and to the extent that funds have been appropriated and are available for that purpose and that period. Bondholders have no right to have excises or taxes levied by the General Assembly for the payment of principal, interest or any call premium.

Trust agreements provide for additional security for the Obligations, each in form and content appropriate to the type of financing. The trustee for the parks and recreation, and transportation facilities Obligations is US Bank (successor to National City Bank). The trustee for the mental health and administrative facilities Obligations is Huntington National Bank. The trustee for the cultural and sports, adult correctional, juvenile correctional and highway safety facilities Obligations is Bank of New York Mellon.

The bond proceedings pursuant to which Obligations have been issued beginning in FY 1991 ("Series II Bonds") impose no requirement of a bond service reserve. Instead, they permit, but do not require, provision for a bond service reserve applicable to particular issues. The proceedings for each series of Series II Bonds issued in FY 1991 and FY 1992 variously required a funded or insured bond service reserve applicable only to the particular series in the amount of one-half the highest future annual principal and interest payments on that series. For Series II Bonds issued after FY 1992, no reserve fund of any kind has been established. All Series II Bonds for which a funded bond service reserve fund was established have been matured, refunded or redeemed. Thus, there are currently no funded bond service reserve funds securing any of the outstanding Obligations.

For the biennium ending June 30, 2019, the General Assembly, by Acts passed prior to July 1, 2017, appropriated the following amounts for rental payments under the lease agreements relating to the respective categories of Obligations:

| Appropriation to: | Biennial Amount | FY2018 | FY2019 |
|---|------------------------|-------------------|-------------------|
| Ohio Department of Mental Health | \$ 39,749,900.00 | \$ 20,323,000.00 | \$ 19,426,900.00 |
| Ohio Department of Developmental Disabilities | \$ 39,749,900.00 | \$ 20,323,000.00 | \$ 19,426,900.00 |
| Ohio Department of Natural Resources | \$ 82,257,000.00 | \$ 38,210,500.00 | \$ 44,046,500.00 |
| Ohio Facilities Construction Commission | \$ 63,063,500.00 | \$ 30,762,300.00 | \$ 32,301,200.00 |
| Department of Administrative Services | \$ 189,880,400.00 | \$ 98,017,500.00 | \$ 91,862,900.00 |
| Department of Youth Services | \$ 34,881,600.00 | \$ 17,534,700.00 | \$ 17,346,900.00 |
| Department of Public Safety | \$ 4,878,500.00 | \$ 2,437,200.00 | \$ 2,441,300.00 |
| Department of Transportation | \$ 28,812,400.00 | \$ 11,155,700.00 | \$ 17,656,700.00 |
| | | | |
| Total Appropriation | \$ 483,273,200.00 | \$ 238,763,900.00 | \$ 244,509,300.00 |

These appropriations have been, and in the Office of Budget and Management's judgment will be, sufficient to pay amounts needed during the current biennium for bond service charges and expenditures payable from the respective administrative service funds.

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The following table sets forth certain information with respect to the Obligations as required by Section 154.05 of the Revised Code.

**OBLIGATIONS AUTHORIZED -- ISSUED
(AS OF JUNE 30, 2017)**

| | Mental Health Facilities | Parks and Recreation Facilities | Cultural and Sports Facilities | Administrative Facilities |
|---|--|---|---|--------------------------------------|
| Authorized by General Assembly | \$1,657,000,000 | \$841,000,000 | \$641,000,000 | \$1,939,200,000 |
| Issued in Prior Fiscal Years (a) | 1,567,085,000 | 528,000,000 | 534,690,000 | 1,776,000,000 |
| Issued in FY2017 (b) | 0 | 100,000,000 | 40,000,000 | 70,000,000 |
| Authorized by the General Assembly but not yet issued | 89,915,000 | 213,000,000 | 66,310,000 | 93,200,000 |
| Interest Paid FY2017 | 8,859,715 | 10,331,528 | 5,800,934 | 27,015,367 |
| Principal Paid FY2017 | 30,835,000 | 20,165,000 | 20,480,000 | 65,445,000 |
| Outstanding Principal (c) | \$175,950,000 | \$262,425,000 | \$130,665,000 | \$610,325,000 |
| | | | | |
| | State Correctional Facilities | Juvenile Correctional Facilities | Highway Safety Facilities | Transporation Facilities |
| Authorized by General Assembly | \$2,262,000,000 | \$379,000,000 | \$140,285,000 | \$341,000,000 |
| Issued in Prior Fiscal Years (a) | 1,954,500,000 | 332,000,000 | 140,285,000 | 240,100,000 |
| Issued in FY2017 (b) | 80,000,000 | 0 | 0 | 0 |
| Authorized by the General Assembly but not yet issued | 227,500,000 | 47,000,000 | 0 | 100,900,000 |
| Interest Paid FY2017 | 22,404,736 | 3,781,114 | 363,175 | 3,911,300 |
| Principal Paid FY2017 | 57,760,000 | 15,760,000 | 2,040,000 | 4,235,000 |
| Outstanding Principal (c) | \$490,450,000 | \$88,620,000 | \$7,330,000 | \$76,635,000 |

- (a) Includes Obligations advance refunded; excludes advance refunding Obligations. Includes portions of Bond Anticipation Notes retired from rental payments (\$3,000,000 mental health and \$900,000 parks and recreation).
- (b) Excludes refunding Obligations.
- (c) Includes advance refunding Obligations; excludes Obligations advance refunded.

The primary sources of moneys for payment of principal of and interest on outstanding Obligations in FY 2017, as in prior years, were funds appropriated by the General Assembly for the purpose. Original issue premium and accrued interest paid by original purchasers of bonds were applied to either bond service charges or the applicable improvement funds.

The amounts credited, in accordance with the leases and supplements, to the mental health, parks and recreation, cultural and sports, administrative building, adult correctional, juvenile correctional, highway safety, and transportation facilities bond service funds, and to the administrative service funds (to pay expenditures, including issuing costs), during FY 2017, and the balances in those funds on June 30, 2017, are shown in the financial statements that follow. Except for moneys held for Obligations not yet presented for payment, amounts in those bond service funds are not restricted to payments of bond service charges on particular issues of Obligations. Amounts held in escrow for Obligations advance refunded are restricted to payment of debt service and any redemption premium on those advance refunded Obligations.

The amounts, and the dates by which funds must be made available, to make payment during FY 2018 of principal of and interest on the bonds outstanding on June 30, 2017 (which excludes bonds advance refunded) are as follows:

| | Mental Health Facilities | Parks and Recreation Facilities | Cultural and Sports Facilities | Administrative Facilities |
|--------------------------|--|---|---|--------------------------------------|
| Payment Dates | | | | |
| August 1, 2017 | \$4,759,862.50 | \$7,315,187.50 | \$0.00 | \$0.00 |
| October 1, 2017 | 0.00 | 0.00 | 18,970,773.00 | 75,254,522.52 |
| December 1, 2017 | 5,958,162.50 | 16,723,187.50 | 0.00 | 0.00 |
| February 1, 2018 | 14,104,987.50 | 9,220,637.50 | 0.00 | 0.00 |
| April 1, 2018 | 0.00 | 0.00 | 11,263,002.40 | 22,661,666.37 |
| June 1, 2018 | 14,282,800.00 | 2,536,950.00 | 0.00 | 0.00 |
| Fiscal Year Total | \$39,105,812.50 | \$35,795,962.50 | \$30,233,775.40 | \$97,916,188.89 |
| | | | | |
| | Adult Correctional Facilities | Juvenile Correctional Facilities | Highway Safety Facilities | Transportation Facilities |
| Payment Dates | | | | |
| August 1, 2017 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| October 1, 2017 | 60,642,201.40 | 13,223,142.66 | 1,507,975.00 | 1,870,950.00 |
| December 1, 2017 | 0.00 | 0.00 | 0.00 | 0.00 |
| February 1, 2018 | 0.00 | 0.00 | 0.00 | 0.00 |
| April 1, 2018 | 15,262,712.51 | 3,746,755.41 | 899,225.00 | 6,275,950.00 |
| June 1, 2018 | 0.00 | 0.00 | 0.00 | 0.00 |
| Fiscal Year Total | \$75,904,913.91 | \$16,969,898.07 | \$2,407,200.00 | \$8,146,900.00 |

The anticipated sources of payment of amounts for outstanding Obligations and for additional mental health, parks and recreation, cultural and sports, administrative building, adult correctional, juvenile correctional, highway safety, and transportation facilities Obligations that may be issued during FY 2018 will be, pursuant to the respective leases and supplements, moneys available for the purpose in the respective bond service accounts and the moneys appropriated by the 132nd General Assembly for the fiscal biennium ending June 30, 2019. These respective amounts have been and will be sufficient to pay during the biennium all principal and interest requirements on the Obligations outstanding as of June 30, 2017, principal and interest on additional obligations that are projected to be issued in the biennium, and related applicable administrative and issuance expenditures.

SCHEDULE NO. 1

| \$70,000,000 | | | | |
|---|-------------------|--------|-------------------|--------------------|
| State of Ohio | | | | |
| Administrative Building Fund Bonds | | | | |
| Series 2017A | | | | |
| Dated: 04/19/2017 | | | | |
| Date | Principal | Coupon | Interest | Debt Service |
| 10/1/2017 | | | 1,509,300.00 | 1,509,300.00 |
| 4/1/2018 | 1,625,000 | 4.00% | 1,677,000.00 | 3,302,000.00 |
| 10/1/2018 | | | 1,644,500.00 | 1,644,500.00 |
| 4/1/2019 | 1,520,000 | 4.00% | 1,644,500.00 | 3,164,500.00 |
| 10/1/2019 | | | 1,614,100.00 | 1,614,100.00 |
| 4/1/2020 | 2,455,000 | 4.00% | 1,614,100.00 | 4,069,100.00 |
| 10/1/2020 | | | 1,565,000.00 | 1,565,000.00 |
| 4/1/2021 | 2,550,000 | 4.00% | 1,565,000.00 | 4,115,000.00 |
| 10/1/2021 | | | 1,514,000.00 | 1,514,000.00 |
| 4/1/2022 | 2,655,000 | 5.00% | 1,514,000.00 | 4,169,000.00 |
| 10/1/2022 | | | 1,447,625.00 | 1,447,625.00 |
| 4/1/2023 | 2,785,000 | 5.00% | 1,447,625.00 | 4,232,625.00 |
| 10/1/2023 | | | 1,378,000.00 | 1,378,000.00 |
| 4/1/2024 | 2,925,000 | 5.00% | 1,378,000.00 | 4,303,000.00 |
| 10/1/2024 | | | 1,304,875.00 | 1,304,875.00 |
| 4/1/2025 | 3,070,000 | 5.00% | 1,304,875.00 | 4,374,875.00 |
| 10/1/2025 | | | 1,228,125.00 | 1,228,125.00 |
| 4/1/2026 | 3,225,000 | 3.00% | 1,228,125.00 | 4,453,125.00 |
| 10/1/2026 | | | 1,179,750.00 | 1,179,750.00 |
| 4/1/2027 | 3,320,000 | 5.00% | 1,179,750.00 | 4,499,750.00 |
| 10/1/2027 | | | 1,096,750.00 | 1,096,750.00 |
| 4/1/2028 | 3,490,000 | 5.00% | 1,096,750.00 | 4,586,750.00 |
| 10/1/2028 | | | 1,009,500.00 | 1,009,500.00 |
| 4/1/2029 | 3,660,000 | 5.00% | 1,009,500.00 | 4,669,500.00 |
| 10/1/2029 | | | 918,000.00 | 918,000.00 |
| 4/1/2030 | 3,845,000 | 5.00% | 918,000.00 | 4,763,000.00 |
| 10/1/2030 | | | 821,875.00 | 821,875.00 |
| 4/1/2031 | 4,035,000 | 5.00% | 821,875.00 | 4,856,875.00 |
| 10/1/2031 | | | 721,000.00 | 721,000.00 |
| 4/1/2032 | 4,240,000 | 5.00% | 721,000.00 | 4,961,000.00 |
| 10/1/2032 | | | 615,000.00 | 615,000.00 |
| 4/1/2033 | 4,450,000 | 5.00% | 615,000.00 | 5,065,000.00 |
| 10/1/2033 | | | 503,750.00 | 503,750.00 |
| 4/1/2034 | 4,675,000 | 5.00% | 503,750.00 | 5,178,750.00 |
| 10/1/2034 | | | 386,875.00 | 386,875.00 |
| 4/1/2035 | 4,910,000 | 5.00% | 386,875.00 | 5,296,875.00 |
| 10/1/2035 | | | 264,125.00 | 264,125.00 |
| 4/1/2036 | 5,155,000 | 5.00% | 264,125.00 | 5,419,125.00 |
| 10/1/2036 | | | 135,250.00 | 135,250.00 |
| Total | 70,000,000 | | 41,882,500 | 111,882,500 |
| Average Life | | | | 12.194 Years |
| Average Coupon | | | | 4.906802% |
| Net Interest Cost (NIC) | | | | 3.654336% |
| True Interest Cost (TIC) | | | | 3.309587% |
| Bond Yield for Arbitrage Purposes | | | | 2.754540% |
| All Inclusive Cost (AIC) | | | | 3.335497% |
| Issuer's Counsel: Dinsmore & Shohl LLP | | | | |
| Bond Counsel: Shumaker, Loop & Kendrick, LLP | | | | |
| Underwriter's Counsel: Benesch, Friedlander, Coplan & Aronoff LLP | | | | |
| Financial Advisor: Acacia Financial Group, Inc. | | | | |

SCHEDULE NO. 2

| \$32,320,000 | | | | |
|---|-------------------|---------|----------------------|----------------------|
| State of Ohio | | | | |
| Adult Correctional Variable Rate Bonds | | | | |
| Series 2016B | | | | |
| Dated: 10/26/2016 | | | | |
| Date | Principal | Coupon* | Interest | Debt Service |
| 4/1/2017 | | | 417,060.82 | 417,060.82 |
| 10/1/2017 | | | 486,128.22 | 486,128.22 |
| 4/1/2018 | | | 483,471.78 | 483,471.78 |
| 10/1/2018 | | | 486,128.22 | 486,128.22 |
| 4/1/2019 | | | 483,471.78 | 483,471.78 |
| 10/1/2019 | | | 486,128.22 | 486,128.22 |
| 4/1/2020 | | | 484,800.00 | 484,800.00 |
| 10/1/2020 | | | 484,800.00 | 484,800.00 |
| 4/1/2021 | | | 483,471.78 | 483,471.78 |
| 10/1/2021 | | | 486,128.22 | 486,128.22 |
| 4/1/2022 | | | 483,471.78 | 483,471.78 |
| 10/1/2022 | 1,750,000 | 3.00% | 486,128.22 | 2,236,128.22 |
| 4/1/2023 | | | 457,293.70 | 457,293.70 |
| 10/1/2023 | 1,780,000 | 3.00% | 459,806.30 | 2,239,806.30 |
| 4/1/2024 | | | 431,850.00 | 431,850.00 |
| 10/1/2024 | 1,840,000 | 3.00% | 431,850.00 | 2,271,850.00 |
| 4/1/2025 | | | 403,142.47 | 403,142.47 |
| 10/1/2025 | 1,890,000 | 3.00% | 405,357.53 | 2,295,357.53 |
| 4/1/2026 | | | 374,870.14 | 374,870.14 |
| 10/1/2026 | 1,945,000 | 3.00% | 376,929.86 | 2,321,929.86 |
| 4/1/2027 | | | 345,775.07 | 345,775.07 |
| 10/1/2027 | 2,010,000 | 3.00% | 347,674.93 | 2,357,674.93 |
| 4/1/2028 | | | 316,575.00 | 316,575.00 |
| 10/1/2028 | 2,070,000 | 3.00% | 316,575.00 | 2,386,575.00 |
| 4/1/2029 | | | 284,742.74 | 284,742.74 |
| 10/1/2029 | 2,155,000 | 3.00% | 286,307.26 | 2,441,307.26 |
| 4/1/2030 | | | 252,506.30 | 252,506.30 |
| 10/1/2030 | 2,200,000 | 3.00% | 253,893.70 | 2,453,893.70 |
| 4/1/2031 | | | 219,596.71 | 219,596.71 |
| 10/1/2031 | 2,265,000 | 3.00% | 220,803.29 | 4,485,803.29 |
| 4/1/2032 | | | 186,225.00 | 186,225.00 |
| 10/1/2032 | 2,340,000 | 3.00% | 186,225.00 | 2,526,225.00 |
| 4/1/2033 | | | 150,710.96 | 150,710.96 |
| 10/1/2033 | 2,405,000 | 3.00% | 151,539.04 | 2,556,539.04 |
| 4/1/2034 | | | 114,734.79 | 114,734.79 |
| 10/1/2034 | 2,480,000 | 3.00% | 115,365.21 | 2,595,365.21 |
| 4/1/2035 | | | 77,636.71 | 77,636.71 |
| 10/1/2035 | 2,555,000 | 3.00% | 78,063.29 | 2,633,063.29 |
| 4/1/2036 | | | 39,525.00 | 39,525.00 |
| 10/1/2036 | 2,635,000 | 3.00% | 39,525.00 | 2,674,525.00 |
| Total | 32,320,000 | | 13,076,289.04 | 47,396,289.04 |
| Average Life | | | | 13.485 Years |
| Average Coupon | | | | 3.000212% |
| Net Interest Cost (NIC) | | | | 3.007776% |
| True Interest Cost (TIC) | | | | 3.009752% |
| Bond Yield for Arbitrage Purposes | | | | 2.891332% |
| All Inclusive Cost (AIC) | | | | 3.040079% |
| Issuer's Counsel: Dinsmore & Shohl LLP | | | | |
| Bond Counsel: Bricker & Eckler LLP | | | | |
| Underwriter's Counsel: Calfee, Halter & Griswold LLP | | | | |
| Financial Advisor: PFM Financial Advisors LLC | | | | |
| Remarketing Agent: KeyBanc Capital Markets Inc. | | | | |
| *Rates are estimated at time of sale and are reset weekly by Remarketing Agent. | | | | |

SCHEDULE NO. 3

| \$32,300,000 | | | | |
|---|-------------------|---------|----------------------|----------------------|
| State of Ohio | | | | |
| Adult Correctional Variable Rate Bonds | | | | |
| Series 2016C | | | | |
| Dated: 10/26/2016 | | | | |
| Date | Principal | Coupon* | Interest | Debt Service |
| 4/1/2017 | | | 416,802.74 | 416,802.74 |
| 10/1/2017 | | | 485,827.40 | 485,827.40 |
| 4/1/2018 | | | 438,172.60 | 438,172.60 |
| 10/1/2018 | | | 485,827.40 | 485,827.40 |
| 4/1/2019 | | | 483,172.60 | 483,172.60 |
| 10/1/2019 | | | 485,827.40 | 485,827.40 |
| 4/1/2020 | | | 484,500.00 | 484,500.00 |
| 10/1/2020 | | | 484,500.00 | 484,500.00 |
| 4/1/2021 | | | 483,172.60 | 483,172.60 |
| 10/1/2021 | | | 486,827.40 | 486,827.40 |
| 4/1/2022 | | | 483,172.60 | 483,172.60 |
| 10/1/2022 | 1,700,000 | 3.00% | 485,827.40 | 2,185,827.40 |
| 4/1/2023 | | | 457,742.47 | 457,742.47 |
| 10/1/2023 | 1,800,000 | 3.00% | 460,257.53 | 2,260,257.53 |
| 4/1/2024 | | | 432,000.00 | 432,000.00 |
| 10/1/2024 | 1,800,000 | 3.00% | 432,000.00 | 2,232,000.00 |
| 4/1/2025 | | | 403,890.41 | 403,890.41 |
| 10/1/2025 | 1,900,000 | 3.00% | 406,109.59 | 2,306,109.59 |
| 4/1/2026 | | | 375,468.49 | 375,468.49 |
| 10/1/2026 | 2,000,000 | 3.00% | 377,531.51 | 2,377,531.51 |
| 4/1/2027 | | | 345,550.68 | 345,550.68 |
| 10/1/2027 | 2,000,000 | 3.00% | 347,449.32 | 2,347,531.51 |
| 4/1/2028 | | | 316,500.00 | 316,500.00 |
| 10/1/2028 | 2,100,000 | 3.00% | 316,500.00 | 2,416,500.00 |
| 4/1/2029 | | | 284,219.18 | 284,219.18 |
| 10/1/2029 | 2,100,000 | 3.00% | 285,780.82 | 2,385,780.82 |
| 4/1/2030 | | | 252,805.48 | 252,805.48 |
| 10/1/2030 | 2,200,000 | 3.00% | 254,194.52 | 2,454,194.52 |
| 4/1/2031 | | | 219,895.89 | 219,895.89 |
| 10/1/2031 | 2,300,000 | 3.00% | 221,104.11 | 2,521,104.11 |
| 4/1/2032 | | | 186,000.00 | 186,000.00 |
| 10/1/2032 | 2,300,000 | 3.00% | 186,000.00 | 2,486,000.00 |
| 4/1/2033 | | | 151,084.93 | 151,084.93 |
| 10/1/2033 | 2,400,000 | 3.00% | 151,915.07 | 2,551,915.07 |
| 4/1/2034 | | | 115,183.56 | 115,183.56 |
| 10/1/2034 | 2,500,000 | 3.00% | 115,816.44 | 2,615,816.44 |
| 4/1/2035 | | | 77,786.30 | 77,786.30 |
| 10/1/2035 | 2,600,000 | 3.00% | 78,213.70 | 2,678,213.70 |
| 4/1/2036 | | | 39,000.00 | 39,000.00 |
| 10/1/2036 | 2,600,000 | 3.00% | 39,000.00 | 2,639,000.00 |
| Total | 32,300,000 | | 13,076,630.14 | 45,376,630.14 |
| Average Life | | | | 13.494 Years |
| Average Coupon | | | | 3.000211% |
| Net Interest Cost (NIC) | | | | 3.007772% |
| True Interest Cost (TIC) | | | | 3.009746% |
| Bond Yield for Arbitrage Purposes | | | | 2.891332% |
| All Inclusive Cost (AIC) | | | | 3.040061% |
| Issuer's Counsel: Dinsmore & Shohl LLP | | | | |
| Bond Counsel: Bricker & Eckler LLP | | | | |
| Underwriter's Counsel: Calfee, Halter & Griswold LLP | | | | |
| Financial Advisor: PFM Financial Advisors LLC | | | | |
| Remarketing Agent: Clarity Bidrate Alternative Trading System | | | | |
| *Rates are estimated at time of sale and are reset weekly by Remarketing Agent. | | | | |

SCHEDULE NO. 4

| \$15,380,000 | | | | |
|--|-------------------|--------|---------------------|----------------------|
| State of Ohio | | | | |
| Adult Correctional Building Fund Bonds | | | | |
| Series 2016D | | | | |
| Dated: 10/26/2016 | | | | |
| Date | Principal | Coupon | Interest | Debt Service |
| 10/1/2017 | 2,720,000 | 2.00% | 465,045.14 | 3,185,045.14 |
| 4/1/2018 | | | 222,675.00 | 222,675.00 |
| 10/1/2018 | 3,010,000 | 3.00% | 222,675.00 | 3,232,675.00 |
| 4/1/2019 | | | 177,525.00 | 177,525.00 |
| 10/1/2019 | 3,095,000 | 3.00% | 177,525.00 | 3,272,525.00 |
| 4/1/2020 | | | 131,100.00 | 131,100.00 |
| 10/1/2020 | 3,215,000 | 4.00% | 131,100.00 | 3,346,100.00 |
| 4/1/2021 | | | 66,800.00 | 66,800.00 |
| 10/1/2021 | 3,340,000 | 4.00% | 66,800.00 | 3,406,800.00 |
| Total | 15,380,000 | | 1,661,245.14 | 17,041,245.14 |
| Average Life | | | | 3.025 Years |
| Average Coupon | | | | 3.571269% |
| Net Interest Cost (NIC) | | | | 1.420022% |
| True Interest Cost (TIC) | | | | 1.351572% |
| Bond Yield for Arbitrage Purposes | | | | 2.891332% |
| All Inclusive Cost (AIC) | | | | 1.534147% |
| Issuer's Counsel: Dinsmore & Shohl LLP | | | | |
| Bond Counsel: Bricker & Eckler LLP | | | | |
| Underwriter's Counsel: Calfee, Halter & Griswold LLP | | | | |
| Financial Advisor: PFM Financial Advisors LLC | | | | |

SCHEDULE NO. 5

| \$40,000,000 | | | |
|---|---------------------|---------------------|---------------------|
| State of Ohio | | | |
| Cultural and Sports Facilities Building Fund Projects | | | |
| Series 2016A | | | |
| Dated: 08/25/2016 | | | |
| Date | Principal | Interest | Debt Service |
| 4/1/2017 | | 1,076,670.00 | 1,076,670.00 |
| 10/1/2017 | 3,295,000 | 897,225.00 | 4,192,225.00 |
| 4/1/2018 | | 847,800.00 | 847,800.00 |
| 10/1/2018 | 3,395,000 | 847,800.00 | 4,242,800.00 |
| 4/1/2019 | | 796,875.00 | 796,875.00 |
| 10/1/2019 | 3,515,000 | 796,875.00 | 4,311,875.00 |
| 4/1/2020 | | 726,575.00 | 726,575.00 |
| 10/1/2020 | 3,660,000 | 726,575.00 | 4,386,575.00 |
| 4/1/2021 | | 653,375.00 | 653,375.00 |
| 10/1/2021 | 3,830,000 | 653,375.00 | 4,483,375.00 |
| 4/1/2022 | | 557,625.00 | 557,000.00 |
| 10/1/2022 | 4,025,000 | 557,625.00 | 4,582,625.00 |
| 4/1/2023 | | 457,000.00 | 457,000.00 |
| 10/1/2023 | 4,230,000 | 457,000.00 | 4,687,000.00 |
| 4/1/2024 | | 351,250.00 | 351,250.00 |
| 10/1/2024 | 4,450,000 | 351,250.00 | 4,801,250.00 |
| 4/1/2025 | | 240,000.00 | 240,000.00 |
| 10/1/2025 | 4,680,000 | 240,000.00 | 4,920,000.00 |
| 4/1/2026 | | 123,000.00 | 123,000.00 |
| 10/1/2026 | 4,920,000 | 123,000.00 | 5,043,000.00 |
| Total | \$40,000,000 | \$11,480,895 | \$51,480,895 |
| Average Life | | | 5.978 Years |
| Average Coupon | | | 4.801713% |
| Net Interest Cost (NIC) | | | 1.644239% |
| True Interest Cost (TIC) | | | 1.454673% |
| Bond Yield for Arbitrage Purposes | | | 1.390142% |
| All Inclusive Cost (AIC) | | | 1.517163% |
| Issuer's Counsel: Dinsmore & Shohl LLP | | | |
| Bond Counsel: Tucker Ellis LLP | | | |
| Underwriter's Counsel: Keating Muething & Klekamp LLP | | | |
| Financial Advisor: Acacia Financial Group, Inc. | | | |

SCHEDULE NO. 6

| \$100,000,000 | | | |
|--|--------------------|----------------------|-----------------------|
| State of Ohio | | | |
| Parks and Recreation Improvement Fund Projects | | | |
| Series 2016C | | | |
| Dated: 10/06/2016 | | | |
| Date | Principal | Interest | Debt Service |
| 6/1/2017 | | 2,963,056.25 | 2,963,056.25 |
| 12/1/2017 | 4,905,000 | 2,269,575.00 | 7,174,575.00 |
| 6/1/2018 | | 2,220,525.00 | 2,220,525.00 |
| 12/1/2018 | 5,030,000 | 2,220,525.00 | 7,250,525.00 |
| 6/1/2019 | | 2,145,075.00 | 2,145,075.00 |
| 12/1/2019 | 5,180,000 | 2,145,075.00 | 7,325,075.00 |
| 6/1/2020 | | 2,067,375.00 | 2,067,375.00 |
| 12/1/2020 | 5,365,000 | 2,067,375.00 | 7,432,375.00 |
| 6/1/2021 | | 1,960,075.00 | 1,960,075.00 |
| 12/1/2021 | 5,585,000 | 1,960,075.00 | 7,545,075.00 |
| 6/1/2022 | | 1,848,375.00 | 1,848,375.00 |
| 12/1/2022 | 5,845,000 | 1,848,375.00 | 7,693,375.00 |
| 6/1/2023 | | 1,702,250.00 | 1,702,250.00 |
| 12/1/2023 | 6,140,000 | 1,702,250.00 | 7,842,250.00 |
| 6/1/2024 | | 1,548,750.00 | 1,548,750.00 |
| 12/1/2024 | 6,460,000 | 1,548,750.00 | 8,008,750.00 |
| 6/1/2025 | | 1,387,250.00 | 1,387,250.00 |
| 12/1/2025 | 6,790,000 | 1,387,250.00 | 8,177,250.00 |
| 6/1/2026 | | 1,217,500.00 | 1,217,500.00 |
| 12/1/2026 | 7,135,000 | 1,217,500.00 | 8,352,500.00 |
| 6/1/2027 | | 1,039,125.00 | 1,039,125.00 |
| 12/1/2027 | 7,505,000 | 1,039,125.00 | 8,544,125.00 |
| 6/1/2028 | | 851,500.00 | 851,500.00 |
| 12/1/2028 | 7,890,000 | 851,500.00 | 8,741,500.00 |
| 6/1/2029 | | 654,250.00 | 654,250.00 |
| 12/1/2029 | 8,290,000 | 654,250.00 | 8,944,250.00 |
| 6/1/2030 | | 447,000.00 | 447,000.00 |
| 12/1/2030 | 8,715,000 | 447,000.00 | 9,162,000.00 |
| 6/1/2031 | | 229,125.00 | 229,125.00 |
| 12/1/2031 | 9,165,000 | 229,125.00 | 9,394,125.00 |
| Total | 100,000,000 | 43,868,981.25 | 143,868,981.25 |
| Average Life | | | 9.018 Years |
| Average Coupon | | | 4.864344% |
| Net Interest Cost (NIC) | | | 2.528566% |
| True Interest Cost (TIC) | | | 2.209095% |
| Bond Yield for Arbitrage Purposes | | | 1.812832% |
| All Inclusive Cost (AIC) | | | 2.242909% |
| Issuer's Counsel: Dinsmore & Shohl LLP | | | |
| Bond Counsel: Bricker & Eckler LLP | | | |
| Underwriter's Counsel: Calfee, Halter & Griswold LLP | | | |
| Financial Advisor: PFM Financial Advisors LLC | | | |

The Accountants' Report and Financial Statements that follow are incorporated as part of this Annual Report.

The following Accountants' Report by Kennedy Cottrell Richards is provided in accordance with the respective general bond resolutions adopted with regard to the State of Ohio mental health facilities, parks and recreation facilities, cultural and sports facilities, administrative facilities, adult correctional, juvenile correctional, highway safety, and transportation facilities Obligations.

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

Financial Statements
and
Supplementary Financial Information
For the Year Ended June 30, 2017
and
Independent Auditors' Report Thereon

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

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

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INDEPENDENT AUDITOR'S REPORT

Treasurer of State of Ohio
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Debt Service Funds (the Funds) as held in the name of the Treasurer of the State of Ohio (the Treasurer) of the Mental Health Facilities, Parks and Recreation Facilities, Cultural and Sports Facilities, Adult Correctional Facilities, Administrative Facilities, Juvenile Correctional Facilities, Highway Safety Facilities, and the Transportation Building lease revenue bonds governed by the Ohio Revised Code Chapter 154 (the Obligations), as of and for the year ended June 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds of the Treasurer of the State of Ohio, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the Treasurer of State of Ohio (which is part of the reporting entity of the State of Ohio) as of June 30, 2017, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2017, on our consideration of the Treasurer's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Treasurer's internal control over financial reporting and compliance.



KENNEDY COTTRELL RICHARDS LLC

September 19, 2017

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

This section of the annual financial report for the Chapter 154 Lease Revenue Obligations presents management's discussion and analysis of financial performance during the year ended June 30, 2017. The management's discussion and analysis section should be read in conjunction with the Chapter 154 Lease Revenue Obligations debt service funds' financial statements, which follow. Chapter 154 refers to a chapter in the Ohio Revised Code (Ohio's statutes) titled, *Financing for Certain Capital Facilities*.

FINANCIAL HIGHLIGHTS

- As of June 30, 2017, total debt service fund assets exceeded liabilities and deferred inflows of resources by \$11.2 million. The total combined ending fund balance, which is restricted for debt service, increased by \$536 thousand during fiscal year 2017.
- For fiscal year 2017, other financing sources from lease principal payments from state agency-lessees totaled \$217.0 million, and lease interest revenue was reported at \$82.0 million.
- During fiscal year 2017, the Treasurer of State issued \$290 million in new bonds with a total premium of \$41.3 million. In addition, \$216.7 million in bond principal and \$81.8 million in bond interest were paid to bondholders.

OVERVIEW OF THE FUND FINANCIAL STATEMENTS

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

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

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

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

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

In addition, supplementary financial information follows the notes. Supplementary financial information, which can be found on Pages 19 to 31, provides additional information that is considered to be useful to certain users of the financial statements.

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

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

A comparative balance sheet analysis follows:

Balance Sheet
Comparative Analysis
(Dollars in 000s)

| | As of 06/30/17 | As of 06/30/16 | Percentage Change |
|--|---------------------------|---------------------------|------------------------------|
| ASSETS: | | | |
| Cash and Investments..... | \$ 227 | \$ 3,987 | -94.3% |
| Receivable from State Agencies: | | | |
| Lease Principal..... | 1,842,400 | 1,769,120 | 4.1% |
| Lease Interest..... | 21,138 | 18,413 | 14.8% |
| TOTAL ASSETS..... | 1,863,765 | 1,791,520 | |
| LIABILITIES AND DEFERRED INFLOW OF RESOURCES: | | | |
| Accounts Payable..... | 70 | 534 | -86.9% |
| Unearned Revenue..... | - | 1,093 | -100.0% |
| Deferred Inflow of Resources-Unavailable Revenue | 1,852,465 | 1,779,199 | 4.1% |
| TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES..... | 1,852,535 | 1,780,826 | |
| FUND BALANCES: | | | |
| Restricted for Debt Service..... | 11,230 | 10,694 | 5.0% |
| TOTAL FUND BALANCES..... | 11,230 | 10,694 | |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES..... | \$ 1,863,765 | \$ 1,791,520 | |

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

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

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

Revenue
Comparative Analysis
(Dollars in 000s)

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

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

Expenditures
Comparative Analysis
(Dollars in 000s)

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

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

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

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

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

The increase in new money bond proceeds (principal and premium) and financing provided to state agencies under leases are the result of four larger bond issuances, involving six new series of bonds, in fiscal year 2017 compared to four bond issuances involving four new series of bonds in fiscal year 2016. The decrease in refunding bond proceeds (principal and interest) and payments to refunding escrow agent are the result of no refunding issuances during the 2017 fiscal year compared to the two refunding issuances, involving three series of bonds during the 2016 fiscal year.

BUDGETARY HIGHLIGHTS

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

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

ECONOMIC FACTORS

- Generally, interest rates affect the pricing of new bond issues. Currently the Federal Open Market Committee (FOMC) at the Federal Reserve has decided to raise its target for the federal funds rate to 1.00% to 1.25%.
- The balances of Chapter 154 Lease Revenue Bonds authorized, but unissued, as of June 30, 2017, were as follows (dollars in thousands):

| <u>Bond Type</u> | <u>Authorized, but Unissued</u> |
|----------------------------------|--|
| Mental Health Facilities | \$ 89,915 |
| Parks and Recreation Facilities | 213,000 |
| Cultural and Sports Facilities | 66,310 |
| Adult Correctional Facilities | 227,500 |
| Administrative Facilities | 93,200 |
| Juvenile Correctional Facilities | 47,000 |
| Highway Safety Facilities | - |
| Transportation Facilities | 100,900 |
| Total | <u>\$ 837,825</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, 2017
(Dollars in 000s)

| | Mental Health Facilities Bond Service | Parks and Recreation Facilities Bond Service | Cultural and Sports Facilities Bond Service | Adult Correctional Facilities Bond Service | Administrative Facilities Bond Service | Juvenile Correctional Facilities Bond Service | Highway Safety Facilities Bond Service | Transportation Building Bond Service | Total Debt Service Funds |
|--|---------------------------------------|--|---|--|--|---|--|--------------------------------------|--------------------------|
| ASSETS: | | | | | | | | | |
| Cash..... | \$ 7 | \$ 11 | \$ 26 | \$ 81 | \$ 46 | \$ 25 | \$ 1 | \$ 30 | \$ 227 |
| Receivable from State Agencies: | | | | | | | | | |
| Lease Principal..... | 175,950 | 262,425 | 130,665 | 490,450 | 610,325 | 88,620 | 7,330 | 76,635 | 1,842,400 |
| Lease Interest..... | 2,203 | 3,208 | 1,445 | 5,463 | 7,005 | 831 | 78 | 905 | 21,138 |
| TOTAL ASSETS..... | 178,160 | 265,644 | 132,136 | 495,994 | 617,376 | 89,476 | 7,409 | 77,570 | 1,863,765 |
| LIABILITIES: | | | | | | | | | |
| Accounts Payable..... | - | - | - | 33 | 37 | - | - | - | 70 |
| TOTAL LIABILITIES..... | - | - | - | 33 | 37 | - | - | - | 70 |
| DEFERRED INFLOW OF RESOURCES: | | | | | | | | | |
| Unavailable Revenue..... | 173,808 | 258,905 | 132,110 | 495,913 | 617,330 | 89,451 | 7,408 | 77,540 | 1,852,465 |
| TOTAL DEFERRED INFLOW OF RESOURCES..... | 173,808 | 258,905 | 132,110 | 495,913 | 617,330 | 89,451 | 7,408 | 77,540 | 1,852,465 |
| FUND BALANCES: | | | | | | | | | |
| Restricted for Debt Service..... | 4,352 | 6,739 | 26 | 48 | 9 | 25 | 1 | 30 | 11,230 |
| TOTAL FUND BALANCES..... | 4,352 | 6,739 | 26 | 48 | 9 | 25 | 1 | 30 | 11,230 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES..... | \$ 178,160 | \$ 265,644 | \$ 132,136 | \$ 495,994 | \$ 617,376 | \$ 89,476 | \$ 7,409 | \$ 77,570 | \$ 1,863,765 |

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Debt Service Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

(Dollars in 000s)

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Community College Intercept Program – In August 2010, the Authority issued \$20,145 of bonds at rates from 2.0% to 4.45%, with payments due through 2019 on behalf of Stark State College, and, in October 2010, the Authority issued \$9,525 of bonds at rates from 1.5% to 6.17%, with payments due through 2035 on behalf of Clark State Community College. In fiscal year 2013, the Treasurer of State issued \$4,125 of bonds at rates from 2.0% to 4.0%, with payments due through 2033 on behalf of Rhodes State College (collectively, the “Colleges”). Since the Colleges are a proprietary component unit of the State of Ohio, its financial statements report the assets and debt financed through the Authority or Treasurer. Accordingly, the Treasurer’s Debt Service Fund financial statements do not include the College’s activity. At June 30, 2017, \$14,095 of College bonds were outstanding.

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

B. Fund Accounting and Basis of Presentation

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

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

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

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

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

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

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget

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

E. Leases

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

F. Fund Balance

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

G. Use of Estimates

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

H. Unearned Revenue

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

NOTE 2 — DEPOSITS

As of June 30, 2017, the total carrying amount of deposits was \$227. The entire bank balance of \$227 was insured or collateralized.

NOTE 3 — LEASES

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

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

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

For the 2016-17 biennium, the 131st General Assembly appropriated the amounts necessary from the General Revenue Fund to meet the payments required under such leases. The appropriated amounts and the lease amounts paid during fiscal years 2016 and 2017 are detailed in the schedule, below. Such amounts were paid into the Treasurer's respective Bond Service Funds that are established to receive rental and other payments and to make payments of bond service charges (principal and interest).

| | <u>Appropriations</u> | <u>Rent Paid to Treasurer of State</u> |
|--|-----------------------|--|
| Ohio Department of Mental Health and Addiction Services and Ohio Department of Developmental Disabilities – Mental Health Facilities | \$ 81,700 | \$ 81,534 |
| Ohio Department of Natural Resources – Parks and Recreation Facilities | 47,980 | 47,510 |
| Ohio Facilities Construction Commission – Cultural and Sports Facilities | 55,466 | 53,813 |
| Ohio Department of Rehabilitation and Correction – Adult Correctional Facilities | 162,298 | 155,667 |
| Ohio Department of Administrative Services – Administrative Facilities | 194,299 | 189,606 |
| Ohio Department of Youth Services – Juvenile Correctional Facilities | 46,545 | 44,649 |
| Ohio Department of Public Safety – Highway Safety Facilities | 4,869 | 4,791 |
| Ohio Department of Transportation – Transportation Facilities | 24,180 | 16,257 |

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

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

As of and for the Year Ended June 30, 2017

NOTE 3 — LEASES (Continued)

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

As of June 30, 2017, future payments to be received from the state agencies responsible for making the requisite payments under the lease agreements are detailed in the following schedule by debt service fund.

**Schedule of Future Payments
Under Lease Agreements with State Agencies
as of June 30, 2017**

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

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

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

As of and for the Year Ended June 30, 2017

NOTE 3 — LEASES (Continued)

A summary of the unavailable portion of leases receivable by debt service fund as of June 30, 2017 is presented in the table below:

| | Mental Health Facilities Bond Service | Parks & Recreation Facilities Bond Service | Cultural & Sports Facilities Bond Service | Adult Correctional Facilities Bond Service |
|---|--|---|--|---|
| Lease Principal | \$ 173,555 | \$ 258,455 | \$ 130,665 | \$ 490,450 |
| Lease Interest | 253 | 450 | 1,445 | 5,463 |
| Total Unavailable Revenue as of June 30, 2017..... | <u>\$ 173,808</u> | <u>\$ 258,905</u> | <u>\$ 132,110</u> | <u>\$ 495,913</u> |

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

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

The Ohio Office of Budget and Management will consolidate the accompanying financial statements of the debt service funds in the financial statements presented in the State of Ohio's CAFR as of and for the year ended June 30, 2017.

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

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

SUPPLEMENTARY INFORMATION

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

| | <u>Total Debt Service Funds</u> |
|---|---|
| ASSETS: | |
| Cash..... | \$ 227 |
| Receivables from State Agencies: | |
| Leases..... | 1,842,400 |
| Unamortized Lease Premium/Discount, Net..... | 152,967 |
| Interest..... | <u>21,138</u> |
| TOTAL ASSETS..... | <u>2,016,732</u> |
| DEFERRED OUTFLOW OF RESOURCES: | |
| Deferred Charge on Refunding..... | <u>21,624</u> |
| TOTAL DEFERRED OUTFLOW OF RESOURCES..... | <u>21,624</u> |
| LIABILITIES: | |
| Accounts Payable..... | 70 |
| Bond Interest Payable..... | 21,295 |
| Bonds Payable, net of premiums and discount: | |
| Due in One Year..... | 253,469 |
| Due in More Than One Year..... | <u>1,763,522</u> |
| TOTAL LIABILITIES..... | <u>2,038,356</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, 2017

(Dollars in 000s)

| | Mental Health Facilities | Parks and Recreation Facilities | Cultural and Sports Facilities | Adult Correctional Facilities | Administrative Facilities | Juvenile Correctional Facilities | Highway Safety Facilities | Transportation Building Facilities | Total Debt Service Funds |
|---|--------------------------------|---------------------------------------|---|-------------------------------------|------------------------------|--|---------------------------------|--|--------------------------------|
| EXPENSES: | | | | | | | | | |
| Administrative..... | \$ 33 | \$ 29 | \$ 50 | \$ 96 | \$ 91 | \$ 75 | \$ 41 | \$ 10 | \$ 425 |
| Bond Issue Costs..... | - | 707 | 320 | 422 | 507 | - | - | - | 1,956 |
| Interest on Debt..... | 4,372 | 7,409 | 3,531 | 17,336 | 22,027 | 3,152 | 256 | 2,178 | 60,261 |
| TOTAL EXPENSES..... | 4,405 | 8,145 | 3,901 | 17,854 | 22,625 | 3,227 | 297 | 2,188 | 62,642 |
| PROGRAM REVENUES: | | | | | | | | | |
| Charges for Services (1)..... | 4,405 | 8,145 | 3,901 | 17,854 | 22,625 | 3,227 | 297 | 2,188 | 62,642 |
| TOTAL PROGRAM REVENUES..... | 4,405 | 8,145 | 3,901 | 17,854 | 22,625 | 3,227 | 297 | 2,188 | 62,642 |
| NET EXPENSE AND CHANGES IN NET POSITION..... | - | - | - | - | - | - | - | - | - |
| NET POSITION, JULY 1..... | - | - | - | - | - | - | - | - | - |
| NET POSITION, JUNE 30..... | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Reconciliation Schedule Between the Balance Sheet
and the Schedule of Net Position
As of June 30, 2017
(Dollars in 000s)

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

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

| | |
|---|----------------|
| Unamortized Lease Premium/Discount, Net | <u>152,967</u> |
| | <u>152,967</u> |

| | |
|---|--------|
| The accounting loss reported as a deferred outflow of resources is applicable to future reporting periods and is not reported on the fund statements. | 21,624 |
|---|--------|

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

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

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

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

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

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

| | |
|-----------------|--------|
| Lease Principal | 73,050 |
| Lease Interest | 216 |
| | 73,266 |

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

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

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

| | |
|----------|-----------|
| Bonds | (290,000) |
| Premiums | (41,261) |
| | (331,261) |

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

| | |
|--------------------------------------|---------|
| Scheduled Debt Principal Retirements | 216,720 |
| | 216,720 |

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

| | |
|--|---------|
| Decrease in Bond Interest Payable | (522) |
| Amortization of Bond Premiums/Accretion of Bond Discounts, Net | 28,145 |
| Amortization of Deferred Refunding Amount | (6,072) |
| | 21,551 |

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

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Future Payments
Under Lease Agreements with State Agencies
As of June 30, 2017
(Dollars in 000s)

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

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

Outstanding Chapter 154 Lease Revenue Obligations as of June 30, 2017 are in the form of fully registered bonds that mature in various amounts and at various dates and bear interest payable semiannually at various interest rates. The bonds mature after specified dates and are subject to redemption prior to maturity, in whole or in part, in inverse order of maturity. The redemption price varies from 100% to 102%, dependent upon the terms of the particular series of the bonds and the redemption date.

As of June 30, 2017, the Chapter 154 Lease Revenue Obligations had the following credit ratings assigned by the major bond rating agencies:

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

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

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

Details on bonds issued through June 30, 2017 are displayed in the following tables. Bond amounts issued in accordance with the above authorizations amounts are listed under the "Original Issues at Par" column. Bond issue authorization limits do not apply to advance refunding issues. The final maturity dates and average effective interest rates reported on the following tables represent data valid at the time of the original issue; this data has not been adjusted for the effects of any advance refunding issues that occurred subsequent to the original bond series issue.

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

Mental Health Facilities Bonds

| | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2017 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$1,322,085 | \$ 413,240 | Various | Various | Various | \$ — |
| <i>Outstanding bonds:</i> | | | | | | |
| II-2008A | 30,000 | — | 11/19/2008 | 6/1/2018 | 3.72% | 3,595 |
| 2009A | 40,000 | — | 12/17/2009 | 12/1/2019 | 2.56% | 13,565 |
| 2012A | — | 24,175 | 5/17/2012 | 6/1/2019 | 4.56% | 6,890 |
| 2013A | 25,000 | — | 3/7/2013 | 2/1/2013 | 3.55% | 15,745 |
| 2013B | — | 15,375 | 3/7/2013 | 8/1/2019 | 4.59% | 7,565 |
| 2014A | 50,000 | — | 1/30/2014 | 2/1/2024 | 4.42% | 39,490 |
| 2015A | 50,000 | — | 5/5/2015 | 2/1/2025 | 4.95% | 41,535 |
| 2016A | 50,000 | — | 6/28/2016 | 6/1/2026 | 4.86% | 47,565 |
| Total | <u>\$1,567,085</u> | <u>\$ 452,790</u> | | | | <u>\$ 175,950</u> |

Parks and Recreation Facilities Bonds

| Series | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2017 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$ 313,000 | \$ 99,535 | Various | Various | Various | \$ — |
| <i>Outstanding bonds:</i> | | | | | | |
| II-2007A | 30,000 | — | 11/13/2007 | 12/1/2017 | 3.82% | 3,625 |
| II-2009A | 35,000 | — | 3/12/2009 | 12/1/2020 | 3.95% | 14,905 |
| II-2011A | 30,000 | — | 3/3/2011 | 8/1/2025 | 4.06% | 11,270 |
| II-2012A | — | 7,570 | 5/17/2012 | 12/1/2018 | 4.46% | 3,945 |
| 2013A | — | 11,200 | 4/11/2013 | 8/1/2019 | 3.43% | 5,795 |
| 2015A | 40,000 | — | 3/5/2015 | 2/1/2030 | 4.98% | 35,970 |
| 2016A | 80,000 | — | 3/31/2016 | 2/1/2031 | 4.99% | 76,500 |
| 2016B | — | 10,415 | 6/28/2016 | 8/1/2025 | 4.81% | 10,415 |
| 2016C | 100,000 | — | 10/6/2016 | 12/1/2031 | 4.86% | 100,000 |
| Total | <u>\$ 628,000</u> | <u>\$ 128,720</u> | | | | <u>\$ 262,425</u> |

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

Cultural and Sports Facilities Bonds

| | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2017 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$ 398,690 | \$ 35,175 | Various | Various | Various | \$ — |
| <i>Outstanding bonds:</i> | | | | | | |
| 2008B | 30,000 | — | 12/3/2008 | 10/1/2018 | 3.68% | 7,160 |
| 2010A | 30,000 | — | 2/10/2010 | 10/1/2020 | 3.73% | 13,925 |
| 2011A | 28,000 | — | 3/3/2011 | 10/1/2020 | 4.84% | 15,355 |
| 2013A | 18,000 | — | 3/7/2013 | 4/1/2023 | 1.88% | 11,720 |
| 2013B | — | 19,890 | 3/7/2013 | 4/1/2020 | 1.30% | 9,385 |
| 2015A | — | 9,920 | 2/26/2015 | 10/1/2019 | 1.40% | 7,285 |
| 2015B | 30,000 | — | 8/12/2015 | 4/1/2025 | 5.00% | 25,835 |
| 2016A | 40,000 | — | 8/25/2016 | 10/1/2026 | 4.80% | 40,000 |
| Total | <u>\$ 574,690</u> | <u>\$ 64,985</u> | | | | <u>\$ 130,665</u> |

Adult Correctional Facilities Bonds

| | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2017 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$1,734,500 | 1,048,980 | Various | Various | Various | \$ — |
| <i>Outstanding bonds:</i> | | | | | | |
| 2004C | — | 225,350 | 10/21/2004 | 10/1/2018 | 5.11% | 31,340 |
| 2008A | 25,000 | — | 3/6/2008 | 4/1/2023 | 4.77% | 1,750 |
| 2009A | 40,000 | — | 1/22/2009 | 10/1/2028 | 4.76% | 5,775 |
| 2009B | — | 75,790 | 9/17/2009 | 10/1/2024 | 3.46% | 49,390 |
| 2010A | — | 79,325 | 8/31/2010 | 10/1/2024 | 4.59% | 51,735 |
| 2011A | 40,000 | — | 2/1/2011 | 4/1/2031 | 4.91% | 32,680 |
| 2011B | — | 101,530 | 9/15/2011 | 10/1/2024 | 2.65% | 41,190 |
| 2012A | — | 17,360 | 5/17/2012 | 4/1/2023 | 5.00% | 17,360 |
| 2013A | — | 47,320 | 3/7/2013 | 10/1/2024 | 5.00% | 40,380 |
| 2014A | 45,000 | — | 5/7/2014 | 4/1/2034 | 4.85% | 40,435 |
| 2015A | — | 10,030 | 2/26/2015 | 10/1/2022 | 5.00% | 10,030 |
| 2015B | 70,000 | — | 11/19/2015 | 10/1/2035 | 4.98% | 67,820 |
| 2016A | — | 20,565 | 5/25/2016 | 10/1/2028 | 4.96% | 20,565 |
| 2016B | 32,320 | — | 10/26/2016 | 10/1/2036 | 0.89%* | 32,320 |
| 2016C | 32,300 | — | 10/26/2016 | 10/1/2036 | 0.959%* | 32,300 |
| 2016D | 15,380 | — | 10/26/2016 | 10/1/2021 | 3.57% | 15,380 |
| Total | <u>\$2,034,500</u> | <u>\$1,626,250</u> | | | | <u>\$ 490,450</u> |

*The interest rates for the Series 2016B bonds and the Series 2016C bonds are set on a weekly basis and the above rates are as of June 30, 2017. The rates are set on Tuesdays, and are effective Wednesday through the following Tuesday (for a total period of 7 days). The rate for the Series 2016B bonds is determined by a remarketing agent. The rate for the Series 2016C bonds is established in a bid process that is held on the Clarity Bidrate Alternative Trading System. Subscribers to the Clarity System can submit bids to purchase Series 2016C bonds, and the weekly rate is the lowest interest rate at which the entire principal amount of the Series 2016B bonds would be sold based on the bids submitted.

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

Administrative Facilities Bonds

| | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2017 |
|---|---------------------------------------|--|-----------------------|------------------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$1,377,305 | \$ 696,383 | Various | Various | Various | \$ — |
| <i>Outstanding Bonds:</i> | | | | | | |
| 2001A | 120,000 | — | 4/1/2001 | 10/1/2020 | 5.14% | 18,790 |
| 2004B | — | 130,750 | 10/21/2004 | 10/1/2018 | 4.94% | 14,510 |
| 2006B | — | 70,335 | 10/3/2006 | 4/1/2018 | 3.93% | 26,470 |
| 2008A | 25,000 | — | 3/6/2008 | 4/1/2023 | 4.85% | 1,755 |
| 2009A | 60,000 | — | 1/22/2009 | 10/1/2028 | 4.24% | 8,825 |
| 2009B | — | 86,590 | 9/17/2009 | 10/1/2024 | 4.93% | 55,445 |
| 2010B | 30,995 | — | 4/1/2010 | 10/1/2029 | 5.58% | 30,995 |
| 2010C | — | 148,865 | 8/31/2010 | 10/1/2024 | 4.84% | 96,900 |
| 2011A | — | 38,595 | 9/15/2011 | 10/1/2024 | 2.65% | 29,890 |
| 2012A | 32,700 | — | 3/8/2012 | 4/1/2032 | 4.13% | 26,770 |
| 2012B | — | 28,055 | 3/8/2012 | 4/1/2024 | 5.00% | 28,055 |
| 2013A | — | 48,660 | 4/11/2013 | 4/1/2025 | 4.95% | 40,735 |
| 2013B | 50,000 | — | 7/31/2013 | 4/1/2033 | 4.80% | 44,660 |
| 2015A | 61,930 | — | 1/28/2015 | 4/1/2035 | 4.31% | 59,780 |
| 2015B | 18,070 | — | 1/28/2015 | 4/1/2025 | 2.59% | 14,765 |
| 2015C | — | 11,185 | 2/26/2015 | 10/1/2022 | 2.95% | 10,885 |
| 2016A | — | 31,095 | 5/25/2016 | 10/1/2028 | 4.95% | 31,095 |
| 2017A | 70,000 | — | 4/19/2017 | 4/1/2037 | 4.91% | 70,000 |
| Total | <u>\$1,846,000</u> | <u>\$1,290,513</u> | | | | <u>\$ 610,325</u> |

Juvenile Correctional Facilities Bonds

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

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

Highway Safety Facilities Bonds

| | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2017 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | \$ 140,285 | \$ 41,695 | Various | Various | Various | \$ — |
| <i>Outstanding Bonds:</i> | | | | | | |
| 2010A | — | 10,860 | 4/1/2010 | 10/1/2020 | 4.49% | 5,750 |
| 2014A | — | 3,815 | 5/7/2014 | 4/1/2019 | 3.59% | 1,580 |
| Total | <u>\$ 140,285</u> | <u>\$ 56,370</u> | | | | <u>\$ 7,330</u> |

Transportation Facilities Bonds

| | Original Issues at Par | Advance Refunding Issues at Par | Issue Date | Final Maturity Date | Average Effective Interest Rate | Outstanding Balance at Par, as of June 30, 2017 |
|---|------------------------------|--|---------------|---------------------------|--|--|
| <i>Previously issued bonds with no outstanding balance:</i> | | | | | | |
| Various | 155,800 | \$ — | Various | Various | Various | \$ — |
| <i>Outstanding Bonds:</i> | | | | | | |
| 2015A | 84,300 | \$ — | 1/28/2015 | 4/1/2030 | 4.93% | 76,635 |
| Total | <u>\$ 240,100</u> | <u>\$ -</u> | | | | <u>\$ 76,635</u> |

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

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

STATE OF OHIO
CHAPTER 154 LEASE REVENUE OBLIGATIONS
Schedule of Future Debt Service Funding Requirements
As of June 30, 2017
(Dollars in 000s)

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

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

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

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

Prior Years' Defeasances

The Treasurer has defeased certain Chapter 154 Lease Revenue Obligations by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the financial statements of the Chapter 154 Lease Revenue Obligations. The following table details advance refunded bonds, which are considered to be defeased and no longer outstanding as of June 30, 2017 that were refunded in fiscal year 2017 and prior.

| <u>Refunded Issue</u> | <u>Principal Yet to be Paid as of June 30, 2017</u> | <u>Scheduled Redemption Date</u> |
|--------------------------------|---|--|
| Parks & Recreation Facilities: | | |
| 2011A | \$ 10,875 | August 1, 2020 |
| | <u>10,875</u> | |
| Adult Correctional Facilities: | | |
| 2008A | 10,255 | April 1, 2018 |
| 2009A | 22,515 | April 1, 2019 |
| | <u>32,770</u> | |
| Administrative Facilities: | | |
| 2008A | 10,270 | April 1, 2018 |
| 2009A | 34,270 | April 1, 2019 |
| | <u>44,540</u> | |
| Total | <u>\$ 88,185</u> | |

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

Treasurer of State of Ohio
Columbus, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Debt Service Funds, as held in the name of the Treasurer of State of Ohio (the Treasurer) of the Mental Health Facilities, Parks and Recreation Facilities, Cultural and Sports Facilities, Adult Correctional Facilities, Administrative Facilities, Juvenile Correctional Facilities, Highway Safety Facilities and the Transportation Building lease revenue bonds governed by the Ohio Revised Code Chapter 154 as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

KENNEDY COTTRELL RICHARDS LLC

September 19, 2017