



Dave Yost • Auditor of State



**STATE OF OHIO**  
**SINGLE AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**ATTACHMENTS**

State of Ohio *Comprehensive Annual Financial Report*

NOTE:

The State of Ohio *Comprehensive Annual Financial Report* for fiscal year ended June 30, 2016, including the Independent Auditor's Report, has been issued under separate cover by the Ohio Office of Budget and Management. This report is included as an attachment herein and can also be viewed at the following website: <http://obm.ohio.gov/>

## **EXECUTIVE SUMMARY 2016 STATE OF OHIO SINGLE AUDIT**

### **AUDIT OF BASIC FINANCIAL STATEMENTS**

There are 10 separate opinion units included in the basic financial statements of the State of Ohio for the state fiscal year (FY) ended June 30, 2016. For six of the 10 opinion units, our opinion was based, in whole or in part, on audits performed by independent accounting firms under contract with the Auditor of State. The remaining four opinion unit audits were performed by audit staff of the Auditor of State. This information is described on page 1 in our Independent Auditor's Report included in the Comprehensive Annual Financial Report (CAFR). The State of Ohio CAFR is included as an attachment to this report.

We audited the basic financial statements of the State of Ohio as of and for the period ended June 30, 2016, following auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The objective of our audit was to express our opinion concerning whether the financial statements present fairly, in all material respects, the respective financial position of the State of Ohio, and cash flows thereof and the respective budgetary comparisons, in accordance with accounting principles generally accepted in the United States of America. We issued unqualified opinions on the 10 opinion units. Our opinion letter, dated December 22, 2016, was provided to the Office of Budget and Management who released it, along with the CAFR, under separate cover.

In addition to our opinions on the basic financial statements, we issued an Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*, dated December 22, 2016. There was one material weakness, but no noncompliance or significant deficiencies, required to be reported in this letter, for the fiscal year ended June 30, 2016.

### **AUDIT RESPONSIBILITIES AND REPORTING UNDER FEDERAL UNIFORM GUIDANCE**

The Single Audit Act requires an annual audit of the State's federal financial assistance programs. The specific audit and reporting requirements utilized for the June 30, 2016 audit are set forth in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The purpose of the Uniform Guidance is to help reduce the administrative burden and strengthen oversight of federal funds to reduce the risk of fraud, waste, and abuse. This guidance makes grant requirements similar across all types of grant recipients and all federal agencies and aims to eliminate duplicative language, and to clarify where grant policies are different across entity types. The *Administrative Requirements and Cost Principles* portion of the changes apply to new awards and to additional funding to existing awards (funding increments) made after December 26, 2014. Existing federal awards continued to be governed by the terms and conditions of the federal award. Therefore, these changes were in effect for our FY 2016 testing.

The Schedule of Expenditures of Federal Awards (the Schedule) reports federal expenditures for each federal financial assistance program by federal agency, as identified by the Catalog of Federal Domestic Assistance (CFDA) number. As detailed on pages 9 through 18, the State administered 313 federal programs from 24 Federal agencies with total federal expenditures of \$27.9 billion in FY 2016.

Of the \$27.9 billion, the State disbursed \$32.7 million in funding related to the American Recovery and Reinvestment Act (ARRA) of 2009, as detailed in Note 6 on page 24. This compares to \$71.4 million in ARRA funds disbursed in FY 2015, \$519 million disbursed in FY 2014, \$1 billion disbursed in FY 2013, and \$1.6 billion disbursed in FY 2012.

The Schedule is used for identifying Type A and Type B programs. For FY 2016, Type A federal programs for the State of Ohio were those programs with annual federal expenditures exceeding \$41.9 million. There were 29 programs at or above this amount. All other programs were identified as Type B in accordance with the Uniform Guidance requirements. The identification of Type A and B programs is utilized for determining which federal programs will be tested in detail for compliance with federal laws and regulations. Under the Uniform Guidance, the auditor uses a risk-based approach to testing. Once programs are classified as Type A or B, they are then assessed as either high or low risk programs. All high-risk Type A programs are considered major programs and are tested in detail for compliance with federal regulations. Low-risk Type A programs must be tested at least once every three years. Auditors are not required to identify more high-risk Type B programs than at least 1/4 the number of low-risk Type A programs, and are required to test as a major program each Type B program that is identified as high-risk. The State of Ohio Single Audit included the testing of 24 Type A programs and four high-risk Type B programs as major programs in FY 2016.

Included in the Schedule are monies paid by the Ohio Department of Job & Family Services and the Ohio Department of Medicaid to their subrecipient county agencies to administer applicable portions of the Medicaid Cluster, Children's Health Insurance Program (CHIP), Temporary Assistance for Needy Families (TANF), Foster Care, Adoption Assistance, Social Services Block Grant (SSBG), Child Care Cluster, Child Support Enforcement, and Supplemental Nutrition Assistance Program (SNAP) federal programs. The related county federal schedules will report expenditures for all disbursements made at the county level. However, for the Medicaid, CHIP, TANF (Ohio Works First portion), Adoption Assistance, CCDF Cluster, and SNAP federal programs, the counties performed selected functions and maintained case records to support benefits paid by the Ohio Department of Job & Family Services and the Ohio Department of Medicaid related to these programs. We selected five of 88 counties and performed testing related to the specific county level activities for these five major programs (Note: Adoption Assistance was cycled out and not tested as a major program in FY 2016). The results of our county level audit procedures are included in the Schedule of Findings and Questioned Costs.

The State's colleges and universities' federal financial assistance, which was approximately \$3.4 billion in FY 2016, is excluded from the State's Schedule although their financial activities are included in the State's financial statements (Discretely Presented Component Units). The State's colleges and universities included in the State's reporting entity are subject to separate audits under the Uniform Guidance.

In accordance with the Uniform Guidance, we issued an *Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance*. Our report on compliance includes our opinion on compliance with the 28 major federal financial assistance programs and describes instances of noncompliance with Federal requirements we detected that require reporting per the Uniform Guidance. This report also describes any material weaknesses or significant deficiencies we identified related to controls used to administer Federal financial assistance programs. Due to the significance of eight of our audit findings, we qualified our opinion on compliance related to Reporting applicable to the Child Nutrition Cluster, the Child and Adult Care Food Program, Child Support Enforcement, and CCDF Cluster major federal programs; Cash Management applicable to the Medicaid Cluster and Money Follows the Person Rebalancing Demonstration major federal programs; Eligibility applicable to the Special Education Cluster (IDEA) major federal program; and Special Tests and Provisions applicable to Title I Grants to Local Educational Agencies, the Special Education Cluster (IDEA), Improving Teacher Quality State Grants, and the CCDF Cluster major federal programs.

## **SUMMARY OF FINDINGS AND QUESTIONED COSTS**

The FY 2016 Schedule of Findings and Questioned Costs contains 21 findings; one related to the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards* and 20 related to the *Independent Auditor's Report*

State of Ohio  
 Fiscal Year 2016 State Single Audit  
 Executive Summary

on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance, of which 13 were repeated from the FY 2015 State of Ohio Single Audit.

The 20 federal findings, beginning on page 35, relate to the federal programs at five state agencies. Of these federal findings, many of which were rated as more than one type, six resulted in questioned costs (some also included control deficiencies), 15 were noncompliance (some also included control deficiencies), 19 were identified as material weaknesses, and three were significant deficiencies. Of the six findings with questioned costs, four questioned amounts totaling \$245,687. In addition, amounts could not be determined for two questioned cost findings.

The schedule below identifies the number of reportable items included in the State of Ohio Single Audit, by state agency, for fiscal years 2011 through 2016.

State Agency	2016	2015	2014	2013	2012	2011
Ohio Department. of Job & Family Services <i>Note 1</i>	7	12	9	16	20	28
Ohio Department of Medicaid <i>Note 1</i>	4	3	8	<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>
Ohio Department of Education	5	10	5	1	4	7
Ohio Department of Health	0	0	0	0	1	4
Ohio Development Services Agency <i>Note 2</i>	0	1	2	4	1	4
Ohio Department of Developmental Disabilities	0	1	2	1	0	2
Ohio Department of Mental Health & Addiction Services <i>Note 3</i>	2	1	3	3	3	5
Opportunities for Ohioans with Disabilities <i>Note 4</i>	0	0	0	1	2	2
Ohio Department of Public Safety	0	0	2	2	3	1
Ohio Office of Budget and Management	1	2	1	1	0	1
Ohio Administrative Knowledge System	0	0	0	0	0	1
Ohio Department of Transportation	2	1	1	1	1	1
Ohio Environmental Protection Agency	0	1	2	2	2	1
Other State Agencies	0	2	0	1	0	2
<b>Total</b>	<b>21</b>	<b>34</b>	<b>35</b>	<b>33</b>	<b>37</b>	<b>59</b>

*Note 1* – the Ohio Department of Medicaid was newly created in 2014. In prior years, this activity was included as part of the Ohio Department of Job & Family Services.

*Note 2* – name changed in 2013; formerly Ohio Department of Development.

*Note 3* – in 2014, the Ohio Department of Mental Health and the Ohio Department of Alcohol & Addiction Services merged into one agency. The prior years' comments represent the count for both agencies.

*Note 4* – name changed in 2014; formerly Ohio Rehabilitation Services Commission.

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

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





# Dave Yost • Auditor of State

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

The Honorable John Kasich, Governor  
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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Ohio (the State) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 22, 2016. Our report refers to other auditors who audited the financial statements of the following organizations, as described in our report on the State's financial statements:

Opinion Unit	Organization	Percent of Opinion Unit's Total	
		Assets	Expenditures /Expenses /Deductions
Governmental Activities (GA)	Treasurer of State Lease Revenue Bonds and Buckeye Tobacco Settlement Financing Authority (BTSFA)	2%	1%
Business-Type Activities (BTA)	Ohio Bureau of Workers' Compensation and Tuition Trust Authority	94%	46%
GA/BTSFA Revenue Bonds	Buckeye Tobacco Settlement Finance Authority	100%	100%
BTA / Workers' Compensation	Ohio Bureau of Workers' Compensation	100%	100%
Aggregate Discretely Presented Component Units	Bowling Green State University; Central State University; Cleveland State University; Columbus State Community College; JobsOhio; Kent State University; Miami University; Ohio State University; Ohio University; Shawnee State University; University of Akron; University of Cincinnati; University of Toledo; Wright State University; and Youngstown State University.	90%	91%
Aggregate Remaining Fund Information	Police and Fire Pension Fund, Public Employees Retirement System, School Employees Retirement, State Highway Patrol Retirement System, State Teachers Retirement System, State Treasury Asset Reserve of Ohio, Treasurer of State Lease Revenue Bonds, and Tuition Trust Authority	97%	81%

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

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the State'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 State'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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

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

### ***Entity's Response to Finding***

The State's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the State's response and, accordingly, we express no opinion on it.

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 22, 2016



# Dave Yost • Auditor of State

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

The Honorable John Kasich, Governor  
State of Ohio  
Columbus, Ohio

### ***Report on Compliance for Each Major Federal Program***

We have audited the State of Ohio's (the State) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the State's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the State's major federal programs.

The State of Ohio's basic financial statements include the operations of State Colleges and Universities, which received approximately \$3.4 billion in federal awards which is not included in the State of Ohio's Schedule of Expenditures of Federal Awards by Federal Agency during the year ended June 30, 2016. Our audit of Federal awards, described below, did not include the operations of State Colleges and Universities because the component units engaged other auditors to audit their Federal award programs in accordance with the Uniform Guidance.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

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

As described in the findings listed in the table below, identified in the summary of findings and questioned costs on pages 32 and 33, and described in the accompanying schedule of findings and questioned costs, the State of Ohio did not comply with requirements regarding the following:

CFDA #	Program (or Cluster) Name	Finding #	State Agency	Compliance Requirement
10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	2016-005	Ohio Department of Education	Reporting
10.558	Child and Adult Care Food Program	2016-005	Ohio Department of Education	Reporting
84.010	Title I, Grants to Local Educational Agencies	2016-003	Ohio Department of Education	Special Tests & Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools
84.027/84.173	Special Education Cluster (IDEA)	2016-002	Ohio Department of Education	Eligibility
84.027/84.173	Special Education Cluster (IDEA)	2016-002	Ohio Department of Education	Special Tests & Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools
84.367	Improving Teacher Quality State Grants	2016-003	Ohio Department of Education	Special Tests & Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools
93.563	Child Support Enforcement	2016-012	Ohio Department of Job & Family Services	Reporting
93.575/93.596	CCDF Cluster	2016-012	Ohio Department of Job & Family Services	Reporting
93.575/93.596	CCDF Cluster	2016-009 through 2016-011	Ohio Department of Job & Family Services	Special Tests & Provisions - Health & Safety Requirements
93.775/93.777/ 93.778	Medicaid Cluster	2016-017	Ohio Department of Medicaid	Cash Management
93.791	Money Follows the Person Rebalancing Demonstration	2016-017	Ohio Department of Medicaid	Cash Management

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

**Qualified Opinion on Major Federal Programs**

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Major Federal Programs Listed in the Table* paragraph, the State of Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect the Child Nutrition Cluster, Child and Adult Care Food Program, Title I Grants to Local Educational Agencies, Special Education Cluster (IDEA), Improving Teacher Quality State Grants, CCDF Cluster, Child Support Enforcement, Medicaid Cluster, and Money Follows the Person Rebalancing Demonstration major federal programs for the year ended June 30, 2016.

**Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the State of Ohio complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

**Other Matters**

The results of our auditing procedures also disclosed instances of noncompliance which the Uniform Guidance requires us to report. These instances of noncompliance are listed in the table below, identified in the summary of findings and questioned costs on pages 32 and 33, and described in the accompanying schedule of findings and questioned costs. Our opinion on each of these major federal programs is not modified with respect to these matters.

State Agency	Noncompliance Finding Numbers
Ohio Department of Education	2016-004 and 2016-006
Ohio Department of Job & Family Services	2016-007, 2016-008, 2016-012, and 2016-013
Ohio Department of Medicaid	2016-014 through 2016-017
Ohio Department of Mental Health & Addiction Services	2016-018
Ohio Department of Transportation	2016-020

The State's responses to our noncompliance findings are described in the accompanying Corrective Action Plan. We did not audit the State's responses and, accordingly, we express no opinion on them.

**Report on Internal Control over Compliance**

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

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

significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

We consider the deficiencies in internal control over compliance listed in the table below, identified in the summary of findings and questioned costs on pages 32 and 33, and described in the accompanying schedule of findings and questioned costs to be material weaknesses.

State Agency	Material Weakness Finding Numbers
Ohio Department of Education	2016-002 through 2016-006
Ohio Department of Job & Family Services	2016-007 through 2016-012
Ohio Department of Medicaid	2016-014 through 2016-017
Ohio Department of Mental Health & Addiction Services	2016-018 and 2016-019
Ohio Department of Transportation	2016-020 and 2016-021

A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance listed in the table below, identified in the summary of findings and questioned costs on pages 32 and 33, and described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

State Agency	Significant Deficiency Finding Numbers
Ohio Department of Job & Family Services	2016-007 and 2016-013
Ohio Department of Medicaid	2016-017

The State's responses to our findings on internal control over compliance are described in the accompanying Corrective Action Plan. We did not audit the State's responses and, accordingly, we express no opinion on them.

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

**Report on Federal Awards Expenditures Schedules Required by the Uniform Guidance**

We have also audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Ohio, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our

unmodified report thereon dated December 22, 2016. We conducted our audit to opine on the State's basic financial statements as a whole. We have not performed any procedures to the audited financial statements subsequent to December 22, 2016. The accompanying Supplementary Schedule of Expenditures of Federal Awards by Federal Agency and Supplementary Schedule of Expenditures of Federal Awards by Federal Agency and Federal Program (schedules) present additional analyses required by the Uniform Guidance and are not a required part of the basic financial statements. The schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 24, 2017

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**SUPPLEMENTARY  
SCHEDULES OF  
EXPENDITURES OF  
FEDERAL AWARDS**



**STATE OF OHIO  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SUMMARIZED BY FEDERAL AGENCY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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<b>FEDERAL AGENCY</b>	<b>Total Expenditures</b>	<b>Portion of Expenditures Pass-Through to Non-State Entities</b>
U.S. Department of Agriculture	\$3,406,340,218	\$757,383,622
U.S. Department of Commerce	9,042,749	5,881,049
U.S. Department of Defense	44,742,784	438,861
U.S. Department of Housing and Urban Development	72,006,952	66,787,658
U.S. Department of the Interior	43,813,631	592,997
U.S. Department of Justice	53,787,863	39,896,589
U.S. Department of Labor	1,234,932,631	79,955,179
U.S. Department of Transportation	1,477,336,184	281,805,634
U.S. Department of Treasury	20,000	-
U.S. Appalachian Regional Commission	14,845	14,845
U.S. Equal Employment Opportunity Commission	271,776	-
General Services Administration	21,716	-
National Endowment for the Arts	805,027	-
Institute of Museum and Library Services	4,859,824	2,164,634
U.S. Small Business Administration	4,512,369	3,689,973
U.S. Department of Veterans Affairs	37,300,401	-
U.S. Environmental Protection Agency	472,002,769	433,795,722
U.S. Department of Energy	13,071,452	11,164,534
U.S. Department of Education	1,409,189,988	1,226,481,257
U.S. Election Assistance Commission	815,017	11,679
U.S. Department of Health and Human Services	19,514,766,929	1,051,443,686
Corporation for National and Community Service	6,193,478	5,595,208
Social Security Administration	79,629,595	-
U.S. Department of Homeland Security	30,963,872	20,732,222
<b>Total Expenditures</b>	<b>\$27,916,442,070</b>	<b>\$3,987,835,349</b>

STATE OF OHIO  
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 BY FEDERAL AGENCY AND FEDERAL PROGRAM  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Portion of Expenditures Pass-Through to Non-State Entities
<b>U.S. Department of Agriculture</b>			
<i>SNAP Cluster:</i>			
10.551	Supplemental Nutrition Assistance Program.....	\$ 2,425,015,385	\$ -
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program.....	99,517,358	71,090,711
	<i>Total SNAP Cluster.....</i>	<u>2,524,532,743</u>	<u>71,090,711</u>
<i>Child Nutrition Cluster:</i>			
10.553	School Breakfast Program.....	122,320,663	122,027,801
10.555	(c) National School Lunch Program.....	46,810,234	46,810,234
10.555	National School Lunch Program.....	367,554,394	366,828,886
10.556	Special Milk Program for Children.....	341,534	341,534
10.559	Summer Food Service Program for Children.....	11,247,130	11,153,059
	<i>Total Child Nutrition Cluster.....</i>	<u>548,273,955</u>	<u>547,161,514</u>
<i>Food Distribution Cluster:</i>			
10.565	Commodity Supplemental Food Program.....	1,611,127	-
10.568	Emergency Food Assistance Program (Administrative Costs).....	2,440,374	-
	<i>Total Food Distribution Cluster.....</i>	<u>4,051,501</u>	<u>-</u>
<i>Forest Service Schools and Roads Cluster:</i>			
10.665	Schools and Roads - Grants to States.....	308,693	-
	<i>Total Forest Service Schools and Roads Cluster.....</i>	<u>308,693</u>	<u>-</u>
10.025	Plant and Animal Disease, Pest Control, and Animal Care.....	4,367,275	-
10.163	Market Protection and Promotion.....	1,439,720	-
10.170	Specialty Crop Block Grant Program - Farm Bill.....	100,985	-
10.171	Organic Certification Cost Share Programs.....	277,805	-
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection.....	4,485,566	-
10.479	Food Safety Cooperative Agreements.....	117,031	-
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children.....	211,003,681	43,911,234
10.558	Child and Adult Care Food Program.....	90,222,587	88,562,330
10.560	State Administrative Expenses for Child Nutrition.....	8,262,194	3,477
10.572	WIC Farmers' Market Nutrition Program (FMNP).....	332,693	-
10.574	Team Nutrition Grants.....	179,026	122,234
10.576	Senior Farmers Market Nutrition Program.....	1,638,854	1,633,854
10.578	WIC Grants To States (WGS).....	1,361,595	-
10.579	Child Nutrition Discretionary Grants Limited Availability.....	400,401	394,907
10.582	Fresh Fruit and Vegetable Program.....	4,091,490	4,017,249
10.664	Cooperative Forestry Assistance.....	475,502	216,595
10.675	Urban and Community Forestry Program.....	269,517	269,517
10.676	Forest Legacy Program.....	11,257	-
10.680	Forest Health Protection.....	5,795	-
10.902	Soil and Water Conservation.....	98,665	-
10.912	Environmental Quality Incentives Program.....	31,687	-
	<b>Total U.S. Department of Agriculture.....</b>	<b><u>3,406,340,218</u></b>	<b><u>757,383,622</u></b>
<b>U.S. Department of Commerce</b>			
11.407	Interjurisdictional Fisheries Act of 1986.....	11,209	11,209
11.419	(a) Coastal Zone Management Administration Awards.....	3,671	-
11.419	Coastal Zone Management Administration Awards.....	1,886,700	517,726
11.420	Coastal Zone Management Estuarine Research Reserves.....	801,761	-
11.549	State and Local Implementation Grant Program.....	791,539	-
11.611	Manufacturing Extension Partnership.....	5,547,869	5,352,114
	<b>Total U.S. Department of Commerce.....</b>	<b><u>9,042,749</u></b>	<b><u>5,881,049</u></b>
<b>U.S. Department of Defense</b>			
12.002	Procurement Technical Assistance For Business Firms.....	572,765	438,861
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services.....	614,950	-
12.400	Military Construction, National Guard.....	422,491	-
12.401	National Guard Military Operations and Maintenance (O&M) Projects.....	37,055,696	-
12.617	Economic Adjustment Assistance for State Governments.....	477,750	-
<b>U.S. Department of Defense (Continued)</b>			
12.FY16-012-000	Troops to Teachers.....	68,412	-

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FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Portion of Expenditures Pass-Through to Non-State Entities
12.UNKNOWN	(c) 1033 Excess Military Property Program.....	5,493,665	-
12.UNKNOWN	FUSRAP Oversight: Diamond Magnesium Site and Luckey Beryllium Site.....	37,055	-
	<b>Total U.S. Department of Defense.....</b>	<b>44,742,784</b>	<b>438,861</b>
<b>U.S. Department of Housing and Urban Development</b>			
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii.....	39,309,011	38,066,922
14.231	Emergency Solutions Grants Program.....	4,577,175	4,385,573
14.239	Home Investment Partnerships Program.....	23,415,553	22,590,544
14.241	Housing Opportunities for Persons with AIDS.....	1,187,504	1,174,619
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants.....	89,527	-
14.261	Homeless Management Information Systems Technical Assistance.....	458,693	428,000
14.267	Continuum of Care Program.....	167,243	142,000
14.401	Fair Housing Assistance Program_State and Local.....	1,517,971	-
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing.....	1,284,275	-
	<b>Total U.S. Department of Housing and Urban Development.....</b>	<b>72,006,952</b>	<b>66,787,658</b>
<b>U.S. Department of the Interior</b>			
<i>Fish and Wildlife Cluster:</i>			
15.605	(a) Sport Fish Restoration Program.....	904,094	-
15.605	Sport Fish Restoration Program.....	5,595,852	-
15.611	Wildlife Restoration and Basic Hunter Education.....	14,752,002	592,997
	<i>Total Fish and Wildlife Cluster.....</i>	<i>21,251,948</i>	<i>592,997</i>
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining.....	4,768,532	-
15.252	Abandoned Mine Land Reclamation (AMLR) Program.....	13,261,192	-
15.433	Flood Control Act Lands.....	96,351	-
15.608	Fish and Wildlife Management Assistance.....	841,307	-
15.615	Cooperative Endangered Species Conservation Fund.....	19,602	-
15.616	Clean Vessel Act .....	275,455	-
15.622	Sportfishing and Boating Safety Act.....	118,192	-
15.634	State Wildlife Grants.....	1,645,088	-
15.657	Endangered Species Conservation - Recovery Implementation Funds.....	39,714	-
15.658	Natural Resource Damage Assessment, Restoration and Implementation.....	5,929	-
15.662	Great Lakes Restoration.....	69,844	-
15.808	(a) U.S. Geological Survey_ Research and Data Collection.....	58,003	-
15.808	U.S. Geological Survey_ Research and Data Collection.....	1,798	-
15.810	(a) National Cooperative Geologic Mapping Program.....	46,556	-
15.810	National Cooperative Geologic Mapping Program.....	688	-
15.819	(a) Energy Cooperatives to Support the National Coal Resources Data System (NCRDS).....	24,622	-
15.819	Energy Cooperatives to Support the National Coal Resources Data System (NCRDS).....	1,873	-
15.916	Outdoor Recreation_Acquisition, Development and Planning.....	1,135,000	-
15.30181AJ198	US Fish and Wildlife.....	151,937	-
	<b>Total U.S. Department of the Interior.....</b>	<b>43,813,631</b>	<b>592,997</b>
<b>U.S. Department of Justice</b>			
16.013	Violence Against Women Act Court Training and Improvement Grants.....	3,139	-
16.017	Sexual Assault Services Formula Program.....	401,824	401,824
16.2015-107	Domestic Cannabis Eradication/Suppression Program.....	508,476	-
16.2016-104	Domestic Cannabis Eradication/Suppression Program.....	474	-
16.320	Services for Trafficking Victims.....	114,843	-
16.321	Antiterrorism Emergency Reserve.....	96,860	-
16.523	Juvenile Accountability Block Grants.....	506,634	474,344
16.540	Juvenile Justice and Delinquency Prevention_Allocation to States.....	1,460,438	1,155,263
<b>U.S. Department of Justice (Continued)</b>			
16.550	(a) State Justice Statistics Program for Statistical Analysis Centers.....	41,460	1,636
16.550	State Justice Statistics Program for Statistical Analysis Centers.....	22,805	-

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<b>FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE</b>		<b>Total Expenditures</b>	<b>Portion of Expenditures Pass-Through to Non-State Entities</b>
16.554	National Criminal History Improvement Program (NCHIP).....	441,486	-
16.575	Crime Victim Assistance.....	29,576,400	29,051,675
16.576	Crime Victim Compensation.....	4,586,363	-
16.585	Drug Court Discretionary Grant Program.....	39,851	-
16.588	(a) Violence Against Women Formula Grants.....	6,797	-
16.588	Violence Against Women Formula Grants.....	4,363,090	4,060,591
16.593	(a) Residential Substance Abuse Treatment for State Prisoners.....	521	-
16.593	Residential Substance Abuse Treatment for State Prisoners.....	253,128	198,509
16.606	State Criminal Alien Assistance Program.....	1,939,878	-
16.609	(a) Project Safe Neighborhoods.....	67,606	67,606
16.609	Project Safe Neighborhoods.....	507,950	465,756
16.735	PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities.....	111,883	-
16.738	(a) Edward Byrne Memorial Justice Assistance Grant Program.....	188,868	98,193
16.738	Edward Byrne Memorial Justice Assistance Grant Program.....	4,738,652	3,736,671
16.741	DNA Backlog Reduction Program.....	579,208	-
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program.....	330,178	124,148
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program.....	7,117	6,262
16.750	Support for Adam Walsh Act Implementation Grant Program.....	39,364	-
16.751	(a) Edward Byrne Memorial Competitive Grant Program.....	33,549	33,549
16.751	Edward Byrne Memorial Competitive Grant Program.....	106,901	20,562
16.754	Harold Rogers Prescription Drug Monitoring Program.....	253,139	-
16.812	Second Chance Act Reentry Initiative.....	286,631	-
16.826	Vision 21.....	34,365	-
16.828	Swift, Certain, and Fair (SCF) Sanctions program: Replicating the Concepts behind Project HOPE.....	190,788	-
16.922	Equitable Sharing Program.....	1,947,197	-
	<b>Total U.S. Department of Justice.....</b>	<b>53,787,863</b>	<b>39,896,589</b>
<b>U.S. Department of Labor</b>			
<i>Employment Service Cluster:</i>			
17.207	Employment Service/Wagner-Peyser Funded Activities.....	29,267,351	1,868,974
17.801	Disabled Veterans' Outreach Program (DVOP).....	5,841,874	-
17.804	Local Veterans' Employment Representative Program.....	580,748	-
	<i>Total Employment Service Cluster.....</i>	<i>35,689,973</i>	<i>1,868,974</i>
<i>WIA Cluster:</i>			
17.258	WIA/WIOA Adult Program.....	27,773,983	24,425,019
17.259	WIA/WIOA Youth Activities.....	28,229,154	23,906,940
17.278	WIA/WIOA Dislocated Worker Formula Grants.....	32,605,037	23,166,180
	<i>Total WIA Cluster.....</i>	<i>88,608,174</i>	<i>71,498,139</i>
17.002	Labor Force Statistics.....	2,290,443	-
17.005	Compensation and Working Conditions.....	132,698	-
17.225	Unemployment Insurance.....	1,082,501,799	-
17.225	ARRA -- Unemployment Insurance.....	49,843	-
	<i>Total Unemployment Insurance.....</i>	<i>1,082,551,642</i>	<i>-</i>
17.235	Senior Community Service Employment Program.....	3,676,075	3,630,583
17.245	Trade Adjustment Assistance.....	11,479,352	-
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects.....	243,312	-
17.267	Incentive Grants - WIA Section 503.....	327,363	-
17.268	H-1B Job Training Grants.....	1,414,635	1,242,571
17.271	Work Opportunity Tax Credit Program (WOTC).....	1,417,638	-
17.273	Temporary Labor Certification for Foreign Workers.....	428,333	-
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants.....	2,250,234	1,714,912
17.281	WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training.....	283,088	-
17.283	Workforce Innovation Fund.....	2,327,874	-
17.504	Consultation Agreements.....	1,547,792	-
17.600	Mine Health and Safety Grants.....	264,005	-
	<b>Total U.S. Department of Labor.....</b>	<b>1,234,932,631</b>	<b>79,955,179</b>

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FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE	Total Expenditures	Portion of Expenditures Pass-Through to Non-State Entities
<b>U.S. Department of Transportation</b>		
<i>Highway Planning and Construction Cluster: (b)</i>		
20.205 (a) Highway Planning and Construction.....	5,712,924	363,641
20.205 Highway Planning and Construction.....	1,394,410,277	245,654,439
20.205 ARRA -- Highway Planning and Construction.....	9,856,921	-
Total Highway Planning and Construction.....	1,409,980,122	246,018,080
20.219 Recreational Trails Program .....	1,224,658	-
23.003 Appalachian Development Highway System.....	6,902,511	-
Total Highway Planning and Construction Cluster.....	1,418,107,291	246,018,080
<i>Federal Transit Cluster:</i>		
20.500 Federal Transit_Capital Investment Grants.....	170,062	170,062
20.507 Federal Transit_Formula Grants.....	2,085,987	-
20.526 Bus and Bus Facilities Formula Program.....	1,512,477	1,512,477
Total Federal Transit Cluster.....	3,768,526	1,682,539
<i>Transit Services Programs Cluster:</i>		
20.513 Enhanced Mobility of Seniors and Individuals with Disabilities.....	6,465,958	5,151,107
Total Transit Services Programs Cluster.....	6,465,958	5,151,107
<i>Highway Safety Cluster:</i>		
20.600 State and Community Highway Safety.....	6,518,481	3,742,735
20.601 Alcohol Impaired Driving Countermeasures Incentive Grants I.....	1,180,926	-
20.610 State Traffic Safety Information System Improvement Grants.....	98,731	98,731
20.612 Incentive Grant Program to Increase Motorcyclist Safety.....	68,902	-
20.616 National Priority Safety Programs.....	8,138,914	2,072,589
Total Highway Safety Cluster.....	16,005,954	5,914,055
20.106 Airport Improvement Program.....	26,650	-
20.218 Motor Carrier Safety Assistance.....	6,377,896	-
20.232 Commercial Driver's License Program Improvement Grant.....	758	-
20.237 Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements.....	27,292	-
20.505 Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research .....	913,386	913,386
20.509 Formula Grants for Rural Areas.....	21,844,667	19,736,164
20.528 Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program.....	601,089	58,595
20.608 Minimum Penalties for Repeat Offenders for Driving While Intoxicated.....	2,040,652	2,040,652
20.614 National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants .....	138,174	-
20.700 Pipeline Safety Program State Base Grant.....	572,810	-
20.703 Interagency Hazardous Materials Public Sector Training and Planning Grants.....	445,081	291,056
<b>Total U.S. Department of Transportation.....</b>	<b>1,477,336,184</b>	<b>281,805,634</b>
<b>U.S. Department of Treasury</b>		
21.UNKNOWN Federal Equitable Share of Seized/Forfeited Assets.....	20,000	-
<b>Total U.S. Department of Treasury.....</b>	<b>20,000</b>	<b>-</b>
<b>U.S. Appalachian Regional Commission</b>		
23.001 Appalachian Regional Development (See individual Appalachian Programs).....	14,845	14,845
<b>Total U.S. Appalachian Regional Commission.....</b>	<b>14,845</b>	<b>14,845</b>
<b>U.S. Equal Employment Opportunity Commission</b>		
30.002 Employment Discrimination_State and Local Fair Employment Practices Agency Contracts.....	271,776	-
<b>Total U.S. Equal Employment Opportunity Commission.....</b>	<b>271,776</b>	<b>-</b>
<b>General Services Administration</b>		
39.003 (c) Donation of Federal Surplus Personal Property.....	21,716	-
<b>Total General Services Administration.....</b>	<b>21,716</b>	<b>-</b>
<b>National Endowment for the Arts</b>		
45.025 Promotion of the Arts_Partnership Agreements.....	805,027	-
<b>Total National Endowment for the Arts.....</b>	<b>805,027</b>	<b>-</b>

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FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Portion of Expenditures Pass-Through to Non-State Entities
<b>Institute of Museum and Library Services</b>			
45.310	Grants to States.....	4,858,779	2,164,634
45.312	National Leadership Grants.....	1,045	-
	<b>Total Institute of Museum and Library Services.....</b>	<b>4,859,824</b>	<b>2,164,634</b>
<b>U.S. Small Business Administration</b>			
59.037	Small Business Development Centers.....	4,108,685	3,286,289
59.061	State Trade Expansion.....	403,684	403,684
	<b>Total U.S. Small Business Administration.....</b>	<b>4,512,369</b>	<b>3,689,973</b>
<b>U.S. Department of Veterans Affairs</b>			
64.005	Grants to States for Construction of State Home Facilities.....	3,982,521	-
64.014	Veterans State Domiciliary Care.....	4,752,435	-
64.015	Veterans State Nursing Home Care.....	27,287,204	-
64.V101(223C)P-5546	State Approving Agency.....	736,406	-
64.VA250-14-S-0096	VA-DVS Pharmacy Option 1.....	541,835	-
	<b>Total U.S. Department of Veterans Affairs.....</b>	<b>37,300,401</b>	<b>-</b>
<b>U.S. Environmental Protection Agency</b>			
<i>Clean Water State Revolving Fund Cluster:</i>			
66.458	Capitalization Grants for Clean Water State Revolving Funds.....	365,357,463	362,181,308
	<i>Total Clean Water State Revolving Fund Cluster.....</i>	<i>365,357,463</i>	<i>362,181,308</i>
<i>Drinking Water State Revolving Fund Cluster:</i>			
66.468	Capitalization Grants for Drinking Water State Revolving Funds.....	67,639,173	64,714,306
	<i>Total Drinking Water State Revolving Fund Cluster.....</i>	<i>67,639,173</i>	<i>64,714,306</i>
66.001	Air Pollution Control Program Support.....	4,031,396	1,234,641
66.032	State Indoor Radon Grants.....	404,949	145,185
66.034	(c) Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act.....	612,726	-
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act.....	730,076	589,085
66.040	State Clean Diesel Grant Program.....	93,629	93,629
66.202	Congressionally Mandated Projects.....	90,054	-
66.419	(c) Water Pollution Control State, Interstate, and Tribal Program Support.....	450	-
66.419	Water Pollution Control State, Interstate, and Tribal Program Support.....	4,157,729	719
66.432	State Public Water System Supervision.....	1,497,333	-
66.433	State Underground Water Source Protection.....	877,168	-
66.454	Water Quality Management Planning.....	847,786	306,921
66.460	Nonpoint Source Implementation Grants.....	3,745,645	2,469,115
66.461	Regional Wetland Program Development Grants.....	58,519	-
66.469	Great Lakes Program.....	6,112,258	1,656,813
66.472	Beach Monitoring and Notification Program Implementation Grants.....	196,636	-
66.605	Performance Partnership Grants.....	6,021,308	110,986
66.608	Environmental Information Exchange Network Grant Program and Related Assistance.....	94,388	-
66.700	Consolidated Pesticide Enforcement Cooperative Agreements.....	1,662,308	210,014
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals.....	335,926	-
66.801	Hazardous Waste Management State Program Support.....	2,680,690	-
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements.....	721,020	-
66.804	Underground Storage Tank Prevention, Detection and Compliance Program.....	916,515	-
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program.....	1,886,104	-
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements.....	21,889	-
66.817	State and Tribal Response Program Grants.....	1,111,776	-
66.818	Brownfields Assessment and Cleanup Cooperative Agreements.....	84,163	83,000
66.953	Building Capacity to Implement EPA National Guidelines for School Environmental Health Programs.....	13,692	-
	<b>Total U.S. Environmental Protection Agency.....</b>	<b>472,002,769</b>	<b>433,795,722</b>

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<b>U.S. Department of Energy</b>		
81.041 State Energy Program.....	950,845	430,242
81.042 Weatherization Assistance for Low-Income Persons.....	11,743,687	10,685,546
81.104 Environmental Remediation and Waste Processing and Disposal.....	186,582	-
81.136 Long-Term Surveillance and Maintenance.....	136,774	-
81.UNKNOWN Petroleum Violation Escrow Funds.....	53,564	48,746
<b>Total U.S. Department of Energy.....</b>	<b>13,071,452</b>	<b>11,164,534</b>
<b>U.S. Department of Education</b>		
<i>Special Education Cluster (IDEA):</i>		
84.027 Special Education_Grants to States.....	417,484,452	400,157,742
84.173 Special Education_Preschool Grants.....	11,205,896	10,319,178
<i>Total Special Education Cluster (IDEA).....</i>	<i>428,690,348</i>	<i>410,476,920</i>
84.002 (a) Adult Education - Basic Grants to States.....	1,655,494	1,655,494
84.002 Adult Education - Basic Grants to States.....	13,634,012	13,132,262
84.010 Title I Grants to Local Educational Agencies.....	570,105,931	563,356,524
84.011 Migrant Education_State Grant Program.....	2,292,933	2,263,746
84.013 Title I State Agency Program for Neglected and Delinquent Children and Youth.....	936,223	1,126
84.048 Career and Technical Education -- Basic Grants to States.....	43,270,675	37,258,107
84.126 Rehabilitation Services_Vocational Rehabilitation Grants to States.....	108,008,540	-
84.169 Independent Living_State Grants.....	4,183,617	-
84.177 Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind.....	1,479,033	-
84.181 Special Education-Grants for Infants and Families.....	14,692,711	12,068,686
84.184 Safe and Drug-Free Schools and Communities_National Programs.....	696,275	218,841
84.187 Supported Employment Services for Individuals with the Most Significant Disabilities.....	877,611	-
84.196 Education for Homeless Children and Youth.....	2,473,514	2,380,817
84.206 Javits Gifted and Talented Students Education.....	24,467	24,467
84.265 Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training.....	37,068	-
84.287 Twenty-First Century Community Learning Centers.....	47,468,482	46,062,555
84.323 Special Education - State Personnel Development.....	2,459,570	2,455,570
84.330 Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants).....	431,421	49,074
84.334 Gaining Early Awareness and Readiness for Undergraduate Programs.....	1,616,152	1,252,312
84.358 Rural Education.....	3,049,786	2,874,695
84.365 English Language Acquisition State Grants.....	9,731,549	9,392,711
84.366 Mathematics and Science Partnerships.....	5,998,133	5,791,297
84.367 Improving Teacher Quality State Grants.....	82,711,778	80,840,455
84.369 Grants for State Assessments and Related Activities.....	7,269,964	-
84.374 Teacher Incentive Fund.....	10,688,930	8,891,379
84.377 School Improvement Grants.....	11,681,075	11,344,492
84.384 ARRA-- Statewide Data Systems, Recovery Act.....	53,029	-
84.395 ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act.....	16,516,000	13,189,499
84.412 Race to the Top -- Early Learning Challenge.....	10,169,007	-
84.412 ARRA -- Race to the Top -- Early Learning Challenge.....	6,286,660	1,500,228
Total Race to the Top -- Early Learning Challenge.....	16,455,667	1,500,228
<b>Total U.S. Department of Education.....</b>	<b>1,409,189,988</b>	<b>1,226,481,257</b>
<b>U.S. Election Assistance Commission</b>		
90.401 Help America Vote Act Requirements Payments.....	815,017	11,679
<b>Total U.S. Election Assistance Commission.....</b>	<b>815,017</b>	<b>11,679</b>
<b>U.S. Department of Health and Human Services</b>		
<i>Aging Cluster:</i>		
93.044 Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers.....	15,772,861	14,958,201
93.045 Special Programs for the Aging_Title III, Part C_Nutrition Services.....	24,608,881	23,730,441

**STATE OF OHIO  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
BY FEDERAL AGENCY AND FEDERAL PROGRAM  
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<b>FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE</b>	<b>Total Expenditures</b>	<b>Portion of Expenditures Pass-Through to Non-State Entities</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
<i>Aging Cluster (Continued):</i>		
93.053 Nutrition Services Incentive Program.....	5,531,127	5,531,127
<i>Total Aging Cluster.....</i>	<i>45,912,869</i>	<i>44,219,769</i>
<i>TANF Cluster:</i>		
93.558 Temporary Assistance for Needy Families.....	597,147,222	196,966,675
<i>Total TANF Cluster.....</i>	<i>597,147,222</i>	<i>196,966,675</i>
<i>CCDF Cluster:</i>		
93.575 Child Care and Development Block Grant.....	94,212,946	17,998,595
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund.....	134,912,897	-
<i>Total CCDF Cluster.....</i>	<i>229,125,843</i>	<i>17,998,595</i>
<i>Medicaid Cluster:</i>		
93.775 State Medicaid Fraud Control Units.....	7,876,717	-
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare.....	27,828,854	-
93.778 Medical Assistance Program.....	16,925,250,227	186,999,298
<i>Total Medicaid Cluster.....</i>	<i>16,960,955,798</i>	<i>186,999,298</i>
93.041 Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation.....	207,188	207,188
93.042 Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals .....	579,511	186,278
93.043 Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services.....	925,977	886,758
93.048 Special Programs for the Aging Title IV and Title II Discretionary Projects.....	244,458	221,735
93.051 Alzheimer's Disease Demonstration Grants to States.....	136,342	136,246
93.052 National Family Caregiver Support, Title III, Part E.....	5,738,155	5,462,721
93.070 Environmental Public Health and Emergency Response.....	638,297	-
93.071 Medicare Enrollment Assistance Program.....	813,678	469,462
93.072 Lifespan Respite Care Program.....	5,842	5,842
93.074 Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements.....	25,489,717	17,732,874
93.079 Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance.....	27,724	-
93.086 Healthy Marriage Promotion and Responsible Fatherhood Grants.....	265,673	-
93.092 Affordable Care Act (ACA) Personal Responsibility Education Program.....	1,556,201	1,387,405
93.103 Food and Drug Administration Research.....	353,279	-
93.110 Maternal and Child Health Federal Consolidated Programs.....	208,852	-
93.116 Project Grants and Cooperative Agreements for Tuberculosis Control Programs.....	918,648	303,241
93.127 Emergency Medical Services for Children.....	122,698	-
93.130 Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices.....	256,454	-
93.136 Injury Prevention and Control Research and State and Community Based Programs .....	1,556,446	807,142
93.150 Projects for Assistance in Transition from Homelessness (PATH).....	2,090,534	2,046,363
93.165 Grants to State for Loan Repayment Program.....	242,083	-
93.217 Family Planning Services.....	3,435,261	3,161,543
93.235 Affordable Care Act (ACA) Abstinence Education Program.....	2,015,528	1,983,771
93.241 State Rural Hospital Flexibility Program.....	530,140	-
93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance.....	9,363,401	7,667,238
93.251 Universal Newborn Hearing Screening.....	264,352	44,321
93.268 (c) Immunization Cooperative Agreements.....	124,791,722	-
93.268 Immunization Cooperative Agreements.....	6,822,456	2,150,580
93.270 Adult Viral Hepatitis Prevention and Control.....	51,622	-
93.279 Drug Abuse and Addiction Research Programs.....	39,804	-
93.283 Centers for Disease Control and Prevention Investigations and Technical Assistance.....	4,259,346	1,480,692
93.292 National Public Health Improvement Initiative.....	148,812	-
93.301 Small Rural Hospital Improvement Grant Program.....	249,624	-
93.305 National State Based Tobacco Control Programs.....	953,158	22,203

**STATE OF OHIO  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
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<b>FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE</b>	<b>Total Expenditures</b>	<b>Portion of Expenditures Pass-Through to Non-State Entities</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
93.314		
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program.....	117,267	2,663
93.323		
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).....	1,117,010	-
93.448		
Food Safety and Security Monitoring Project.....	521,335	-
93.505		
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program.....	7,184,009	4,777,211
93.506		
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers.....	429,799	52,869
93.511		
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review .....	2,613	-
93.521		
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements;PPHF .....	1,228,723	-
93.539		
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds.....	97,643	12,284
93.556		
Promoting Safe and Stable Families.....	14,537,587	7,914,034
93.563		
Child Support Enforcement.....	144,409,782	129,749,139
93.564		
Child Support Enforcement Research.....	212,307	161,963
93.566		
Refugee and Entrant Assistance_State Administered Programs.....	9,267,725	808,885
93.568		
Low-Income Home Energy Assistance.....	180,486,529	76,362,234
93.569		
Community Services Block Grant.....	28,363,887	27,201,951
93.576		
Refugee and Entrant Assistance_Discretionary Grants.....	887,368	-
93.584		
Refugee and Entrant Assistance_Targeted Assistance Grants.....	567,762	361,713
93.586		
State Court Improvement Program.....	965,842	106,367
93.590		
Community-Based Child Abuse Prevention Grants.....	1,790,244	136,518
93.597		
Grants to States for Access and Visitation Programs.....	446,938	-
93.598		
Services to Victims of a Severe Form of Trafficking.....	129,648	122,009
93.599		
Chafee Education and Training Vouchers Program (ETV).....	1,344,494	-
93.600		
Head Start.....	181,365	16,825
93.609		
The Affordable Care Act - Medicaid Adult Quality Grants.....	430,954	-
93.624		
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance.....	10,374,011	-
93.630		
Developmental Disabilities Basic Support and Advocacy Grants.....	3,007,183	1,374,492
93.634		
ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid.....	624,281	580,712
93.643		
Children's Justice Grants to States.....	1,080,117	29,540
93.645		
Stephanie Tubbs Jones Child Welfare Services Program.....	5,276,179	1,922,191
93.658		
Foster Care Title IV-E.....	216,521,026	34,017,074
93.659		
Adoption Assistance.....	151,585,821	78,898,060
93.667		
Social Services Block Grant.....	120,613,005	104,179,054
93.669		
Child Abuse and Neglect State Grants.....	986,996	-
93.671		
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services.....	2,924,748	2,746,888
93.674		
Chafee Foster Care Independence Program.....	3,105,256	2,981,118
93.733		
Capacity Building Assistance to Strengthen Public Health – Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF).....	16,787	-
93.735		
State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF).....	759,949	-
93.748		
PPHF Cooperative Agreements for Prescription Drug Monitoring Program Electronic Health Record (EHR) Integration and Interoperability Expansion.....	138,486	-
93.753		
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program.....	499,570	-
93.757		
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF).....	3,729,735	1,831,919
93.758		
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) .....	5,891,134	3,444,180

**STATE OF OHIO  
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<b>FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE</b>		<b>Total Expenditures</b>	<b>Portion of Expenditures Pass-Through to Non-State Entities</b>
<b>U.S. Department of Health and Human Services (Continued)</b>			
93.767	Children's Health Insurance Program.....	391,574,161	1,034,645
93.773	Medicare_Hospital Insurance.....	15,284,193	-
93.774	Medicare_Supplementary Medical Insurance.....	636,841	-
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations.....	1,903,327	-
93.791	Money Follows the Person Rebalancing Demonstration.....	45,700,350	1,030,461
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).....	247,879	-
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities.....	529,399	-
93.913	Grants to States for Operation of Offices of Rural Health.....	165,290	-
93.917	HIV Care Formula Grants.....	10,505,945	2,944,722
93.940	HIV Prevention Activities_Health Department Based.....	5,022,149	3,626,187
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance.....	794,582	-
93.945	Assistance Programs for Chronic Disease Prevention and Control.....	39,185	-
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs.....	558,241	75,396
93.958	Block Grants for Community Mental Health Services.....	13,847,338	12,599,536
93.959	Block Grants for Prevention and Treatment of Substance Abuse.....	52,567,986	49,676,494
93.965	Coal Miners Respiratory Impairment Treatment Clinics and Services.....	462,300	462,300
93.977	Preventive Health Services_Sexually Transmitted Diseases Control Grants.....	2,885,932	886,122
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems.....	214,882	-
93.994	Maternal and Child Health Services Block Grant to the States.....	21,156,130	6,767,990
93.HHSF223201210079C	Mammography Quality Standard Act Inspection.....	370,989	-
	<b>Total U.S. Department of Health and Human Services.....</b>	<b>19,514,766,929</b>	<b>1,051,443,686</b>
<b>Corporation for National and Community Service</b>			
94.003	State Commissions.....	342,593	-
94.006	AmeriCorps.....	5,850,885	5,595,208
	<b>Total Corporation for National and Community Service.....</b>	<b>6,193,478</b>	<b>5,595,208</b>
<b>Social Security Administration</b>			
<i>Disability Insurance/SSI Cluster:</i>			
96.001	Social Security_Disability Insurance.....	79,629,595	-
	<i>Total Disability Insurance/SSI Cluster.....</i>	<i>79,629,595</i>	<i>-</i>
	<b>Total Social Security Administration.....</b>	<b>79,629,595</b>	<b>-</b>
<b>U.S. Department of Homeland Security</b>			
97.012	Boating Safety Financial Assistance.....	4,105,051	-
97.023	Community Assistance Program State Support Services Element (CAP-SSSE).....	249,870	-
97.029	Flood Mitigation Assistance.....	368,955	277,726
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters).....	2,486,524	2,397,947
97.039	Hazard Mitigation Grant.....	2,658,218	2,586,535
97.041	National Dam Safety Program.....	175,971	-
97.042	Emergency Management Performance Grants.....	9,689,626	6,604,581
97.043	State Fire Training Systems Grants.....	20,000	-
97.045	Cooperating Technical Partners.....	232,251	-
97.047	Pre-Disaster Mitigation.....	1,221,193	1,095,165
97.056	Port Security Grant Program.....	95,122	-
97.067	Homeland Security Grant Program.....	8,993,805	7,399,556
97.091	Homeland Security Biowatch Program.....	667,286	370,712
	<b>Total U.S. Department of Homeland Security.....</b>	<b>30,963,872</b>	<b>20,732,222</b>
	<b>TOTAL EXPENDITURES.....</b>	<b>\$ 27,916,442,070</b>	<b>\$ 3,987,835,349</b>

- (a) These programs are a part of the Research and Development Cluster, as defined by OMB Uniform Guidance. See Note 4 to the Supplementary Schedule of Expenditures of Federal Awards.
- (b) This cluster encompasses the U.S. Department of Transportation's federal programs CFDA# 20.205 and CFDA# 20.219 and the U.S. Appalachian Regional Commission's federal program CFDA# 23.003. In accordance with OMB Uniform Guidance, CFDA# 23.003 has been included as part of the U.S. Department of Transportation's programs and excluded from the U.S. Appalachian Regional Commission's programs.
- (c) These programs receive non-cash assistance, as defined by OMB Uniform Guidance. See Note 2 to the Supplementary Schedule Awards of Expenditures of Federal Awards.



**STATE OF OHIO  
NOTES TO THE SUPPLEMENTARY SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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

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

**1. Federal Financial Assistance**

The Supplementary Schedules report the federal financial assistance for the State of Ohio. Federal financial assistance is defined in the Uniform Guidance as assistance that non-Federal entities receive or administer in the form of grants, cooperative agreements, non-cash contribution or donations of property, direct appropriations, food commodities, loans, loan guarantees, interest subsidies, insurance, and other financial assistance, but does not include amounts received as reimbursement for services rendered to individuals for Medicare and Medicaid.

**2. Catalog of Federal Domestic Assistance**

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

**3. Cluster of Programs**

Closely related programs that share a common compliance requirement are considered a cluster of programs. OMB identifies those programs that comprise a program cluster. The Supplementary Schedules present federal financial assistance by cluster preceding individual programs. The Research and Development (R&D) Cluster is presented by Federal Agency and Federal Program within the Supplementary Schedule. Refer to NOTE 4 to see a consolidated view of the Federal Programs comprising the R&D Cluster.

**B. Reporting Entity**

The Supplementary Schedules include all federal programs the State of Ohio has administered for the fiscal year ended June 30, 2016. The State's financial reporting entity includes the primary government and its component units.

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



**STATE OF OHIO  
 NOTES TO THE SUPPLEMENTARY SCHEDULE  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

*Discretely Presented Component Units:*

**State Universities:**

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

**State Community Colleges:**

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

**Other Discretely Presented Component Units:**

- Ohio Air Quality Development Authority
- Jobs Ohio
- Ohio Turnpike and Infrastructure Commission

**C. Basis of Accounting**

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

**1. Direct Costs**

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

**2. Indirect Costs**

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



**STATE OF OHIO  
NOTES TO THE SUPPLEMENTARY SCHEDULE  
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***NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

elect to use the 10% *de minimus* indirect cost rate, if the program permits such application. The State recognizes indirect costs as disbursements in the Supplementary Schedules. The State only applies the 10% *de minimus* indirect cost rate for the *Plant and Animal Disease, Pest Control, and Animal Care (CFDA 10.025)* program and the *Food Safety Cooperative Agreements (CFDA 10.479)* program.

**3. Intrastate Activity Elimination**

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

***NOTE 2 NON-CASH FEDERAL ASSISTANCE PROGRAMS***

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

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

A portion of the federal assistance for this program represents the value of food the State distributes to subrecipients during the fiscal year. The U.S. Department of Agriculture assigns the prices at which the State values donated food commodities. The Supplementary Schedules include food commodity distributions of \$46,810,234. The outstanding inventory balance for food commodities as of June 30, 2016, is \$4,416,378.

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

Federal assistance for this program represents the fair market value of donated federal surplus personal property the State distributes to subrecipients during the fiscal year. The State calculates fair value at 23.68 percent (July – September 2015) and 22.47 percent (October 2015 – June 2016) of the property's original costs, in conformity with guidelines the U.S. General Services Administration establishes in conjunction with the U.S. Department of Defense. The Supplementary Schedules include surplus property distributions of \$5,493,665.

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

Federal assistance for this program represents the fair market value of federal surplus personal property the State distributes to subrecipients during the fiscal year. The State calculates fair value at 23.68 percent (July – September 2015) and 22.47 percent (October 2015 – June 2016) of the property's original acquisition costs, in conformity with guidelines the U.S. General Services Administration establishes. The Supplementary Schedules include surplus property distributions of \$21,716.

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

A portion of the federal assistance for this program represents the value of in-kind assistance the State used during the fiscal year. The U.S. Environmental Protection Agency determines the cost of the in-kind services and supplies provided to the State. The in-kind services and supplies are for speciation lab analysis of particulate matter in air sampling filters, the auditing of the air sampling monitors, and the supplying of filters for air monitors. The Supplementary Schedules include in-kind assistance, as of June 30, 2016, in the amount of \$612,726.



**STATE OF OHIO  
 NOTES TO THE SUPPLEMENTARY SCHEDULE  
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**NOTE 2 NON-CASH FEDERAL ASSISTANCE PROGRAMS (Continued)**

- *Water Pollution Control State, Interstate, and Tribal Program Support (CFDA# 66.419)*  
 A portion of the federal assistance for this program represents the value of in-kind assistance the State used during the fiscal year. The U.S. Environmental Protection Agency determines the cost of the in-kind services and supplies provided to the State. The in-kind services are for sample collection and analysis to monitor Ohio sites as part of the National River and Stream Assessment. The Supplementary Schedules include in-kind assistance, as of June 30, 2016, in the amount of \$450.
- *Immunization Cooperative Agreements (CFDA# 93.268)*  
 A portion of the federal assistance for this program represents the value of immunizations distributed, in lieu of cash, directly to the State and/or on behalf of the State to vaccinating providers. The U.S. Department of Health and Human Services determined the value of vaccines received during fiscal year 2016 to be \$124,791,722 which is included in the Supplementary Schedules. The outstanding inventory balance for immunizations as of June 30, 2016, is \$21,115,395.

**NOTE 3 CAPITALIZATION GRANTS FOR REVOLVING LOAN FUNDS**

In fiscal year 2016, the capitalization grants for revolving loan funds were comprised of the Capitalization Grants for Clean Water State Revolving Funds (CFDA# 66.458) and the Capitalization Grants for Drinking Water State Revolving Funds (CFDA# 66.468) programs. As of June 30, 2016, outstanding loans for the Capitalization Grants for Revolving Loan Funds programs totaled approximately \$1.325 billion.

The table below represents the outstanding balances as of June 30, 2016, subject to compliance requirements:

	CFDA #	Beginning Balance as of 6/30/15 (as restated)	New Loans Issued During Fiscal Year 2016	Repayments / Capitalized Interest During Fiscal Year 2016	Total Loans without Compliance Requirements	Outstanding Balance as of 6/30/16 With Compliance
Capitalization Grants for Clean						
Water State Revolving Funds	66.458	\$ 954,391,251	\$ 75,428,000	\$ (12,101,806)	\$ (655,536,136)	\$ 362,181,309
Capitalization Grants for Drinking						
Water State Revolving Funds	66.468	288,722,016	21,718,250	(3,227,396)	(243,841,496)	63,371,374
		<u>\$ 1,243,113,267</u>	<u>\$ 97,146,250</u>	<u>\$ (15,329,202)</u>	<u>\$ (899,377,632)</u>	<u>\$ 425,552,683</u>

The total federal assistance for fiscal year 2016, as reported by the Ohio Environmental Protection Agency, for the Capitalization Grants for Clean Water State Revolving Funds and the Capitalization Grants for Drinking Water State Revolving Funds were \$365,357,464 and \$67,639,173, respectively. The difference between the federal assistance amount reported and the loan balance reported in the table above is comprised of \$7,443,954 in administrative and other related costs.

Additionally, in fiscal year 2016, the Brownfields Assessment and Cleanup Cooperative Agreements (CFDA# 66.818) had an outstanding loan in the amount of \$83,000. The beginning balance for the Brownfield Revolving Loan Funds as of July 1, 2015, was \$0.



**STATE OF OHIO  
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**NOTE 4 RESEARCH AND DEVELOPMENT CLUSTER**

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

<b>CFDA #</b>	<b>Federal Program Title</b>	<b>Amount</b>
11.419	Coastal zone Management Administration Awards .....	3,671
15.605	Sport Fish Restoration Program .....	904,094
15.808	U.S. Geological Survey_ Research and Data Collection .....	58,003
15.810	National Cooperative Geologic Mapping Program .....	46,556
15.819	Energy Cooperatives to Support the National Coal Resources Data System (NCRDS) .....	24,622
16.550	State Justice Statistics Program for Statistical Analysis Centers .....	41,460
16.588	Violence Against Women Formula Grants .....	6,797
16.593	Residential Substance Abuse Treatment for State Prisoners .....	521
16.609	Project Safe Neighborhoods .....	67,606
16.738	Edward Byrne Memorial Justice Assistance Grant Program .....	188,868
16.751	Edward Byrne Memorial Competitive Grant Program.....	33,549
20.205	Highway Planning and Construction .....	5,712,924
84.002	Adult Education - Basic Grants to States.....	1,655,494
<b>Total Research and Development Cluster.....</b>		<b><u>\$ 8,744,165</u></b>

**NOTE 5 TRANSFERS BETWEEN FEDERAL PROGRAMS**

During fiscal year 2016, the State made allowable transfers of approximately \$61.4 million from the Temporary Assistance for Needy Families (93.558) program to the Social Services Block Grant (93.667) program. The Supplementary Schedule shows the State spent approximately \$597 million on the Temporary Assistance for Needy Families program. The amount reported for the Temporary Assistance for Needy Families program on the Supplementary Schedule excludes the amount transferred to the Social Services Block Grant program. The amount transferred to the Social Services Block Grant program is included in the federal program expenditures for this program. The following table shows the gross amount drawn for the Temporary Assistance for Needy Families program during fiscal year 2016 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families .....	\$ 658,557,251
Social Services Block Grant.....	<u>(61,410,029)</u>
Total Temporary Assistance for Needy Families ...	<u>\$ 597,147,222</u>



**STATE OF OHIO  
 NOTES TO THE SUPPLEMENTARY SCHEDULE  
 OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 6 AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009 GRANTS**

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

<b>CFDA #</b>	<b>Federal Program Title</b>	<b>Amount</b>
17.225	ARRA -- Unemployment Insurance.....	49,843
20.205	ARRA -- Highway Planning and Construction .....	9,856,921
84.384	ARRA -- Statewide Data Systems, Recovery Act.....	53,029
84.395	ARRA -- State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act.....	16,516,000
84.412	ARRA -- Race to the Top – Early Learning Challenge .....	6,286,660
	<b>Total ARRA Grants.....</b>	<b>\$ 32,762,453</b>

**NOTE 7 NON-FEDERAL SUBAWARDS**

The State receives federal financial assistance directly from federal awarding agencies or indirectly from pass-through entities. A pass-through entity is defined as a non-federal entity that provides federal assistance to a subrecipient by granting a subaward. In the table below, subawards granted by non-federal pass-through entities are identified by CFDA Number, Federal Program Name, Pass-Through Entity, and the identifying number assigned by the pass-through entity:

<b>CFDA Number</b>	<b>Federal Program Name</b>	<b>Pass-Through Entity</b>	<b>Identifying Assigned Number</b>
10.664	* Cooperative Forestry Assistance	National Fish and Wildlife Foundation	1905.14.041676
10.664	Cooperative Forestry Assistance	Slow the Spread Foundation	15-01-08
93.279	Drug Abuse and Addiction Research Programs	University of Wisconsin	387K262
93.524	Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations-financed in part by Prevention and Public Health Funds (PPHF)	National Association of Chronic Disease Directors	105-1500-3

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

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**



**STATE OF OHIO  
JULY 1, 2015 THROUGH JUNE 30, 2016  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**2 CFR § 200.515**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified and Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	See pages 28 through 31
(d)(1)(viii)	Dollar Threshold: Type A/Type B Programs	A: >\$41,874,663 B: >\$10,468.666
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**1. FINANCIAL REPORTING – PROPRIETARY STATEMENT OF CASH FLOWS**

<i>Finding Number</i>	2016-001		
<i>State Agency</i>	Ohio Office of Budget & Management		
<i>State Agency/Number</i>	OBM-01		
<i>Repeat Finding from Prior Audit?</i>	No	<i>Finding Number (if repeat)</i>	N/A

MATERIAL WEAKNESS

Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* Section 2450 states, in part:

...

105. A statement of cash flows should explain the change during the period in cash and cash equivalents regardless of whether there are restrictions on their use. . .

...

119. Cash outflows for noncapital financing activities include:

a. Repayments of amounts borrowed for purposes other than acquiring, constructing, or improving capital assets.

...

**STATE OF OHIO  
JULY 1, 2015 THROUGH JUNE 30, 2016  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**1. FINANCIAL REPORTING – PROPRIETARY STATEMENT OF CASH FLOWS (CONTINUED)**

124. Cash inflows from investing activities include:

...

- d. Withdrawals from investment pools that the governmental enterprise is not using as demand accounts. . .

It is management's responsibility to interpret accounting guidance and devise and implement financial reporting policies or approaches that adhere to it. It is also management's responsibility to ensure the financial statements are accurate, complete, and properly presented in accordance with governmental accounting standards.

Beginning in fiscal year 2009 the State of Ohio periodically drew repayable advances from the Federal government to cover insufficient State funds for unemployment benefit claims. The State of Ohio recognizes a liability for the outstanding portion of these advances in the Unemployment Compensation Fund and makes the mandated repayments required by the Federal government via a reduction of tax credits given to employers. During fiscal year 2016, the State of Ohio directed the federal government to use \$200 million from the Unemployment Compensation Trust Fund, which includes investments made by the federal government on behalf of the State, to make additional voluntary payments to reduce the outstanding advance balance. However, contrary to the GASB guidance, the voluntary payments were not reflected in the *Statement of Cash Flows, Proprietary Funds - Enterprise*. The Ohio Office of Budget and Management (OBM) has not developed an official financial reporting approach on how to handle voluntary payments such as these, but indicated they felt it was sufficient to reflect the \$200 million voluntary payment as a decrease in the "Deposit with Federal Government" line, which represents the balance of the Unemployment Compensation Trust Fund, and as a decrease in the "Intergovernmental Payable" line of the *Statement of Net Position, Proprietary Funds - Enterprise*. Once the omission was discussed with OBM management, the *Statement of Cash Flows, Proprietary Funds - Enterprise* was adjusted to reflect the withdrawal from the Trust Fund and the payment on the advances.

Without the proper application of available guidance the State cannot reasonably ensure the information reported in its financial statements is accurate and complete. If amounts are not accurately reported, the risk is increased that the financial statement may be materially misstated and those using the statements could be relying on inaccurate information. As mentioned above, OBM management made a determination on how to reflect the voluntary federal advance payments in the financial statements based on interpretations made when the Deposit with Federal Government line item was first implemented.

We recommend management strengthen existing controls to ensure all information reported in the financial statements is accurate and presented in accordance with accounting and financial reporting guidance. We further recommend management formally update its financial reporting policies/approaches to address potential circumstances such as this repayment. Management should also ensure the updated policy is based on an accurate understanding of the related processes, and that all policies are periodically (i.e. annually) reviewed to ensure they are consistent with current accounting and financial reporting guidance. Any changes to the policies should be reviewed and approved by management and documented in some manner.

**Official's Response**

*In four of the past five years, the State has made voluntary payments to the federal government and OBM management used the same accounting treatment for the Statement of Cash Flows. Since the "Deposit with Federal Government" line item isn't a cash or cash equivalent, it has been our understanding the Statement of Cash Flows would not include this transaction. We recommended adding a footnote disclosure this year to explain the final voluntary payment as the federal loan has been repaid. After discussions, we agreed to place the transaction on the face of the Statement of Cash Flows to ensure the information reported in the financial statements is accurate and complete. We will update our accounting policies to address this repayment process should it reoccur in the future. Also see agency corrective action plan on page 77.*

**STATE OF OHIO  
JULY 1, 2015 THROUGH JUNE 30, 2016  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

The findings and questioned costs are summarized by state agency and type on pages 32 and 33.

The questioned costs are summarized by federal agency, program, and amount on page 34.

The findings and questioned costs are detailed by state agency on pages 35 through 76.

The State's responses to our noncompliance findings and findings on internal control over compliance are described in the accompanying Corrective Action Plan on pages 77 through 94. One response required an Auditor of State's Conclusion which is included on page 68.

**STATE OF OHIO  
JULY 1, 2015 THROUGH JUNE 30, 2016  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**MAJOR FEDERAL PROGRAMS**

CFDA #	Program Name / State Agency	Disbursements	Percent of Total
<b><u>U.S. Department of Agriculture</u></b>			
<u>SNAP Cluster</u>			
10.551 / 10.561	Ohio Department of Job & Family Services	\$ 2,523,835,420	
	Other Agencies (Not Tested as a Major Program)	697,323	
	Total SNAP Cluster	<u>\$ 2,524,532,743</u>	9.04%
<u>Child Nutrition Cluster</u>			
10.553 / 10.555 / 10.556 / 10.559	Ohio Department of Education	\$ 547,255,585	
	Other Agencies (Not Tested as a Major Program)	1,018,370	
	Total Child Nutrition Cluster	<u>\$ 548,273,955</u>	1.96%
10.558	Child and Adult Care Food		
	Ohio Department of Education	\$ 90,222,587	
	Total CFDA # 10.558	<u>\$ 90,222,587</u>	0.32%
<b><u>U.S. Department of Housing and Urban Development</u></b>			
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		
	Ohio Department of Development Services Agency	\$ 39,309,011	
	Total CFDA # 14.228	<u>\$ 39,309,011</u>	0.14%
<b><u>U.S. Department of Labor</u></b>			
<u>Employment Services Cluster</u>			
17.207 / 17.801 / 17.804	Ohio Department of Job & Family Services	\$ 35,689,973	
	Total Employment Services Cluster	<u>\$ 35,689,973</u>	0.13%
17.225	Unemployment Insurance		
	Ohio Department of Job & Family Services	\$ 1,082,551,642	
	Total CFDA # 17.225	<u>\$ 1,082,551,642</u>	3.88%
<u>WIA Cluster</u>			
17.258 / 17.259 / 17.278	Ohio Department of Job & Family Services	\$ 87,950,139	
	Other Agencies (Not Tested as a Major Program)	658,035	
	Total WIA Cluster	<u>\$ 88,608,174</u>	0.32%
<b><u>U.S. Department of Transportation</u></b>			
<u>Highway Planning and Construction Cluster</u>			
20.205 / 20.219 / 23.003	Ohio Department of Transportation	\$ 1,416,882,634	
	Other Agencies (Not Tested as a Major Program)	1,224,657	
	Total Highway Planning and Construction Cluster	<u>\$ 1,418,107,291</u>	5.08%

**STATE OF OHIO  
JULY 1, 2015 THROUGH JUNE 30, 2016  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**MAJOR FEDERAL PROGRAMS**

CFDA #	Program Name / State Agency	Disbursements	Percent of Total
<b><u>U.S. Department of Veterans Affairs</u></b>			
64.015	Veterans State Nursing Home Care		
	Ohio Department of Veteran Services	\$ 27,287,204	
	Total CFDA # 64.015	<u>\$ 27,287,204</u>	<u>0.10%</u>
<b><u>U.S. Environmental Protection Agency</u></b>			
66.458	Clean Water State Revolving Fund Cluster		
	Ohio Environmental Protection Agency	\$ 365,357,463	
	Total Clean Water State Revolving Fund Cluster	<u>\$ 365,357,463</u>	<u>1.31%</u>
66.468	Drinking Water State Revolving Fund Cluster		
	Ohio Environmental Protection Agency	\$ 67,639,173	
	Total Drinking Water State Revolving Fund Cluster	<u>\$ 67,639,173</u>	<u>0.24%</u>
<b><u>U.S. Department of Education</u></b>			
84.010	Title I Grants to Local Educational Agencies		
	Ohio Department of Education	\$ 570,105,931	
	Total CFDA # 84.010	<u>\$ 570,105,931</u>	<u>2.04%</u>
<b><u>Special Education Cluster (IDEA)</u></b>			
84.027 / 84.173			
	Ohio Department of Education	\$ 426,237,174	
	Other Agencies (Not Tested as a Major Program)	2,453,174	
	Total Special Education Cluster (IDEA)	<u>\$ 428,690,348</u>	<u>1.54%</u>
84.048	Career and Technical Education - Basic Grants to States		
	Ohio Department of Education	\$ 41,790,883	
	Other Agencies (Not Tested as a Major Program)	1,479,792	
	Total CFDA # 84.048	<u>\$ 43,270,675</u>	<u>0.16%</u>
84.287	Twenty-First Century Community Learning Centers		
	Ohio Department of Education	\$ 47,468,482	
	Total CFDA # 84.287	<u>\$ 47,468,482</u>	<u>0.17%</u>
84.367	Improving Teacher Quality State Grants		
	Ohio Department of Education	\$ 80,444,820	
	Other Agencies (Not Tested as a Major Program)	\$ 2,266,958	
	Total CFDA #84.367	<u>\$ 82,711,778</u>	<u>0.30%</u>
84.377	School Improvement Grants		
	Ohio Department of Education	\$ 11,681,075	
	Total CFDA 84.377	<u>\$ 11,681,075</u>	<u>0.04%</u>

**STATE OF OHIO  
JULY 1, 2015 THROUGH JUNE 30, 2016  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**MAJOR FEDERAL PROGRAMS**

CFDA #	Program Name / State Agency	Disbursements	Percent of Total
<b><u>U.S. Department of Health and Human Services</u></b>			
<u>Aging Cluster</u>			
93.044 / 93.045 / 93.053			
	Ohio Department of Aging	\$ 45,912,869	
	Total Aging Cluster	\$ 45,912,869	0.16%
<u>TANF Cluster</u>			
93.558			
	Ohio Department of Job & Family Services	\$ 596,814,389	
	Other Agencies (Not Tested as a Major Program)	\$ 332,833	
	Total TANF Cluster	\$ 597,147,222	2.14%
93.563	Child Support Enforcement		
	Ohio Department of Job & Family Services	\$ 144,409,782	
	Total CFDA # 93.563	\$ 144,409,782	0.52%
93.568	Low-Income Home Energy Assistance		
	Ohio Development Services Agency	\$ 180,119,791	
	Other Agencies (Not Tested as a Major Program)	\$ 366,738	
	Total CFDA # 93.568	\$ 180,486,529	0.65%
<u>CCDF Cluster</u>			
93.575 / 93.596			
	Ohio Department of Job & Family Services	\$ 229,125,843	
	Total CCDF Cluster	\$ 229,125,843	0.82%
93.658	Foster Care - Title IV-E		
	Ohio Department of Job & Family Services	\$ 214,508,284	
	Other Agencies (Not Tested as a Major Program)	2,012,742	
	Total CFDA # 93.658	\$ 216,521,026	0.78%
93.667	Social Services Block Grant		
	Ohio Department of Job & Family Services	\$ 104,804,067	
	Ohio Department of Mental Health and Addiction Services	7,518,098	
	Ohio Department of Developmental Disabilities	8,290,840	
	Total CFDA # 93.667	\$ 120,613,005	0.43%
93.767	Children's Health Insurance Program		
	Ohio Department of Medicaid	\$ 390,904,418	
	Other Agencies (Not Tested as a Major Program)	669,743	
	Total CFDA # 93.767	\$ 391,574,161	1.40%

**STATE OF OHIO  
JULY 1, 2015 THROUGH JUNE 30, 2016  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**MAJOR FEDERAL PROGRAMS**

CFDA #	Program Name / State Agency	Disbursements	Percent of Total
<u>Medicaid Cluster</u>			
93.775 / 93.777 / 93.778	Ohio Department of Medicaid	\$ 15,275,552,866	
	Ohio Department of Developmental Disabilities	1,642,824,799	
	Other Agencies (Not Tested as a Major Program)	42,578,133	
	<b>Total Medicaid Cluster</b>	<b>\$ 16,960,955,798</b>	<b>60.76%</b>
93.791	Money Follows the Person Rebalancing Demonstration		
	Ohio Department of Medicaid	\$ 36,022,927	
	Ohio Department of Developmental Disabilities	\$ 9,677,423	
	<b>Total CFDA # 93.791</b>	<b>\$ 45,700,350</b>	<b>0.16%</b>
93.959	Block Grants for Prevention and Treatment of Substance Abuse		
	Ohio Department of Mental Health and Addiction Services	\$ 52,567,986	
	<b>Total CFDA # 93.959</b>	<b>\$ 52,567,986</b>	<b>0.19%</b>
<b>Total Major Federal Programs</b>		<b>\$ 26,456,522,076</b>	<b>94.77%</b>
<b>Other Federal Programs</b>		<b>\$ 1,459,919,994</b>	<b>5.23%</b>
<b>Total Federal Awards Expenditures</b>		<b>\$ 27,916,442,070</b>	<b>100.00%</b>

**STATE OF OHIO  
JULY 1, 2015 THROUGH JUNE 30, 2016  
SUMMARY OF FINDINGS AND QUESTIONED COSTS**

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

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
<b>Ohio Department of Education (EDU)</b>			
1. Special Education Cluster – Misallocations to Local Educational Agencies	2016-002	Questioned Costs/ Noncompliance/ Material Weakness	35
2. Title I & ITQ – Timely Allocations to Charter Schools	2016-003	Noncompliance/ Material Weakness	37
3. Maintenance of Effort – Various Programs	2016-004	Noncompliance/ Material Weakness	39
4. CNC & CACFP – Reporting	2016-005	Noncompliance/ Material Weakness	42
5. CNC – Sponsor Reviews	2016-006	Noncompliance/ Material Weakness	44
<b>Ohio Department of Job and Family Services (JFS)</b>			
1. SNAP Cluster & TANF Cluster – Eligibility Documentation	2016-007	Questioned Costs/ Noncompliance/ Material Weakness/ Significant Deficiency	46
2. IT – IEVS Due Dates, Result Code, and Verification Documentation Errors	2016-008	Noncompliance/ Material Weakness	48
3. CCDF Cluster – Type B Home Inspections	2016-009	Noncompliance/ Material Weakness	50
4. CCDF Cluster – Type B Home Licenses	2016-010	Noncompliance/ Material Weakness	52
5. CCDF Cluster – Type A Homes/Centers	2016-011	Noncompliance/ Material Weakness	54
6. Federal Reporting – Various Programs	2016-012	Noncompliance/ Material Weakness	57
7. Cash Management – Various Programs	2016-013	Noncompliance/ Significant Deficiency	60
<b>Ohio Department of Medicaid (MCD)</b>			
1. Medicaid & CHIP – Ineligible Recipients	2016-014	Questioned Costs/ Material Weakness	63
2. MFP – Ineligible Recipients – Home Choice/ MITS Variances	2016-015	Questioned Costs/ Material Weakness	64
3. IT – Provider Licenses Not Updated in MITS	2016-016	Questioned Costs/ Material Weakness	66
4. Cash Management – Various Programs	2016-017	Noncompliance/ Material Weakness/ Significant Deficiency	68

**STATE OF OHIO  
 JULY 1, 2015 THROUGH JUNE 30, 2016  
 SUMMARY OF FINDINGS AND QUESTIONED COSTS**

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
<b>Ohio Department of Mental Health and Addiction Services (DMH)</b>			
1. SABG & SSBG – Period of Performance	2016-018	Questioned Costs/ Noncompliance/ Material Weakness	71
2. SABG - Payroll	2016-019	Material Weakness	72
<b>Ohio Department of Transportation (DOT)</b>			
1. Highway Planning & Construction Cluster – Subrecipient Monitoring	2016-020	Noncompliance/ Material Weakness	74
2. Highway Planning & Construction Cluster – Wage Rate Requirements	2016-021	Material Weakness	75

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

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
<b>Ohio Office of Budget &amp; Management (OBM)</b>			
1. Financial Reporting – Proprietary Statement of Cash Flows	2016-001	Material Weakness	25

**STATE OF OHIO  
 JULY 1, 2015 THROUGH JUNE 30, 2016  
 SUMMARY OF QUESTIONED COSTS BY FEDERAL AGENCY AND PROGRAM**

<b><u>FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE</u></b>	<b><u>PAGE NUMBER(S)</u></b>	<b><u>QUESTIONED COSTS</u></b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>		
10.551 / 10.561 – SNAP Cluster	46	\$50
<b>Total U.S. Department of Agriculture</b>		<b><u>\$50</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>		
84.027 / 84.173 – Special Education Cluster (IDEA)	35*	Undetermined
<b>Total U.S. Department of Education</b>		<b><u>Undetermined</u></b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
93.767 – Children’s Health Insurance Program	63, 66*	\$64,194
93.775 / 93.777 / 93.778 – Medicaid Cluster	63, 66*	\$64,457
93.791 – Money Follows the Person Rebalancing Demonstration	64, 66*	\$86,011
93.959 – Block Grants for Prevention and Treatment of Substance Abuse	71	\$30,975
<b>Total U.S. Department of Health and Human Services</b>		<b><u>\$245,637</u></b>
<b>TOTAL QUESTIONED COSTS - STATE OF OHIO</b>		<b><u>\$245,687</u></b>

Note: \* Finding numbers 2016-002 and 2016-016 on pages 35 and 66 reported questioned costs for which the amounts could not be determined.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF EDUCATION**

**1. SPECIAL EDUCATION CLUSTER – MISALLOCATIONS TO LOCAL EDUCATIONAL AGENCIES**

<i>Finding Number</i>	2016-002		
<i>State Agency/Number</i>	EDU-01		
<i>CFDA Number and Title/ Federal Award Identification Number / Year</i>	84.027/84.173 – Special Education Cluster (IDEA)	H027A130158-13A / 2013 H027A140111-14A / 2014 H027A150111-15B / 2015	
<i>Federal Agency</i>	Department of Education		
<i>Compliance Requirement</i>	Eligibility, Special Tests and Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools		
<i>Repeat Finding from Prior Audit?</i>	Yes	<i>Finding Number (if repeat)</i>	2015-008

**QUESTIONED COSTS, NONCOMPLIANCE, AND MATERIAL WEAKNESS**                      Undetermined Amount

34 CFR 76, Subpart H, requires that SEAs (state educational agencies) take measures to ensure each charter school in the state receives the funds for which it is eligible under a covered program during its first year of operation and during subsequent years in which the charter school expands its enrollment. Specifically, 34 CFR 76.787 defines significant expansion of enrollment as:

. . . a substantial increase in the number of students attending a charter school due to a significant event that is unlikely to occur on a regular basis, such as the addition of one or more grades or educational programs in major curriculum areas. The term also includes any other expansion of enrollment that the SEA determines to be significant.

Additionally, 34 CFR 76.789 requires an SEA perform the following responsibilities: (a) provide the charter school LEA (local educational agency) with timely and meaningful information about each covered program in which the charter school LEA may be eligible to participate, and (b) allocate program funds to any charter school LEA that opens for the first time or significantly expands its enrollment during an academic year for which the state awards funds.

Also, 34 CFR 76.793 (a) states:

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

Furthermore, 34 CFR 300.705 relates to required subgrants to LEAs and paragraph (a) states:

*Subgrants required.* Each State that receives a grant under section 611 of the Act for any fiscal year must distribute any funds the State does not reserve under § 300.704 to LEAs (including public charter schools that operate as LEAs) in the State that have established their eligibility under section 613 of the Act for use in accordance with Part B of the Act. Effective with funds that become available on the July 1, 2009, each State must distribute funds to eligible LEAs, including public charter schools that operate as LEAs, even if the LEA is not serving any children with disabilities.

The remainder of 34 CFR 300.705 describes the allocations to be made to the LEAs. These payments include a base amount and a supplemental allocation of remaining funds for (a) the relative numbers of children enrolled in public and private elementary schools and secondary schools within the LEA's jurisdiction; and (b) an LEA's relative numbers of children living in poverty, as determined by the SEA. It is management's responsibility to implement control policies and procedures to reasonably ensure compliance with these requirements.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF EDUCATION

#### 1. SPECIAL EDUCATION CLUSTER – MISALLOCATIONS TO LOCAL EDUCATIONAL AGENCIES (CONTINUED)

During state fiscal year (SFY) 2016, the Department expended approximately \$428.6 million in Special Education Grants to States funds (IDEA, Part B), including approximately \$410.5 million in subsidy payments to LEAs. Also during SFY 2016, 10 new charter schools (called community schools in Ohio) opened and 33 community schools significantly expanded enrollment by adding one or more new grade levels.

The Department had a policy in place during SFY 2016 for allocating additional funding to new or expanded community schools for IDEA, Part B. However, the section within the Department that made these allocations did not have a method in place to identify all new community schools or to determine whether there were expanded community schools. All 10 new community schools opened before November 1, 2015, so the Department was required to allocate funds to them within five months of the date they opened. However, three (30%) of the new community schools did not receive any IDEA, Part B allocation during the year and the other seven (70%) were not provided the required funding in a timely manner. The new funding was allocated between 38 and 114 days late of the required timeframe, with an average of 61 days late.

In addition, Department management indicated they did not allocate additional IDEA, Part B funds to 32 of the 33 (97%) significantly expanded community schools during the year. Because the data used in determining IDEA, Part B allocations included a base payment and enrollment data from the previous fiscal year, the community schools were not provided an accurate allocation of the amount of IDEA, Part B funds for which they were eligible.

Furthermore, although the Department had controls in place over the allocation process, they did not detect or prevent the lack of required funding to the community schools.

Funding that should have been provided to the community schools, either because a community school was created or expanded its enrollment, would have come from funding that was allocated to traditional schools. As a result, the Department disbursed more IDEA, Part B funds to traditional schools in SFY 2016 than they were entitled and less IDEA, Part B funds to community schools than they were entitled. However, the disbursement or allocation amount to each type of school could not be readily determined. Given these circumstances, we will question an undetermined amount improperly allocated and disbursed to traditional schools instead of to the 33 expanded community schools for the IDEA, Part B program. It is likely the amount of funds is greater than \$25,000. We will not question the costs related to the three new charter schools that were not allocated any IDEA, Part B funding since their eligibility for program funds was not documented by the required plan/application.

If controls are not working consistently and as intended by management, the risk exists that transactions may not be recorded accurately, calculated appropriately, or approved properly. By not making appropriate allocation of IDEA, Part B funds to all LEAs, including the community schools, the Department could be subject to sanctions or other penalties and a repayment of the IDEA, Part B grant award amount. If community schools do not receive all funding they are eligible for or if the funding is not received in a timely manner, they may not be able to provide services at the appropriate level to the detriment of the students impacted for the IDEA, Part B program. Based on discussions with management and review of support documentation, there was a lack of communication among Department divisions involved in the allocation process and a lack of understanding of federal requirements.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF EDUCATION**

**1. SPECIAL EDUCATION CLUSTER – MISALLOCATIONS TO LOCAL EDUCATIONAL AGENCIES  
(CONTINUED)**

We recommend the Department evaluate its current control procedures over the allocation of IDEA, Part B funds to new and significantly expanded community schools and update them as necessary to reasonably ensure compliance with the requirements. The Department should ensure there is adequate communication among divisions within the Department to ensure staff responsible for allocating IDEA, Part B funds to LEAs has proper and current data on new and significantly expanded community schools. We also recommend the Department monitor future subgrant allocations to ensure the amounts are calculated in accordance with federal regulations/guidelines. If there is any uncertainty in the interpretation of a regulation, we recommend the Department contact the federal funding agency for direction.

**2. TITLE I & IMPROVING TEACHER QUALITY – TIMELY ALLOCATIONS TO CHARTER SCHOOLS**

<i>Finding Number</i>	2016-003		
<i>State Agency/Number</i>	EDU-02		
<i>CFDA Number and Title/ Federal Award Identification Number / Year</i>	84.010 – Title I Grants to Local Educational Agencies	S010A130035 / 2013	S010A140035 / 2014
	84.367 – Improving Teacher Quality State Grants	S367A140034 / 2014	S367A150034 / 2015
<i>Federal Agency</i>	Department of Education		
<i>Compliance Requirement</i>	Special Tests and Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools		
<i>Repeat Finding from Prior Audit?</i>	No	<i>Finding Number (if repeat)</i>	N/A

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

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

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

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

During state fiscal year (SFY) 2016, the Department expended approximately \$570.1 million in Title I Grants to LEAs funds, of which approximately \$562.8 million were subsidy payments to LEAs. The Department also expended approximately \$82.7 million in Improving Teacher Quality State Grants funds, of which approximately \$78.6 million were subsidy payments to LEAs. In addition, during SFY 2016, ten new charter schools (called community schools in Ohio) opened and 116 community schools significantly expanded based on an increase in census formula calculations between SFY 2015 and SFY 2016.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF EDUCATION

#### **2. TITLE I & IMPROVING TEACHER QUALITY - TIMELY ALLOCATIONS TO CHARTER SCHOOLS (CONTINUED)**

The Department had procedures in place during SFY 2016 for allocating additional funding to new or expanded community schools for the Title I Grants to LEAs and Improving Teacher Quality State Grants programs. The Department initially allocated funding to LEAs based on enrollment and economically disadvantaged student data from SFY 2015. After enrollment and economically disadvantaged student data were reported by the LEAs and verified by the Department for SFY 2016, all LEA allocations (including those for new and significantly expanded community schools) were revised on March 18, 2016. All three new and 10 significantly expanded community schools selected for testing opened or significantly expanded on or before November 1, 2015; so, the Department was required to allocate funds to them within five months of the date they opened or significantly expanded their enrollment. However, none of the 13 schools tested were provided the required new or additional funding in a timely manner. The new or additional funding was allocated between 44 and 75 days late of the required timeframe, with an average of 58 days late.

If controls do not exist or are not applied consistently, then program objectives may not be achieved. If community schools do not receive all funding they are eligible for in a timely manner, they may not be able to provide services at the appropriate level to the detriment of the students impacted for the Title I Grants to LEAs and Improving Teacher Quality State Grants programs. In addition, this could subject the Department to sanctions or other penalties for Title I Grants to LEAs and Improving Teacher Quality State Grants.

Based on discussion with management and review of various documents, there were delays in data submissions from community schools and the Department's verification of the data submitted by community schools necessary to complete the process. This resulted in a delay in the reallocation of funds to LEAs for the Title I Grants to LEAs and Improving Teacher Quality State Grants programs.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF EDUCATION**

**3. MAINTENANCE OF EFFORT – VARIOUS PROGRAMS**

<i>Finding Number</i>	2016-004		
<i>State Agency/Number</i>	EDU-03		
<i>CFDA Number and Title/ Federal Award Identification Number / Year</i>	84.010 – Title I Grants to Local Educational Agencies	S010A130035 / 2013 S010A140035 / 2014	
	84.027/84.173 – Special Education Cluster (IDEA)	H027A130158-13A / 2013 H027A140111-14A / 2014 H027A150111-15B / 2015	
	84.287 – Twenty-First Century Community Learning Centers	S287C130035 / 2013 S287C140035 / 2014 S287C150035 / 2015	
	84.367 – Improving Teacher Quality State Grants	S367A140034 / 2014 S367A150034 / 2015	
<i>Federal Agency</i>	Department of Education		
<i>Compliance Requirement</i>	Maintenance of Effort, Subrecipient Monitoring		
<i>Repeat Finding from Prior Audit?</i>	Yes	<i>Finding Number (if repeat)</i>	2015-012

NONCOMPLIANCE AND MATERIAL WEAKNESS (SPECIAL EDUCATION CLUSTER)

MATERIAL WEAKNESS (ALL OTHER PROGRAMS LISTED ABOVE)

34 CFR part 299 established uniform administrative rules for programs in titles I through XIII of the Elementary and Secondary Education Act (ESEA) of 1965, as amended. 34 CFR 299.5 (a) states:

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

In addition, 34 CFR part 300.203 established maintenance of effort (MOE) compliance standard requirements for Part B of the Individuals with Disabilities Education Act (IDEA). 34 CFR 300.203 (b)(2) states:

An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:

- (i) Local funds only;
- (ii) The combination of State and local funds;
- (iii) Local funds only on a per capita basis; or
- (iv) The combination of State and local funds on a per capita basis.

If an LEA fails the MOE requirement for the IDEA, Part B program (included in the Special Education Cluster), the following year's MOE data is compared against the last year the LEA met the MOE requirements. It is management's responsibility to implement control policies and procedures to reasonably ensure an LEA has met the MOE compliance requirement and is eligible to receive the full allocation of program funds. Effective controls require the SEA document its determination of how the LEA complied with the MOE requirement based on the LEA's expenditures, as allowed by 34 CFR 299.5 (a) or 34 CFR 300.203 (b)(2).

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF EDUCATION

#### 3. MAINTENANCE OF EFFORT – VARIOUS PROGRAMS (CONTINUED)

The Department has two divisions that perform MOE calculations and report them to the federal government for their respective federal programs. The Office for Exceptional Children (OEC) performs this function for the Special Education Cluster, while the Office of Federal Programs (OFP) performs it for the Title I, Twenty-First Century Community Learning Centers, Improving Teacher Quality, and other federal programs. Each Office monitored LEA compliance with MOE requirements through data uploaded from EMIS (Education Management Information System) into the CCIP (Continuous Comprehensive Improvement Plan) system, MOE Application module. EMIS is the statewide data collection system by which LEAs are required to report data, including all LEA expenditures and Average Daily Membership, to the Department. The Department's Information Technology Office (ITO) notifies OEC and OFP when EMIS is closed and the data is available for entry into the MOE Application module.

Using this data, OEC and OFP determine whether a particular LEA met the MOE requirement. Each Office contacts and investigates only those LEAs that do not meet the MOE requirement for additional information and support to help with the MOE determination. Based on data supplied by the LEA during an investigation and tracked in the MOE Application module, OEC and OFP employees might change an LEA's expenditure data in the MOE Application module. However, OEC did not communicate these data changes to ITO for revision of the data in EMIS. In addition, OEC had written policies and procedures over the LEA MOE compliance determination process; OFP also had a number of separate policies and had drafted a composite set of policies and procedures, which were not formally approved during state fiscal year 2016. However, the OEC and separate OFP policies and procedures did not address communication between offices for the LEA MOE compliance determination process.

In addition, in past years, the Department re-opened the data reporting process into EMIS more than once for various reasons, allowing all LEAs the opportunity to correct, update, or otherwise change data that ends up in EMIS. ITO did not communicate to OEC and OFP which LEAs changed their data, even though they had based the MOE determinations on the original data in EMIS. The Department did not re-open the data reporting process into EMIS for the current MOE determination year; however, the data reporting for the base year, to which the current MOE determination year was compared, was re-opened after the MOE determination was performed in the base year. This may have caused LEAs that failed MOE during the base year to appear to pass MOE in the MOE Application module. Because MOE data is compared against the last year the district passed MOE, this could cause the current MOE determinations to be performed incorrectly.

Furthermore, OEC performed MOE determinations for the Special Education Cluster using only two of the four acceptable methods under 34 CFR 300.203(b)(2) by which an LEA could comply with the MOE requirement. OEC did not perform a calculation of whether LEAs met the MOE requirement using local funds only or local funds only on a per capita basis. Without using all four methods, the Department may reach an incorrect conclusion about an LEA's compliance. In fact, the Department did not perform a MOE comparison correctly for seven of 60 (11.7%) LEAs tested, as noted below:

- For three calculations (all County Departments of Developmental Disabilities), the Department ran calculations including state funds only and did not include local funds. This is not one of the four acceptable methods identified in 34 CFR 300.203 (b)(2).
- For two calculations, the Department determined the LEA failed MOE and requested a refund. However, because the Department did not perform local funds only or local funds only on a per capita basis comparisons, there is uncertainty if a refund was appropriate. In addition, for one of these calculations the amount of the refund requested and collected from the LEA was incorrect. The amount of the refund should have been limited to the LEA's IDEA Part B allocation for fiscal year 2015, which was \$11,777. The Department requested and collected a refund for \$19,810, which is \$8,033 more than the payment amount.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF EDUCATION

#### 3. MAINTENANCE OF EFFORT – VARIOUS PROGRAMS (CONTINUED)

- For one calculation, the MOE system showed the LEA passed MOE even though the preliminary calculations indicated the LEA failed MOE. The Department confirmed the LEA did not pass MOE and was not sure why the MOE system showed “MOE Passed”.
- For one calculation, the Department inappropriately included federal expenditures in the total local and state expenditure amount for fiscal year 2015. MOE should be based on local and state expenditures only. Although this did not result in an incorrect MOE determination by the Department, it could result in an incorrect MOE comparison during the subsequent MOE determination for the LEA (2015-2016).

The lack of communication between the divisions and not using the final revised data in EMIS in previous fiscal year comparisons may result in the Department determining that LEAs met the MOE requirement when they did not. This could result in LEAs receiving the full allocation of federal funds instead of a reduced amount. In addition, the Department's current method of calculating Special Education Cluster MOE for County Departments of Developmental Disabilities provides no assurance that these entities are meeting MOE requirements. Noncompliance on the part of the LEA or the Department could result in federal funds being reduced, taken away, or other sanctions imposed by the federal grantor agency.

Based on discussions with management and review of supporting documentation, these conditions were the result of a lack of communication between the MOE Application module and EMIS expenditures data and staff oversight.

We recommend the Department continue to evaluate its current control procedures and processes over determining whether LEAs met the MOE requirement for federal programs and update them as necessary to reasonably ensure MOE determinations are made based on the most accurate data. We recommend the Department require communications of specific information among the various divisions when data affecting the MOE determination changes. The Department should also formally document and approve OFP's procedures over the LEA MOE compliance determination process and revise OEC's procedures to address communication between offices. We recommend OEC perform future MOE determinations using all four of the acceptable manners under 34 CFR 300.203 (b)(2), including local funds only and local funds only on a per capita basis. In addition, the Department should ensure a proper MOE calculation is performed over Special Education Cluster MOE. We also recommend the Department establish procedures to periodically monitor its compliance with the related controls and initiate necessary actions to resolve any noncompliance that results.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF EDUCATION**

**4. CNC AND CACFP – REPORTING**

<i>Finding Number</i>	2016-005		
<i>State Agency/Number</i>	EDU-04		
<i>CFDA Number and Title/ Federal Award Identification Number / Year</i>	10.553/10.555/10.556/10.559 – Child Nutrition Cluster	15142OH062N1099 / 2015	
	10.558 – Child and Adult Care Food Program	15142OH062N2020 / 2015	
<i>Federal Agency</i>	Department of Agriculture		
<i>Compliance Requirement</i>	Reporting		
<i>Repeat Finding from Prior Audit?</i>	Yes	<i>Finding Number (if repeat)</i>	2015-013

NONCOMPLIANCE AND MATERIAL WEAKNESS

As part of administering the Child Nutrition Cluster (CNC) and Child and Adult Care Food Program (CACFP), various sections of Title 7 of the Code of Federal Regulations require the Department submit the following reports summarizing the operations of these programs. Specifically,

- 7 CFR section 210.17(g) requires the FNS-13, *Annual Report of State Revenue Matching*, report be submitted “within 120 days after the end of each school year . . .”
- 7 CFR section 210.5(d)(2)(i) requires the FNS-777, *Financial Status Report*, report “be postmarked and/or submitted no later than 30 days after the end of each fiscal year quarter.” Also, 7 CFR 210.5(d)(3) requires the Department submit a final fiscal year grant closeout report to be “postmarked and/or submitted to FNS within 120 days after the end of each fiscal year or part thereof” it administered the program.
- 7 CFR section 210.5(d)(1) requires the final FNS-10, *Report of School Program Operations*, report be “postmarked and/or submitted no later than 90 days following the last day of the month covered by the report.” In addition to this “90-day report”, which contains actual data only, instructions to the report also state a “30-day report”, which may contain actual and estimated data, is due “30 days following the month being reported.”
- 7 CFR sections 225.8(b) requires a final FNS-418, *Report of the Summer Food Service Program for Children*, report be submitted “for each month no more than 90 days following the last day of the month covered by the report.” In addition to this “90-day report”, which contains actual data only, instructions to the report also state a “30-day report”, which may contain actual and estimated data, is due “on the last day of the month following the month being reported.”

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

During state fiscal year 2016 (SFY16), the Department disbursed approximately \$500.4 million in subsidy expenditures for the CNC. The Department also disbursed approximately \$88.6 million in subsidy expenditures for the CACFP program during SFY16. When preparing reports for submission to the U. S. Department of Agriculture (USDA) via the Food Program Reporting System (FPRS), the Clerk 2 uses the Claims Reimbursement and Reporting System (CRRS) to identify information to include and generates

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF EDUCATION

#### 4. CNC AND CACFP – REPORTING (CONTINUED)

support documents. The Financial Associate reconciles the total number of meals reported for each program meal type to the support documents and the Assistant Director or Program Administrator 2 reviews the report and support documents for completeness and accuracy. Each employee initials the report working copy (distinct from the official electronic copy) to evidence completion of the control procedure. However, Department personnel did not consistently apply these controls, maintain documentation of the control performance or supporting documentation, or submit the reports within the required deadlines, as noted below.

##### FNS-418 Reports

- Two of the five (40%) reports selected for testing (May 2016 30-day and 90-day reports) did not include the report working copy; thus, it could not be determined if the reports contained the initials of the Clerk 2, Financial Associate, or Assistant Director or Program Administrator 2.
- One of five (20%) reports tested (July 2015 90-day report) did not include supporting documentation from CRRS on file for the “PART C - MEALS SERVED” “and PART D - PARTICIPATION” sections. Instructions for the July 90-day report require data for these sections be reported once a year on this report.
- One of five (20%) reports tested (May 2016 30-day report) listed only Actual Meals Served for the month and not Estimated Meals Served. This resulted in a significant understatement of all lines of Meals Served when compared to the 90-day report for the same month.
- One of the five (20%) reports selected for testing was not submitted by the respective due date. The July 2015 90-day report was submitted 21 days late.
- One of the five (20%) reports selected for testing (August 2015 30-day report) did not contain the initials of the Assistant Director or Program Administrator 2.

##### FNS-44 Reports

- Four of five (80%) reports tested (April 2015 90-day report, November 2015 30-day and 90-day reports, and March 2016 90-day report) did not agree to the supporting documentation from CRRS or the supporting documentation was not available.
- Three of five (60%) reports tested (November 2015 30-day and 90-day reports, and March 2016 90-day report) contained significantly different amounts on the 30-day report and the 90-day report. All three of these reports did not have all relevant supporting documentation from CRRS on file; therefore, it could not be determined if the amounts reported were accurate.
- One of five (20%) reports tested (November 2015 90-day) did not have the official copy of the report on file; therefore, it could not be determined if the report was mathematically accurate.
- One of the five (20%) reports selected for testing (March 2016 90-day report) did not include the report working copy; thus, it could not be determined if the reports contained the initials of the Financial Associate and Assistant Director/Program Administrator 2.

##### FNS-10 Reports

- Three of five (60%) reports tested (July 2015 30-day and 90-day reports, and October 2015 90-day report) did not have supporting documentation from CRRS available.
- Two of five (40%) reports tested (July 2015 30-day and 90-day reports) contained significantly different amounts on the 30-day report and the 90-day report. Both of these reports did not have all relevant supporting documentation from CRRS on file; therefore, it could not be determined if the amounts reported were accurate.
- Two of five (40%) reports selected for testing were not submitted by the respective due dates. The July 2015 30-day and 90-day reports were submitted 67 and 25 days late, respectively.
- One of five (20%) reports selected for testing (October 2015 90-day report) did not have the report official copy on file; therefore, it could not be determined if the report was mathematically accurate.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF EDUCATION**

**4. CNC AND CACFP – REPORTING (CONTINUED)**

FNS-13 Report

- The annual report (100%) for the year ended June 30, 2015 was not submitted until February 24, 2016, or 119 days late.

FNS-777 Reports

- Three of the five (60%) quarterly reports were not submitted by their respective due dates. The FFY15 Quarter 4, FFY15 Quarter 4 Closeout, and FFY16 Quarter 1 reports were submitted 91, 197, and 79 days late, respectively.

Without the effective and consistent performance and documentation of internal controls and maintenance of support documentation, management cannot be reasonably assured the controls are operating as intended. Furthermore, the Department cannot be reasonably assured reports are accurate, complete, and submitted in a timely manner. Any noncompliance could result in repayment, reduction, or elimination of federal funding or sanctions imposed by the federal grantor agency. Based on discussions with management and review of supporting documentation, these conditions were the result of staff transitions, oversight, lack of access to and familiarity with FPRS, and slow response from USDA when the Department sought assistance / guidance after numerous failed attempts to submit the reports.

We recommend the Department evaluate and reinforce its procedures to provide reasonable assurance the various reports are accurate, complete, and submitted timely to the federal government. Evidence of report reviews should be documented and maintained, according to an approved records retention schedule, to provide management with reasonable assurance the procedures are performed timely and accurately. We also recommend the Department establish procedures to periodically monitor its compliance with the report submission requirements and initiate necessary actions to resolve any noncompliance that results.

**5. CNC – SPONSOR REVIEWS**

<i>Finding Number</i>	2016-006		
<i>State Agency/Number</i>	EDU-05		
<i>CFDA Number and Title/ Federal Award Identification Number / Year</i>	10.553/10.555/10.556/10.559 – Child Nutrition Cluster	15142OH062N1099 / 2015	
<i>Federal Agency</i>	Department of Agriculture		
<i>Compliance Requirement</i>	Subrecipient Monitoring		
<i>Repeat Finding from Prior Audit?</i>	No	<i>Finding Number (if repeat)</i>	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS

As part of administering the Summer Food Service Program for Children, which is part of the Child Nutrition Cluster (CNC), 7 CFR 225.7 requires the Department provide technical and supervisory assistance to institutions and facilities to facilitate effective program operations; monitor progress toward achieving program goals; ensure compliance with all requirements of the program; and maintain documentation of supervisory assistance activities, including reviews conducted, corrective actions prescribed, and follow-up efforts.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF EDUCATION

#### 5. CNC – SPONSOR REVIEWS (CONTINUED)

Specifically, 7 CFR 225.7 (d)(2) states, in part:

(i) *General.* The State agency must review sponsors and sites to ensure compliance with Program regulations, the Department's non-discrimination regulations (7 CFR part 15) and any other applicable instructions issued by the Department.

...

(ii) *Frequency and number of required reviews.* State agencies shall:

...

(D) Review each sponsor at least once every three years . . .

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

During state fiscal year 2016, the Department completed reviews of 76 sponsors that participated in the Summer Food Service Program. Program Consultants are responsible for visiting these institutions, performing the required reviews, and completing various documents to evidence what they review and the results. The Assistant Director or Management Analyst then reviews these documents and denotes acceptance of the reviews in the Claims Reimbursement Reporting System (CRRS). In addition, the Department maintains a CRRS tracking module that lists all participants of the program and when they were reviewed or are scheduled for review. However, the Department's controls did not prevent noncompliance with the review requirements. For one of nine (11.1%) reviews selected for testing, the Department did not perform a review of the sponsor within the required three-year period. The sponsor was reviewed in June 2011 and the following review was not completed until August 2015, more than one year beyond when it was required.

Not properly monitoring sponsor reviews could result in noncompliance with federal regulations. Noncompliance with the review requirements could subject the Department to sanctions or other penalties and a repayment of part of the grant award amount. Based on discussions with management and review of support documents, the review was not performed timely due to limited communication between the old and new data during the transition for an upgrade to the CRRS system.

We recommend the Department evaluate its existing sponsor review control procedures and update them as necessary to reasonably ensure all reviews are performed within the timeframes prescribed in 7 CFR 225.7 (d)(2). We also recommend the Department establish procedures to periodically monitor its compliance with the review requirements and initiate necessary actions to resolve any noncompliance that results.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF JOB & FAMILY SERVICES**

**1. SNAP CLUSTER AND TANF CLUSTER – ELIGIBILITY DOCUMENTATION**

<i>Finding Number</i>	2016-007		
<i>State Agency/Number</i>	JFS-01		
<i>CFDA Number and Title/ Federal Award Identification Number / Year</i>	10.551/10.561 – SNAP Cluster	15152OH102S8026 / 2015 15152OH102S8069 / 2015	
	93.558 – TANF Cluster	1102OHTANF / 2011 1601OHTANF / 2016	
<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services		
<i>Compliance Requirement</i>	Eligibility		
<i>Repeat Finding from Prior Audit?</i>	Yes	<i>Finding Number (if repeat)</i>	2015-022

QUESTIONED COSTS (SNAP CLUSTER)

\$50

NONCOMPLIANCE AND MATERIAL WEAKNESS (SNAP CLUSTER)

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY (TANF CLUSTER)

7 CFR 272.10(b)(1)(i), pertaining to the SNAP Cluster, states in part, that a State’s system should:

Determine eligibility and calculate benefits or validate the eligibility worker’s calculations by processing and storing all casefile information necessary for the eligibility determination and benefit computation (including but not limited to all household members’ names, addresses, dates of birth, social security numbers, individual household members’ earned and unearned income by source, deductions, resources and household size)...

45 CFR 206.10(a), pertaining to public assistance programs, including TANF, states in part:

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

...

(9) Where an individual has been determined to be eligible, eligibility will be reconsidered or redetermined.

(i) When required on the basis of information the agency has obtained previously about anticipated changes in the individual’s situation;

(ii) Promptly, after a report is obtained which indicates changes in the individual’s circumstances that may affect the amount of assistance to which he is entitled or may make him ineligible; and

(iii) Periodically, within agency established time standards, but not less frequently than every 12 months in OAA, AB, APTD, and AABD, on eligibility factors subject to change.

...

When administering federal grant awards for the Department, management of each subrecipient County Department of Job and Family Services (CDJFS) is responsible for providing reasonable assurance only eligible individuals receive assistance and information reported to the Department is accurate, complete, and properly recorded in the Client Registry Information System – Enhanced (CRIS-E) to ensure appropriate eligibility determinations. The Department has incorporated its procedures for the

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF JOB & FAMILY SERVICES

#### 1. SNAP CLUSTER AND TANF CLUSTER – ELIGIBILITY DOCUMENTATION (CONTINUED)

reapplication process within Ohio Administrative Code (OAC) 5101: 1-2-10. It is management's responsibility to design and implement internal controls to reasonably ensure compliance with federal and state laws and regulations.

During state fiscal year 2016, the Department had expenditures of approximately \$2.4 billion in SNAP Cluster benefits and \$259.8 million in TANF Ohio Works First (OWF) benefits to recipients based on information provided by the 88 CDJFS. Under the current process, the CDJFS are responsible for processing the application and related information for eligibility determinations and entering the information into CRIS-E. However, the CDJFS did not consistently enter or maintain documentation of eligibility information in CRIS-E, as indicated below.

- For four of 40 (10%) SNAP Cluster case files tested at the six CDJFS, the application and information did not support information entered into CRIS-E, as follows:
  - In two instances (one at Hamilton and one at Cuyahoga), the shelter amounts were not entered correctly into CRIS-E. This resulted in the recipients receiving \$50 more in federal assistance for the state fiscal year than what they were eligible for. As a result, we will question costs for the benefit overpayment of \$50 (projected to an amount greater than \$25,000).
  - In two instances (Cuyahoga), the income and shelter amounts were not entered correctly into CRIS-E; however, the benefit amount was not affected.
- For one of 40 (2.5%) TANF OWF case files tested (Cuyahoga county) at the six CDJFS, the applicant did not complete the reapplication within 12 months as required. The reapplication was completed five months late.

By not properly entering correct recipient income information into CRIS-E, inaccurate eligibility determinations could be made or recipient benefit payment amounts may be miscalculated. In addition, if reapplications are not completed timely, the Department cannot reasonably ensure recipients are eligible for benefits. This could result in additional questioned costs, reduction in federal funding, or sanctions imposed by the federal grantor agency.

If the Department does not consistently review the required documentation on file and in CRIS-E, the Department may not be able to fully support or ensure payments were made only to or on behalf of eligible recipients and that the Department complied with all federal rules and regulations. Based on discussions with CDJFS management, the errors were due to staff oversight.

We recommend the Department review existing controls and/or update policies and procedures at both the State and CDJFS to ensure the required documentation is on file and recipient information in CRIS-E is accurate. The Department should investigate the recipients specifically identified in this comment to ensure any necessary repayments or additional actions are taken. The Department should communicate to CDJFS management and their staff the importance of these policies and procedures and ensure the procedures are carried out as intended. In addition, Department management should perform periodic reviews of the case files to reasonably ensure case file information is properly maintained and accurately entered into the system.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF JOB & FAMILY SERVICES**

**2. IT – IEVS DUE DATES, RESULT CODE, AND VERIFICATION DOCUMENTATION ERRORS**

<i>Finding Number</i>	2016-008		
<i>State Agency/Number</i>	JFS-02		
<i>CFDA Number and Title/ Federal Award Identification Number / Year</i>	10.551/10.561 – SNAP Cluster	15152OH102S8026 / 2015 15152OH102S8069 / 2015 16162OH102S8069 / 2016 16162OH102S8026 / 2016	
	93.558 – TANF Cluster	0902OHTANF / 2009 0901OHTAN2 / 2009 1002OHTANF / 2010 1001OHTAN2 / 2010 1102OHTANF / 2011 1202OHTANF / 2012 1302OHTANF / 2013 1402OHTANF / 2014 1502OHTANF / 2015 1601OHTANF / 2016	
	93.767 – Children’s Health Insurance Program	1505OH5021 / 2015 1605OH5021 / 2016	
	93.775/93.777/93.778 – Medicaid Cluster	1505OH5MAP / 2015 1605OH5MAP / 2016	
	<i>Federal Agency</i>	Department of Agriculture Department of Health and Human Services	
<i>Compliance Requirement</i>	Activities Allowed or Unallowed, Allowable Costs, Eligibility, Special Tests and Provisions		
<i>Repeat Finding from Prior Audit?</i>	Yes	<i>Finding Number (if repeat)</i>	2015-021

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

7 CFR 272.8(c)(2), regarding SNAP Cluster (formerly Food Stamps) IEVS alerts, requires that state agencies initiate and pursue the actions on recipient households specified in paragraph (c)(1) of this section so that the actions are completed within 45 days of receipt of the information items.

However, several years ago, the Department was granted a waiver by the federal grantor agency allowing the state of Ohio to extend the federal 45-day requirement to 90 days. The 90-day requirement was codified into OAC 5101:4-7-09 (F)(4)and states:

County agencies shall initiate, pursue and complete the actions specified in this paragraph within ninety days from receipt of the information.

45 CFR 205.56(a)(1) (iv) states the following regarding Temporary Assistance for Needy Families (TANF) Cluster:

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

- (A) The reason that the action cannot be completed within forty-five (45) days is the nonreceipt of requested third-party verification; and

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF JOB & FAMILY SERVICES

#### 2. IT – IEVS DUE DATES, RESULT CODE, AND VERIFICATION DOCUMENTATION ERRORS (CONTINUED)

(B) Action is completed promptly, when third party verification is received or at the next time eligibility is redetermined, whichever is earlier. If action is completed when eligibility is redetermined and third party verification has not been received, the State agency shall make its decision based on information provided by the recipient and any other information in its

42 CFR 435.952 states the following regarding Medicaid IEVS alerts (the Children's Health Insurance Program (CHIP) follows these regulations as well):

- (c) Except as specified in §435.953 of this subpart and paragraph (d) of this section, for beneficiaries, the agency must, within 45 days of receipt of an item of information, request verification (if appropriate), determine whether the information affects eligibility or the amount of medical assistance payment, and either initiate a notice of case action to advise the recipient of any adverse action the agency intends to take or make an entry in the case file that no further action is necessary.
- (d) Subject to paragraph (e) of this section, if the agency does not receive requested third party verification with-in the 45-day period after receipt of information, the agency may determine whether the information affects eligibility or correct amount of medical assistance payment after the 45-day period. . . .
- (e) The number of determinations delayed beyond 45 days from receipt of an item of information (as permitted by paragraph (d) of this section) must not exceed twenty percent of the number of items of information for which verification was requested.

The Department has implemented the Income and Eligibility Verification System (IEVS) which compares income, as reported by the recipients, to information maintained by outside (i.e. collateral) sources for the SNAP Cluster, TANF Cluster, CHIP, and Medicaid Cluster programs with total expenditures of approximately \$2.4 billion, \$898 million, \$60 million, and \$12.8 billion, respectively, in state fiscal year 2016. Information that does not appear to agree is communicated in the form of a CRIS-E alert, which is forwarded to the appropriate county for investigation.

During the state fiscal year 2016 audit, five counties were selected for testing for the timely completion of IEVS alerts in accordance with the federal regulations and Department standards set forth in the *IEVS CRIS-E Alert Processing Instruction Guide*. These five counties (Cuyahoga, Franklin, Hamilton, Lucas, and Montgomery) represented approximately 47% of the nearly 1.7 million IEVS high-priority alerts issued in state fiscal year 2016. However, 39 of 82 (47.6%) unique alerts selected for testing at these five counties had at least one error impacting compliance, as outlined below.

- Four of 20 (20%) TANF alerts selected for testing were delinquent. Three alerts were resolved 13 to 90 days beyond the due date. One alert was active and not resolved as of the date of testing and was 472 days beyond the due date at that time. No additional recipient benefits appeared to be issued as a result of the untimely resolution (Cuyahoga, Franklin, and Hamilton Counties).
- One of 20 (5%) Medicaid alerts selected for testing was resolved 70 days beyond the due date; no additional recipient benefits appeared to be issued as a result of the untimely resolution (Cuyahoga County).
- One of 42 (2.4%) SNAP Cluster alerts selected for testing was resolved 16 days beyond the due date; no additional recipient benefits appeared to be issued as a result of the untimely resolution (Cuyahoga County).
- Nine (five SNAP and four Medicaid) of 60 (15%) resolved matches selected for testing did not have adequate verification support information to validate the completeness and accuracy of the resolution. However, no additional recipient benefits appeared to be issued as a result of these errors.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF JOB & FAMILY SERVICES**

**2. IT – IEVS DUE DATES, RESULT CODE, AND VERIFICATION DOCUMENTATION ERRORS (CONTINUED)**

In addition, 30 of 81 (37%) resolved matches selected for testing did not have the proper result code. Result codes are entered by case workers to accurately indicate the action taken to resolve the alert. Based on discussions with management, these items were caused by staff not completing the alerts timely, staff constraints, and human error when assigning result codes.

Not completing the IEVS alerts within the established timelines increases the risk that benefits given to ineligible recipients or for inappropriate amounts will not be identified timely. This condition could adversely affect the Department’s ability to comply with requirements of these federal programs. Failure to comply with the requirements related to IEVS could also result in federal sanctions or penalties. Without adequate verification documentation and application of accurate result codes, a reviewer cannot determine if an IEVS alert has been resolved in accordance with standards. This may also lead to benefits being issued to ineligible recipients or benefits being paid in inappropriate amounts.

We recommend the Department work with the counties to reinforce and strengthen existing control policies and procedures to reasonably ensure matches are completed by the due dates specified in the federal regulations and *IEVS CRIS-E Alert Processing Instruction Guide*. These procedures must include periodic and timely reviews by the County IEVS Coordinator or other supervisory personnel (through CRIS-E) to monitor the status of IEVS alerts. Such requirements should be explicitly identified in the sub-grant agreements with the counties and include appropriate ramifications for noncompliance with the stated requirements.

We also recommend the Department, as the pass-through entity, implement stronger monitoring controls over the activities of their county subrecipients during the award period to determine if they are following the established controls and are complying with the due date and verification requirements. Finally, we recommend the Department implement more in-depth IEVS training for county case workers to improve the accuracy of result codes and ensure proper verification documentation is obtained and maintained by the counties as alerts are resolved.

**3. CCDF CLUSTER – TYPE B HOME INSPECTIONS**

<i>Finding Number</i>	2016-009		
<i>State Agency/Number</i>	JFS-03		
<i>CFDA Number and Title / Federal Award Identification Number / Year</i>	93.575/93.596 – CCDF Cluster	1401OHCCDF / 2014	1501OHCCDF / 2015 1601OHCCDF / 2016
<i>Federal Agency</i>	Department of Health and Human Services		
<i>Compliance Requirement</i>	Special Tests and Provisions – Health & Safety Requirements		
<i>Repeat Finding from Prior Audit?</i>	Yes	<i>Finding Number (if repeat)</i>	2015-023

NONCOMPLIANCE AND MATERIAL WEAKNESS

45 CFR 98.67 (a) states “Lead Agencies [primary grantee] shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds.” The Department has incorporated its laws and procedures for administering the certification of Type B Homes within Ohio Administrative Code (OAC) 5101:2-14 which contains numerous requirements a provider must meet to be licensed as a Type B Home. The OAC defines Type B Homes as the permanent residence of the provider in which child care is provided for one to six children at one time and in which no more than three children are under two years of age.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF JOB & FAMILY SERVICES

#### 3. CCDF CLUSTER – TYPE B HOME INSPECTIONS (CONTINUED)

OAC 5101:2-14-03 (A) states, in part:

Each licensed type B home provider shall comply with the following inspections:

- (1) At least one inspection prior to the initial issuance of a provisional license.
- (2) At least three inspections during the provisional period, including at least two unannounced.
- (3) At least two inspections each state fiscal year after the issuance of the continuous license, including at least one unannounced.

When administering federal grant awards for the Department, management of each CDJFS is responsible for providing reasonable assurance only eligible entities are licensed as a child care provider and information reported to the Department is accurate and complete. Department management is responsible for monitoring CDJFS activities to help ensure they are in compliance with federal and state requirements.

During state fiscal year 2016, the Department provided approximately \$255.5 million in CCDF Cluster benefits to recipients based on information provided by the 88 CDJFS. However, the selected Type B Home files at the six tested CDJFS did not contain sufficient documentation to support the required Type B home inspections. Therefore, we could not determine if the CDJFS complied with these requirements, as detailed below.

- For 15 of 60 (25%) initial license Type B Homes tested, the CDJFS did not document it performed the required three inspections, including at least two unannounced, in accordance with OAC 5101:2-14-03(A)(2), as follows:
  - Six had three (or more) inspections but only one of the inspections was unannounced (five at Cuyahoga and one at Franklin).
  - Four had only two inspections (two at Cuyahoga, one at Franklin, and one at Lucas).
  - Three had only one inspection (one at Cuyahoga and two at Hamilton).
  - Two had three inspections but all were announced inspections (all at Cuyahoga).
- For 10 of 60 (16.7%) continuous license Type B Homes tested, the CDJFS did not document it performed the required two inspections, including at least one unannounced, in accordance with OAC 5101:2-14-03(A)(3), as follows:
  - Seven had only one inspection (one at Athens and six at Lucas).
  - Three had two inspections and both were announced (all at Cuyahoga).

Insufficient case file documentation increases the risk that amounts and other information reported to the federal grantor agency may not reflect actual program activities. Without consistently performing the required inspections and obtaining, maintaining, or reviewing the required documentation on file, the Department may not be able to fully support or ensure payments were made only to eligible providers and the Department complied with all federal rules and regulations. This could result in questioned payments or fine, penalties, or other sanctions imposed by the federal grantor agency. Based on discussions with CDJFS management, the errors were due to staff oversight and staff shortages.

We recommend the Department work with CDJFS management to ensure they have current policies and procedures and/or implement new control procedures to reasonably ensure the required number and type of inspections of Type B homes are performed. The Department should communicate to CDJFS management and their staff the importance of these policies and procedures and ensure the procedures are carried out as intended. In addition, Department management should perform periodic reviews of the case files to reasonably ensure the required reviews are being performed and established controls and procedures are being followed by CDJFS personnel.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF JOB & FAMILY SERVICES**

**4. CCDF CLUSTER – TYPE B HOME LICENSES**

<i>Finding Number</i>	2016-010		
<i>State Agency/Number</i>	JFS-04		
<i>CFDA Number and Title / Federal Award Identification Number / Year</i>	93.575/93.596 – CCDF Cluster	1401OHCCDF / 2014	1501OHCCDF / 2015 1601OHCCDF / 2016
<i>Federal Agency</i>	Department of Health and Human Services		
<i>Compliance Requirement</i>	Special Tests and Provisions – Health & Safety Requirements		
<i>Repeat Finding from Prior Audit?</i>	Yes	<i>Finding Number (if repeat)</i>	2015-024

NONCOMPLIANCE AND MATERIAL WEAKNESS

45 CFR 98.67 (a) states “Lead Agencies [primary grantee] shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds.” The Department has incorporated its laws and procedures for administering the certification of Type B Homes within Ohio Administrative Code (OAC) 5101:2-14 which contains numerous requirements a provider must meet to be licensed as a Type B Home. The OAC defines Type B Homes as the permanent residence of the provider in which child care is provided for one to six children at one time and in which no more than three children are under two years of age.

OAC 5101:2-14-02(K) states, in part:

CDJFS requirements for application and issuance of licensure:

The CDJFS:

- (1) Shall recommend applications for approval or denial, to the Ohio department of job and family services (ODJFS) within one hundred days of receiving a completed application.

...

Additionally, OAC 5101:2-14-02(A)(1) states, in part:

An application is considered to be complete when the applicant has submitted all documentation outlined in Appendix A to this rule. Applications that are not complete within ninety days shall be closed.

...

Appendix A to Rule 5101:2-14-02 states, in part, the following documents shall be completed and submitted to the CDJFS:

1. JFS 01643 "Application for Licensed Type B Home"
2. JFS 01280 "Medical Statement for Type B Home and In-Home Aide Child Care Providers"
3. JFS 01329 "Statement of Nonconviction for Type B Home and In-Home Aides" for the applicant, employee, assistant, emergency caregiver, substitute caregiver and each person age 18 or older residing in the type B home.
4. JFS 01923 "Emergency/Substitute Caregiver Statement for Type B Home Provider"
5. JFS 01302 "Request for Child Abuse and Neglect Report Information"

...

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF JOB & FAMILY SERVICES

#### 4. CCDF CLUSTER – TYPE B HOME LICENSES (CONTINUED)

When administering federal grant awards for the Department, management of each CDJFS is responsible for ensuring Type B Home providers have submitted complete applications and the approval or denial recommendations of those applications are made timely to comply with OAC 5101:2-14-02(K). Department management is responsible for monitoring CDJFS activities to help ensure they are in compliance with federal and state requirements.

During state fiscal year 2016, the Department provided approximately \$255.5 million in CCDF Cluster benefits to recipients based on information provided by the 88 CDJFS. Upon receipt of the Type B Home license application, CDJFS personnel are to ensure it is complete and that all necessary documentation is included. Then the CDJFS personnel are to recommend the application for approval or denial to the Department. Furthermore, for continuous Type B licenses, the CDJFS' are to maintain a file of the necessary documentation. However, the procedures were not consistently performed and documentation not maintained for the selected Type B Home files at the six tested CDJFS.

- Six of 60 (10%) Type B Home applications selected for testing were not recommended for approval/denial within the required 100 days of receipt (two at Cuyahoga and four at Franklin).
- Six of 60 (10%) Type B Home applications selected for testing were not completed within the required 90 days from the CDJFS' receipt of the first document from the applicant or properly denied (three at Cuyahoga, two at Franklin, and one at Summit).
- Four of 60 (6.7%) Type B Home Continuous Licenses selected for testing did not have all of the required Appendix A documentation on file:
  - Two did not have the JFS 01923, Emergency and Substitute Caregiver Statement, on file (one at Franklin and one at Lucas).
  - One did not have the JFS 01302, Request for Child Abuse and Neglect Report Information or the JFS 01329, Statement of Nonconviction for Type B Home and In-Home Aides, on file (Lucas).
  - One did not have the JFS 01302, Request for Child Abuse and Neglect Report Information, on file (Lucas).

By not complying with OAC 5101:2-14, the Department increases the risk that Type B Home eligibility determinations will be delayed. In addition, if the Department is not complying with rules it implemented to meet federal requirements, the Department risks federal funding being reduced, taken away, or other sanctions imposed by the federal grantor agency. Also, if the recipient files are not properly maintained and do not include all necessary documentation, the Department is at increased risk for noncompliance with program rules and requirements. Based on discussions with CDJFS management, the errors were due to staff oversight and staff shortages.

We recommend the Department work with CDJFS management to ensure they have current policies and procedures and/or implement new control procedures to reasonably ensure the recommendations for approval or denial of Type B Home applicants is made timely, that completed applications are received within 90 days or properly denied if not received in its entirety, and that a complete file of the required documentation is maintained. The procedures implemented could include a mechanism for tracking application receipt, including the required Appendix A documentation, and approval/denial dates. The Department management should perform periodic reviews of the case files to reasonably ensure the applications are being recommended for approval or denial timely and procedures are being followed by CDJFS personnel.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF JOB & FAMILY SERVICES**

**5. CCDF CLUSTER – TYPE A HOMES/CENTERS**

<i>Finding Number</i>	2016-011		
<i>State Agency/Number</i>	JFS-05		
<i>CFDA Number and Title / Federal Award Identification Number / Year</i>	93.575/93.596 – CCDF Cluster	1401OHCCDF / 2014	1501OHCCDF / 2015 1601OHCCDF / 2016
<i>Federal Agency</i>	Department of Health and Human Services		
<i>Compliance Requirement</i>	Special Tests and Provisions – Health & Safety Requirements		
<i>Repeat Finding from Prior Audit?</i>	Yes	<i>Finding Number (if repeat)</i>	2015-025

NONCOMPLIANCE AND MATERIAL WEAKNESS

45 CFR 98.67 (a) states "Lead Agencies [primary grantee] shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds." Furthermore, 45 CFR 98.60 (i) states "Lead Agencies shall recover child care payments that are the result of fraud. These payments shall be recovered from the party responsible for committing the fraud." The Department has incorporated its laws and procedures for administering the licensure of child care centers and Type A homes within Ohio Administrative Code (OAC) 5101:2-12 and 5101:2-13 which contain numerous requirements an applicant must meet to be licensed as a child care center or Type A home. The OAC defines child care centers as the permanent residence of the licensee or administrator in which child care is provided, with or without compensation, for seven to twelve children at one time, or any place in which child care is provided for thirteen or more children at one time. The OAC also defines Type A homes as the permanent residence of the administrator in which child care is provided for seven to twelve children at one time or for four to twelve children at one time if four or more children at one time are under two years of age.

OAC 5101:2-12-04 initial application and issuance of a provisional license for child care centers, states:

(A) The applicant desiring to establish or operate a child care center shall do all of the following for a provisional license:

...  
(4) Complete and submit the JFS 01210 "Application for Child Care License"...

...

(E) The center shall comply with an inspection by ODJFS to determine that the requirements of Chapter 5104 of the Revised Code and Chapter 5101:2-12 of the Administrative Code are met.

(F) The center shall correct any noncompliances listed in the written inspection report resulting from any inspection conducted pursuant to paragraph (E) of this rule by the date noted in the report.

...

OAC 5101:2-12-11(B)(2) and OAC 5101:2-13-11(B)(2), states that fire department approval for licensed child care centers and licensed type A homes shall be obtained at least once annually within each twelve months from the date of the last fire approval report. It is management's responsibility to provide reasonable assurance only eligible entities are licensed and all inspections are completed in accordance with laws and regulations.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF JOB & FAMILY SERVICES

#### 5. CCDF CLUSTER – TYPE A HOMES/CENTERS (CONTINUED)

During state fiscal year 2016, the Department provided approximately \$255.5 million in CCDF Cluster benefits to recipients. As part of the licensure process, potential child care centers and Type A homes (providers) are to complete and sign an application and other required forms and comply with an initial inspection to be conducted by the Department.

Department personnel are to review the application documentation and required forms to ensure they are complete and signed. In addition, inspections are to be conducted by the Department over all providers as specified in the OAC to reasonably ensure the provider is in compliance with all code sections. After the inspection is completed, the Department personnel are to prepare and sign a compliance report, transmittal letter, and recommendation form. The Department also has procedures in place to recover child care payments that are a result of fraud. After an investigation report has been completed and the provider has been approved for termination and/or the recoupment process, Department personnel are to prepare and sign a final termination or final overpayment letter. However, the procedures were not consistently performed and documented to support the licensure of the providers and recovery of child care payments from providers; therefore, we could not determine if the Department complied with these requirements, as detailed below.

- For eight of 25 (32%) initial license providers tested (three Type A Homes and five Centers), although a current fire inspection was on file, the inspection was not completed within 12 months of the previous fire inspection. The days late ranged from 11 to 96 days and averaged 36 days.
- For seven of 25 (28%) initial license providers tested (all Centers), the file did not contain the required response to noncompliance findings identified in the initial compliance inspection.
- For 12 of 60 (20%) continuous license providers tested (all Centers), although a current fire inspection was on file, the fire inspection was not completed within 12 months of the previous fire inspection. The days late ranged from 8 to 343 days and averaged 136 days.
- For one of six (16.7%) provider fraud investigations and reviews tested, the final termination letter was not signed by Department personnel.
- For four of 25 (16%) initial license providers tested (all Centers), the file did not contain an original application signed by the owner or authorized representative.
- For four of 25 (16%) initial license providers tested (one Type A Home and three Centers), the licensing transmittal letter on file was not signed by Department personnel to indicate the provider was approved for licensure.
- For one of 25 (4%) initial license providers tested (one Center), the recommendation form was not signed by a licensing supervisor.
- For two of 60 (3.3%) continuous license providers tested (two Centers), the file did not contain the required response to noncompliance findings identified on the annual compliance inspection.

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

### **OHIO DEPARTMENT OF JOB & FAMILY SERVICES**

#### **5. CCDF CLUSTER – TYPE A HOMES/CENTERS (CONTINUED)**

If sufficient controls are not performed and adequate support documentation is not maintained, there is an increased risk that providers will not comply with program requirements and the Department will not identify provider noncompliance within its established procedures. Without complying with all requirements outlined in the OAC, the Department may not be able to fully support or reasonably ensure payments were made only to eligible providers. Based on discussions with management, the Department only ensures that a current fire inspection report is on file as it would be more difficult for small businesses to comply with the requirements. The other errors noted were due to staff oversight.

We recommend the Department periodically review its current processes and procedures related to provider licensing and fraud recovery, update them as necessary, and ensure they are consistently followed and documented. Specifically, we recommend the Department implement procedures to reasonably ensure:

- Fire inspections are conducted within 12 months of the previous inspection, possibly during the Department's inspection of the provider.
- Provider investigation final termination and final overpayment letters are properly approved.
- Timely follow up with Type A Homes and Centers that do not respond to noncompliance findings identified in their inspection. The Department should maintain documentation to support follow up with the unresponsive providers and resolution of the findings.
- Signed original application and licensing documentation is maintained.
- Compliance inspections are properly completed and reviewed and all documentation to evidence the procedures performed is maintained.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF JOB & FAMILY SERVICES**

**6. FEDERAL REPORTING – VARIOUS PROGRAMS**

<i>Finding Number</i>	2016-012		
<i>State Agency/Number</i>	JFS-06		
<i>CFDA Number and Title / Federal Award Identification Number / Year</i>	10.551/10.561 - SNAP Cluster	16152OH128Q7503 / 2016 16162OH128Q3903 / 2016 16162OH102S2514 / 2016 16162OH102S2519 / 2016 16162OH102S2520 / 2016 16162OH102S8036 / 2016 16162OH102S8069 / 2016 16162OH102S8026 / 2016	
	17.225 - Unemployment Insurance	UI-27996-16-55-A-39 / 2016	
	17.207/17.801/17.804 - Employment Services Cluster	ES-23017-12-55-A-39 / 2012 DV-26622-15-55-5-39 / 2015 DV-26622-15-55-5-39 / 2015	
	17.258/17.259/17.278 - WIA Cluster	AA-24112-13-55-A-39 / 2013 AA-24112-13-55-A-39 / 2013	
	93.563 - Child Support Enforcement	1504OHCSSES / 2015 1604OHCSSES / 2016 1604OHCEST / 2016	
	93.575/93.596 – CCDF Cluster	1601OHCCDF / 2016	
<i>Federal Agency</i>	Department of Agriculture Department of Labor Department of Health and Human Services		
<i>Compliance Requirement</i>	Reporting		
<i>Repeat Finding from Prior Audit?</i>	Yes	<i>Finding Number (if repeat)</i>	2015-026

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

45 CFR 75.302 contains the Department of Health and Human Services uniform administrative requirements for grants to state and local governments relating to financial administration and standards for financial management systems. The Department of Agriculture and the Department of Labor implemented similar uniform administrative requirements in 7 CFR 277.6 and 29 CFR 97.20, respectively. Specifically, 45 CFR 75.302 states, in part:

- (a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.
- (b) The financial management system of each non-Federal entity must provide for the following (see also §§ 75.361, 75.362, 75.363, 75.364, and 75.365):

...

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF JOB & FAMILY SERVICES

#### 6. FEDERAL REPORTING – VARIOUS PROGRAMS (CONTINUED)

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 75.341 and 75.342...
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

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

The Department's Bureau of Grants Management and Federal Reporting Services is responsible for the preparation of various federal financial expenditure reports, including the quarterly SNAP Cluster SF-425, Unemployment Insurance ETA-9130, Employment Services VETS-402A, WIA Cluster ETA-9130, Child Support Enforcement OCSE-396A, and CCDF Cluster ACF-696 reports. Department policy calls for all reports to go through a two-level review process prior to submission to the Federal Government. These reviews are documented in the Sharepoint system. However, two of 38 (5.3%) reports selected for testing did not show proper evidence of the two-level approvals. Specifically:

- In one instance involving the WIA Cluster, the history section of Sharepoint did not show either level of review, though there was evidence of the second level review on the final federal report.
- In one instance involving the Employment Services program, there was no first level review.

In addition, the following errors were noted for the reports listed above:

- For the two (100%) Employment Services VETS-402A quarterly reports selected for testing, as indicated below. Though several amounts from the VETS-402A quarterly report are carried forward into the VETS SF-425 report, none of the amounts carried forward to the VETS-402A report were affected by these errors.
  - In the September 2015 quarterly report, Personal Services for LVER activities was understated by \$72,578. This value should have been reported as \$93,535 instead of \$20,958.
  - In the June 2016 quarterly report, there were several errors:
    - Personal Benefits for DVOP activities was overstated by \$14,027. This value should have been reported as \$336,876 instead of \$350,903.
    - Personal Services for LVER activities was understated by \$1,951. This value should have been reported as \$21,525 instead of \$19,574.
    - Personal Benefits for LVER activities was overstated by \$1,946. This value should have been reported as \$5,337 instead of \$7,283.
- For the two (100%) Child Support Enforcement OCSE-396A reports selected for testing:
  - In the September 2015 quarterly report:
    - The amount reported for Administrative Costs with Incentive Payments included a value that should have been included in Administrative Costs: Regular. This caused the Administrative Costs with Incentive Payments to be overstated by \$220,214 and Administrative Costs: Regular to be understated by \$220,214.
    - The amount reported for Adjustments was overstated by \$110,371 because it should not have had a value reported.
    - The amount reported for Prior Quarter Adjustments was overstated by \$88,021 because it included an adjustment that should not have been made.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF JOB & FAMILY SERVICES

#### 6. FEDERAL REPORTING – VARIOUS PROGRAMS (CONTINUED)

- In the March 2016 quarterly report:
  - The amount reported for Program Income: Interest/Other did not include Star Ohio Investment Income. As a result, the amount reported as Program Income: Interest/Other was understated by \$6,115.
  - The amount reported for Administrative Costs: Regular did not include several values. As a result, the amount reported as Administrative Costs: Regular was understated by \$224,692.
- For one of two (50%) SNAP Cluster SF-425 quarterly reports selected for testing (December 2015), the amount reported for MGT. EVAL was overstated by \$63. The Department stated they had caught the error before it was identified during the audit and the error was corrected on the June 2016 report. However, the adjustment had been added rather than subtracted, resulting in the amount reported as Total Outlays in the June 2016 quarterly report being overstated by \$126.
- For one of two (50%) CCDF Cluster ACF-696 quarterly reports selected for testing (December 2015), the value for Cost Allocation Admin was understated by \$1,326,091. The Department stated they had caught the error and made the correction on the March, 2016 report; however, the adjustment was not corrected properly and the value was overstated by \$680.
- For one of five (20%) Unemployment Insurance ETA-9130 quarterly reports selected for testing (December 2015), there were two errors:
  - The amount reported as Federal Share of Expenditures was overstated by \$15,299,538. The Department incorrectly reported amounts shown as prior period cumulative totals on the supporting documentation as current period information; however, this was a new grant, so there should not have been any prior period totals. The Department had identified this error, but had not made the adjustment to correct the error prior to our notification.
  - The amount reported as Recipient Share of Expenditures was overstated by \$11,502,737 because the Department incorrectly included and/or excluded several amounts from other periods and grants.
- For one of 12 (8.3%) WIA Cluster ETA-9130 quarterly reports selected for testing (March 2016), the amount reported on the ETA-9130 for Federal Share of Expenditures could not be verified. The Department was unable to locate the supporting documentation.

A lack of adequate internal controls over federal reporting increases the risk that reports submitted to the federal grantor agency are inaccurate. These inaccuracies could affect current and future funding received by the Department since the information contained within the reports is used by the federal grantor agency in determining the types and amounts of funding for each state. Based on discussions with management, these errors were due to technical issues with SharePoint, a missing page of support documentation, and oversight. Management stated they planned to correct these errors in the next report submission.

We recommend the Department evaluate current procedures and implement additional policies and procedures as necessary to provide reasonable assurance the data being reported for all federal programs is reasonable and accurate and agrees to supporting documentation. Specifically, the Department should implement procedures to ensure the various subtotals are complete and accurate, the amounts included in the report are properly classified, and that all identified corrections are properly made to the next report submitted. The Department should ensure the amounts carried forward are complete and accurate. Finally, the Department should implement a procedure to ensure there are two levels of review for these reports prior to submission to the federal grantor agency, and that these reviews are evidenced in some manner.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF JOB & FAMILY SERVICES**

**7. CASH MANAGEMENT – VARIOUS PROGRAMS**

<i>Finding Number</i>	2016-013		
<i>State Agency/Number</i>	JFS-07		
<i>CFDA Number and Title / Federal Award Identification Number / Year</i>	17.225 - Unemployment Insurance	UI-23911-13-55-A-39 / 2013	
	17.258/17.259/17.278 – WIA Cluster	AA-26799-15-55-A-39 / 2015	
	93.575/93.596 – CCDF Cluster	1601OHCCDF / 2016	
	93.658 – Foster Care – Title IV-E	1601OHFOST / 2016	
	93.667 – Social Services Block Grant	1601OHSOSR / 2016	
<i>Federal Agency</i>	Department of Labor Department of Health and Human Services		
<i>Compliance Requirement</i>	Cash Management		
<i>Repeat Finding from Prior Audit?</i>	Yes	<i>Finding Number (if repeat)</i>	2015-027

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

U.S. Treasury regulations, 31 CFR part 205, which implemented the Cash Management Improvement Act of 1990 (CMIA), require state recipients to enter into agreements which prescribe specific methods of drawing down federal funds (funding techniques) for selected large programs. The Department's Unemployment Insurance (UI), Child Care Development Fund (CCDF) Cluster, Foster Care, and Social Services Block Grant programs are covered by such an agreement. The state fiscal year 2016 CMIA Agreement between the State of Ohio and the United States Department of the Treasury specifically requires the State use the Modified Pre-Issuance technique of drawing federal funds for certain types of draws related to these programs. Paragraph 6.2.4 of the CMIA agreement requires the following for the Modified Pre-Issuance funding technique:

The State shall request funds such that they are deposited in a State account not more than five business days prior to the day the State makes a disbursement. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be the amount the State expects to disburse. This funding technique is not interest neutral.

The Workforce Investment Act (WIA) Cluster program at the Department was not included in the state fiscal year 2016 CMIA agreement; therefore, 31 CFR part 205.33(a) sets guidelines which state the following:

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

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

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF JOB & FAMILY SERVICES

#### 7. CASH MANAGEMENT – VARIOUS PROGRAMS (CONTINUED)

During the fiscal year, the Department drew down approximately \$664 million for the major federal programs listed above and applied the same drawdown process to each of them. Generally, a Fiscal Specialist in the Federal Cash Draw Unit of the Bureau of Cash and Cost Reporting Services calculates the amount of funds to be drawn based on the Department's cash needs (payroll, administrative costs, county advances, etc.) and the current cash on hand. In addition, the Cash Management Section Supervisor reviews and investigates any discrepancies on the Summary Tracking Report, which lists the grant activities (award amounts, revenue draws, expenditures, and remaining balances) for the federal programs monthly. This document provides a mechanism for the Department to monitor its draws with expenditures on a cumulative basis although it does not match up specific draws and expenditures. However, the Department's controls did not prevent noncompliance with the cash management requirements, as noted below. Similar immaterial errors were also noted and are included in the Department's management letter.

- Of 24 disbursements tested from 20 draws, the Department did not disburse one Foster Care payment (4.2%) within the designated time frame of the receipt of the federal funds, as required by the CMIA agreement. The Department disbursed the funds 14 days after the required disbursement date.
- Of 24 disbursements tested from eight draws, the Department did not disburse one Social Services Block Grant payment (4.2%) within the designated time frame of the receipt of the federal funds, as required by the CMIA agreement. The Department disbursed the funds four days after the required disbursement date.
- Of 25 disbursements tested from 21 draws, the Department did not disburse one CCDF Cluster payment (4%) within the designated time frame of the receipt of the federal funds, as required by the CMIA agreement. The Department disbursed the funds four days after the required disbursement date.
- Of 25 disbursements tested from six draws, the Department did not disburse one WIA Cluster payment (4%) within five business days of the receipt of the federal funds. The Department disbursed the funds 12 business days after the required disbursement date.
- Due to a change in how the Department recognized expenditures on the UI ETA-9130 report, the Department did not draw down all the funds that were available from an older grant. On January 19, 2016, the Cash Management section drew down approximately \$1.7 million from UI grant # UI23911NPO and transferred this money to the Custodial Grant Closeout account. However, the funds were not entered into the UI cash management system until February 19, and the funds were not completely disbursed until April 11, 52 business days late.

Not having effective controls over the timely disbursement of federal funds could lead to the Department not limiting draws to immediate cash needs and not expending funds timely. This could result in noncompliance with the CMIA Agreement and 31 CFR 205.33. These conditions could subject the Department to sanctions or other penalties and a repayment of part of the grant award amounts. In addition, noncompliance could subject the Department to paying interest charges on these draws. Based on discussions with management and a review of supporting documentation, the errors were due to the Department having to continue processing intrastate transfer vouchers once they were begun even if there were budget errors that could not be resolved timely and additional time required for invoices entered by the Office of Shared Services to be approved by the program areas prior to approval by the Bureau of Accounting. Regarding the UI error, the Cash Management section was unaware the Federal Reporting section had changed their reporting basis, so once the report showed no available funds, they began coding the expenditures to the next year's grant, leaving an available balance on the current grant in the Custodial Grant Closeout account.

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

### **OHIO DEPARTMENT OF JOB & FAMILY SERVICES**

#### **7. CASH MANAGEMENT – VARIOUS PROGRAMS (CONTINUED)**

We recommend the Department evaluate its existing cash management control procedures and update them as necessary to reasonably ensure all federal draw requests are disbursed timely and are drawn only for immediate cash needs, based on the funding technique established for each federal program in the CMIA agreement or in accordance with 31 CFR 205. If delays in the disbursements are caused by external factors, we recommend the Department communicate with the other entities to develop reasonable solutions. We also recommend the Department establish procedures to periodically monitor its compliance with the cash management requirements (including the tracking all grant funds in the Custodial Grant Closeout account) and initiate necessary actions to resolve any noncompliance that results. Finally, the Federal Reporting section should discuss any significant changes to their method for compiling the federal reports with all affected sections. Anytime there is a special situation around a draw down, there should be communication between all relevant parties.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF MEDICAID**

**1. MEDICAID / CHIP – INELIGIBLE RECIPIENTS**

<i>Finding Number</i>	2016-014		
<i>State Agency/Number</i>	MCD-01		
<i>CFDA Number and Title / Federal Award Identification Number / Year</i>	93.767 - Children's Health Insurance Program	1505OH5021 / 2015 1605OH5021 / 2016	
	93.775/93.777/93.778 - Medicaid Cluster	1505OH5MAP / 2015 1605OH5MAP / 2016	
<i>Federal Agency</i>	Department of Health and Human Services		
<i>Compliance Requirement</i>	Activities Allowed or Unallowed, Eligibility		
<i>Repeat Finding from Prior Audit?</i>	Yes	<i>Finding Number (if repeat)</i>	2015-029

QUESTIONED COSTS AND MATERIAL WEAKNESS

\$128,651

42 CFR 435.10 Subpart A, State Plan requirements, states:

A State plan must---

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

42 USC 1397bb(b), states, in part:

(1) Eligibility Standards

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

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

During state fiscal year (SFY) 2016, the Department of Medicaid disbursed approximately \$18.9 billion in Medicaid funds and \$383.6 million in Children’s Health Insurance Program (CHIP) funds on behalf of recipients who were determined eligible. Currently, the County Departments of Job & Family Services (CDJFS) are responsible for processing the applications for individuals applying to receive Medicaid and CHIP benefits. The CDJFS enter the individual’s information into the Ohio Integrated Eligibility (Ohio Benefits) System or the Client Registry Information System - Enhanced (CRIS-E) to determine initial eligibility and/or perform eligibility redeterminations. The Department is in the process of converting all Medicaid and CHIP case files to Ohio Benefits from the legacy system, CRIS-E. The Ohio Benefits and CRIS-E systems are programmed with the State Plan recipient eligibility requirements to determine whether the recipient is eligible to receive Medicaid and/or CHIP. Once the determination is made, the Ohio Benefits or CRIS-E system uploads the eligibility information to the Medicaid Information Technology System (MITS) to determine allowability of the payment.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF MEDICAID**

**1. MEDICAID / CHIP – INELIGIBLE RECIPIENTS (CONTINUED)**

At the request of the auditors, the Department’s Bureau of Program Integrity completed manual eligibility redeterminations for 75 Medicaid and 75 CHIP recipients and identified several instances in which the original determinations by Ohio Benefits or CRIS-E were not accurate. Four of 75 (5.3%) Medicaid recipients tested and nine of 75 (12%) CHIP recipients tested were not eligible to receive benefits on the date services were performed. Since Ohio Benefits and CRIS-E are the State’s official eligibility determination systems, we will question costs for all claims paid for services provided for these individuals during the time they were ineligible, totaling \$64,457 for Medicaid and \$64,194 for CHIP).

Without proper controls for processing and entering recipient information into CRIS-E and Ohio Benefits, there is an increased risk that medical claims paid on behalf of the Medicaid and CHIP recipients will be inaccurate or unallowable. Payments on behalf of ineligible recipients may subject the Department to penalties or sanctions which may jeopardize future funding and limit its ability to fulfill program requirements to provide benefits to those in need. Based on our discussions with management, assistance group income and resources for Medicaid and CHIP were entered incorrectly into the systems and Medicaid eligibility redeterminations were not completed timely.

We recommend the Department evaluate and seek reimbursement for all claims that were incorrectly paid. We also recommend the Department implement procedures to regularly evaluate selected Medicaid and CHIP payments to verify the recipient’s eligibility, ensure reimbursements are properly computed within MITS based on the Ohio Benefits and CRIS-E eligibility determinations, and verify the recipient information entered into Ohio Benefits and CRIS-E by the CDJFS. Any problems noted should be promptly corrected to reduce the risk of benefit payments being made on behalf of ineligible individuals. We further recommend the Department provide periodic training to the CDJFS employees who are entering the assistance group information into CRIS-E and/or Ohio Benefits to help ensure proper and complete information is being collected, entered, and verified prior to an individual’s eligibility determination being made.

**2. MFP – INELIGIBLE RECIPIENTS – HOME CHOICE/MITS VARIANCES**

<i>Finding Number</i>	2016-015		
<i>State Agency/Number</i>	MCD-02		
<i>CFDA Number and Title / Federal Award Identification Number / Year</i>	93.791 – Money Follows the Person Rebalancing Demonstration	1LICMS331360 / 2016	
<i>Federal Agency</i>	Department of Health and Human Services		
<i>Compliance Requirement</i>	Activities Allowed or Unallowed, Eligibility		
<i>Repeat Finding from Prior Audit?</i>	No	<i>Finding Number (if repeat)</i>	N/A

**QUESTIONED COSTS AND MATERIAL WEAKNESS**

**\$86,011**

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

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

...

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

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF MEDICAID

#### 2. MFP – INELIGIBLE RECIPIENTS – HOME CHOICE/MITS VARIANCES (CONTINUED)

- (A) who, immediately before beginning participation in the MFP demonstration project—
  - (i) resides (and has resided, for a period of not less than 6 months or for such longer minimum period, not to exceed 2 years, as may be specified by the State) in an inpatient facility;
  - (ii) is receiving Medicaid benefits for inpatient services furnished by such inpatient facility; and
  - (iii) with respect to whom a determination has been made that, but for the provision of home and community-based long-term care services, the individual would continue to require the level of care provided in an inpatient facility and, in any case in which the State applies a more stringent level of care standard as a result of implementing the State plan option permitted under section 1915(i) of the Social Security Act, the individual must continue to require at least the level of care which had resulted in admission to the institution; and
  
- (B) who resides in a qualified residence beginning on the initial date of participation in the demonstration project.

...

- (7) Qualified expenditures.--The term "qualified expenditures" means expenditures by the State under its MFP demonstration project for home and community-based long-term care services for an eligible individual participating in the MFP demonstration project, but only with respect to services furnished during the 12-month period beginning on the date the individual is discharged from an inpatient facility referred to in paragraph (2)(A)(i).

Public Law 111–148 Affordable Care Act, Section 2403. Money Follows the Person Rebalancing Demonstration, amends Section 6071(b)(2) of the Deficit Reduction Act of 2005 to shorten the length of time from 6 months to 90 consecutive days that an individual is required to reside in a facility prior to transitioning to the community.

During state fiscal year (SFY) 2016, the Department disbursed approximately \$11.3 million in MFP funds on behalf of eligible recipients. Medicaid recipients interested in transitioning out of an institutional care setting and into the community may be eligible for additional support through the Helping Ohioans Move and Expanding Choice (HOME Choice) program. HOME Choice, which is funded by the MFP grant, is a wraparound program that operates in conjunction with a recipient's existing Medicaid benefits to fill in gaps in the current home and community-based service programs. The Department's HOME Choice Transition Team determines eligibility, coordinates transition, participates in discharge planning, and assists the individual in the community. HOME Choice services are available for the first 365 days after an individual is in the community after discharge from an institution; this period is referred to as the Demonstration Period, which is tracked in the Home Choice Database to ensure that it does not exceed 365 days. Upon enrollment in the HOME Choice program, the Department's Community Living Administrator (CLA) manually updates the recipient file in the Medicaid Information Technology System (MITS). MITS recognizes HOME Choice participants using a Miscellaneous Eligibility Indicator in the Recipient Information section. When a Medicaid claim is submitted through MITS for a HOME Choice participant, this eligibility indicator alerts MITS that the enhanced federal match should be drawn down for the Medicaid claim and the claim is coded to the MFP grant. The Miscellaneous Eligibility Indicator has an effective date matching the participant's enrollment date and the date the Demonstration Period begins. Once the Demonstration Period ends, the Intake Coordinator manually updates the participant's Recipient Information panel in MITS by entering the disenrollment date as the "End Date" on the Miscellaneous Eligibility Indicator.

While the Department monitored participants nearing the end of their Demonstration Period, it did not perform periodic monitoring between the HOME Choice Database and MITS to ensure the systems agreed and that benefits were only being on behalf of eligible recipients. As a result, for three of 60 (5%)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF MEDICAID**

**2. MFP – INELIGIBLE RECIPIENTS – HOME CHOICE/MITS VARIANCES (CONTINUED)**

participants selected for testing, the Miscellaneous Eligibility Indicator in MITS incorrectly identified the recipients as eligible to receive HOME Choice services and the HOME Choice Database properly indicated they were ineligible in calendar year 2013. However, the Miscellaneous Eligibility Indicator for MFP in MITS was not removed until January 2017 when the issue was identified during the audit, resulting in MITS reimbursing unallowable claims for these individuals. Therefore, we will question all claims paid for services provided to these individuals during the audit period for MFP, totaling \$86,011.

Without proper controls in place to ensure the information within MITS and the HOME Choice Database are accurate, there is an increased risk that medical claims paid on behalf of MFP recipients will be inaccurate or unallowable. Payments on behalf of ineligible recipients may subject the Department to penalties or sanctions from the federal grantor agency which may jeopardize future funding and limit its ability to provide benefits to those in need. Based on our discussions with management, the MFP Eligibility Indicator was not updated in MITS due to oversight.

We recommend the Department evaluate all claims that were incorrectly paid based on the Miscellaneous Eligibility Indicator related to MFP eligibility not being properly removed from MITS. Any discrepancies or ineligible activity should be documented, investigated, and any necessary corrective action taken. We also recommend the Department implement periodic monitoring procedures to ensure the HOME Choice Database agrees with MITS and payments are made only for services provided to eligible recipients. This could include a process to evaluate a sample of MFP payments to verify the recipient’s eligibility and reimbursements are properly determined based on the HOME Choice Database. Any problems noted should be promptly corrected to reduce the risk of benefit payments being made on behalf of ineligible individuals.

**3. IT – PROVIDER LICENSES NOT UPDATED IN MITS**

<i>Finding Number</i>	2016-016		
<i>State Agency/Number</i>	MCD-03		
<i>CFDA Number and Title / Federal Award Identification Number / Year</i>	96.767 – Children’s Health Insurance Program	1505OH5021 / 2015	1605OH5021 / 2016
	93.775/93.777/93.778 – Medicaid Cluster	1505OH5MAP / 2015	1605OH5MAP / 2016
	93.791 - Money Follows the Person Rebalancing Demonstration	1LICMS331360 / 2015-2016	
<i>Federal Agency</i>	Department of Health and Human Services		
<i>Compliance Requirement</i>	Special Tests and Provisions - Provider Eligibility		
<i>Repeat Finding from Prior Audit?</i>	No	<i>Finding Number (if repeat)</i>	N/A

QUESTIONED COSTS AND MATERIAL WEAKNESS

Undetermined Amount

In order to receive Medicaid payments, providers of medical services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and Section 1902(a) (9) of the Social Security Act (42 USC 1396a (a) (9)) and the providers must make certain disclosures to the State (42 CFR part 455, subpart B, sections 455.100 through 455.106).

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF MEDICAID

#### 3. IT – PROVIDER LICENSES NOT UPDATED IN MITS (CONTINUED)

42 CFR 455.412, regarding verification of provider licenses, states the State Medicaid agency must:

- (a) Have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is licensed by such State.
- (b) Confirm that the provider's license has not expired and that there are no current limitations on the provider's license.

During state fiscal year 2016, the fee-for-service disbursements which the Department must ensure comply with the requirements above, were approximately \$5.6 billion for Medicaid and \$79.8 million for Children's Health Insurance Program (CHIP). The Department administers the Medicaid Information Technology System (MITS) which is an automated application to determine if the services provided to eligible recipients were by an eligible provider and allowable prior to payment.

Prior to fiscal year 2016, the Department had a manual process in place to generate a report of MITS providers with expired licenses on a monthly basis, inspect the licensing boards' records for license renewals, and update license information in the MITS application. If the licensing board records indicated an inactive license for the provider, the protocol was to terminate the provider agreement in MITS. The monthly reports used to identify and investigate potential providers with expired licenses included irrelevant provider information and were too lengthy and cumbersome to be effectively worked. During the fiscal year 2016 audit period, the Department began implementing alternative procedures and did not perform the monthly control of manually verifying and updating provider license information in MITS.

The new procedures included a process to revalidate the enrollment of all providers regardless of provider type at least every five years. From information provided by Department management, approximately 15,500 (16.6%) of 93,350 total active providers were revalidated during the audit period. However, revalidated providers whose license expired after the date of revalidation would remain active in MITS. In addition, during February of 2016, the Department implemented an automated process to update the provider license panel in MITS to accurately display the licensing information of Ohio Medicaid providers who are licensed through the Ohio Medical Board. Each month, a data file for the Ohio Medical Board was electronically sent to the Department to update the license panel in MITS. Approximately 40,600 (43.5%) active providers were licensed through the Ohio Medical Board and were verified on a monthly basis by the Department from February through June 2016. However, this automated process was not in place from July 2015 through January 2016 and was only in place for the Ohio Medical Board and no other licensing boards. Management further indicated that an additional 32,150 (34.4%) of the total 93,350 active providers do not require a license.

Although the above listed processes suggest provider licenses were verified for a majority of active providers, there is overlap in the processes and the number of revalidated providers could have also included those licensed through the Ohio Medical Board and those who do not require a license. At a minimum, approximately 5,100 (5.5%) of active providers were not subjected to any review procedures for license expiration. This, coupled with the timing of the revalidation process, and the lack of the Ohio Medical Board process for seven months of the period, resulted in an undeterminable population of providers with potentially expired licenses. Because we could not identify the providers with expired licenses or the resulting claims paid to these providers, we will question payments of an undetermined amount. This amount would likely exceed the \$25,000 questioned costs reporting threshold.

Without proper controls in place for verifying and updating provider licensing information for all licensed providers, there is an increased risk that payments will be made to unlicensed and thus, ineligible providers resulting in the misuse of state resources or federal program monies.

Based on our discussions with management, the monthly process was not performed because available staff was instead focused on the federally required provider revalidation process, which included updating license information, and on developing an automated license update process for providers licensed through the Ohio Medical Board.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF MEDICAID**

**3. IT – PROVIDER LICENSES NOT UPDATED IN MITS (CONTINUED)**

We recommend the Department re-establish the monthly process of identifying, verifying, and updating the provider licensing information in MITS. We also recommend the Department develop a new reporting tool to focus only on providers with potential expired licenses. In addition, we recommend the Department continue working with their vendor and the Ohio Department of Administrative Services to automate the licensing information update process for all of the state licensing boards to improve the timeliness and accuracy of provider license information in MITS and help prevent payments to ineligible providers.

**Auditor of State’s Conclusion**

The Department’s response to this finding included within the State of Ohio Corrective Action Plan, which is located on page 90, required an Auditor of State’s Conclusion.

Although the Department may have performed additional analysis subsequent to receiving the audit finding, this was identified to the Auditor as additional procedures implemented for future periods and was not provided to the Auditor for review. As indicated in the finding, and supported by the Department’s analysis, there was still a risk that unlicensed providers could have been paid an undetermined amount during fiscal year 2016. As a result, the finding will remain as stated above.

**4. CASH MANAGEMENT – VARIOUS PROGRAMS**

<i>Finding Number</i>	2016-017		
<i>State Agency/Number</i>	MCD-04		
<i>CFDA Number and Title / Federal Award Identification Number / Year</i>	93.767 – Children’s Health Insurance Program	1505OH5021 / 2015	
	93.775/93.777/93.778 – Medicaid Cluster	1605OH5ADM / 2016	
	93.791 – Money Follows the Person Rebalancing Demonstration	1LICMS331360 / 2016	
<i>Federal Agency</i>	Department of Health and Human Services		
<i>Compliance Requirement</i>	Cash Management		
<i>Repeat Finding from Prior Audit?</i>	Yes	<i>Finding Number (if repeat)</i>	2015-030

NONCOMPLIANCE AND MATERIAL WEAKNESS (MEDICAID CLUSTER AND MFP)

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY (CHIP)

31 CFR 205.11 states, in part:

- (a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.
- (b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs.

...

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF MEDICAID

#### 4. CASH MANAGEMENT – VARIOUS PROGRAMS (CONTINUED)

To define these allowable timeframes, the State of Ohio and the U.S. Department of the Treasury entered into a Cash Management Improvement Act (CMIA) Agreement which requires the Ohio Department of Medicaid (the Department) to utilize the Modified Pre-Issuance Methodology when requesting federal funds for the Children's Health Insurance Program (CHIP) and the Medicaid Cluster. Section 6.2.4 of the agreement regarding the Modified Pre-Issuance Methodology states, in part:

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

Programs not listed in the CMIA Agreement, such as the Money Follows the Person Rebalancing Demonstration (MFP), are required to comply with 31 CFR 205.33(a), which states:

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

During state fiscal year 2016, the Department drew down approximately \$14.7 billion in federal funding for the CHIP, Medicaid Cluster, and MFP programs. Daily, the Department calculated the amount of funds to be drawn based on the Department's cash needs (payroll, administrative costs, county advances, etc.) and the current cash on hand by utilizing an Ohio Administrative Knowledge System (OAKS) Revenue Document. In addition, the Department monitored its federal grant activities by maintaining a Summary Grant Tracking Spreadsheet which lists the grant award amount, the total cumulative revenue draws, and the remaining grant award balance. Beginning April 2016, the Department reviewed and updated the voucher approval process with a focus on eliminating the conditions that caused delays in payments as identified during the prior audit. However prior to April 2016, the Department's internal controls did not ensure compliance with the time limits established in the CMIA Agreement or 31 CFR 205.33(a), as noted below:

- Four of 25 (16%) Medicaid Cluster draws/receipts selected for testing were not disbursed within five business days as required by the CMIA Agreement. The number of days late ranged from two to 12.
- Two of 25 (8%) MFP draws/receipts selected for testing were not disbursed within five business days as required by 31 CFR 205.33(a). The number of days late ranged from four to 12.
- One of 25 (4%) CHIP draws/receipts selected for testing was not disbursed within five business days as required by the CMIA Agreement. The number of days late was six.

Without timely disbursement of funds, interest penalties may be incurred by the State of Ohio for funds drawn and not disbursed in accordance with federal requirements and the CMIA Agreement or 31 CFR 205.33(a). This could also subject the Department to sanctions or other penalties by the federal grantor agency. Based on our discussions with management, these delays were a result of obtaining multiple signatures to approve the invoices for payment, followed by another state agency that was responsible for processing these disbursements in OAKS. Additionally, as a result of the prior audit corrective action plan, the Department evaluated its processing procedures and identified and implemented changes to be in compliance with cash management requirement.

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

### **OHIO DEPARTMENT OF MEDICAID**

#### **4. CASH MANAGEMENT – VARIOUS PROGRAMS (CONTINUED)**

We recommend the Department continue to reinforce its existing controls to reasonably ensure all requests for the CHIP, Medicaid, and MFP federal funds are drawn down consistently based on the Department's immediate cash needs and disbursed timely in accordance with the guidelines set forth in the CMIA Agreement and 31 CFR 205.33(a). We also recommend the Department establish procedures to periodically monitor its compliance with the cash management requirements.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES**

**1. SABG & SSBG – PERIOD OF PERFORMANCE**

<i>Finding Number</i>	2016-018		
<i>State Agency/Number</i>	DMH-01		
<i>CFDA Number and Title / Federal Award Identification Number / Year</i>	93.667 – Social Services Block Grant	G-1401OHSOSR / 2014	
	93.959 – Block Grants for Prevention and Treatment of Substance Abuse	TI010041-14 / 2014	
<i>Federal Agency</i>	Department of Health and Human Services		
<i>Compliance Requirement</i>	Period of Performance		
<i>Repeat Finding from Prior Audit?</i>	No	<i>Finding Number (if repeat)</i>	N/A

QUESTIONED COSTS, NONCOMPLIANCE, AND MATERIAL WEAKNESS (SABG) \$30,975

NONCOMPLIANCE AND MATERIAL WEAKNESS (SSBG)

45 CFR 96.14 contains regulations for the time period for obligation and expenditure of grant funds for the Department of Health and Human Services’ block grants, including the Social Services Block Grant (SSBG) and Block Grants for Prevention and Treatment of Substance Abuse (SABG). 45 CFR 96.14(a) and (b) state, respectively:

*Obligations.* Amounts unobligated by the State at the end of the fiscal year in which they were first allotted shall remain available for obligation during the succeeding fiscal year for all block grants . . .

*Expenditure.* No limitations exist on the time for expenditure of block grant funds, except those imposed by statute with respect to the community services, maternal and child health services, and social services block grants.

The time to obligate and expend federal funds forms the period of performance (POP) for federal awards. The Notice of Award (NOA) for the federal fiscal year (FFY) 2014 SSBG program states the “award is available for expenditures . . . for the period 10/01/2013 through 09/30/2015.” The NOA for the FFY 2014 SABG program indicates the award period is 10/01/2013 through 09/30/2015 and Section III states, “Funds awarded under this grant must be obligated and expended by September 30, 2015.” In addition, 2 CFR 200.343(b) relates to grant closeout procedures and states:

Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

Furthermore, the Substance Abuse and Mental Health Services Administration, the federal division that oversees the SABG program, provides grant closeout guidance on its website that states within 90 days of the end of the project period, a grant recipient must liquidate all obligations incurred in the award and return any funds due as a result of refunds, corrections, or audits. Also, it is management’s responsibility to implement control policies and procedures to reasonably ensure compliance with program requirements.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES**

**1. SABG & SSBG – PERIOD OF PERFORMANCE (CONTINUED)**

During state fiscal year (SFY) 2016, the Department disbursed one transaction each from the FFY 2014 SABG and SSBG grants more than 90 days after the POP for the grants, as noted below. Although the Department had controls in place over the POP process, they did not prevent these conditions:

- By check dated March 10, 2016, a subrecipient reimbursed the Department \$30,975 in unused FFY 2014 SABG funds. The Department then reallocated and disbursed these funds to another subrecipient on April 18, 2016, 200 days after the end of the POP for the grant. Therefore, we will question costs for the entire amount of the disbursement.
- On September 18, 2014, the Department received a forfeiture letter from a subrecipient stating it was unable to use \$9,944 of its budgeted (but not received) FFY 2014 SSBG funds. On January 15, 2016, the Department disbursed the \$9,944 with a proper obligation date; however, the payment was made 15 days after the end of the liquidation period. Since this is an actual error that cannot be projected and does not exceed \$25,000, we will not question the costs.

Without proper controls in place to ensure payments are obligated and liquidated within the period of performance for the federal programs it administers, the Department risks being noncompliant. Any noncompliance could result in repayment, reduction, or elimination of future federal funding or sanctions imposed by the federal grantor agency. Based on discussions with management and review of supporting documentation, the Department believed it used the SABG funds timely and appropriately and did not liquidate the SSBG funds timely due to employee turnover.

We recommend the Department evaluate its current policies and procedures relating to processing of program transactions and update them, as necessary, to reasonably ensure compliance with the POP requirements. These policies and procedures should be communicated to all personnel involved and responsible for processing and reviewing program expenditure transactions. The Department should also more closely monitor federal cash requests to ensure the funds are received timely and the subsequent expenditures to subrecipients are made within the liquidation period. In the event the POP requirements cannot be met for a particular transaction or set of transactions, the Department should return the funds to the federal agency or seek to obtain a waiver from complying with the stated requirements from the federal government.

**2. SABG – PAYROLL**

<i>Finding Number</i>	2016-019		
<i>State Agency/Number</i>	DMH-02		
<i>CFDA Number and Title / Federal Award Identification Number / Year</i>	93.959 – Block Grants for Prevention and Treatment of Substance Abuse	TI010041-15 / 2015 TI010041-16 / 2016	
<i>Federal Agency</i>	Department of Health and Human Services		
<i>Compliance Requirement</i>	Activities Allowed or Unallowed, Allowable Costs/Cost Principles		
<i>Repeat Finding from Prior Audit?</i>	No	<i>Finding Number (if repeat)</i>	N/A

MATERIAL WEAKNESS

45 CFR 96 contains the implementing regulations for the Block Grants for Prevention and Treatment of Substance Abuse (SABG) program, as well as general administrative requirements for SABG, which is excluded from the “Common Rule” administrative requirements of 2 CFR 200. 45 CFR 96.30 (a) contains fiscal and administrative requirements and states, in part:

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

#### 2. SABG – PAYROLL (CONTINUED)

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

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

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

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

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

During state fiscal year 2016, the Department disbursed approximately \$2.7 million in payroll costs from the SABG program. These payroll costs were for Central Office employees who enter their time worked, as well as leave and overtime/compensatory time requests, directly into Kronos, the Department's timekeeping system. Each employee's supervisor is to review and approve/disapprove the leave requests and employee's timesheet. However, eight of 60 (13.3%) timesheets tested did not contain the supervisor's approval.

Without proper documentation of management's review and approval of internal controls, a risk exists that procedures may not be working as intended or may not be consistently applied. If control procedures are not performed and documented consistently, management cannot be reasonably assured the employee timesheets are complete and accurate, which increases the risk that employee compensation may not be allowed. Noncompliance on the part of the Department could result in federal funds being reduced, taken away, or other sanctions imposed by the federal grantor agency. Based on discussions with management and review of supporting documentation, this condition was caused by human oversight and the supervisor not being available on a payroll approval Monday to approve the timesheets.

We recommend the Department evaluate its current control procedures and processes related to the review of employee timesheets and update them if necessary. Management should stress the importance of completing the required reviews of timesheets and the need to document such reviews. We also recommend the Department establish procedures to periodically monitor its compliance with the related controls and initiate necessary actions to resolve any noncompliance that results. Evidence of such monitoring procedures should be maintained to provide management with assurance the controls are operating consistently and effectively, and to identify the need for additional training or modification of the existing procedures.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF TRANSPORTATION**

**1. HIGHWAY PLANNING & CONSTRUCTION CLUSTER – SUBRECIPIENT MONITORING**

<i>Finding Number</i>	2016-020		
<i>State Agency/Number</i>	DOT-01		
<i>CFDA Number and Title / Federal Award Identification Number / Year</i>	20.205/20.219/23.003 – Highway Planning & Construction Cluster	Numerous – applies to approximately 19,000 FAINs representing each construction project/phase during the year.	
<i>Federal Agency</i>	Department of Transportation		
<i>Compliance Requirement</i>	Subrecipient Monitoring		
<i>Repeat Finding from Prior Audit?</i>	No	<i>Finding Number (if repeat)</i>	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 CFR § 1200.1 gives regulatory effect for 2 CFR 200.331 (d) which states, in part:

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

. . .

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

Additionally, 2 CFR 200.521 states, in part:

. . .

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

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

During state fiscal year 2016, the Department disbursed approximately \$245.6 million from the Highway Planning & Construction Cluster (HP&CC) in subawards to local public agencies (LPAs). LPAs expending more than \$750,000 in federal funds are subject to a Single Audit. After the audit is completed, the Department's audit staff (typically interns or temporary employees) performs a desk review of the audit report to identify any findings related to the HP&CC program and verify the amounts reported in the Schedule of Expenditures of Federal Awards. Once the desk review is performed, the audit staff assembles the desk review packet which includes a cover sheet to indicate their results. The desk review is then forwarded to the External Audit Manager or their designee for review and issuance of a management decision, as evidenced by their signature on the cover sheet. The status of each LPA desk review is tracked via an excel spreadsheet.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OHIO DEPARTMENT OF TRANSPORTATION**

**1. HIGHWAY PLANNING & CONSTRUCTION CLUSTER – SUBRECIPIENT MONITORING (CONTINUED)**

During the audit period, 105 desk reviews were performed by the Department’s audit staff and nine of them identified findings related to the HP&CC program. However, the External Audit Manager or designee did not review three of these nine (33.3%) LPA audit reports and issue a management decision within six months of acceptance of the audit report by the FAC, as required by 2 CFR 200.521(c) and (d). At the time of our audit, management still had not performed a review of these LPA audit reports. Additionally, the External Audit Manager or designee only reviewed 18 of the 105 desk review reports performed during the audit period compared to 110 in state fiscal year 2015 and 150 in state fiscal year 2014.

Failure to adequately monitor subrecipients and the status of compliance issues noted during their audit increases the risk that subrecipients may not properly utilize federal funds or adhere to program requirements, potentially jeopardizing federal funding. Noncompliance by the Department could cause federal funding to be reduced, taken away, or sanctions imposed by the federal grantor agency. Based on discussions with management, current staffing levels were strained under the current review workload and there was reduced time available for management to perform reviews over subrecipient audit reports. The time required to implement additional compliance requirements related to 2 CFR 200 over monitoring also reduced management’s available time.

We recommend the Department review its current subrecipient monitoring process and evaluate current staffing levels to ensure all LPA audit desk reviews are reviewed timely and documented properly. LPA audit reports with deficiencies identified should take priority to ensure a management decision is issued in accordance with the timeline set forth in 2 CFR 200.521(c) and (d). Management should periodically monitor these procedures to ensure they are operating as intended.

**2. HIGHWAY PLANNING & CONSTRUCTION CLUSTER – WAGE RATE REQUIREMENTS**

<i>Finding Number</i>	2016-021		
<i>State Agency/Number</i>	DOT-02		
<i>CFDA Number and Title / Federal Award Identification Number / Year</i>	20.205/20.219/23.003 – Highway Planning & Construction Cluster	Numerous – applies to approximately 19,000 FAINs representing each construction project/phase during the year	
<i>Federal Agency</i>	Department of Transportation		
<i>Compliance Requirement</i>	Special Tests and Provisions – Wage Rate Requirements		
<i>Repeat Finding from Prior Audit?</i>	Yes	<i>Finding Number (if repeat)</i>	2015-033

**MATERIAL WEAKNESS**

As required by 40 USC 3141-3144, 3146, and 3147, Wage Rate Requirements, formerly known as the Davis-Bacon Act, requires laborers or mechanics employed by contractors or subcontractors that work on construction contracts in excess of \$2,000 and are financed by federal assistance funds to be paid wages not less than those established by the U.S. Department of Labor for the locality of the project. It is management’s responsibility to implement policies and procedures to ensure compliance with the rules and regulations related to the Wage Rate Requirements.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OHIO DEPARTMENT OF TRANSPORTATION

#### 2. HIGHWAY PLANNING & CONSTRUCTION CLUSTER – WAGE RATE REQUIREMENTS (CONTINUED)

During state fiscal year 2016, there were 1,095 active construction projects subject to the Wage Rate Requirements. Prior to the beginning of a project's construction phase, Department personnel hold a pre-construction meeting to communicate applicable Wage Rate Requirements to contractors as evidenced by the Preliminary Worksheet for Pre-Construction Conference. During the life cycle of the projects, the Department's district representatives visit the project site and conduct interviews with the contractor to ensure compliance with the Wage Rate Requirements, as well as respond to any complaints or problems found on submitted payroll information. All interviews are conducted using an internal Prevailing Wage Interview Form which is included within the project file after completion. The Department's Contractor Compliance Officer (CCO) also performs a monthly review over randomly selected weekly certified payrolls submitted via the Civil Rights and Labor (CRL) system, implemented in April 2016, to ensure compliance with Wage Rate Requirements. Contractors previously submitted certified payrolls through a Sharepoint site. Lastly, the Department's Central Office Contractor Compliance Manager performs a Technical Process Review (TPR) for each district to ensure compliance with Wage Rate Requirements and internal policies, evidenced by a TPR checklist. Per Department policy, these reviews should be completed for each district once every two annual construction cycles. However, these controls were not operating as intended during the audit period, as described below:

- For 30 of 60 (50%) projects selected for testing, there was no Prevailing Wage Interview Form on file to evidence a site visit was completed.
- For seven of 30 (11.6%) projects selected for testing, there was no Preliminary Worksheet for Construction Conference on file to evidence the pre-construction meeting.
- A TPR review was not completed for Districts five, 10, and 11 during the last two annual construction cycles as required by Department policy.
- During the period of April-June, there were no audits completed over certified payrolls submitted through the CRL system.

Without controls in place and operating effectively over Wage Rate Requirements, Department contractors may not be in compliance with applicable federal regulations which could result in federal funding being reduced or taken away, or other sanctions imposed by the federal grantor agency. Additionally, without periodically conducting reviews over each district, the Department cannot reasonably ensure each district is aware of and performing the necessary procedures to maintain compliance with the Wage Rate Requirements.

Based on our discussions with management, the CCO position in two districts were vacant during the last construction cycles, and in another district the CCO was out on extended leave during the 2014 construction season when a review was scheduled to be completed. Additionally, the pre-construction meeting and site visits were either not completed or could not be located by personnel. The audits were not completed because the Department was having difficulty getting the CCO access to the CRL system.

We recommend the Department strengthen and reinforce its policies and procedures regarding Wage Rate Requirement site visits, TPRs, and pre-construction meetings. The Department should ensure districts maintain site visit and pre-construction meeting documentation in a readily accessible and organized fashion so others can obtain it when necessary, especially when employees leave the Department or are out on extended leave. Additionally, in the case of position vacancies, the Department should cross-train its employees to ensure another employee can assume the necessary duties so TPR's and site visit procedures can continue without interruption. The Department should also ensure it has access to all required documentation so it can properly perform its monitoring duties timely and effectively or implement alternative procedures to ensure monitoring is properly completed. Management should ensure the certified payrolls not reviewed during the April-June timeframe are audited as soon as possible. Furthermore, management should periodically monitor the procedures in place for Wage Rate Requirements to ensure they are operating effectively and as intended.

**SUPPLEMENTAL  
INFORMATION**



**STATE OF OHIO  
CORRECTIVE ACTION PLAN  
JULY 1, 2015 THROUGH JUNE 30, 2016**

**FINDING/AGENCY/CORRECTIVE ACTION**

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<b>Finding Number: 2016-001</b>
<b>State Agency: Ohio Office of Budget and Management</b>
<b>Finding Description: Proprietary Statement of Cash Flows</b>

**Official's Response and Corrective Action Plan:**

In four of the past five years, the State has made voluntary payments to the federal government and OBM management used the same accounting treatment for the Statement of Cash Flows. Since the "Deposit with Federal Government" line item isn't a cash or cash equivalent, it has been our understanding the Statement of Cash Flows would not include this transaction. We recommended to add a footnote disclosure this year to explain the final voluntary payment as the federal loan has been repaid.

After discussions, we agreed to place the transaction on the face of the Statement of Cash Flows to ensure the information reported in the financial statements is accurate and complete. We updated our accounting policies to address this repayment process should it reoccur in the future.

**Anticipated Completion Date for Corrective Action:**

Corrective action occurred in December 2016

**Contact Person Responsible for Corrective Action:**

Jim Kennedy, Senior Deputy Director, Services and Operations, Ohio Office of Budget and Management  
30 East Broad Street, Columbus, Ohio 43215  
Phone: (614) 728-7665, E-Mail: [James.Kennedy@obm.ohio.gov](mailto:James.Kennedy@obm.ohio.gov)

<b>Finding Number: 2016-002</b>
<b>State Agency: Ohio Department of Education</b>
<b>Finding Description: Special Education Cluster - Misallocations to Local Educational Agencies</b>

**Official's Response and Corrective Action Plan:**

Office for Exceptional Children (OEC) developed a process in FY15 to allocate IDEA, Part B funds to new community schools. These processes properly distribute funds provided the schools have an IRN, in "open" status, before the allocations occur. Effective in FY16, the OEC modified its business practices to include a mid-year review of new and significantly expanded community schools to ensure that funds are allocated/reallocated appropriately. However, staff transitions affected the full implementation of the process.

OEC evaluated and adapted control measures as follows:

- Prior to Original Allocation (Between May-June 30)
  - The OEC Resource Management team will request the list of new and significantly expanded community schools from the community school office.

**STATE OF OHIO  
CORRECTIVE ACTION PLAN (Continued)  
JULY 1, 2015 THROUGH JUNE 30, 2016**

**FINDING/AGENCY/CORRECTIVE ACTION**

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- OEC Resource Management staff will check the allocation list to ensure all schools are accounted for in the Comprehensive Continuous Improvement Planning (CCIP) allocation (the federal funding software application).
- The OEC Resource Management Assistant Director or designee will confirm that all new community schools with an IRN are accounted for in the original load process for the allocation.
- Mid-year Allocation Review (Between December 1-February 1)
  - The OEC Resource Management staff will request the list of new and significantly expanded community schools.
  - The OEC Resource Management will review the list with the data manager assigned to special education to determine compliance with the business rules for new and significantly expanded community schools.
  - Using the electronic process, the OEC data manager will provide the new allocation amounts to be distributed to the new and/or significantly expanded community schools.
  - The OEC will provide the new allocation to the new and/or significantly expanded community schools via the Comprehensive Continuous Improvement Planning (CCIP) in compliance with regulations.

In December 2016, the OEC obtained a list of new and significantly expanded community schools in accordance with OEC's business rules. For those community schools that did not receive an initial and/or revised FY16 allocation, OEC will restore the community schools to their proper allocation amount.

Additionally, in July 2016, the OEC developed a list of critical deadlines that can be referenced by the senior leadership team and Resource management team. Furthermore, the OEC will continue to:

- evaluate control procedures over the allocation of IDEA, Part B funds to new and significantly expanded community schools, and update them as necessary;
- ensure all allocation procedures are available in the OEC office shared file folders;
- ensure adequate communications among divisions to confirm OEC has proper and current data for community schools;
- monitor future subgrant allocations to confirm compliance with regulations; and
- consult with the U.S. Department of Education, as necessary, to clarify/interpret any ambiguity in the federal regulations/guidelines for redistributing IDEA, Part B funds to new and significantly expanded community schools.

**Anticipated Completion Date for Corrective Action:**

April 2017 (restore new and significantly expanded community schools to proper allocation)

**Contact Person Responsible for Corrective Action:**

Donna Jackson, Director, Office of Risk Management  
25 South Front Street, Ground Floor; Columbus, OH 43215  
Phone: 614-644-7812, E-Mail: [Donna.Jackson@education.ohio.gov](mailto:Donna.Jackson@education.ohio.gov)

**STATE OF OHIO  
CORRECTIVE ACTION PLAN (Continued)  
JULY 1, 2015 THROUGH JUNE 30, 2016**

**FINDING/AGENCY/CORRECTIVE ACTION**

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<b>Finding Number: 2016-003</b>
<b>State Agency: Ohio Department of Education</b>
<b>Finding Description: Title I &amp; Improving Teacher Quality – Timely Allocations to Charter Schools</b>

**Official's Response and Corrective Action Plan:**

Data issues experienced during the past two years have been unique circumstances due to technology upgrades and significant legislative changes which resulted in multiple timeline delays. The Department is working to get the data submissions back on schedule.

The Office of Federal Programs refined the reallocation process for school year 2016-2017. For a community school to be considered for reallocation, the community schools must either be newly opened, or must notify the Office of Community Schools through a contract amendment that a new grade level will be added and that students are enrolled in the new grade level(s) for the first time. The office implemented the change by January 31. Funds were loaded and provided to ten community schools for school year 2016-2017.

**Anticipated Completion Date for Corrective Action:**

February 2017

**Contact Person Responsible for Corrective Action:**

Donna Jackson, Director, Office of Risk Management  
25 South Front Street, Ground Floor; Columbus, OH 43215  
Phone: 614-644-7812, E-Mail Address: [Donna.Jackson@education.ohio.gov](mailto:Donna.Jackson@education.ohio.gov)

<b>Finding Number: 2016-004</b>
<b>State Agency: Ohio Department of Education</b>
<b>Finding Description: Maintenance of Effort – Various Programs</b>

**Official's Response and Corrective Action Plan:**

Interoffice Communications and Analysis of Data Revisions

Interoffice communications have been developed. The Information Technology Office (ITO), Office of Federal Programs (OFP), and Office for Exceptional Children (OEC) met in April 2016 to discuss the EMIS data submission and appeals processes and implications for maintenance of effort reviews.

There may be instances when districts require adjustments to their EMIS data, even after the implementation of additional Department procedures, or the appeals process. Also, there may be instances when data is correct in EMIS, but are reported in a different period for the Maintenance of Effort (MOE) calculations. Interoffice communication processes were developed for these instances, and were effective beginning with reporting for the 2015-16 school year. Once OEC and OFP staff confirm via email to ITO Data Quality staff that MOE reviews for their offices are substantially complete, Data Quality staff will ensure that all offices have details on any potential impacts to each office's process. Data

**STATE OF OHIO  
CORRECTIVE ACTION PLAN (Continued)  
JULY 1, 2015 THROUGH JUNE 30, 2016**

**FINDING/AGENCY/CORRECTIVE ACTION**

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Quality staff, in consultation with all impacted offices, will determine if updates to the actual EMIS data are needed.

Office of Federal Programs

OFP's MOE policies and procedures were revised during FY 2016 and formally approved on 9/30/16. The procedures include interoffice communications processes.

Office for Exceptional Children

*Modifications of LEA Expenditure Data.* In FY 2016, OEC and ITO established the framework to develop an IDEA MOE system enhancement for the Comprehensive Continuous Improvement Planning (CCIP) Application. The enhancement allows for MOE processes to be run sooner to reduce the need for formal appeals and processes completed outside EMIS. Furthermore, the enhancement makes it possible for EMIS financial data and student counts to be corrected prior to the EMIS reporting period closure. This enhancement affected MOE processing in FY 2017, and will be fully implemented for FY 2018.

Additionally, OEC anticipates that FY 2018 MOE findings will be integrated into the overall ODE data appeal process. This process formalizes requests to update specific data after the close of a reporting period, and limits the time in which LEAs are permitted to make those requests.

*FY 2016 MOE Calculations.* OEC took the following actions for the MOE reviews discussed in the audit comment:

- The IDEA MOE system is designed to calculate and provide output of an LEA's MOE compliance in accordance with the four methods identified in 34 CFR part 300.203. Because County Boards of Developmental Disabilities (DDs) do not participate in the EMIS reporting system, OEC requires that these entities submit reports via uploads to the MOE application. The DDs typically do not report expenditure data by separate funding sources (i.e., state, local, and federal), and submit data by expenditure only. The federal IDEA funding allocation must be subtracted from the expenditures. Local and state funding sources are not reported separately. Therefore, the DD MOE checks are based on state and local funding.
- OEC determined it was appropriate to collect the refund that required further review. Also, OEC contacted the U.S. Department of Education (USDOE) on 2/2/17, and is awaiting further guidance on the appropriate steps to repay the LEA that refunded moneys in excess of the allocation amount. Finally, OEC will meet with ITO to develop a system enhancement that prevents LEA refunds that exceed the IDEA, Part B allocations.
- The auditor is correct that preliminary MOE calculations showed one LEA failed MOE. However, OEC further reviewed the area and obtained additional documents from the LEA. The recalculation evidenced the LEA passed MOE. Information has been noted in the CCIP.
- OEC removed the federal expenditures from the LEA's MOE calculation and noted the revision in the CCIP. This makes the information available for subsequent MOE determinations.

*Policies and Procedures.* OEC is revising the policies and procedures to include interoffice communication processes.

*MOE Determination Controls.* The office will continue to evaluate and update MOE determination controls, and processes to ensure MOE determinations are based on the most accurate data.

**STATE OF OHIO  
CORRECTIVE ACTION PLAN (Continued)  
JULY 1, 2015 THROUGH JUNE 30, 2016**

**FINDING/AGENCY/CORRECTIVE ACTION**

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**Anticipated Completion Date for Corrective Action:**

Interoffice Communications. Processes were developed in June 2016.

Office of Federal Programs. Procedures were formally approved in September 2016.

Office for Exceptional Children

- Full implementation of CCIP IDEA MOE system enhancement – July 2017.
- LEA reimbursement of excess refund – pending guidance from USDOE.
- Policies and procedures revised and approved – July 2017.
- Evaluate and update MOE determination controls – July 2017.

**Contact Person Responsible for Corrective Action:**

Donna Jackson, Director, Office of Risk Management  
25 South Front Street, Ground Floor; Columbus, OH 43215  
Phone: 614-644-7812, E-Mail: [Donna.Jackson@education.ohio.gov](mailto:Donna.Jackson@education.ohio.gov)

<b>Finding Number: 2016-005</b>
<b>State Agency: Ohio Department of Education</b>
<b>Finding Description: CNC and CACFP - Reporting</b>

**Official's Response and Corrective Action Plan:**

The Office for Child Nutrition contracted with the OBM Office of Internal Audit to analyze FNS reporting processes, identify weaknesses, and provide recommendations. This engagement began in April and was concluded in September 2016 with delivery of a final Consulting Memorandum.

Based on the recommendations from OBM, we developed a new comprehensive process for completing FNS reports. At this point, all reports for Federal FY 2017 have been submitted timely. In addition, a Fiscal Manager position was created in 2016 and eventually filled in January 2017 to manage fiscal policies and procedures specific to the office (including FNS reporting) and serve as a liaison with the Department's Center Fiscal Office.

**Anticipated Completion Date for Corrective Action:**

February 2017

**Contact Person Responsible for Corrective Action:**

Donna Jackson, Director of Risk Management, Ohio Department of Education  
25 South Front Street, Columbus, Ohio 43215  
Phone: (614) 644-7812, E-Mail: [Donna.Jackson@education.ohio.gov](mailto:Donna.Jackson@education.ohio.gov)

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<b>Finding Number: 2016-006</b>
<b>State Agency: Ohio Department of Education</b>
<b>Finding Description: CNC – Sponsor Reviews</b>

**Official's Response and Corrective Action Plan:**

In 2015, the Office for Child Nutrition adopted a new software system (CRRS .net) for managing child nutrition program operations. This software, already in use in 34 other states, automates the process of review scheduling through programmed business rules. The use of this system actually identified the need for a review of the sponsor in question as a result of the change to a 3-year review cycle in 2012. Consequently, the sponsor was selected for a review in the first operational year of the new system.

**Anticipated Completion Date for Corrective Action:**

Corrective action occurred in March 2015

**Contact Person Responsible for Corrective Action:**

Donna Jackson, Director, Office of Risk Management  
25 South Front Street, Ground Floor; Columbus, OH 43215  
Phone: 614-644-7812, E-Mail: [Donna.Jackson@education.ohio.gov](mailto:Donna.Jackson@education.ohio.gov)

<b>Finding Number: 2016-007</b>
<b>State Agency: Ohio Department of Job and Family Services</b>
<b>Finding Description: SNAP Cluster and TANF Cluster – Eligibility Documentation</b>

**Official's Response and Corrective Action Plan:**

Throughout the course of the federal fiscal year, ODJFS reviews a statistically valid sample of cases to ensure households are receiving the SNAP allotments they are entitled to receive. This necessarily includes a review of the documentation on file and in CRISE. Moreover, ODJFS conducts regular management evaluations of county agencies administering the SNAP and TANF programs. Additionally, ODJFS monthly training to CDJFS via statewide video conferences to explain and communicate the importance of policies and procedures that the reviews indicate may be misunderstood or incorrectly applied by county agency eligibility workers.

ODJFS is already reviewing existing controls, policies and procedures to ensure sustained corrective action is taken after a finding is made (including a finding regarding missing or incomplete documentation). The agency will investigate the recipients specifically identified in this comment to ensure any necessary repayments or additional actions are taken.

**Anticipated Completion Date for Corrective Action:**

September 2017

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**Contact Person Responsible for Corrective Action:**

Lou Tomlin-King, Bureau Chief, Ohio Department of Job and Family Services  
30 East Broad Street, 37<sup>th</sup> Floor, Columbus, OH 43215  
Phone: (614) 466-7928, E-Mail: [Lou.tomlin-king@jfs.ohio.gov](mailto:Lou.tomlin-king@jfs.ohio.gov)

<b>Finding Number: 2016-008</b>
<b>State Agency: Ohio Department of Job and Family Services</b>
<b>Finding Description: IT – IEVS Due Dates, Result Code, and Verification Documentation Errors</b>

**Official's Response and Corrective Action Plan:**

1. We recommend the Department work with the counties to reinforce and strengthen existing control policies and procedures to reasonably ensure matches are completed by the due dates specified in the federal regulations and IEVS CRIS-E Alert Processing Instruction Guide.
  - a. The Bureau of Program Integrity Fraud Control Unit conducts monthly monitoring of IEVS completion rates for each county agency. When a county agency falls below the 80% completion threshold established by federal regulation, contact is made with the county IEVS Coordinator by a Fraud Control Specialist. The timeliness rate and potential impacts are discussed along with possible solutions so the county can again reach the 80% timeliness threshold.
  - b. When a county agency falls below the 80% timeliness threshold for four (4) consecutive months, the county is required to develop a Continuous Improvement Plan (CIP) which is subsequently reviewed and subsequently approved by the Fraud Control Unit Chief.
  - c. The Fraud Control Unit monitors the timeliness rates every month and works closely with county staff to develop a feasible CIP to resolve the delinquency issue. The Fraud Control Unit monitors the timeliness rate for improvement and continues to offer guidance until compliance is achieved.
2. These procedures must include periodic and timely reviews by the County IEVS Coordinator or other supervisory personnel (through CRIS-E) to monitor the status of IEVS alerts.
  - a. In the IEVS Alert Processing training sessions presented by the Bureau of Program Integrity Fraud Control Unit, counties are reminded that the IEVS Coordinator or appropriate supervisory personnel should conduct internal quality control reviews. Periodically throughout the year, county staff are again reminded to conduct internal quality control reviews; for example, in other training sessions or when contacted by the Fraud Control Specialist regarding the IEVS alert process.
3. Such requirements should be explicitly identified in the sub- grant agreements with the counties and include appropriate ramifications for noncompliance with the stated requirements.
  - a. By virtue of the sub-grant agreements, compliance to state and federal rules and regulations are already required. The detailed requirements are outlined in state and federal rules; OAC 5101:4-7-09 and 7 CFR 272.8, respectively.
  - b. County staff are reminded about the consequences for falling below the 80% timeliness threshold during IEVS Alert Processing training sessions. County staff are again reminded about the consequences at any time the county falls below the standard threshold in any given month.
  - c. Current written procedures allow county agencies to develop a Continuous Improvement Plan (CIP) to guide them in their efforts to become compliant.

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4. We also recommend the Department, as the pass-through entity, implement stronger monitoring controls over the activities of their county sub recipients during the award period to determine if they are following the established controls and are complying with the due date and verification requirements.
  - a. The Bureau of Program Integrity Fraud Control Unit closely monitors the IEVS Alert Processing timeliness rates for each county on a monthly basis. Each county falling below the 80% timeliness threshold is contacted by a Fraud Control Specialist each month to determine the best course of action until the timeliness rate reaches or exceeds 80%.
  - b. The Bureau of Program Integrity Quality Initiatives Unit conducts county IEVS Reviews at least once every three years, with the larger counties being reviewed every year. A random selection of IEVS alerts are pulled for detailed reviews; to include, timeliness, coding, verifications and possible overpayment.
5. Finally, we recommend the Department implement more in-depth IEVS training for county case workers to improve the accuracy of result codes and ensure proper verification documentation is obtained and maintained by the counties as alerts are resolved.
  - a. The Bureau of Program Integrity Fraud Control Unit consistently improves the IEVS Alert processing training material each year to help improve the most common problems detected throughout the previous year. The next IEVS Alert Processing training session will be held on Wednesday March 8, 2017 by videoconference. Topics will include timeliness, correct coding, verification follow-up and best practices with an emphasis on internal quality control reviews conducted by a county IEVS Coordinator or Supervisor.

**Anticipated Completion Date for Corrective Action:**

The IEVS Alert Processing training is scheduled in March 2017. All of the above issues will be discussed in detail. County staff will be reminded to contact their Fraud Control Specialist for technical assistance and guidance on best practices to achieve compliance.

**Contact Person Responsible for Corrective Action:**

Chris Dickens, Fraud Control Unit Chief, Ohio Department of Job and Family Services  
30 East Broad Street, 37<sup>th</sup> Floor, Columbus, Ohio 43215  
Phone: (614) 387-5499, E-Mail: [Chris.Dickens@jfs.ohio.gov](mailto:Chris.Dickens@jfs.ohio.gov)

<b>Finding Number: 2016-009</b>
<b>State Agency: Ohio Department of Job and Family Services</b>
<b>Finding Description: CCDF Cluster – Type B Home Inspections</b>

**Official's Response and Corrective Action Plan:**

ODJFS will continue to provide technical assistance and training to all county agencies regarding the inspections of Type B Home providers to ensure the required number of inspections are completed each state fiscal year and the required types of inspections are completed. ODJFS will provide targeted technical assistance for identified county agencies based on the findings, as well as, continue to conduct annual on-site county monitoring visits and file audits to ensure rule requirements are being met.

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**Anticipated Completion Date for Corrective Action:**

Training for all county agencies will occur during the March 2017 monthly video conference with county agencies and targeted technical assistance will be completed by June 2017.

**Contact Person Responsible for Corrective Action:**

Jeffery Van Deusen, Bureau Chief, Child Care Licensing and Monitoring  
4200 East 5<sup>th</sup> Avenue, Columbus, Ohio 43219  
Phone: (614) 752-0581 E-Mail: [Jeffery.VanDeusen@jfs.ohio.gov](mailto:Jeffery.VanDeusen@jfs.ohio.gov)

<b>Finding Number: 2016-010</b>
<b>State Agency: Ohio Department of Job and Family Services</b>
<b>Finding Description: CCDF Cluster – Type B Home Licenses</b>

**Official's Response and Corrective Action Plan:**

ODJFS will continue to provide technical assistance and training to all county agencies regarding the timelines and documents for Type B Home providers to ensure applications and recommendations are completed in accordance with the required timeframe and the required documents are completed and retained on file. ODJFS will provide targeted assistance for identified county agencies based on the findings, as well as, continue to conduct annual on-site county monitoring visits and file audits to ensure rule requirements are being met.

**Anticipated Completion Date for Corrective Action:**

Training for all county agencies will occur during the March 2017 monthly video conference with county agencies and targeted technical assistance will be completed by June 2017.

**Contact Person Responsible for Corrective Action:**

Jeffery Van Deusen, Bureau Chief, Child Care Licensing and Monitoring  
4200 East 5<sup>th</sup> Avenue, Columbus, Ohio 43219  
Phone: (614) 752-0581, E-Mail: [Jeffery.VanDeusen@jfs.ohio.gov](mailto:Jeffery.VanDeusen@jfs.ohio.gov)

<b>Finding Number: 2016-011</b>
<b>State Agency: Ohio Department of Job and Family Services</b>
<b>Finding Description: CCDF Cluster – Type A Homes/Centers</b>

**Official's Response and Corrective Action Plan:**

ODJFS child care licensing will continue to provide technical assistance and training to all ODJFS child care licensing specialists and supervisors, as well as, continue with quality assurance processes to ensure all non-compliances are accurately documented, responses have been received, and documents are completed in their entirety, including signatures. ODJFS child care licensing created and began implementing a standard finding for inspection reports in February, 2016 which states that although the

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fire inspection was current at the time of the licensing visit, the length of time between the annual inspections exceeded the 12 month requirement. ODJFS child care licensing currently will enter in the system if a response from a program regarding their non-compliance findings was not received. ODJFS child care licensing currently completes a quarterly audit of a sample of completed documents and provides technical assistance when needed regarding completion of documentation. The technical assistance includes signing forms and letters that are regarding licensing actions. Applications that may not include a signature are a result of programs who may have amended their original application before the supervisor had the opportunity to print the application. ODJFS child care licensing has implemented a new automated licensing system, the Ohio Child Licensing and Quality System (OCLQS), which mirrors the previous system that an applicant's signature is required prior to submission. OCLQS will then archive the original application and signature for future reference.

ODJFS program integrity will be more diligent in the future to ensure that all correspondence to child care providers will be signed as this was an oversight.

**Anticipated Completion Date for Corrective Action:**

Implementation of the standard finding, technical assistance to staff, quality assurance audits, and OCLQS have already occurred in order to ensure compliance.

**Contact Person Responsible for Corrective Action:**

Jeffery Van Deusen, Bureau Chief, Child Care Licensing and Monitoring  
4200 East 5<sup>th</sup> Avenue, Columbus, Ohio 43219  
Phone: (614) 752-0581, E-Mail: [Jeffery.VanDeusen@jfs.ohio.gov](mailto:Jeffery.VanDeusen@jfs.ohio.gov)

<b>Finding Number: 2016-012</b>
<b>State Agency: Ohio Department of Job and Family Services</b>
<b>Finding Description: Federal Reporting – Various Programs</b>

**Official's Response and Corrective Action Plan:**

- The Department uses SharePoint to post the federal reports and backup documentation to ensure two levels of review for each federal report. A file for each federal report is uploaded to SharePoint by the analysts when completed; SharePoint sends an email to the supervisors and section chief to indicate an "Approval" is required.

There are 2 levels of supervisory verification/approval required, the unit supervisor reviews each report and documentation after receiving the email from SharePoint. If corrections are necessary, the report file is rejected (explanation is written in the notes section) through SharePoint, which alerts the analyst who posted the report to make corrections. After corrections are made, the analyst re-submits the report in SharePoint to begin the approval process again. If no corrections are necessary, the unit supervisor "Approves" the file and it is forwarded to the section chief who conducts further review and either "Approves" or "Rejects" the federal report. When the report file is "Approved" by the section chief, a Certified Federal Report is posted to the file in SharePoint.

- Due to necessary updates to the CAPIS-FFR system, the Department has not fully implemented use of CAPIS-FFR to collect financial information to prepare the federal financial reports. CAPIS-FFR is

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the repository for OAKS expenditure data (payroll, personal services, supplies & maintenance, pass thru, revenue, program income, and subsidies), as well as county (CFIS) expenditure data and ACR expenditure data.

With full implementation of CAPIS-FFR, the Department expects to increase the ability to accurately report financial information on the federal reports by reducing the transfer of information between multiple spreadsheets.

**Anticipated Completion Date for Corrective Action:**

- SharePoint Implementation – already occurred in December 2015
- FFR Implementation – December 2017

**Contact Person Responsible for Corrective Action:**

Thomas Goard, Section Chief, Ohio Department of Job and Family Services  
30 East Broad Street, 37<sup>th</sup> Floor, Columbus, Ohio 43215  
Phone: (614) 387-0003, E-Mail: [Thomas.Goard@jfs.ohio.gov](mailto:Thomas.Goard@jfs.ohio.gov)

<b>Finding Number: 2016-013</b>
<b>State Agency: Ohio Department of Job and Family Services</b>
<b>Finding Description: Cash Management – Various Programs</b>

**Official's Response and Corrective Action Plan:**

The Accounts Payable (AP) supervisor reviews the daily Entered ME2 Voucher report for Maintenance, Subsidy and 936 (in house) vouchers. The report lists the vouchers that were entered the previous business day. The report is used to perform the approval process on the 2nd business day after the voucher entered date. After all approval levels are complete, the scheduled payment date will appear on the payments tab of the voucher. A voucher's payment status will be delayed if there is a budget error or OBM denies payment for various reasons, such as missing back up documentation. The AP supervisor reviews the daily unpaid report to verify the status and age of vouchers in order to determine if action is required. If there is an issue that cannot be resolved within the 5 business days required by the CMIA agreement, the voucher will be deleted. The Cash Management unit supervisor is notified of issues with vouchers found during the review of the daily unpaid report, such as budget errors or other issues that cannot be resolved in a timely manner.

Due to the change in how the intrastate transfer vouchers (ISTV's) are entered and the delay in approval, the ISTV's will be drawn the day before the Payment Date to ensure the compliance of the CMIA agreement.

In addition to the unpaid voucher report, the Voucher Error Report has been used in cooperation with the Bureau of Accounting and the Budget Management Section to identify vouchers requiring corrective action to resolve any held items promptly. A collaborative procedure with Cash Management, Bureau of Accounting and Budget Management will be created to reflect the method in which to identify the detection and prevention of instances that result in cash management exceptions.

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Federal Reporting has worked with Department Of Labor to determine that the TRA grant should not follow the FIFO process. The expenditure reports for the TRA grant will reflect actual expenses. Once the grant is closed out and Cash Management receives the expenditure report with a cash reconciliation needed, draws and expenditures will need to match. If the expenditure amount differs from the draw amount, Unemployment Compensation will be contacted to verify the difference. Unemployment Compensation will submit the additional draw on the Custodial Account Deposit, if needed. This will ensure that Unemployment Compensation is aware of the funds in the account and will submit draw/transfer requests accordingly. All further grants/expenditure reports have been corrected and are following the above process.

**Anticipated Completion Date for Corrective Action:**

June 2017

**Contact Person Responsible for Corrective Action:**

Lawrence Parson, Senior Financial Manager, Ohio Department of Job and Family Services

30 East Broad Street, 37<sup>th</sup> Floor, Columbus, Ohio 43215

Phone: (614) 728-8904, E-Mail: [Lawrence.Parson@jfs.ohio.gov](mailto:Lawrence.Parson@jfs.ohio.gov)

<b>Finding Number: 2016-014</b>
<b>State Agency: Ohio Department of Medicaid</b>
<b>Finding Description: Medicaid/CHIP – Ineligible Recipients</b>

**Official's Response and Corrective Action Plan:**

Caseworker education can address errors caused by a lack of understanding of correct policies and procedures. The high staff turnover in county case workers calls for more frequent training and communication so that all caseworkers are current on appropriate policies and procedures. The following corrective actions are intended to achieve these objectives:

- ODM will conduct increased trainings targeting county caseworkers which focus on proper policies and procedures. Topics addressed will include errors identified in the 2016 Single Audit findings. In order to get information to caseworkers more quickly and to address the frequent staff turnover at the county level, these trainings will consist of monthly statewide video conferences, bi-monthly in-person training and quarterly webinars with designated staff from all 88 Ohio counties.
- ODM will publish a bi-monthly newsletter targeting county caseworkers which will address compliance findings and provide information on correct policy and case processing.
- ODM maintains a resource web page for county caseworkers which contains training information, desk aids, and other helpful information. ODM staff will review the web page to determine if additional information is needed which addresses the 2016 Single Audit findings.

ODM will create a mass claims adjustments in MITS that will result in decreasing the Medicaid and CHIP reported claims and reclassifying them as State funds only. Medicaid claims of \$64,457 adjusted to state funds only will reduce the Medicaid draw by \$40,266 and CHIP claims of \$64,194 adjusted to state funds only will reduce the CHIP draw by \$47,330. The adjustment will be reflected on the CMS-64 no later than quarter ending June 30, 2017.

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**Anticipated Completion Date for Corrective Action:**

ODM will provide on-going training throughout 2017:

- Monthly statewide video conferences are scheduled for the following dates in 2017: February 1, 2017; March 1, 2017; April 5, 2017; May 3, 2017; June 7, 2017; July 5, 2017; August 2, 2017; September 6, 2017; October 4, 2017; November 1, 2016 and December 6, 2017.
- In-person training is scheduled for the following dates in 2017: February 21, 2017; March 21, 2017; May 12 & 13, 2017; May 23, 2017; July 25, 2017; September 26, 2017; and December 5, 2017.
- Quarterly training for new county caseworkers via webinar is scheduled for January 2017; April 2017; July 2017 and October 2017
- Bi-monthly newsletters letters are scheduled to be published

**Contact Person Responsible for Corrective Action:**

Roberta Schwamberger, Project Manager 1, Ohio Department of Medicaid

50 West Town Street, Suite 400, Columbus, Ohio 43215

Phone: (614) 752-4659, E-Mail: [Roberta.Schwamberger@medicaid.ohio.gov](mailto:Roberta.Schwamberger@medicaid.ohio.gov)

<b>Finding Number: 2016-015</b>
<b>State Agency: Ohio Department of Medicaid</b>
<b>Finding Description: MFP – Ineligible Recipients – Home Choice/MITS Variances</b>

**Official's Response and Corrective Action Plan:**

- A) Starting in 2016 the HOME Choice Information Manager runs a monthly report that compares the data in the HOME Choice database and MITS. Specifically the report identifies if there are HOME Choice (MFP) enrollment/disenrollment dates in the HOME Choice database that do not have MFP indicator begin or end dates in MITS. HOME Choice staff are required to address and "fix" these data omissions within five business days.
- B) Effective February 2017 we are implementing the following:
- The monthly report cited above will be saved electronically.
  - If there are zero cases for a specific month, the Information Manager will email the HOME Choice manager indicating there are zero cases for that month.
  - In response to the monthly report staff responsible for entering the date fields in MITS will email their manager when the MFP indicator date issues are resolved.
  - When staff are unable to enter the date fields in MITS due to error messages, they will email a pre-determined ODM email address requesting the errors be resolved and the MFP indicator dates be entered in accordance with the HOME Choice enrollment and disenrollment dates. All of these emails will be logged onto one spreadsheet and forwarded to the Claims Operations Manager at ODM.

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- The HOME Choice manager will keep a log to track that all cases cited in the monthly report have been corrected, including those cases that were sent to Claims. This log will be initialed and dated by the manager on a monthly basis.

ODM will create a mass claims adjustments in MITS that will result in decreasing the MFP claims in the amount of \$86,011, resulting in a reduction to the MFP N144 grant draw by \$69,871, which includes the MFP enhanced match. The \$86,011 claims amount will be reclassified as regular XIX Medicaid claims that will result in increasing the regular Medicaid draw by \$53,731. The adjustment will be reflected on the CMS-64 no later than quarter ending June 30, 2017.

**Anticipated Completion Date for Corrective Action:**

February 2017

**Contact Person Responsible for Corrective Action:**

Jane Black, MFP Project Director (HOME Choice), Ohio Department of Medicaid  
50 West Town Street, Columbus, Ohio 43215  
Phone: (614) 752-3567, E-Mail: Jane.Black@medicaid.ohio.gov

<b>Finding Number: 2016-016</b>
<b>State Agency: Ohio Department of Medicaid</b>
<b>Finding Description: IT – Provider Licenses Not Updated in MITS</b>

**Official's Response and Corrective Action Plan:**

The Ohio Department of Medicaid (ODM) does not agree with the level of finding in this report. The finding is identified as questioned costs and material weakness of undetermined amount. ODM has performed testing and offered to provide documentation to support a determinable population.

Further testing demonstrates the risk level is quickly and significantly reduced upon further examination of available information. These tests combined with ODM's manual process to verify monthly actions on all the licensing boards' websites demonstrate that ODM does have controls in place to safeguard against billing from providers with inactive licenses.

ODM Network Management will run monthly reports to identify providers whose license information in MITS requires verification and update in addition to the provider agreement revalidation process. Each month, we will run the previous month's expired license data from MITS. The report will consist of active providers who are not included in the medical board upload auto-verification. Based on the number of providers with expired license information in MITS identified for that month, ODM Network Management staff will select a random sample (60 when the total for the month is over 500, 30 when the total for the month is between 60 – 500, and all of them when the total for the month is less than 60) and verify license status on the corresponding license board website, notate the result and update the MITS record.

ODM will maintain a spreadsheet of each month's MITS expired license information. ODM Network Management staff will verify license information on the appropriate State License Board and indicate on the spreadsheet any that are updated in MITS as a result of the review. Additionally, the updated record in MITS can be viewed in the future through the "audit" functionality in MITS for the license panels.

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Providers whose license has become inactive will be issued a provider agreement termination notice effective from the date their license became inactive. These letters will be uploaded in the provider record in MITS.

**Anticipated Completion Date for Corrective Action:**

March 2017

**Contact Person Responsible for Corrective Action:**

Biljana Manev, Chief, Bureau of Network Management, Ohio Department of Medicaid  
50 West Town Street, Columbus, Ohio 43215  
Phone: (614) 752-3573, E-Mail: [Biljana.Manev@medicaid.ohio.gov](mailto:Biljana.Manev@medicaid.ohio.gov)

<b>Finding Number: 2016-017</b>
<b>State Agency: Ohio Department of Medicaid</b>
<b>Finding Description: Cash Management – Various Programs</b>

**Official's Response and Corrective Action Plan:**

ODM was provided a recommendation by AOS based on SFY15 audit during February 2016 for the cash management process. ODM promptly reviewed the recommendation and instituted the policy change as of April 2016. Prior to that date, draw amounts were reported via OAKS cognos and subsequently drawn based on the original voucher date of administrative invoices. Delays in Agency approvals were the cause of noncompliance. In April 2016, the policy was changed to assure the draw amounts were not reported in OAKS cognos until vouchers had final approvals which initiated payment dates within two days of the voucher payment date to remain in compliance since the process change was made.

**Anticipated Completion Date for Corrective Action:**

Corrective action occurred in April 2016

**Contact Person Responsible for Corrective Action:**

Mark Wilson, Senior Financial Manager, Ohio Department of Medicaid  
50 West Town Street, Columbus, Ohio 43215  
Phone: (614) 752-2136, E-Mail: [Mark.Wilson@medicaid.ohio.gov](mailto:Mark.Wilson@medicaid.ohio.gov)

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<b>Finding Number: 2016-018</b>
<b>State Agency: Ohio Department of Mental Health and Addiction Services</b>
<b>Finding Description: SABG &amp; SSBG – Period of Performance</b>

**Official's Response and Corrective Action Plan:**

SABG POP – Ohio MHAS has reviewed the current procedure for the handling of sub-recipient refunds. Ohio MHAS will update the procedure to ensure that a determination of the grant period for which the funds are being returned is identified by the Senior Financial Analyst and reviewed by the Senior Financial Analyst Supervisor. These individuals are responsible for processing program transactions. This procedure will include the handling of how funds received beyond the grant liquidation period should be returned to the federal grantor, unless grantor has provided permission to expend the funds.

SSBG POP – Ohio MHAS has reviewed the circumstance for the unliquidated SSBG funds and determined that the delay in processing of the voucher associated with the disbursement was an isolated incident. This incident occurred during the transition of staff who managed the funds. Ohio MHAS has completed the transition of staff, therefore close monitoring of federal cash requests is performed to ensure the funds are received timely and that expenditures to subrecipients are made within the liquidation period.

**Anticipated Completion Date for Corrective Action:**

June 2017

**Contact Person Responsible for Corrective Action:**

Rosaland Gatewood-Tye, Assistant CFO, Department of Mental Health and Addiction Services  
30 East Broad Street, 11<sup>th</sup> Floor, Columbus, Ohio 43215  
Phone: (614) 644-9142, E-Mail: [Rosaland.Gatewood-Tye@mha.ohio.gov](mailto:Rosaland.Gatewood-Tye@mha.ohio.gov)

<b>Finding Number: 2016-019</b>
<b>State Agency: Ohio Department of Mental Health and Addiction Services</b>
<b>Finding Description: SABG - Payroll</b>

**Official's Response and Corrective Action Plan:**

Ohio MHAS will enforce current policy of ensuring payroll accountability of the payroll process by implementing these additional steps:

1. Payroll section will generate a report to monitor and ensure all timesheets have supervisor approval prior to final payroll processing.
2. If all timesheets do not have supervisor approval, the payroll section will notify the supervisor to complete the review and approval.
3. After all timesheets have been approved, the payroll section will generate an end of the pay period supervisor approval report as verification.

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4. The end of the pay period supervisor approval report will be initialed by the payroll section as evidence of final review.

**Anticipated Completion Date for Corrective Action:**

February 2017

**Contact Person Responsible for Corrective Action:**

Vincent Conner, Deputy Director, Human Resources, Ohio Department of Mental Health and Addiction Services

30 East Broad Street, 11<sup>th</sup> Floor, Columbus, Ohio 43215

Phone: (614) 466-9914, E-Mail: [Vincent.Conner@mha.ohio.gov](mailto:Vincent.Conner@mha.ohio.gov)

<b>Finding Number: 2016-020</b>
<b>State Agency: Ohio Department of Transportation</b>
<b>Finding Description: Highway Planning &amp; Construction Cluster – Subrecipient Monitoring</b>

**Official's Response and Corrective Action Plan:**

The desk review process for monitoring LPA audit reports will be evaluated and reprioritized to ensure that the External Audit Manager or designee consistently and timely documents the managerial review and, when there are deficiencies identified, the issuance of a management decision within six months of acceptance of the audit report by the Federal Audit Clearinghouse for all LPA desk reviews performed. This will be implemented by June 2017.

When desk reviews of LPA audit reports reveal the issuance of a Single Audit finding, the External Audit Manager or designee will follow-up with the LPA to ensure that appropriate and timely corrective action is developed and implemented by the LPA to remedy any deficiencies noted in the audit report.

The External Audit Manager or designee will periodically review the desk review process for LPA audit reports to ensure compliant monitoring procedures remain in force and are functioning properly.

As a work measurement, a summary of desk reviews performed will be incorporated as a monthly deliverable item submitted to the Deputy Director, Division of Finance, to ensure that desk reviews are reviewed timely. This process will specifically take effect in April 2017.

**Anticipated Completion Date for Corrective Action:**

June 2017

**Contact Person Responsible for Corrective Action:**

Gregory T. Stephens, External Audit Manager, Ohio Department of Transportation

1980 West Broad Street, 4<sup>th</sup> Floor, Columbus, Ohio 43223

Phone: (614) 644-5761, E-Mail: [gregory.stephens@dot.ohio.gov](mailto:gregory.stephens@dot.ohio.gov)

**STATE OF OHIO  
CORRECTIVE ACTION PLAN (Continued)  
JULY 1, 2015 THROUGH JUNE 30, 2016**

**FINDING/AGENCY/CORRECTIVE ACTION**

---

<b>Finding Number: 2016-021</b>
<b>State Agency: Ohio Department of Transportation</b>
<b>Finding Description: Highway Planning &amp; Construction Cluster – Wage Rate Requirements</b>

**Official's Response and Corrective Action Plan:**

All of the District Contractor Compliance Officers (CCOs) formerly referred to as EEOCC (Equal Employment Opportunity Contract Coordinator) now report to one manager who reports to Central Office, Office of Small & Disadvantaged Business Enterprise (OSDBE) in the Division of Opportunity, Diversity, and Inclusion. This will ensure consistent practices among all districts throughout the State.

Training all of the District CCOs on Davis-Bacon and Related Acts and Investigations for Wage Violations is an ongoing process. ODOT is still in the process of migrating to the Civil Rights and Labor System (CRL). ODOT made the decision to migrate to a more current version of CRL, which has enhanced capabilities, and this process is estimated to begin by January 2018. Once in production, the payroll portion of the system will assist the CCOs in auditing payrolls. The CCOs are currently reviewing payrolls inside the system.

The District 5 CCO resigned to take a position elsewhere in April 2016 and a new CCO was hired on August 8, 2016. The District 11 CCO was hired on February 3, 2016. OSDBE, in conjunction with the district, is currently in the process of hiring 1 additional CCO position in Districts 4, 6, and 8. There will now be 2 CCOs in Districts 4, 6, 8, and 12. The hiring of these individuals will increase the number of site interviews being performed.

The Construction Manual of Procedures (MOP) was updated to reflect only those duties of the CCOs that are performed with Construction, as requested by the Division of Construction. The Contractor Compliance Section of OSDBE is currently developing an Opportunity, Diversity, and Inclusion (ODI) Manual of Procedures that will be completed by April 2018. The TPR process will be modified to reflect the changes made to the Construction MOP and the processes included in the new ODI MOP. The TPR process will be modified to reflect all changes made, and TPRs will resume in September 2017.

**Anticipated Completion Date for Corrective Action:**

May 2018

**Contact Person Responsible for Corrective Action:**

Danette L. Shuler, Contractor Compliance Manager, Ohio Department of Transportation  
1980 West Broad Street, MS: 3270, Columbus, Ohio 43223  
Phone: (513) 933-6530, E-Mail: [danette.schuler@dot.ohio.gov](mailto:danette.schuler@dot.ohio.gov)

**STATE OF OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JULY 1, 2015 THROUGH JUNE 30, 2016**

**AGENCY/FINDING/STATUS**

---

**Ohio Office of Budget and Management**

2015-001 / Financial Reporting – Intergovernmental Payables Misclassification  
Status: Fully Corrected

**Ohio Department of Job and Family Services**

2015-002 / Unemployment Compensation Fund – GAAP Reporting Package Misstatement  
Status: Fully Corrected

**Ohio Retirement Study Council**

2015-003 / Finding for Recovery Repaid Under Audit – Payroll Overpayment  
Status: Fully Corrected - Repaid Under Audit

**Ohio Office of Budget and Management**

2015-004 / Federal Schedule – Various Programs  
Status: Fully Corrected

**Ohio Development Services Agency**

2015-005 / HEAP – Cash Management  
Status: Fully Corrected

**Ohio Department of Developmental Disabilities**

2015-006 / IT – Inappropriate Access to Administrator Roles  
Status: Fully Corrected

**Ohio Department of Education**

2015-007 / Improving Teacher Quality – Misallocations to Local Educational Agencies  
Status: Fully Corrected

**STATE OF OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)  
JULY 1, 2015 THROUGH JUNE 30, 2016**

**AGENCY/FINDING/STATUS**

---

**Ohio Department of Education (Continued)**

2015-008 / Special Education Cluster – Misallocations to Local Educational Agencies

Status: Not Corrected

Finding first reported in fiscal year 2015.

\*\*\*\*\*

Effective in fiscal year 2016, the Ohio Department of Education (ODE) modified its business practices to include a mid-year review of new and significantly expanded community schools to ensure that all funds are allocated/reallocated appropriately. In fiscal year 2017, ODE will review new and significantly expanded community schools and restore proper allocation amounts, implement critical deadlines, and continue to evaluate control procedures to ensure proper allocations. ODE indicated staff transitions affected the full implementation of planned corrective action which resulted in the repeat finding.

2015-009 / DUNS Numbers for Subawards

Status: Fully Corrected

2015-010 / Subrecipient Cash Management – Various Programs

Status: Fully Corrected

2015-011 / CACFP – Sponsor Reviews

Status: Fully Corrected

2015-012 / MOE Determination Controls – Various Programs

Status: Not Corrected

Finding first reported in fiscal year 2015.

\*\*\*\*\*

Effective in fiscal year 2016, ODE developed an interoffice communication policy to discuss the EMIS data submission and appeals process to ensure that all offices have details impacting their respective internal processes and revised existing policies and procedures. In addition, ODE established the framework to develop a maintenance of effort system enhancement planned for full implementation in fiscal year 2018. ODE will also continue to evaluate and update existing controls and processes to ensure accuracy. ODE indicated a lack of communication between system modules and staff oversight resulted in the repeat finding.

**STATE OF OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)  
JULY 1, 2015 THROUGH JUNE 30, 2016**

**AGENCY/FINDING/STATUS**

---

**Ohio Department of Education (Continued)**

2015-013 / CNC – Reporting

Status: Not Corrected

Finding first reported in fiscal year 2015.

\*\*\*\*\*  
In fiscal year 2016, ODE began to develop a new comprehensive process for completing FNS reports accurately and in a timely manner; the process will be fully implemented in fiscal year 2017 and a new Fiscal Manager position will be created to manage policies and procedures and to serve as liaison with the Department's Center Fiscal Office. ODE indicated that staff transitions, oversight and lack of guidance from the United States Department of Agriculture resulted in the repeat finding.

2015-014 / Career & Technical Education – Procurement Contracts

Status: Fully Corrected

2015-015 / Federal Schedule – CNC & CACFP

Status: Fully Corrected

2015-016 / Career and Technical Education – Administrative Level of Effort

Status: Fully Corrected

**Ohio Environmental Protection Agency**

2015-017 / CWSRF & DWSRF – Invoice Reviews

Status: Fully Corrected

**Ohio Department of Job and Family Services**

2015-018 / SNAP Cluster – Ineligible Recipients

Status: Fully Corrected

Finding first reported in fiscal year 2015.

\*\*\*\*\*  
Finding was fully corrected in fiscal year 2016; however, still awaiting questioned cost decision from the United States Department of Agriculture.

2015-019 / Unemployment Insurance – Period of Availability

Status: Fully Corrected

**STATE OF OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)  
JULY 1, 2015 THROUGH JUNE 30, 2016**

**AGENCY/FINDING/STATUS**

---

**Ohio Department of Job and Family Services (Continued)**

2015-020 / CCDF Cluster Copayment/Benefit Amounts

Status: Fully Corrected

Finding first reported in fiscal year 2012.

\*\*\*\*\*  
Finding was fully corrected in fiscal year 2016; however, still awaiting questioned cost decision from the United States Department of Health and Human Services.

2015-021 / IT – IEVS Due Dates and Result Code Errors

Status: Not Corrected

Finding first reported in fiscal year 1997.

\*\*\*\*\*  
The Ohio Department of Job and Family Services (ODJFS) will continue to provide training and technical assistance to county staff to resolve this long reported issue. ODJFS will continue to monitor counties for timeliness and will require continuous improvement plans for delinquent timeliness rates. ODJFS indicated that lack of timely completion of alerts, staff constraints, and human error resulted in the repeat finding.

2015-022 / SNAP Cluster and TANF Cluster – Eligibility Documentation

Status: Not Corrected

Finding first reported in fiscal year 2006

\*\*\*\*\*  
ODJFS will continue providing county employees with eligibility training and will conduct targeted reviews for payment accuracy. ODJFS indicated staff oversight resulted in the repeat finding.

2015-023 / CCDF Cluster – Type B Home Inspections

Status: Not Corrected

Finding first reported in fiscal year 2012.

\*\*\*\*\*  
ODJFS will continue to provide training and technical support to all county agencies regarding the type and amount of Type B Home provider inspections completed, as well as, continue to conduct annual on-site county monitoring visits and file audits to ensure compliance with requirements. ODJFS indicated staff oversight and shortages resulted in the repeat finding.

**STATE OF OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)  
JULY 1, 2015 THROUGH JUNE 30, 2016**

**AGENCY/FINDING/STATUS**

---

**Ohio Department of Job and Family Services (Continued)**

2015-024 / CCDF Cluster – Type B Home Licenses

Status: Not Corrected

Finding first reported in fiscal year 2012.

\*\*\*\*\*  
ODJFS will continue to provide training and technical support to all county agencies regarding the timelines and documents for Type B home providers. ODJFS will provide targeted assistance for the identified agencies based on the findings, as well as, continue to conduct annual on-site county monitoring visits and file audits to ensure compliance with requirements. ODJFS indicated staff oversight and shortages resulted in the repeat finding.

2015-025 / CCDF Cluster – Type A Homes/Centers

Status: Not Corrected

Finding first reported in fiscal year 2015.

\*\*\*\*\*  
ODJFS child care licensing will continue to provide technical assistance and training to all ODJFS child care specialists and supervisors, as well as, continue with quality assurance processes. Effective in fiscal year 2016, ODJFS implemented a standard finding for inspection report form and implemented a new automated licensing system. ODJFS indicated that inconsistent use of the updated inspection report form and staff oversight resulted in the repeat finding.

2015-026 / Reporting – Various Programs

Status: Not Corrected

Finding first reported in fiscal year 2014.

\*\*\*\*\*  
Effective fiscal year 2016, a layered supervisory review process was implemented. In addition, ODJFS plans to implement a single source federal reporting system in fiscal year 2018. ODJFS indicated technical issues, missing documentation and oversight resulted in the repeat finding.

2015-027 / Cash Management – Adoption Assistance and Social Services Block Grant

Status: Not Corrected

Finding first reported in fiscal year 2013.

\*\*\*\*\*  
ODJFS is developing internal procedures to reduce the voucher processing delays and stay within the five-business day requirement. ODJFS indicated that inefficiencies in the Intrastate Transfer Voucher process and lack of awareness of the updated reporting basis requirement resulted in the repeat finding,

2015-028 / Child Support Enforcement – Coding Errors

Status: Fully Corrected

**STATE OF OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)  
JULY 1, 2015 THROUGH JUNE 30, 2016**

**AGENCY/FINDING/STATUS**

---

**Ohio Department of Medicaid**

2015-029 / Medicaid/CHIP – Ineligible Recipients

Status: Not Corrected

Finding first reported in fiscal year 2010.

\*\*\*\*\*  
Ohio Department of Medicaid (ODM) will increase the frequency of county trainings and communication to address the high turnover rate at the county level, as well as, continue to publish newsletters, provide various desk aids and maintain the resource web page for additional helpful information. ODM indicated high staff turnover resulted in the repeat finding

2015-030 / Cash Management – Various Programs

Status: Not Corrected

Finding first reported in fiscal year 2015.

\*\*\*\*\*  
Effective in fiscal year 2016, ODM revised their policy to assure draw amounts were not reported in the Ohio Accounting Knowledge System (OAKS) Cognos until vouchers had final approvals which initiated payment dates within two days of the voucher payment date. ODM indicated that a delay in obtaining all the approvals required resulted in the repeat finding.

2015-031 / Federal Schedule – Money Follows the Person

Status: Fully Corrected

**Ohio Department of Mental Health and Addiction Services**

2015-032 / DUNS Numbers for Subawards

Status: Fully Corrected

**Ohio Department of Transportation**

2015-033 / Highway Planning & Construction Cluster – Wage Rate Requirements

Status: Not Corrected

Finding first reported in fiscal year 2015.

\*\*\*\*\*  
Ohio Department of Transportation (ODOT) centralized the process and all district Contractor Compliance Officers (CCOs) now report to one manager. In addition, ODOT will continue to provide training to all CCO's on the Davis-Bacon and Related Acts and Investigation for Wage Violations. ODOT is transitioning to the Civil Rights and Labor System which will include payroll processing and assist CCO's in auditing payroll files. ODOT indicated that vacant positions and inconsistent practices across districts resulted in the repeat finding.

**STATE OF OHIO**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (Continued)**  
**JULY 1, 2015 THROUGH JUNE 30, 2016**

**AGENCY/FINDING/STATUS**

---

**Ohio Department of Veterans Services**

2015-034 / Federal Schedule – Veterans State Nursing Home Care Status: Fully Corrected
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# **ATTACHMENTS**



# Comprehensive Annual Financial Report

The State of Ohio – Fiscal Year Ended June 30, 2016



Governor John R. Kasich  
Office of Budget and Management  
Director Timothy S. Keen

## **ACKNOWLEDGMENTS**

Report prepared by the  
Ohio Office of Budget and Management,  
State Accounting Division, Financial Reporting Section:

*James J. Kennedy, CPA, CISA*

*Senior Deputy Director, Services  
and Operations*

*Bridget A. Brubeck*

*Deputy Director, State Accounting  
and Reporting*

*Linda K. Shook, CPA*

*Financial Reporting Manager*

*Laura L. Swank*

*Financial Reporting Assistant Manager*

*Bradley J. Beaver*

*Andrea E. Joffe, CPA (Inactive)*

*Terry K. Jones, Sr.*

*Casey A. King*

*Charlene K. VanHoose*

Special appreciation is given to all fiscal and accounting personnel throughout the State whose extra efforts to contribute accurate, timely financial data for their agencies made this report possible.

# State of Ohio

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016



Office of Budget and Management

OBM Director Timothy S. Keen  
Deputy Director of State Accounting and Reporting Bridget A. Brubeck

Prepared by OBM State Accounting and Reporting

**STATE OF OHIO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
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# Introductory Section

Ash Cave Hocking Hills State Forest  
Logan, Ohio

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# Office of Budget and Management

John R. Kasich  
Governor

Timothy S. Keen  
Director

December 22, 2016

To the Honorable John R. Kasich, Governor;  
Members of the Ohio General Assembly; and  
Citizens of Ohio:

It is my privilege to present the State of Ohio's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2016, prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The Office of Budget and Management (OBM) prepared this report pursuant to Section 126.21, Ohio Revised Code. The report includes the basic financial statements, which provide an overview of the State's financial position and the results of financial operations. Responsibility for the accuracy of the data presented, as well as the completeness and fairness of the presentation, including all disclosures, rests with OBM.

To the best of our knowledge and belief, the information presented is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the State of Ohio. All disclosures necessary for a reasonable understanding of the State's financial activities have been included.

This letter of transmittal is intended to complement management's discussion and analysis (MD&A) and should be read in conjunction with it. The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements.

The reporting format for our CAFR is significantly different from the way the State more typically presents its finances on a non-GAAP budgetary basis. The most obvious difference is that the "General Fund" in the CAFR includes more than just the State's General Revenue Fund (GRF). The General Fund also includes other funds such as the reimbursement-supported funds used for activities administered by state agencies and departments for which special revenue or proprietary fund classifications were considered to be inappropriate.

The State's management is responsible for establishing and maintaining internal control designed to ensure that the State's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

## **INDEPENDENT AUDIT RESULTS**

In compliance with Ohio Revised Code, an annual financial audit has been performed by the Office of the Auditor of State. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's unmodified opinion is included in the Financial Section of this report. This

opinion indicates there was no limitation on the scope of the auditors' examination and the financial statements were presented fairly, in all material respects, in accordance with GAAP.

Additionally, the State's Single Audit report is audited by the Office of the Auditor of State to meet the requirements of the federal Single Audit Act Amendments of 1996 and related Office of Management and Budget (OMB) Uniform Guidance. The Single Audit report will be issued separately from the State's CAFR.

## **PROFILE OF THE GOVERNMENT**

### **History**

Ohio's first constitution was adopted in 1802, and Ohio entered the union in 1803. Ohio's present constitution was modified by a state constitutional convention in 1851 and has since been amended on numerous occasions. The Constitution establishes a state governmental structure similar to the federal model, with three separate branches of government — executive, legislative, and judicial.

### **Governmental Structure**

The executive branch consists of the Governor and Lieutenant Governor, who are jointly elected, and four additional statewide elected officials: the Attorney General, the Auditor of State, the Secretary of State, and the Treasurer of State. All of these officials are elected to four-year terms. The State Board of Education is also part of the executive branch.

Approximately 100 departments, agencies, boards, and commissions are part of the executive branch of government and receive appropriations from the legislature, along with several judicial and legislative agencies. An organizational chart of state government can be found on pages x and xi.

The state legislature in Ohio is referred to as the General Assembly and consists of two separate chambers, the Senate, a 33-member body, and the House of Representatives, a 99-member body. Each member of the General Assembly is elected to represent the residents of a geographical district for a specified term. Members of Ohio's General Assembly are subject to term-limits; senators are restricted to serving two consecutive four-year terms, and representatives are restricted to serving four consecutive two-year terms. Each chamber has a presiding officer to call the chamber to order and direct the calendar of events. The presiding officer in the Senate is the President of the Senate, and the presiding officer of the House of Representatives is the Speaker of the House. A new General Assembly is convened in January of each odd-numbered year.

Within the Judicial system, the Supreme Court is the court of last resort in Ohio. Most of its cases are appeals from the twelve district courts of appeal. The chief justice and six justices are elected to six-year terms on a nonpartisan ballot.

### **Reporting Entity and Its Services**

For financial reporting purposes, the State's reporting entity consists of (1) the primary government, (2) component units for which the primary government is financially accountable, and (3) other component units for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria set forth in Governmental Accounting Standards Board's (GASB) Statement 14, the Financial Reporting Entity, Statement 39, Determining Whether Certain Organizations are Component Units, an amendment to GASB 14 and Statement 61, the Financial Reporting Entity: Omnibus, an amendment to GASB 14, are used to determine the organizations for which the State is financially accountable. NOTE 1A to the financial statements explains more fully which financial activities are included in the State's reporting entity.

The State provides a wide range of services and support to its citizenry that are accounted for in the following functions or programs: primary, secondary and other education, higher education support, public assistance and Medicaid, health and human services, justice and public protection, environmental protection and natural resources, transportation, general government, community and economic develop-

ment, workers' compensation, lottery, unemployment compensation, tuition credits, and other business-type activities.

### **Retirement Systems**

Employees of the primary government or its component units may be eligible to participate in the Ohio Public Employees Retirement System, the State Teachers Retirement System of Ohio, the State Highway Patrol Retirement System, or the Alternative Retirement Plan. Further information on the State's participation in the different retirement systems can be found in NOTE 9 to the financial statements.

### **Risk Management**

As discussed in NOTE 1Q to the financial statements, the State's primary government is self-insured for claims under its traditional healthcare plan as well as its vehicle liability plan. Employee and public official fidelity bonding is placed with a private insurer, except for judicial liability which is self-insured. Tort liability is self-funded; however, several state agencies have also acquired private insurance. State owned buildings are covered under a catastrophic property policy for both real and personal property losses. All other liability risk to State property is self-funded on a pay-as-you-go basis. The State's primary government and its component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their workers' compensation liability.

### **Budgetary Control and Accounting System**

Ohio's Constitution requires the State to have a balanced budget. The State's biennium budget begins on July 1 of odd-numbered years and ends 24 months later on June 30. The State maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the General Assembly. Budgets are entered on the statewide accounting system once the appropriations bill becomes law. Controls are maintained first at the agency level, with additional control at the fund and appropriation level to ensure that expenditures do not exceed authorized limits.

The State's non-GAAP budgetary financial statements are prepared on a modified cash basis of accounting. This means that revenues are recognized when cash is received and expenditures are recognized when cash is paid. Encumbrances, reservations of appropriation authority as of June 30, the end of the State fiscal year, are reflected as expenditures on the budgetary basis of accounting.

Budget-to-actual comparisons can be found in this report for each governmental fund for which an appropriated annual budget has been adopted. For the General Fund and the Job, Family and Other Human Services Special Revenue Fund, these comparisons are presented as part of the basic financial statements. For other budgeted non-major governmental funds with appropriated annual budgets, budget-to-actual comparisons are in the non-major governmental funds section of the CAFR.

Additional discussion of the budgetary and GAAP bases of accounting is provided in NOTE 1 to the financial statements.

The accounting system maintains all non-GAAP budgetary basis transactions and most GAAP basis adjustments. In addition to the information obtained from the accounting system for financial reporting, selected financial information provided by the State's agencies and departments is compiled to complete the GAAP basis financial statements.

Differences between the two bases of accounting (GAAP vs. non-GAAP budgetary) include: 1) entity differences — the GAAP reporting entity may include organizations such as financing authorities and other component units that are not included in the State's budget; 2) basis differences — the GAAP basis results in the reporting of accruals while the non-GAAP budgetary basis results in the reporting of cash transactions; and 3) timing differences — for example, GAAP recognizes expenditures for payables for goods and services received, whereas the non-GAAP budgetary basis considers unliquidated encumbrances as expenditures. Reconciliation between the GAAP basis and non-GAAP budgetary basis fund balances is presented in NOTE 3 to the financial statements.

## **ECONOMIC OVERVIEW AND OUTLOOK**

### **The Economy in 2016**

The U.S. economy expanded for the seventh consecutive calendar year in 2016, extending to seven and one half years the expansion that began in mid-2009. At 90 months in length as of December, the current expansion is the fourth longest of the eleven expansions since the end of World War II. By a number of important measures, this expansion is the weakest of the four expansions that have lasted as long.

Real GDP increased at an annual rate of 2.1% during the twenty-nine quarters ending in the third quarter of 2016, compared with an average growth rate of 4.5% during the first twenty-nine quarters of the three other expansions that lasted as long. Real final sales increased at a 1.9% annual rate during the period, compared with the average of 4.3% during the three previous expansions of similar length. Nonfarm payroll employment has increased at an annual rate of 1.3% – less than one half of the prior average of 2.7%. Real disposable personal income has increased at an annual rate of only 2.0%, compared with an average of 4.2% in the prior similar-length expansions.

During 2016, real GDP has remained volatile, rising at an annual rate of 1.1% in the first half and then increasing 3.2% in the third quarter. Major monthly indicators point to continued growth in the fourth quarter, although manufacturing activity remains flat. Personal consumption expenditures contributed 2.0 percentage points of the growth in real GDP from the fourth quarter of 2015 through the third quarter of 2016. Government spending made no contribution and gross private domestic investment subtracted 0.5 percentage points. Exports managed to contribute 0.5 percentage points despite the appreciation of the dollar in recent years. Imports, which are included among the other categories and subtracted separately, subtracted 0.1 percentage point.

Spending on services accounted for more than one-half of growth in overall personal consumption expenditures. Health care purchases accounted for just over one-half of the contribution from services. The contribution from durable goods was about twice as large as that from nondurable goods. The largest contributor within durable goods was recreational goods and vehicles. Purchases of new light motor vehicles made no net contribution. Purchases of food and beverages (off-premises) accounted for most of the increase in nondurable goods spending.

Investment in intellectual property was the only major positive contributor to investment during the first three quarters of 2016. Investment in equipment subtracted 0.3 percentage points from growth and investment in nonresidential structures made no contribution. Investment in residential structures subtracted slightly from growth and the change in business inventories subtracted 0.4 percentage points.

Real personal consumption expenditures, which increased at an annual rate of 2.9% during the first three quarters of 2016, were financed by a 2.6% rate of increase in real disposable personal income. The gap between the increase in consumption and in disposable personal income was made up by a small decrease in the saving rate from 6.0% of disposable personal income in the fourth quarter of 2015 to 5.9% in the third quarter of 2016.

Inflation remained tame throughout 2016, but started to rise in the second half of the year. The Consumer price index increased at an annual rate of 1.3% from the fourth quarter of 2015 to the third quarter of 2016, up from 0.4% during the four quarters of 2015. The primary reason for the pickup is the stabilization in the price of oil after the large drop starting in mid-2014. The underlying rate of inflation is higher still, as indicated by the 2.2% annualized increase in the CPI excluding food and energy and the 2.6% annualized rate of increase in the Median CPI from the Federal Reserve Bank of Cleveland during the first ten months of the year.

Monetary policy remained extraordinarily accommodative throughout 2016, even after the Federal Reserve increased its federal funds rate target by a quarter of a percentage point in December 2015. In light of recent improvements in labor markets, policy makers no longer view the extremely low rate target as necessary, and plan additional rate increases starting as soon as December 2016.

Fiscal policy continued to add directly to aggregate demand in Fiscal Year 2016, as the federal budget deficit increased by 34% to \$587 billion or 3.2% of GDP. This was the first increase in the deficit as a percent of GDP since 2009, and was brought on by a 5% increase in outlays but only a 1% increase in receipts.

In line with trends across the country, labor markets across Ohio strengthened further in 2016, although Ohio employment growth has slowed. Nonfarm payroll employment in Ohio increased by 21,200 jobs, or 0.5% annualized, from December 2015 to October 2016. In addition, the annual benchmark revisions to historical data released by the U.S. Bureau of Labor Statistics in early 2016 revealed stronger growth in employment during 2014-2015 than had been previously reported. Ohio employment growth during the two-year period was revised up by 22,100 jobs from 154,500 jobs to 176,600 jobs.

Employment activity was mixed across economic sectors during the year-to-date through October 2016. Growth was concentrated in educational and health services (+9,000), financial activities (+7,900), and leisure and hospitality (+6,300). Employment increased by 17,600 jobs in the private sector. Employment declined through October in professional and business services (-8,900), manufacturing (-3,000), and natural resources and mining (-1,400).

The Ohio unemployment rate was trendless through October 2016, edging up by 0.1 percentage point from December 2015 to 4.9%. The increase reflected an increase of 28,100 or 0.5% in total employment, an increase of 6,500 or 2.4% in unemployed people, and an increase of 34,600 or 0.6% in the labor force.

In response to the ongoing growth in labor markets, Ohio personal income increased at an annual rate of 1.5% from the second half of 2015 to the first half of 2016. Personal income increased at an annual rate of 3.9% across the country. Wage and salary disbursements in Ohio increased at an annual rate of 1.4%, compared with 4.5% across the country.

### **The Economic Outlook**

The U.S. economy is likely to continue expanding in 2017, despite the recent sluggishness in the manufacturing sector. Economic expansions do not die of old age. Past expansions have been cut short by unexpected events that have often included some mix of rising inflation, tightening monetary policy, and an upward spike in energy costs – none of which has recently occurred or appears likely in the near-term. Leading economic indicators that in the past have provided some warning of oncoming recessions are almost uniformly signaling growth at least at a moderate pace.

The pace of overall economic growth is projected to accelerate somewhat in 2017. Real GDP will expand by a projected 1.5% in 2016 and 2.2% in 2017, according to the November 2016 forecast by IHS Markit. Despite recent indicators that point to sluggish growth in Ohio in 2016, the Ohio economy is also expected to grow in 2017, according to the November 2016 IHS Markit forecast. Ohio employment is projected to grow 0.5% in 2017 after a projected 1.3% increase in 2016 on an average annual basis. Personal income growth is projected to accelerate from 2.8% in 2016 to 3.8% in 2017. Nominal Gross State Product is projected to accelerate from 3.2% in 2016 to 4.0% in 2017.

As always, unexpected events will play a role in shaping future economic performance. In particular, the pending change of administrations in Washington, D.C. is likely to bring shifts in economic policy that could change the economic outlook in significant ways. The economy could benefit from the following:

- Tax reform that includes reductions in marginal rates;
- A large federal infrastructure spending program;
- Reductions in regulations that impede free market activity; and
- The still extraordinarily accommodative monetary policy.

However, risks to the economic outlook include:

- Disruptions to international trade;
- A more rapid than anticipated rise in interest rates by the Federal Reserve; and

- Additional increases in the foreign exchange value of the dollar and an intensification of the economic slowdown overseas.

## MAJOR INITIATIVES AND PROJECTS

### Transforming Ohio for Growth – Fiscal Years 2016 and 2017

Consistent with state law, the Governor's biennial Executive Budget for fiscal years 2016 and 2017 was released in February 2015 and introduced in the General Assembly as H.B. 64. After extended hearings and review, the 2016-17 biennial appropriations budget was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2015.

Among major policy initiatives undertaken by the Kasich Administration in conjunction with the biennial operating budget for fiscal years 2016 and 2017:

- Preserving Ohio's Growth: After hard work and tough choices helped get Ohio back on its feet, many have called for relaxing Ohio's budget discipline but Gov. Kasich has been through this challenge before and steadfastly refused. As chair of the U.S. House of Representatives Budget Committee, Kasich was the architect of the first balanced federal budget in a generation, but watched with frustration and amazement as, after he left Congress, Washington backslid from conservative budget principles and blew a projected \$5 trillion surplus in just two years. He is committed to making sure Ohio does not go down this path and this budget keeps conservative budgeting principles firmly in place with conservative revenue estimates and spending projections, tax cuts and a stronger rainy day fund.
- Eliminating Taxes on Small Businesses: The budget continues the current 75 percent tax cut for small businesses earning under \$250,000 in business income and, in FY2017, eliminates these taxes altogether. For small business income above that level, Ohio established a new, low flat tax rate of three percent.
- Lower Income Taxes, Again: Personal income tax rates were cut for all Ohio taxpayers by 6.3 percent. This means Ohio's top marginal income tax rate has been cut from 5.925 percent when Gov. Kasich came into office in 2011 to 4.997 percent in tax year 2016, the lowest top marginal tax rate in effect in Ohio since 1982. With the \$1.9 billion in net tax cuts in this budget, Ohio has reduced taxes by approximately \$5 billion since Gov. Kasich took office.
- Continued Strong Support for K-12 Education: For the second straight budget, Ohio will significantly increase funding to K-12 education — providing record funding for K-12 education in this budget. Additionally, by building on a practice Kasich first proposed two years ago and giving greater consideration to the income of local residents, Ohio will more effectively drive state support to school districts with a series of carefully targeted aid categories.
- Making College More Affordable: The budget freezes tuition at two- and four-year state-supported schools, assuring that Ohio remains a leader in holding down the growth of tuition and general fees. A new nine-member Task Force on Affordability and Efficiency is working to help public colleges and universities examine ways to reduce costs. Following the work of the Task Force, Ohio's public colleges and universities will conduct an efficiency review to improve efficiencies and reduce costs.
- Better Support for Ohioans with Disabilities: The budget makes historic new investments to ensure that every Ohioan with a developmental disability who wants to live and work in the community can do so. This budget invests \$286 million over two years to increase home- and community-based services, support community work opportunities and create new options for individuals who want to leave institutions.

- Combating Infant Mortality: More than 1,000 Ohio babies die before their first birthday. It is one of the worst infant mortality rates in the country. The budget provides enhanced maternal services through Medicaid health plans for every woman living in neighborhoods most at risk for poor infant health outcomes. Working to engage local community leaders, health plans will connect women in high-risk neighborhoods to health care services.
- Transforming Welfare: The budget creates a person-centered case management system where services are wrapped around an individual's needs in order to better support them as they move toward self-sufficiency. New initiatives will initially focus on those ages 16-24 in order to have the greatest impact and prevent the poverty cycle at an early age. To help in the effort, the budget also works to soften the benefit "cliffs" by allowing families to keep subsidized child care on a gradually reducing scale up to 300 percent of the federal poverty level.
- Reducing Recidivism and Treating Addictions in Ohio's Prisons: Approximately 80 percent of Ohio's prison inmates have past histories of drug and alcohol addiction and those who don't overcome their addiction have a higher likelihood of re-entering prison after their release. By leveraging the clinical expertise of the Department of Mental Health and Addiction Services, Ohio can get inmates the help they need to overcome their addiction while they are serving their sentences and provide a seamless transition of services and supports to ensure sustained recovery after their release. In addition, the state will begin transferring low-level, non-violent inmates with addictions to serve their short-term sentence in a community treatment facility.

### **Mid-Biennium Review**

Soon after passage of the fiscal year 2016 and 2017 biennial operating budget in June 2015, the Kasich Administration embarked on a third Mid-Biennium Review (MBR), a top-to-bottom analysis of state agency budgets, operations and programs. This effort, led by the Office of Budget and Management, produced hundreds of recommendations for reforms designed to reduce the cost of government and revitalize Ohio's ability to keep and attract jobs. Proposals generated by the MBR included:

- Giving More Individuals Opportunities to Live and Work in Their Communities: Ohioans with developmental disabilities want the opportunity to live and work in their communities. The most recent budget contained an historic investment of nearly \$300 million in new funds. HB 483, signed by the Governor on July 13, 2016, will support the continued transformation of Ohio's developmental disabilities by ensuring continuity of care as children grow older, and by making it easier for caretakers to tend to individuals' medical needs.
- Protecting Ohioans from Lead in the Drinking Water: Part of the MBR, HB 512 proposes new state standards to protect public health – backed by tighter deadlines and administrative fines to make public water systems notify and educate the public in a much timelier manner. The law, signed by the governor on June 9, 2016, provides new funding mechanisms to help communities replace lead service lines and help schools identify and replace outdated, lead-based water-service fixtures.
- A Common Sense Approach to Serving Ohio Boaters: The Ohio Department of Natural Resources (ODNR) continues its efforts to reduce the costly and inefficient overlap that exists between its nine divisions while improving service for its customers. Consolidation of ODNR's divisions of Watercraft and State Parks, will not only offer Ohioans improved services and cost savings, but also enable ODNR law enforcement to provide greater protections for visitors at Ohio's state parks, natural areas, rivers and lakes. Governor Kasich signed SB 293 on June 14, 2016.

Nearly every one of Ohio's 74 state parks is home to a lake or river that is used for recreational boating and the Ohio State Parks system maintains most of the docks, marinas and access points for boaters at these locations. By bringing together these two operations, Ohio will provide watercraft and parks users with a single office and a unified corps of officers to assist with service

requests. Work already is underway to consolidate office space and share services, so that avid boaters and paddlers will be able to register their vessels and conduct other business in the same place where they intend to go boating.

### **Capital Budget**

Fiscal year 2016 also saw the passage of a capital budget proposal for 2017 and 2018. The resulting legislation (S.B. 310) was enacted by the General Assembly and signed by the Governor on May 17, 2016. This capital budget allocates more than \$2.62 billion in fiscal year 2017 and 2018 to maintain and improve the state's educational and public service infrastructure in ways that help keep Ohio a leader in the competitive world economy. Of the \$2.62 billion appropriation, \$2.18 billion will come from general revenue backed debt and while the remaining \$0.44 billion will come from other funding sources. Specific investments include \$1.19 billion for renovation and construction of primary, secondary, and higher educational facilities, \$500.4 million for local infrastructure projects, and \$323.1 million for state park, dam, and other natural resource related improvement projects.

### **Interactive Budget and Transparency**

Significant in Fiscal Year 2016 was the launch of [Ohio's Interactive Budget website](#). This website is a first of its kind, comprehensive open checkbook that enables visitors to see how state money is spent, but also how revenue is generated and allocated via the state budget. Ohio's Interactive Budget website - an extension of the state accounting system - provides the public with access to the financial and transactional data maintained in the state's accounting system.

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Ohio for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

In conclusion, I wish to express my appreciation to the Financial Reporting staff of OBM's State Accounting Section and staffs of the various state agencies whose time and dedicated efforts made this report possible. I encourage you to access Ohio's Comprehensive Annual Financial Report at <http://www.obm.ohio.gov>.

Respectfully submitted,



Timothy S. Keen  
Director

# **STATE OF OHIO OFFICIALS**

As of June 30, 2016

## **EXECUTIVE**

John Kasich  
Governor

Mary Taylor  
Lieutenant Governor

Mike Dewine  
Attorney General

Dave Yost  
Auditor of State

Josh Mandel  
Treasurer of State

Jon Husted  
Secretary of State

## **LEGISLATIVE**

Keith Faber  
President of the Senate

Clifford Rosenberger  
Speaker of the House

## **JUDICIAL**

Maureen O'Connor  
Chief Justice  
Supreme Court

# STATE OF OHIO ORGANIZATION CHART

<b>FINANCIAL REPORTING ENTITY</b>
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<b>PRIMARY GOVERNMENT</b>
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<b>LEGISLATIVE</b>  <b>Senate</b> (33 Members)  <b>House of Representatives</b> (99 Members)	<b>EXECUTIVE</b>  <b>Governor</b> <b>Lieutenant Governor</b> <b>Attorney General</b> <b>Auditor of State</b> <b>Secretary of State</b> <b>Treasurer of State</b> <b>State Board of Education</b> (11 Elected Members, and 8 At-Large Members)	<b>JUDICIAL</b>  <b>Supreme Court</b> Chief Justice and 6 Justices
<p><b>Governmental Activities:</b>  <i>General Government:</i>                      Senate                      House of Representatives                      Legislative Service Commission                      Legislative Committees</p>	<p><b>Governmental Activities:</b>  <i>Primary, Secondary and Other Education:</i>                      Arts Council                      Broadcast Educational Media Commission                      Department of Education                      School for the Blind                      School for the Deaf                      State Library Board</p> <p><i>Higher Education Support:</i>                      Department of Higher Education                      State Board of Career Colleges and Schools</p> <p><i>Public Assistance and Medicaid:</i>                      Department of Job and Family Services                      Department of Medicaid</p> <p><i>Health and Human Services:</i>                      Commission on Hispanic/Latino Affairs                      Commission on Minority Health                      Department of Aging                      Department of Developmental Disabilities                      Department of Health                      Department of Mental Health and Addiction Services                      Department of Veteran Services                      Opportunities for Ohioans with Disabilities</p> <p><i>Justice and Public Protection:</i>                      Adjutant General's Department                      Board of Tax Appeals                      Civil Rights Commission                      Department of Public Safety                      Department of Rehabilitation and Correction                      Department of Youth Services                      Ethics Commission                      Office of the Attorney General                      Public Defender Commission</p> <p><i>Environmental Protection and Natural Resources:</i>                      Department of Natural Resources                      Environmental Protection Agency                      Environmental Review Appeals Commission                      Lake Erie Commission</p> <p><i>Transportation:</i>                      Department of Transportation</p>	<p><b>Governmental Activities:</b>  <i>Justice and Public Protection:</i>                      Supreme Court                      Judicial Conference                      Judiciary                      Court of Claims</p>

<b>PRIMARY GOVERNMENT (Continued)</b>	
	<p><i>General Government:</i>            Capitol Square Review &amp; Advisory Board            Consumers' Counsel            Department of Administrative Services            Department of Commerce            Department of Insurance            Department of Taxation            Office of Budget and Management            Office of the Governor            Office of the Inspector General            Office of the Lieutenant Governor            Office of the Secretary of State            Office of the Treasurer of State            Public Utilities Commission            Sinking Fund Commission            State Racing Commission            Other Boards and Commissions</p> <p><i>Community and Economic Development:</i>            Department of Agriculture            Development Services Agency            Expositions Commission            Public Works Commission            Southern Ohio Agricultural &amp; Community Development Foundation</p> <p><b>Business-Type Activities:</b>            Bureau of Workers' Compensation and Industrial Commission            Department of Job and Family Services—Unemployment Compensation Program            Lottery Commission            Office of the Auditor of State            Tuition Trust Authority</p>

<b>COMPONENT UNITS</b>																									
<p><b>Blended Component Units:</b>            Buckeye Tobacco Settlement Financing Authority            (included as Governmental Activities)</p> <p><b>Fiduciary Component Unit:</b>            State Highway Patrol Retirement System</p> <p><b>Discretely Presented Component Units:</b>  <i>Financing Authorities and Commissions:</i>            Ohio Air Quality Development Authority            Ohio Capital Fund            Ohio Facilities Construction Commission            Ohio Turnpike and Infrastructure Commission</p> <p><i>Nonprofit Organizations:</i>            Jobs Ohio</p>	<p><b>Discretely Presented Component Units (continued):</b>  <i>State Universities:</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Bowling Green State University</td> <td>Ohio University</td> </tr> <tr> <td>Central State University</td> <td>Shawnee State University</td> </tr> <tr> <td>Cleveland State University</td> <td>University of Akron</td> </tr> <tr> <td>Kent State University</td> <td>University of Cincinnati</td> </tr> <tr> <td>Miami University</td> <td>University of Toledo</td> </tr> <tr> <td>Northeast Ohio Medical University</td> <td>Wright State University</td> </tr> <tr> <td>Ohio State University</td> <td>Youngstown State University</td> </tr> </table> <p><i>State Community Colleges:</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Cincinnati State</td> <td>Owens State</td> </tr> <tr> <td>Clark State</td> <td>Southern State</td> </tr> <tr> <td>Columbus State</td> <td>Terra State</td> </tr> <tr> <td>Edison State</td> <td>Washington State</td> </tr> <tr> <td>Northwest State</td> <td></td> </tr> </table>	Bowling Green State University	Ohio University	Central State University	Shawnee State University	Cleveland State University	University of Akron	Kent State University	University of Cincinnati	Miami University	University of Toledo	Northeast Ohio Medical University	Wright State University	Ohio State University	Youngstown State University	Cincinnati State	Owens State	Clark State	Southern State	Columbus State	Terra State	Edison State	Washington State	Northwest State	
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Cincinnati State	Owens State																								
Clark State	Southern State																								
Columbus State	Terra State																								
Edison State	Washington State																								
Northwest State																									

<b>JOINT VENTURES</b>	<b>RELATED ORGANIZATIONS</b>
Great Lakes Protection Fund Local Community Colleges Technical Colleges	Higher Educational Facility Commission Ohio Housing Finance Agency Ohio Legal Assistance Foundation Ohio Water Development Authority Petroleum Underground Storage Tank Release Compensation Board



Government Finance Officers Association

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**State of Ohio**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**



Executive Director/CEO

# Financial Section



Cuyahoga Valley  
Chippewa Rd. Bridge

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

The Honorable John Kasich, Governor  
 State of Ohio  
 Columbus, Ohio

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Ohio (the State), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of the following organizations which reflect the percentages of total assets and expenditures/expenses/deductions indicated for the related opinion units:

Opinion Unit	Organization	Percent of Opinion Unit's Total	
		Assets	Expenditures /Expenses /Deductions
Governmental Activities (GA)	Treasurer of State Lease Revenue Bonds and Buckeye Tobacco Settlement Financing Authority (BTSFA)	2%	1%
Business-Type Activities (BTA)	Ohio Bureau of Workers' Compensation and Tuition Trust Authority	94%	46%
GA/BTSFA Revenue Bonds	Buckeye Tobacco Settlement Finance Authority	100%	100%
BTA / Workers' Compensation	Ohio Bureau of Workers' Compensation	100%	100%
Aggregate Discretely Presented Component Units	Bowling Green State University; Central State University; Cleveland State University; Columbus State Community College; JobsOhio; Kent State University; Miami University; Ohio State University; Ohio University; Shawnee State University; University of Akron; University of Cincinnati; University of Toledo; Wright State University; and Youngstown State University.	90%	91%
Aggregate Remaining Fund Information	Police and Fire Pension Fund, Public Employees Retirement System, School Employees Retirement, State Highway Patrol Retirement System, State Teachers Retirement System, State Treasury Asset Reserve of Ohio, Treasurer of State Lease Revenue Bonds, and Tuition Trust Authority	97%	81%

Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for these independently audited organizations, is based solely on the report of other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. The other auditors audited the financial statements of JobsOhio, which represents six percent of the total assets and seven percent of the total expenses of the aggregate discretely presented component units, in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Ohio, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the General and Job, Family and Other Human Services funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the State of Ohio's basic financial statements taken as a whole. The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the statements and schedules to the auditing procedures applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the statements and 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, the statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied to the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 22, 2016

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# State of Ohio

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016 (Unaudited)

### Introduction

This section of the State of Ohio's annual financial report presents management's discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2016. The management's discussion and analysis section should be read in conjunction with the preceding transmittal letter and the State's financial statements, which follow.

### Financial Highlights

#### *Government-wide Financial Statements*

During fiscal year 2016, net position of the State's primary government increased by \$732.6 million, after prior year restatements, and ended fiscal year 2016 with a balance of \$29.33 billion. Net position of the State's component units decreased by \$188.7 million, after prior year restatements, and ended fiscal year 2016 with a balance of \$9.33 billion. See additional discussion beginning on page 8.

#### *Fund Financial Statements*

Governmental funds reported a combined ending fund balance of \$14.13 billion that was comprised of \$155.6 million in nonspendable, \$8.89 billion restricted for specific purposes, \$1.57 billion committed, \$2.65 billion in assigned, and \$863.5 million in unassigned. See additional discussion beginning on page 11.

As of June 30, 2016, the General Fund's fund balance was approximately \$5.65 billion, including \$46 million in nonspendable, \$1.27 billion in restricted, \$820.9 million in committed, \$2.65 billion in assigned, and \$863.9 million in unassigned. The General Fund's fund balance increased by \$650.4 million (exclusive of a \$511 thousand decrease in inventories) or 13 percent during fiscal year 2016, after prior year restatements. See additional discussion beginning on page 11.

Proprietary funds reported net position of \$9.38 billion, as of June 30, 2016, an increase of \$103.3 million since June 30, 2015. This increase is largely due to the net increase of \$651.8 million in the Unemployment Compensation Fund. See additional discussion beginning on page 13.

#### *Capital Assets*

The carrying amount of capital assets for the State's primary government increased to \$27.41 billion at June 30, 2016. The majority of the \$679.5 million increase during fiscal year 2016 was from the acquisition of highway network infrastructure and additions to construction-in-progress projects. See additional discussion beginning on page 14.

#### *Long-Term Debt — Bonds and Notes Payable and Certificates of Participation Obligations*

Overall, the carrying amount of total long-term debt for the State's primary government decreased \$27 million or .2 percent during fiscal year 2016, for an ending balance of \$17.67 billion. During the year, the State issued a par amount of \$1.54 billion in long-term debt of which \$473.3 million was refunding bonds. See additional discussion beginning on page 15.

### Overview of the Financial Statements

This annual report consists of three required components: management's discussion and analysis, basic financial statements, including the accompanying notes to the financial statements, and required supplementary information. In addition, this report includes an optional section that contains combining statements and schedules for the nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component unit funds.

The basic financial statements are comprised of the government-wide financial statements and fund financial statements. The figure on the following page summarizes the major features of these statements.

<b>Major Features of the State of Ohio's Government-wide and Fund Financial Statements</b>				
		<b>Fund Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as general government, transportation, justice and public protection, etc.	Activities the State operates similar to private businesses, such as the workers' compensation insurance program, lottery, tuition credit program, etc.	Instances in which the State is the trustee or agent for someone else's resources
<b>Required Financial Statements</b>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**Government-wide Financial Statements – Reporting the State as a Whole**

The two government-wide financial statements, prepared on a basis and focus similar to those used by private-sector companies, report the State's net position and how it has changed. Net position — the difference between the State's assets/deferred outflows of resources and liabilities/deferred inflows of resources — is one way to measure the State's financial health, or position. Over time, increases or decreases in the State's net position indicate whether its financial health has improved or deteriorated, respectively. However, a reader should consider additional nonfinancial factors, such as changes in the State's economic indicators and the condition of the State's highway system, when assessing the State's overall financial status.

These statements, found on pages 20 through 23 of this report, are divided into three categories as follows.

*Governmental Activities* — Most of the State's basic services are reported under this category, such as primary, secondary and other education, higher education support, public assistance and Medicaid, and transportation. Taxes, federal grants, and charges for services, fees, fines and forfeitures finance most of these activities.

*Business-type Activities* — The State charges fees to customers to help cover the costs of certain services it provides. The State reports the following programs and activities as business-type: workers' compensation insurance program, lottery operations, unemployment compensation program, guaranteed college tuition credit program, and the Auditor of State's governmental auditing and accounting services.

*Component Units* — The State presents the financial activities of the Ohio Facilities Construction Commission, Ohio State University, and other entities as discretely presented component units under a separate column in the government-wide financial statements. The Buckeye Tobacco Settlement Financing Authority is presented as a blended component unit with its activities blended and included under governmental activities. Although legally separate, the State is financially accountable for its component units. For further explanation and a complete list of component units, see NOTE 1A. to the financial statements.

## **Fund Financial Statements – Reporting more detail about the State’s most significant funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. State law and bond covenants mandate the use of some funds. The Ohio General Assembly establishes other funds to control and manage money for particular purposes or to show that the State is properly using certain taxes and grants. The State employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The basic fund financial statements can be found on pages 24 through 45 of this report while the combining fund statements and schedules can be found on pages 159 through 235. The State has the following three kinds of funds:

*Governmental Funds* — Most of the State’s basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out (i.e., near-term inflows and outflows of spendable resources) and the balances remaining at year-end that are available for spending (i.e., balances of spendable resources). Consequently, the governmental fund financial statements provide a detailed short-term view that helps the financial statement reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the State’s programs. Because these statements do not encompass the long-term focus of the government-wide statements, a reconciliation schedule, which follows each of the governmental fund financial statements, explains the relationship (or differences) between them.

The State’s governmental funds include the General Fund, Job, Family and Other Human Services Special Revenue Fund, and the Buckeye Tobacco Settlement Financing Authority Revenue Bonds Debt Service Fund, all of which are considered major funds. Data from the other governmental funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the basic governmental fund financial statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

For budgeted governmental funds, the State also presents budgetary comparison statements and schedules in the basic financial statements and combining statements, respectively, to demonstrate compliance with the appropriated budget. The State’s budgetary process is explained further in NOTE 1D. to the financial statements.

*Proprietary Funds* — Services for which the State charges customers a fee are generally reported in proprietary funds. Financial statements for the proprietary funds, which are classified as enterprise funds, provide both long- and short-term financial information.

Presented under separate columns on the three statements is information for the Workers’ Compensation, Lottery Commission, and Unemployment Compensation enterprise funds, all of which are considered to be major funds. Data from the other enterprise funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the statements. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The enterprise funds are the same as the State’s business-type activities reported in the government-wide financial statements, but the proprietary fund financial statements provide more detail and additional information, such as information on cash flows.

*Fiduciary Funds* — The State is the trustee, or fiduciary, for assets that — because of a trust arrangement — can only be used for the trust beneficiaries. The State is responsible for ensuring the assets reported in these funds are used for their intended purposes. The State Highway Patrol Retirement System Pension Trust Fund, Variable College Savings Plan Private-Purpose Trust Fund, STAR Ohio Investment Trust Fund, and the agency funds are presented on two statements. Fiduciary information is excluded from the government-wide financial statements because the State cannot use these assets to finance its operations.

## **Discretely Presented Component Unit Statements (Component Unit)**

Following the fund financial statements, the State includes statements for its major discretely presented component units within the basic financial statements section. Nonmajor discretely presented component units are also presented in aggregation under a single column in the component unit financial statements and in combining statements elsewhere in this report.

## **Notes to the Financial Statements**

The basic financial statements section includes notes that more fully explain the information in the government-wide and fund financial statements; the notes provide more detailed data that are essential to a full understanding of the data presented in the financial statements. The notes can be found on pages 50 through 144 of this report.

## **Required Supplementary Information**

Following the notes is a section of required supplementary information that discusses the assessed condition and estimated and actual maintenance and preservation costs of the state’s highway and bridge infrastructure assets

that are reported using the modified approach. Limited in application to a government's infrastructure assets, the modified approach provides an alternative to the traditional recognition of depreciation expense. Also displayed in the required supplementary information are various schedules disclosing the State's share of pension obligation, employer contributions required as compared to employer contributions actually paid, and covered payroll, for the various retirement systems in which the State participates. Required supplementary information can be found on pages 146 through 157 of this report.

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

*Net Position.* During fiscal year 2016, as shown in the table below, the combined net position of the State's primary government increased by \$732.6 million or 2.6 percent, after prior year restatements. Net position reported for governmental activities increased approximately \$629.3 million or 3.3 percent, compared to the restated net position on July 1, 2015 (see NOTE 2), and business-type activities increased \$103.3 million, or 1.1 percent. Condensed financial information derived from the Statement of Net Position for the primary government is presented in the following table.

	As of June 30, 2016			As of June 30, 2015 (as restated)		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Current and Other Assets .....	\$ 18,098,974	\$ 28,596,642	\$ 46,695,616	\$ 19,679,447	\$ 30,420,334	\$ 50,099,781
Capital Assets.....	27,213,263	196,113	27,409,376	26,557,340	172,559	26,729,899
Total Assets.....	<u>45,312,237</u>	<u>28,792,755</u>	<u>74,104,992</u>	<u>46,236,787</u>	<u>30,592,893</u>	<u>76,829,680</u>
Deferred Outflows of Resources.....	5,757,784	94,360	5,852,144	4,948,308	22,899	4,971,207
Current and Other Liabilities.....	6,332,238	848,894	7,181,132	8,404,517	546,924	8,951,441
Noncurrent Liabilities.....	22,628,269	18,647,123	41,275,392	21,260,737	20,786,417	42,047,154
Total Liabilities.....	<u>28,960,507</u>	<u>19,496,017</u>	<u>48,456,524</u>	<u>29,665,254</u>	<u>21,333,341</u>	<u>50,998,595</u>
Deferred Inflows of Resources.....	2,161,787	9,397	2,171,184	2,201,389	4,086	2,205,475
Net Position:						
Net Investment in Capital Assets.....	23,925,328	186,037	24,111,365	23,396,447	159,466	23,555,913
Restricted.....	5,111,516	9,064,004	14,175,520	5,102,120	9,282,213	14,384,333
Unrestricted.....	(9,089,117)	131,660	(8,957,457)	(9,180,115)	(163,314)	(9,343,429)
Total Net Position.....	<u>\$ 19,947,727</u>	<u>\$ 9,381,701</u>	<u>\$ 29,329,428</u>	<u>\$ 19,318,452</u>	<u>\$ 9,278,365</u>	<u>\$ 28,596,817</u>

As of June 30, 2016, the primary government's net investment in capital assets (e.g., land, buildings, infrastructure, and construction-in-progress) was \$24.11 billion. Restricted net position was approximately \$14.18 billion, resulting in an unrestricted \$8.96 billion deficit. Net position is restricted when constraints placed on their use are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) legally imposed through constitutional or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets". The State's Budget Stabilization Fund balance of over \$2 billion at June 30, 2016, is included within unrestricted net position.

The government-wide Statement of Net Position reflects a \$9.09 billion deficit for unrestricted governmental activities, which is primarily attributable to the following two factors:

1) The State of Ohio, like many other state governments, issues general and special obligation debt, the proceeds of which benefit local governments and component units. The proceeds are used to build facilities for public-assisted colleges and universities and local school districts and finance infrastructure improvements for local governments. The policy of selling general obligation and special obligation bonds for these purposes has been the practice for many years. Of the \$11.21 billion of outstanding general obligation and special obligation debt at June 30, 2016, \$8.08 billion is attributable to debt issued for state assistance to component units (Ohio Facilities Construction Commission and the colleges and universities) and local governments. The balance sheets of component unit and local government recipients reflect ownership of the related constructed capital assets without the burden of recording the debt. Unspent proceeds related to these bond issuances are included on the Statement of Net Position as restricted net position. By issuing such debt, the State is left to reflect significant liabilities without the benefit of recording the capital assets constructed with the proceeds from the debt issuances.

2) During fiscal year 2015, the State implemented GASB standards related to pension benefits provided to State employees. The proportionate share of the net pension liability of the associated pension plans resulted in State liabilities of \$3.8 billion at June 30, 2016.

Condensed financial information derived from the Statement of Activities, which reports how the net position of the State's primary government changed during fiscal years 2016 and 2015, as restated, follows.

**Changes in Net Position  
For the Fiscal Years Ended June 30, 2016 and 2015**

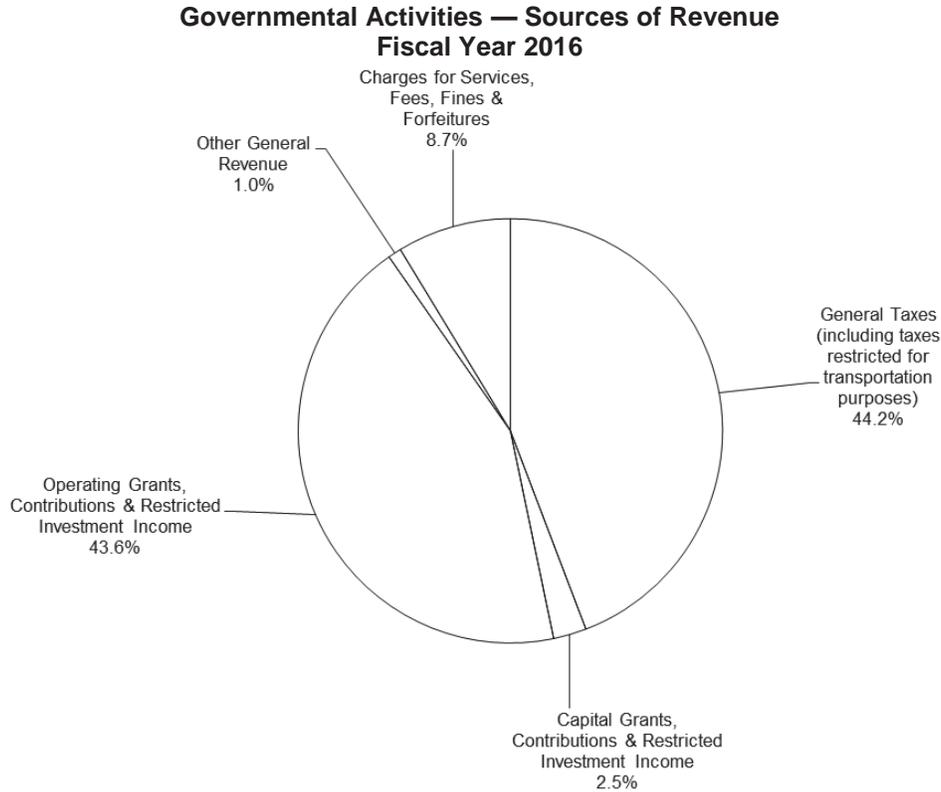
(dollars in thousands)

	Fiscal Year 2016			Fiscal Year 2015 (as restated)		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
<b>Program Revenue:</b>						
Charges for Services, Fees, Fines and Forfeitures .....	\$ 4,927,671	\$ 6,674,159	\$ 11,601,830	\$ 4,220,431	\$ 7,020,251	\$ 11,240,682
Operating Grants, Contributions and Restricted Investment Income/ (loss).....	24,721,794	1,444,535	26,166,329	23,965,473	609,269	24,574,742
Capital Grants, Contributions and Restricted Investment Income/ (loss).....	1,430,936	-	1,430,936	1,398,463	-	1,398,463
Total Program Revenues.....	<u>31,080,401</u>	<u>8,118,694</u>	<u>39,199,095</u>	<u>29,584,367</u>	<u>7,629,520</u>	<u>37,213,887</u>
<b>General Revenues:</b>						
General Taxes.....	23,285,081	-	23,285,081	23,526,620	-	23,526,620
Taxes Restricted for Transportation.....	1,798,483	-	1,798,483	1,827,134	-	1,827,134
Tobacco Settlement.....	341,130	-	341,130	284,267	-	284,267
Escheat Property.....	161,904	-	161,904	220,486	-	220,486
Unrestricted Investment Income.....	70,897	8	70,905	36,462	5	36,467
Other.....	1,683	-	1,683	275	-	275
Total General Revenues.....	<u>25,659,178</u>	<u>8</u>	<u>25,659,186</u>	<u>25,895,244</u>	<u>5</u>	<u>25,895,249</u>
Total Revenue.....	<u>56,739,579</u>	<u>8,118,702</u>	<u>64,858,281</u>	<u>55,479,611</u>	<u>7,629,525</u>	<u>63,109,136</u>
<b>Expenses:</b>						
Primary, Secondary and Other Education.....	12,728,780	-	12,728,780	12,767,328	-	12,767,328
Higher Education Support.....	2,603,480	-	2,603,480	2,536,850	-	2,536,850
Public Assistance and Medicaid.....	29,103,304	-	29,103,304	28,265,942	-	28,265,942
Health and Human Services.....	1,656,750	-	1,656,750	1,576,185	-	1,576,185
Justice and Public Protection.....	3,587,845	-	3,587,845	3,210,965	-	3,210,965
Environmental Protection and Natural Resources.....	586,001	-	586,001	507,889	-	507,889
Transportation.....	2,602,708	-	2,602,708	2,660,362	-	2,660,362
General Government.....	948,796	-	948,796	921,426	-	921,426
Community and Economic Development.....	3,353,699	-	3,353,699	3,518,042	-	3,518,042
Interest on Long term Debt (excludes interest charged as program expense).....	99,819	-	99,819	102,980	-	102,980
Workers' Compensation.....	-	3,322,700	3,322,700	-	2,533,883	2,533,883
Lottery Commission.....	-	2,866,920	2,866,920	-	2,724,306	2,724,306
Unemployment Compensation.....	-	1,021,152	1,021,152	-	1,034,060	1,034,060
Tuition Trust Authority.....	-	67,385	67,385	-	71,801	71,801
Office of Auditor of State.....	-	78,917	78,917	-	70,032	70,032
Total Expenses.....	<u>57,271,182</u>	<u>7,357,074</u>	<u>64,628,256</u>	<u>56,067,969</u>	<u>6,434,082</u>	<u>62,502,051</u>
<b>Surplus/ (Deficiency) Before Gains (Losses) and Transfers.....</b>						
Gain (Loss) on Extinguishment of Debt.....	(531,603)	761,628	230,025	(588,358)	1,195,443	607,085
Transfers - Internal Activities.....	-	502,586	502,586	1,276	402,562	403,838
Change In Net Position.....	1,160,878	(1,160,878)	-	1,082,061	(1,082,061)	-
Net Position, July 1 (as restated).....	629,275	103,336	732,611	494,979	515,944	1,010,923
Net Position, June 30.....	<u>19,318,452</u>	<u>9,278,365</u>	<u>28,596,817</u>	<u>18,823,473</u>	<u>8,762,421</u>	<u>27,585,894</u>
Net Position, June 30.....	<u>\$ 19,947,727</u>	<u>\$ 9,381,701</u>	<u>\$ 29,329,428</u>	<u>\$ 19,318,452</u>	<u>\$ 9,278,365</u>	<u>\$ 28,596,817</u>

**Governmental Activities**

Expenses exceeded revenues during fiscal year 2016 for governmental activities. Revenues of \$56.74 billion for fiscal year 2016 were \$1.26 billion higher than those reported for fiscal year 2015. General taxes (including taxes restricted for transportation purposes) comprised 44.2 percent of fiscal year 2016 total revenues and decreased by 1.1 percent compared to fiscal year 2015. Operating grants, contributions and restricted investment income, making up 43.6 percent of total revenues, increased by 3.2 percent compared to fiscal year 2015. Expenses for fiscal year 2016 increased \$1.2 billion or 2.1 percent from fiscal year 2015, after restatements, as a result of an overall increase in the Medicaid caseload and programmatic costs during fiscal year 2016. Fiscal year 2016 net transfers of \$1.16 billion reflect an increase of 7.3 percent over fiscal year 2015.

The following chart illustrates revenues by source of governmental activities as percentages of total reported for the fiscal year ended June 30, 2016.



**Total FY 16 Revenue for Governmental Activities = \$56.74 Billion**

The following table presents the total expenses and net cost of each of the State’s governmental programs for the fiscal year ended June 30, 2016, with comparative numbers from June 30, 2015, as restated. The net cost (total program expenses less revenues generated by the program) represents the financial burden that was placed on the State’s taxpayers by each of these programs. This cost is essentially funded with the State’s general revenues from taxes, tobacco settlement, and escheat property.

**Program Expenses and Net Costs of Governmental Activities by Program  
For the Fiscal Years Ended June 30, 2016 and 2015  
(dollars in thousands)**

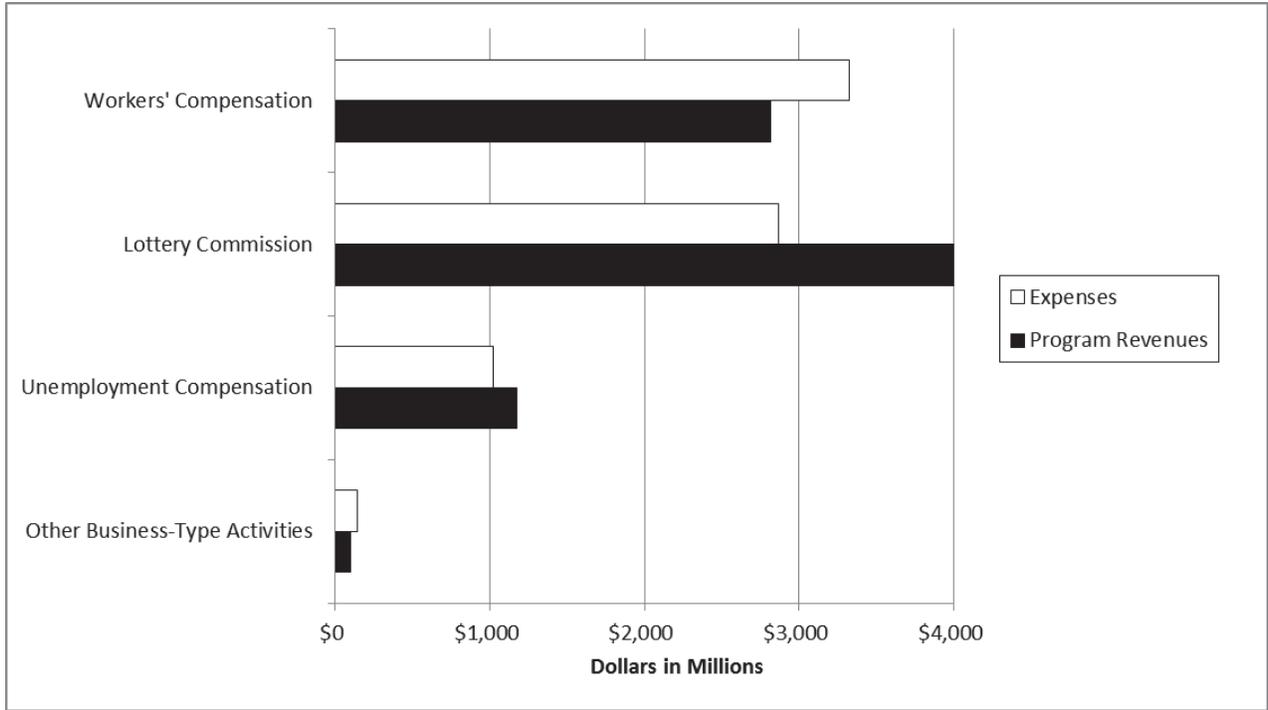
Program	Program Expenses	Percent of Total Expense	Net Cost of Program		Net Cost as Percentage of Total Expenses for Program		Net Cost as Percentage of Total Expenses — All Programs	
			2016	2015 (as restated)	2016	2015 (as restated)	2016	2015 (as restated)
Primary, Secondary and								
Other Education.....	\$ 12,728,780	22.2%	\$10,764,162	\$ 10,853,098	84.6%	85.0%	18.8%	19.4%
Higher Education Support.....	2,603,480	4.5%	2,578,498	2,512,276	99.0%	99.0%	4.5%	4.5%
Public Assistance and Medicaid.....	29,103,304	50.8%	5,889,767	6,249,536	20.2%	22.1%	10.3%	11.1%
Health and Human Services.....	1,656,750	2.9%	693,080	634,262	41.8%	40.2%	1.2%	1.1%
Justice and Public Protection.....	3,587,845	6.3%	2,315,895	1,993,353	64.5%	62.1%	4.0%	3.6%
Environmental Protection								
and Natural Resources.....	586,001	1.0%	283,266	201,521	48.3%	39.7%	0.5%	0.4%
Transportation.....	2,602,708	4.5%	780,051	896,786	30.0%	33.7%	1.4%	1.6%
General Government.....	948,796	1.7%	351,436	403,488	37.0%	43.8%	0.6%	0.7%
Community and								
Economic Development.....	3,353,699	5.9%	2,434,807	2,636,302	72.6%	74.9%	4.2%	4.6%
Interest on Long-Term Debt.....	99,819	0.2%	99,819	102,980	100.0%	100.0%	0.2%	0.2%
<b>Total Governmental Activities.....</b>	<b>\$ 57,271,182</b>	<b>100.0%</b>	<b>\$ 26,190,781</b>	<b>\$ 26,483,602</b>	<b>45.7%</b>	<b>47.2%</b>	<b>45.7%</b>	<b>47.2%</b>

**Business-Type Activities**

The State’s enterprise funds reported net position of \$9.38 billion, as of June 30, 2016, as compared to \$9.28 billion in net position, as of June 30, 2015, an increase of \$103.3 million, or 1.1 percent. The Unemployment Compensation Fund reported a \$651.8 million increase in net position during fiscal year 2016 as a result of a decline in the unemployment rate in Ohio and consequently a decline in benefit expense.

The chart below compares program expenses and program revenues for business-type activities. Additional analysis of the Business-Type Activities’ revenues, expenses, and other changes in net position is included with the discussion of the Proprietary Funds beginning on page 13.

**Business-Type Activities — Expenses and Program Revenues  
Fiscal Year 2016**



**FINANCIAL ANALYSIS OF THE STATE’S FUNDS**

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

Governmental funds reported the following results, as of and for the fiscal years ended June 30, 2016 and June 30, 2015, as restated (dollars in thousands).

	As of and for the Fiscal Year Ended June 30, 2016			
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unassigned Fund Balance (Deficit).....	\$ 863,925	\$ (280)	\$ (148)	\$ 863,497
Total Fund Balance.....	5,654,361	5,107,684	3,367,496	14,129,541
Total Revenues.....	36,736,582	10,771,971	9,480,690	56,989,243
Total Expenditures.....	34,842,685	10,822,717	13,043,152	58,708,554

	As of and for the Fiscal Year Ended June 30, 2015 (as restated)			
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unassigned Fund Balance (Deficit).....	\$ 411,190	\$ -	\$ (306)	\$ 410,884
Total Fund Balance.....	5,004,435	5,164,623	3,260,233	13,429,291
Total Revenues.....	34,496,350	11,171,778	9,211,914	54,880,042
Total Expenditures.....	33,941,329	11,258,380	12,864,647	58,064,356

### *General Fund*

The main operating fund of the State is the General Fund. During fiscal year 2016, General Fund revenue increased by \$2.24 billion and expenditures, as restated, increased by \$901.4 million. Increases of \$2.37 billion in federal government revenue related primarily to Medicaid spending, \$381.6 million in sales tax revenue, and \$200.4 million in cigarette tax revenue, mainly due to a tax rate increase of \$0.35 per pack, all contributed to the rise in revenue. An offsetting decrease of \$899.2 million in income tax revenues is partly due to a tax rate reduction of 6.3 percent. The increase in expenditures is primarily due to increases in program spending for Public Assistance and Medicaid and Justice and Public Protection of \$718.5 million and \$96.3 million, respectively. Increases in Medicaid spending constituted the largest portion of the increase in the Public Assistance and Medicaid category. With regards to the large increases in federal government revenue and Medicaid spending, it should be noted that the General Fund now includes expenditures for covering the Medicaid expansion population through the federal Affordable Care Act (ACA) that were previously funded from the Job, Family and Other Human Services Fund. The reason for this shift in funding source is that the State will be required to assume five percent of the cost in the last six months of the biennium where previously 100 percent was federally funded. Total fund balance at June 30, 2016, increased by \$650.4 million (exclusive of a \$511 thousand decrease in inventories) or 13 percent, after prior year restatements. The State's Budget Stabilization Fund (BSF) balance of over \$2 billion is included within unassigned fund balance.

### *General Fund Budgetary Highlights*

The State ended the first year of its 2016-17 biennial budget on June 30, 2016, with a General Fund budgetary fund balance (i.e., cash less encumbrances) of \$4.82 billion. Total budgetary sources for the General Fund (including \$1.18 billion in transfers from other funds) in the amount of \$40.03 billion were below final estimates by \$1.79 billion or 4.3 percent during fiscal year 2016. The majority of this shortfall was the result of lower federal revenue related to lower than estimated General Revenue Fund (GRF) Medicaid spending. Total tax receipts were below final estimates by \$213.9 million or .9 percent due to lower than expected non-wage income.

Total budgetary uses for the General Fund (including \$1.66 billion in transfers to other funds) in the amount of \$40.98 billion were below final estimates by \$3.08 billion or 7 percent for fiscal year 2016. The majority of lower than appropriated spending came from Medicaid, economic development programs, and higher education. There was no budget stabilization designation at June 30, 2015, for use in balancing the final fiscal year 2016 budget.

The main appropriations act (Act) for the 2016-17 biennium for the GRF, the largest, non-GAAP, budgetary-basis operating fund included in the State's General Fund, was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2015. Reflecting a stated continuing focus on job creation and based on a conservative economic forecast, the Act provides for GRF appropriations of approximately \$34.9 billion in fiscal year 2016, a 13.1 percent increase from fiscal year 2015 GRF expenditures, and approximately \$36.3 billion in fiscal year 2017, a 4.2 percent increase from fiscal year 2016 appropriations.

GRF appropriations for major program categories in fiscal years 2016, relative to 2015 actual spending, and 2017, relative to 2016 appropriations, reflect the following increases: 21.8 percent in Medicaid in fiscal year 2016 (largely due to shifting funding to the GRF from non-GRF sources) and 5.1 percent in fiscal year 2017; 5 percent in fiscal year 2016 and 4.2 percent in fiscal year 2017 for primary and secondary education; 4.5 percent in fiscal year 2016 and 3.3 percent in fiscal year 2017 for higher education; 9.1 percent in fiscal year 2016 and 7.3 percent in fiscal year 2017 for mental health and developmental disabilities; and 4.8 percent in fiscal year 2016 and 3 percent in fiscal year 2017 for corrections and youth services.

The Act reflects tax reductions and related adjustments that are projected to reduce GRF revenues by approximately \$869 million in fiscal year 2016 and by approximately \$952 million in fiscal year 2017. These items include a 6.3 percent decrease in State personal income tax rates in calendar year 2015 and exemptions related to business net income.

The 2016-17 Act also modifies the school funding formula to distribute new resources to districts with less capacity to raise revenues locally and freezes tuition and fees for two and four year higher education institutions. In addition, the Act created a health and human services fund to provide for public health programs and services and authorizes a transfer of \$150 million to the fund in fiscal year 2017.

The Ohio Constitution prohibits the State from borrowing money to fund operating expenditures in the GRF. Therefore, by law, the GRF's budget must be balanced so that appropriations do not exceed available cash receipts and cash balances for the current fiscal year.

The State ended fiscal year 2016 with a GRF cash balance of \$1.19 billion and a GRF budgetary fund balance of \$764.7 million. In addition to meeting the State's statutory target to maintain an ending fund balance reflecting

one-half of one percent of fiscal year 2016 GRF revenues, the State transferred \$29.5 million into the Budget Stabilization Fund (BSF) in early fiscal year 2017.

#### *Other Major Governmental Funds*

The Job, Family and Other Human Services Fund had a fund balance of \$353.8 million at June 30, 2016, an increase of \$49.6 million, or 16.3 percent, compared to fiscal year 2015. While licenses, permits and fees revenue increased \$431.6 million during fiscal year 2016, federal government revenue decreased \$834.3 million, primarily from the relocation of certain Medicaid spending previously handled in this fund, resulting in a net \$412.1 decrease in revenue.

The decrease in Public Assistance and Medicaid expenditures of \$444.1 million is primarily attributable to no longer reporting expenditures related to the Medicaid ACA expansion population in this Fund. As discussed in the General Fund section on page 12, these ACA expenditures are now reported in the General Fund. A \$49.2 million increase in transfers-in of cash over the prior year, contributed to the increase in the fund balance.

The fund balance for the *Buckeye Tobacco Settlement Financing Authority Revenue Bonds Fund*, as of June 30, 2016, totaled approximately \$4.75 billion dollars, a decrease of \$106.5 million or 2.2 percent since June 30, 2015. Tobacco Settlement Receipts increased by \$11.3 million over the prior year. Debt Service expenditures increased by \$7 million during fiscal year 2016 as a result of scheduled principal and interest payments on outstanding bonds. The ending fund balance decreased at June 30, 2016, due to total expenditures being in excess of revenue collected during the fiscal year.

### **Proprietary Funds**

#### *Major Proprietary Funds*

The State's proprietary fund financial statements report the same type of information found in the business-type activities portion of the government-wide financial statements, but in a slightly different format.

The *Workers' Compensation Fund's* net position decreased \$514.4 million to \$8.75 billion at June 30, 2016. During the fiscal year, investment income increased \$855.6 million, largely due to a 3.6 percent increase in the net return on its investment portfolio. The healthy beginning net position, the decrease in benefits and claims expense, along with the rise in investment income primarily offset the decrease in premium and assessment income resulting in a 5.6 percent decrease in net position.

For fiscal year 2016, the *Lottery Commission Fund* reported \$1.16 billion in net income before record high transfers of \$1.17 billion to the Lottery Profits Education Fund. The \$19.4 million decrease in the fund's net position to \$241.9 million, as of June 30, 2016, was largely attributable to a \$63.8 million increase in video lottery terminal commission expenses due to a complete fiscal year of all seven racinos in operation, and a \$57.3 million increase in prizes expense connected with increased ticket sales. Expense and transfer increases were partly offset by a \$208.5 million increase in charges for sales and services revenue, which was primarily due to increases in traditional, online, and video lottery terminal sales.

The \$651.8 million increase in net position in the *Unemployment Compensation Fund* is primarily due to a continued decline in the unemployment rate. The unemployment rate in Ohio dropped from an average of 5.3 percent in fiscal year 2015 to an average of 4.8 percent in fiscal year 2016. The decrease in the unemployment rate caused the State's benefits and claims expense to decrease by \$11.8 million or 1.2 percent from the previous fiscal year. While the benefits and claims expense decreased, the State also received less money from the federal government. During fiscal year 2016, the State received \$11.8 million of federal funding compared to \$17.5 million in fiscal year 2015 resulting in a 32.4 percent decrease. Contributing to the overall increase in net position is a \$502.6 million gain on extinguishment of debt (for the Federal Unemployment Tax Act credit, see NOTE 2D).

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2016, and June 30, 2015, the State had invested \$27.41 billion and \$26.73 billion, respectively, net of accumulated depreciation of \$4.14 billion and \$3.83 billion, respectively, in a broad range of capital assets, as detailed in the table below.

The total increase in the State's capital assets, net of accumulated depreciation, for the current fiscal year was 2.5 percent (a 2.5 percent increase for governmental activities and a 13.7 percent increase for business-type activities). Depreciation expense decreased 2.7 percent for governmental activities.

The State completed construction on a variety of projects at various state facilities during fiscal year 2016 totaling approximately \$350 million, as compared with \$216 million in the previous fiscal year. As is further detailed in NOTE 20D of the notes to the financial statements, the State had \$291.6 million in major construction commitments (unrelated to infrastructure), as of June 30, 2016, as compared with \$239.5 million for 2015.

	As of June 30, 2016			As of June 30, 2015		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land .....	\$ 2,358,859	\$ 9,466	\$ 2,368,325	\$ 2,323,700	\$ 11,994	\$ 2,335,694
Buildings .....	1,545,669	35,947	1,581,616	1,556,212	42,873	1,599,085
Land Improvements .....	169,168	-	169,168	161,190	6	161,196
Machinery and Equipment .....	535,745	42,213	577,958	649,737	32,684	682,421
Vehicles .....	186,917	1,650	188,567	158,518	1,330	159,848
Infrastructure:						
Highway Network:						
General Subsystem .....	8,630,137	-	8,630,137	8,594,583	-	8,594,583
Priority Subsystem .....	8,634,436	-	8,634,436	8,469,414	-	8,469,414
Bridge Network .....	2,838,264	-	2,838,264	2,849,116	-	2,849,116
Parks, Recreation, and Natural Resources System ....	116,576	-	116,576	80,025	-	80,025
	25,015,771	89,276	25,105,047	24,842,495	88,887	24,931,382
Construction-in-Progress .....	2,197,492	106,837	2,304,329	1,714,845	83,672	1,798,517
Total Capital Assets, Net .....	\$ 27,213,263	\$ 196,113	\$ 27,409,376	\$ 26,557,340	\$ 172,559	\$ 26,729,899

### Modified Approach

For reporting its highway and bridge infrastructure assets, the State has adopted the use of the modified approach. To use this approach, a government must maintain an asset management system and demonstrate that the infrastructure is being preserved approximately at or above an established condition level. Under this approach, infrastructure is not depreciated, and maintenance and preservation costs are expensed. Infrastructure assets accounted for using the modified approach include approximately 43,218 lane miles of highway and approximately 106.6 million square feet of deck area that comprises 14,266 bridges for which the State has the responsibility for ongoing maintenance.

Ohio accounts for its pavement network in two subsystems: Priority and General. It is the State's goal to allow no more than 25 percent of the total lane-miles reported for each of the priority and general subsystems to be classified with a "poor" condition rating. The most recent condition assessment, completed by the Ohio Department of Transportation (ODOT) for fiscal year 2016, indicates that 1.9 percent and .6 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating. For fiscal year 2015, 1.2 percent and .6 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating.

For the bridge network, it is the State's intention to allow no more than 15 percent of the total number of square feet of deck area to be in "fair" or "poor" condition. The most recent condition assessment, completed by ODOT for fiscal year 2016, indicates that only 2 percent of the number of square feet of bridge deck area was considered to be in "fair" and "poor" conditions. For fiscal year 2015, 2.4 percent of the number of square feet of bridge deck area was considered to be in "fair" and "poor" conditions.

For fiscal year 2016, total actual maintenance and preservation costs for the pavement network were \$902.9 million, compared to estimated costs of \$902.4 million, while total actual maintenance and preservation costs for the bridge network was \$552 million, \$52.5 million above estimate. For the previous fiscal year, total actual maintenance and preservation costs for the pavement network were \$887.8 million, compared to estimated costs of \$769.7 million, while total actual maintenance and preservation costs for the bridge network was \$571.7 million, \$37.1 million above estimate. Overall, the State's costs for actual maintenance and preservation for highway infrastructure assets have exceeded estimates over the past two years due to steadily increasing underlying costs for the materials and labor associated with infrastructure projects.

More detailed information on the State's capital assets can be found in NOTE 8 to the financial statements and in the Required Supplementary Information section of this report.

**Debt — Bonds and Notes Payable and Certificates of Participation Obligations**

The State's general obligation bonds are backed by its full faith and credit. Revenue bonds and notes are secured with revenues pledged for the retirement of debt principal and the payment of interest. Special obligation bonds are supported with lease payments from tenants of facilities constructed with the proceeds from the bonds. Under certificate of participation (COPs) financing arrangements, the State is required to make rental payments (subject to appropriations) that approximate interest and principal payments made by trustees to certificate holders.

During fiscal year 2016, the State issued a par amount of \$1.25 billion in general obligation bonds and \$292.1 million in special obligation bonds. Of the general obligation bonds and special obligation bonds issued, \$411.2 million and \$62.1 million, respectively, were refunding bonds. The total decrease in the State's debt obligations for the current fiscal year, as based on carrying amount, was .2 percent, all in governmental activities.

As of June 30, 2016, and June 30, 2015, the State had total debt of approximately \$17.67 billion and \$17.7 billion, respectively, as shown in the table below.

<b>Bonds and Notes Payable and Certificates of Participation</b>		
<b>As of June 30, 2016 and 2015</b>		
<i>(dollars in thousands)</i>		
	Governmental Activities	
	June 30, 2016	June 30, 2015
Bonds and Notes Payable:		
General Obligation Bonds.....	\$ 9,283,156	\$ 9,149,056
Revenue Bonds and Notes.....	6,261,882	6,409,774
Special Obligation Bonds.....	1,930,592	1,906,844
Certificates of Participation.....	194,899	231,837
<b>Total Debt.....</b>	<b>\$ 17,670,529</b>	<b>\$ 17,697,511</b>

**Credit Ratings**

Both the State's general and special obligation bonds carry a "stable" credit outlook from all three crediting rating agencies. A credit outlook is an indication of the pressure on the rating over the near-to-intermediate term and should not be viewed as a precursor to a rating change.

The ratings and rating outlooks in effect from time to time reflect only the views of the particular rating organization. An explanation of its view of the meaning and significance of its rating or outlook may be obtained from the respective rating agency. Generally, the rating agencies base their rating on submitted information and on their own investigations, studies, and assumptions. There can be no assurance that the ratings or outlooks assigned will continue for any given time. Rating agencies may lower or withdraw a rating at any time, if in its judgment circumstances so warrant.

In June 2016, Fitch withdrew from providing ratings on tobacco settlement backed bonds, including the Authority's outstanding bonds.

The State's bonds and notes are rated as follows:

<b>Credit Ratings As of June 30, 2016</b>					
Bonds and Notes	Issuer	Fitch Inc.	Moody's Investor Services, Inc.	Standard & Poor's Ratings Services	Security and Source of Funds
<b>General Obligations Bonds:</b>					
Common Schools Capital Facilities ..	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Higher Education Capital Facilities ...	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Highway Capital Improvements .....	Treasurer of State	AA+	Aa1	AAA	Highway User Receipts
Infrastructure Improvements .....	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Coal Research and Development .....	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Natural Resources Capital Facilities .	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Conservation Projects .....	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Third Frontier Research and Development .....	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Site Development .....	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Veterans' Compensation .....	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
<b>Revenue Bonds:</b>					
Majot New State Infrastructure.....	Treasurer of State	N/A	Aa2	AA	Federal Transportation Grants
Tobacco Settlement Asset-Backed...	Buckeye Tobacco Settlement Financing Authority	CCC to BBB+	Caa1 to Aa1	B- to BBB+	Pledged Receipts from the Tobacco Master Settlement Agreement
<b>Special Obligation Bonds:</b>					
Mental Health Facilities.....	Treasurer of State	AA	Aa2	AA	General Revenue Funds
Parks and Recreation Facilities.....	Treasurer of State	AA	Aa2	AA	General Revenue Funds
Cultural and Sports Facilities.....	Treasurer of State	AA	Aa2	AA	General Revenue Funds
Adult Correctional Facilities.....	Treasurer of State	AA	Aa2	AA	General Revenue Funds
Administrative Facilities.....	Treasurer of State	AA	Aa2	AA	General Revenue Funds
Juvenile Correctional Facilities.....	Treasurer of State	AA	Aa2	AA	General Revenue Funds
Transportation Building Projects.....	Treasurer of State	AA	Aa2	AA	Highway User Receipts
Highway Safety Facilities.....	Treasurer of State	AA	Aa2	AA	Highway User Receipts

### *Limitations on Debt*

Section 17 of Article VIII of the Ohio Constitution, approved by Ohio voters in November 1999, establishes an annual debt service "cap" applicable to future issuances of direct obligations payable from the GRF or net state lottery proceeds. Generally, new obligations may not be issued if debt service for any future fiscal year on those new and the then outstanding bonds of those categories would exceed five percent of the total of estimated GRF revenues plus net state lottery proceeds for the fiscal year of issuance.

Those direct obligations of the State include general obligation and special obligation bonds that are paid from the State's GRF, but exclude general obligation debt for Third Frontier Research and Development, development of sites and facilities, and veterans compensation, and general obligation bonds payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the Governor has designated the Director of the Ohio Office of Budget and Management as the State official responsible for making the five percent determinations and certifications. Application of the five percent cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly and may be changed by future constitutional amendments.

The State met the requirements of Section 17 of Article VIII of the Ohio Constitution and more detailed information on the State's long-term debt, including changes during the year, can be found in NOTES 10 through 13 and NOTE 15 to the financial statements.

### **Conditions Expected to Affect Future Operations**

#### *Economic Factors*

Through October 2016, leading economic indicators point toward continued growth at a modest pace. The Ohio unemployment rate in October 2016 was 4.9 percent. From October 2015 to October 2016, Ohio's nonfarm payroll employment increased by approximately 51 thousand jobs.

Nationally, real gross domestic product (GDP) picked up to 2.9 percent in the third quarter of calendar year 2016, the best pace since the third quarter of 2014. Compared with a year earlier, the real GDP is 1.3 percent higher.

The national labor market outlook strengthened further in October 2016, as the level of nonfarm payroll employment increased by 161 thousand jobs. The U.S. unemployment rate for October 2016 was 4.9 percent, down from five percent in September and October 2015.

#### *The 2016 Mid-Biennium Review (MBR)*

Between February and May 2016, a series of targeted Mid-Biennium Budget Bills were introduced to the House Finance Committee. These bills included proposals concerning higher education and workforce and education opportunities, developmental disabilities, protecting Ohioans from lead in drinking water, strengthening prescription drug oversight, natural resources, and water quality. The Office of Budget and Management (OBM) MBR bill contains proposals for several operating appropriation changes, such as for the Department of Rehabilitation and Correction; new capital appropriations; the repayment of unemployment compensation debt; tax exemptions; and a tax repeal. The OBM MBR also transfers \$25 million from the GRF to the Controlling Board Emergency Purposes/Contingencies Fund to provide disaster and emergency aid to state agencies and local governments. Four of the seven bills were enacted by the General Assembly and signed by the Governor in June and July 2016. The bills enacted to date addressed developmental disabilities, protecting Ohioans from lead in drinking water, natural resources, and the OBM bill. Please see the Letter of Transmittal within the Introductory Section for additional information regarding the MBR.

#### *General Revenue Fund*

For fiscal year 2017, total fiscal year-to-date GRF receipts collected through October 2016 are \$255.2 million below estimates and \$309 million lower than collections through October of the prior fiscal year. Total fiscal year-to-date GRF disbursements through October 2016 are \$129.2 million below estimates for the first four months of fiscal year 2017 and \$395.9 million above expenditures for the first four months of the prior fiscal year. As of October 2016, receipts were 2.2 percent below budget estimates and disbursements were one percent below budget estimates for fiscal year 2017. Fiscal year 2017 receipts are 2.7 percent behind receipts for the first four months of fiscal year 2016. Disbursements for fiscal year 2017 are 3.1 percent above disbursements for the same time period of fiscal year 2016.

#### *Budget Stabilization Fund*

The Budget Stabilization Fund (BSF) is Ohio's rainy day savings account, a reserve balance set aside in good economic times to protect the State's budget from cyclical changes in revenues and expenditures should the economy become weakened unexpectedly. By law, the maximum balance for the BSF can be up to 8.5 percent of the prior fiscal year's GRF revenues. In July 2015, the BSF reached a record-high balance in excess of \$2 billion, the strongest reserves in State history. In consideration of reporting a stronger than anticipated ending balance at the end of fiscal year 2016, the BSF received an additional \$29.5 million deposit in July 2016 pushing the balance to over \$2.03 billion.

#### *Workers' Compensation Fund*

The Bureau of Workers' Compensation (BWC) is decreasing private employer base rates an average of 8.6 percent for the July 1, 2016 policy year. These are the lowest average rate levels in 39 years. In addition, since the Disabled Worker's Relief Fund II (DWRF II) has balances that exceed reserves for compensation, BWC will no longer assess employers to fund the current DWRF II estimated liabilities. BWC is also committing \$15 million in fiscal year 2017 as grants to employers for safety intervention, wellness, and drug-free programs.

#### *Unemployment Compensation Fund*

During fiscal years 2009 and 2010, the State sought federal assistance in meeting its unemployment benefit costs and received repayable advances in the Unemployment Trust Fund of \$2.31 billion from the Federal Unemployment Account to cover the insufficient State funds for benefit claims during those fiscal years. During fiscal year 2016, in addition to voluntary principal payments made by the State, Federal Unemployment Tax Act (FUTA) credits of \$502.6 million also offset the outstanding repayable advances. More information relating to the FUTA credits can be found in NOTE 2D. As of June 30, 2016, the outstanding repayable advances balance was down to \$275.9 million and was paid in full to the federal government in early fiscal year 2017.

### **Contacting the Ohio Office of Budget and Management**

This financial report is designed to provide the State's citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Ohio Office of Budget and Management, Financial Reporting Section, 30 East Broad Street, 34<sup>th</sup> Floor, Columbus, Ohio 43215-3457 or by e-mail at [obm@obm.state.oh.us](mailto:obm@obm.state.oh.us).

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Financial Section

# Basic Financial Statements



Cleveland from Lake Erie  
Rock and Roll Hall of Fame and Museum

**STATE OF OHIO**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**  
(dollars in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>ASSETS:</b>				
Cash Equity with Treasurer.....	\$ 9,972,618	\$ 221,468	\$ 10,194,086	\$ 285,661
Cash and Cash Equivalents.....	146,893	576,486	723,379	1,595,153
Investments.....	1,274,281	24,816,148	26,090,429	6,144,234
Collateral on Lent Securities.....	898,554	16,290	914,844	24,565
Deposit with Federal Government.....	—	538,564	538,564	—
Taxes Receivable.....	1,453,121	—	1,453,121	—
Intergovernmental Receivable.....	1,352,886	7,522	1,360,408	49,431
Premiums and Assessments Receivable.....	—	781,414	781,414	—
Investment Trade Receivable.....	—	180,690	180,690	—
Loans Receivable, Net.....	1,181,967	—	1,181,967	277,178
Receivable from Primary Government.....	—	—	—	26,821
Receivable from Component Units.....	31,331	—	31,331	—
Other Receivables.....	1,221,957	479,089	1,701,046	1,320,515
Inventories.....	131,024	—	131,024	143,293
Other Assets.....	8,984	13,917	22,901	1,877,843
Restricted Assets:				
Cash Equity with Treasurer.....	—	54	54	—
Cash and Cash Equivalents.....	5,038	—	5,038	1,195,126
Investments.....	420,320	879,936	1,300,256	6,185,749
Collateral on Lent Securities.....	—	84,671	84,671	—
Other Receivables.....	—	393	393	—
Capital Assets Being Depreciated, Net.....	2,490,172	79,810	2,569,982	13,682,400
Capital Assets Not Being Depreciated.....	24,723,091	116,303	24,839,394	1,409,072
<b>TOTAL ASSETS</b> .....	<b>45,312,237</b>	<b>28,792,755</b>	<b>74,104,992</b>	<b>34,217,041</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b> .....	<b>5,757,784</b>	<b>94,360</b>	<b>5,852,144</b>	<b>1,581,700</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b> .....	<b>51,070,021</b>	<b>28,887,115</b>	<b>79,957,136</b>	<b>35,798,741</b>
<b>LIABILITIES:</b>				
Accounts Payable.....	803,732	64,613	868,345	743,143
Accrued Liabilities.....	379,445	4,144	383,589	514,159
Medicaid Claims Payable.....	1,273,165	—	1,273,165	—
Obligations Under Securities Lending.....	898,554	100,961	999,515	24,565
Investment Trade Payable.....	—	387,057	387,057	—
Intergovernmental Payable.....	1,096,910	275,915	1,372,825	12,551
Internal Balances.....	615,396	(615,396)	—	—
Payable to Primary Government.....	—	—	—	27,708
Payable to Component Units.....	26,872	—	26,872	—
Unearned Revenue.....	426,628	516,540	943,168	431,242
Benefits Payable.....	—	537	537	—
Refund and Other Liabilities.....	811,536	114,523	926,059	147,998
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year.....	1,208,339	—	1,208,339	920,357
Due in More Than One Year.....	16,267,291	—	16,267,291	10,241,887
Certificates of Participation:				
Due in One Year.....	34,724	—	34,724	—
Due in More Than One Year.....	160,175	—	160,175	—
Other Noncurrent Liabilities:				
Due in One Year.....	143,196	2,219,320	2,362,516	571,075
Due in More Than One Year.....	4,814,544	16,427,803	21,242,347	8,401,644
<b>TOTAL LIABILITIES</b> .....	<b>28,960,507</b>	<b>19,496,017</b>	<b>48,456,524</b>	<b>22,036,329</b>
<b>DEFERRED INFLOWS OF RESOURCES</b> .....	<b>2,161,787</b>	<b>9,397</b>	<b>2,171,184</b>	<b>4,433,212</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b> .....	<b>31,122,294</b>	<b>19,505,414</b>	<b>50,627,708</b>	<b>26,469,541</b>

The notes to the financial statements are an integral part of this statement.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
<b>NET POSITION (DEFICITS):</b>				
Net Investment in Capital Assets.....	23,925,328	186,037	24,111,365	7,783,138
Restricted for:				
Primary, Secondary and Other Education.....	148,740	—	148,740	—
Higher Education Support.....	26,255	—	26,255	—
Public Assistance and Medicaid.....	810,132	—	810,132	—
Health and Human Services.....	103,534	—	103,534	—
Justice and Public Protection.....	132,257	—	132,257	—
Environmental Protection and Natural Resources.....	199,490	—	199,490	—
Transportation.....	3,191,913	—	3,191,913	229,401
General Government.....	169,286	—	169,286	—
Community and Economic Development.....	329,909	—	329,909	13,223
Lottery Prizes.....	—	77,464	77,464	—
Workers Compensation.....	—	8,596,001	8,596,001	—
Unemployment Compensation.....	—	315,980	315,980	—
Tuition Trust Authority.....	—	74,559	74,559	—
Nonexpendable for				
Colleges and Universities.....	—	—	—	3,583,607
Expendable for				
Colleges and Universities.....	—	—	—	2,717,439
Unrestricted.....	(9,089,117)	131,660	(8,957,457)	(4,997,608)
<b>TOTAL NET POSITION (DEFICITS).....</b>	<b>\$ 19,947,727</b>	<b>\$ 9,381,701</b>	<b>\$ 29,329,428</b>	<b>\$ 9,329,200</b>

**STATE OF OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(dollars in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES				NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)		
<b>PRIMARY GOVERNMENT:</b>						
<b>GOVERNMENTAL ACTIVITIES:</b>						
Primary, Secondary						
and Other Education.....	\$ 12,728,780	\$ 26,743	\$ 1,937,875	\$ —	\$ (10,764,162)	
Higher Education Support .....	2,603,480	2,703	22,279	—	(2,578,498)	
Public Assistance and Medicaid .....	29,103,304	1,946,102	21,267,435	—	(5,889,767)	
Health and Human Services .....	1,656,750	169,611	794,059	—	(693,080)	
Justice and Public Protection .....	3,587,845	1,103,131	168,819	—	(2,315,895)	
Environmental Protection						
and Natural Resources.....	586,001	202,130	100,605	—	(283,266)	
Transportation .....	2,602,708	348,159	54,588	1,419,910	(780,051)	
General Government .....	948,796	557,775	39,436	149	(351,436)	
Community and Economic						
Development.....	3,353,699	571,317	336,698	10,877	(2,434,807)	
Interest on Long-Term Debt						
(excludes interest charged as						
program expense).....	99,819	—	—	—	(99,819)	
<b>TOTAL GOVERNMENTAL ACTIVITIES.....</b>	<b>57,271,182</b>	<b>4,927,671</b>	<b>24,721,794</b>	<b>1,430,936</b>	<b>(26,190,781)</b>	
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Workers' Compensation.....	3,322,700	1,451,585	1,365,464	—	(505,651)	
Lottery Commission.....	2,866,920	3,987,235	35,071	—	1,155,386	
Unemployment Compensation.....	1,021,152	1,178,304	(360)	—	156,792	
Tuition Trust Authority.....	67,385	7,666	44,360	—	(15,359)	
Office of Auditor of State.....	78,917	49,369	—	—	(29,548)	
<b>TOTAL BUSINESS-TYPE ACTIVITIES.....</b>	<b>7,357,074</b>	<b>6,674,159</b>	<b>1,444,535</b>	<b>—</b>	<b>761,620</b>	
<b>TOTAL PRIMARY GOVERNMENT.....</b>	<b>\$ 64,628,256</b>	<b>\$ 11,601,830</b>	<b>\$ 26,166,329</b>	<b>\$ 1,430,936</b>	<b>\$ (25,429,161)</b>	
<b>COMPONENT UNITS:</b>						
Ohio Facilities Construction Commission.....	\$ 379,913	\$ 35,353	\$ 7,051	\$ —	\$ (337,509)	
Ohio State University.....	5,810,108	4,441,709	683,809	10,422	(674,168)	
Other Component Units.....	8,229,478	5,417,695	709,319	27,900	(2,074,564)	
<b>TOTAL COMPONENT UNITS.....</b>	<b>\$ 14,419,499</b>	<b>\$ 9,894,757</b>	<b>\$ 1,400,179</b>	<b>\$ 38,322</b>	<b>\$ (3,086,241)</b>	

The notes to the financial statements are an integral part of this statement.

**PRIMARY GOVERNMENT**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNITS</b>
<b>CHANGES IN NET POSITION:</b>				
Net (Expense) Revenue.....	\$ (26,190,781)	\$ 761,620	\$ (25,429,161)	\$ (3,086,241)
<b>General Revenues:</b>				
Taxes:				
Income.....	7,984,708	—	7,984,708	—
Sales.....	10,548,038	—	10,548,038	—
Corporate and Public Utility .....	2,737,316	—	2,737,316	—
Cigarette.....	1,008,677	—	1,008,677	—
Other.....	1,006,342	—	1,006,342	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes.....	1,798,483	—	1,798,483	—
Total Taxes.....	25,083,564	—	25,083,564	—
Tobacco Settlement.....	341,130	—	341,130	—
Escheat Property.....	161,904	—	161,904	—
Unrestricted Investment Income.....	70,897	8	70,905	(89,540)
State Assistance .....	—	—	—	2,155,883
Other.....	1,683	—	1,683	720,568
Gain (Loss) on Extinguishment of Debt.....	—	502,586	502,586	(87)
<b>Additions to Endowments and Permanent Fund Principal.....</b>				
	—	—	—	110,675
Transfers-Internal Activities.....	1,160,878	(1,160,878)	—	—
<b>TOTAL GENERAL REVENUES, GAINS (LOSSES), CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS.....</b>				
	<b>26,820,056</b>	<b>(658,284)</b>	<b>26,161,772</b>	<b>2,897,499</b>
<b>CHANGE IN NET POSITION.....</b>	<b>629,275</b>	<b>103,336</b>	<b>732,611</b>	<b>(188,742)</b>
<b>NET POSITION (DEFICITS), JULY 1 (as restated)....</b>	<b>19,318,452</b>	<b>9,278,365</b>	<b>28,596,817</b>	<b>9,517,942</b>
<b>NET POSITION (DEFICITS), JUNE 30.....</b>	<b>\$ 19,947,727</b>	<b>\$ 9,381,701</b>	<b>\$ 29,329,428</b>	<b>\$ 9,329,200</b>

**STATE OF OHIO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**  
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
<b>ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 5,923,688	\$ 476,675	\$ —
Cash and Cash Equivalents.....	83,138	3,383	5,038
Investments.....	1,238,489	—	420,320
Collateral on Lent Securities.....	534,517	42,858	—
Taxes Receivable .....	1,370,920	—	—
Intergovernmental Receivable.....	669,950	188,464	—
Loans Receivable, Net .....	1,057,980	—	—
Interfund Receivable .....	2,847	—	—
Receivable from Component Units.....	2,587	—	—
Other Receivables .....	253,256	455,018	472,202
Inventories .....	21,359	—	—
Other Assets .....	20	—	—
<b>TOTAL ASSETS .....</b>	<b>11,158,751</b>	<b>1,166,398</b>	<b>897,560</b>
<b>DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>—</b>	<b>—</b>	<b>4,331,322</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>\$ 11,158,751</b>	<b>\$ 1,166,398</b>	<b>\$ 5,228,882</b>
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 289,458	\$ 151,097	\$ —
Accrued Liabilities.....	126,735	20,435	—
Medicaid Claims Payable.....	980,186	—	—
Obligations Under Securities Lending.....	534,517	42,858	—
Intergovernmental Payable.....	781,086	116,067	—
Interfund Payable.....	453,875	13,391	2,847
Payable to Component Units.....	18,958	2,014	—
Unearned Revenue.....	—	378,894	—
Refund and Other Liabilities.....	804,899	5,942	—
Liability for Escheat Property.....	271,580	—	—
<b>TOTAL LIABILITIES.....</b>	<b>4,261,294</b>	<b>730,698</b>	<b>2,847</b>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	<b>1,243,096</b>	<b>81,873</b>	<b>472,178</b>
<b>FUND BALANCES (DEFICITS):</b>			
Nonspendable.....	45,953	—	—
Restricted.....	1,270,315	287,297	4,753,857
Committed.....	820,878	66,810	—
Assigned.....	2,653,290	—	—
Unassigned.....	863,925	(280)	—
<b>TOTAL FUND BALANCES (DEFICITS) .....</b>	<b>5,654,361</b>	<b>353,827</b>	<b>4,753,857</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES .....</b>	<b>\$ 11,158,751</b>	<b>\$ 1,166,398</b>	<b>\$ 5,228,882</b>

The notes to the financial statements are an integral part of this statement.

<b>NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL</b>
\$ 3,572,255	\$ 9,972,618
60,372	151,931
35,792	1,694,601
321,179	898,554
82,201	1,453,121
494,472	1,352,886
123,987	1,181,967
1,357	4,204
28,744	31,331
41,481	1,221,957
109,665	131,024
—	20
<u>4,871,505</u>	<u>18,094,214</u>
<u>—</u>	<u>4,331,322</u>
<b><u>\$ 4,871,505</u></b>	<b><u>\$ 22,425,536</u></b>
\$ 363,177	\$ 803,732
72,298	219,468
292,979	1,273,165
321,179	898,554
199,757	1,096,910
149,487	619,600
5,900	26,872
47,734	426,628
695	811,536
—	271,580
<u>1,453,206</u>	<u>6,448,045</u>
<u>50,803</u>	<u>1,847,950</u>
109,665	155,618
2,578,104	8,889,573
679,875	1,567,563
—	2,653,290
(148)	863,497
<u>3,367,496</u>	<u>14,129,541</u>
<b><u>\$ 4,871,505</u></b>	<b><u>\$ 22,425,536</u></b>

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**STATE OF OHIO**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**  
*(dollars in thousands)*

**Total Fund Balances for Governmental Funds.....** **\$ 14,129,541**

Total net position reported for governmental activities in the Statement of Net Position is different because:

Net Pension Assets Reported for Governmental Activities are not Financing Resources and therefore are not Reported in the Funds 8,964

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:

Land.....	2,358,859
Buildings and Improvements, net of \$2,253,035 accumulated depreciation.....	1,545,669
Land Improvements, net of \$320,421 accumulated depreciation.....	169,168
Machinery and Equipment, net of \$970,527 accumulated depreciation.....	535,745
Vehicles, net of \$235,371 accumulated depreciation.....	186,917
Infrastructure, net of \$35,585 accumulated depreciation.....	20,219,413
Construction-in-Progress.....	2,197,492
	<u>27,213,263</u>

The following Deferred Outflows of Resources are not related to the current period and therefore, are not reported in the funds.

Hedging Derivatives.....	37,060
Loss on Debt Refundings.....	177,839
Net Pension Asset/Liability.....	1,211,563
Total Deferred Outflows of Resources.....	<u>1,426,462</u>

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

Accrued Liabilities:	
Interest Payable.....	(159,977)
Bonds and Notes Payable:	
General Obligation Bonds.....	(9,283,156)
Revenue Bonds and Notes.....	(6,261,882)
Special Obligation Bonds.....	(1,930,592)
Certificates of Participation.....	(194,899)
Other Noncurrent Liabilities:	
Compensated Absences.....	(444,805)
Net Pension Liability.....	(3,800,346)
Net OPEB Obligation.....	(171,348)
Capital Leases Payable.....	(8,806)
Derivatives.....	(51,403)
Litigation Liabilities.....	(6,100)
Estimated Claims Payable.....	(1,700)
Pollution Remediation.....	(5,890)
Infrastructure Liabilities.....	(195,762)
	<u>(22,516,666)</u>

The following Deferred Inflows of Resources are not related to the current period and therefore, are not reported in the funds.

Resources from the Sale of Future Revenues.....	(1,229,393)
Net Pension Asset/Liability.....	(93,896)
Debt Refundings.....	(71)
Less Unavailable Resources Reported in the Funds.: .....	<u>(71)</u>
Taxes Receivable.....	70,974
Intergovernmental Receivable.....	444,860
Other Receivables.....	493,689
	<u>1,009,523</u>
Total Deferred Inflows of Resources.....	<u>(313,837)</u>

**Total Net Position of Governmental Activities.....** **\$ 19,947,727**

The notes to the financial statements are an integral part of this statement.

**STATE OF OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(dollars in thousands)

	<b>MAJOR FUNDS</b>		
	<b>GENERAL</b>	<b>JOB, FAMILY AND OTHER HUMAN SERVICES</b>	<b>BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS</b>
<b>REVENUES:</b>			
Income Taxes.....	\$ 7,995,959	\$ —	\$ —
Sales Taxes.....	10,547,926	—	—
Corporate and Public Utility Taxes.....	2,670,854	—	—
Motor Vehicle Fuel Taxes.....	1,109,241	—	—
Cigarette Taxes.....	1,008,677	—	—
Other Taxes.....	691,250	1,376	—
Licenses, Permits and Fees.....	706,064	1,479,437	—
Sales, Services and Charges.....	85,579	—	—
Federal Government.....	11,309,010	8,774,960	—
Tobacco Settlement.....	2,953	—	297,098
Escheat Property.....	161,904	—	—
Investment Income.....	93,014	3,656	2,141
Other.....	354,151	213,303	—
<b>TOTAL REVENUES.....</b>	<b>36,736,582</b>	<b>10,472,732</b>	<b>299,239</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education.....	9,245,474	176	61,272
Higher Education Support.....	2,438,331	239	—
Public Assistance and Medicaid.....	16,957,877	10,036,843	—
Health and Human Services.....	643,095	315,281	—
Justice and Public Protection.....	2,534,785	72,367	—
Environmental Protection and Natural Resources.....	80,943	—	—
Transportation.....	2,848	—	—
General Government.....	517,854	2,555	—
Community and Economic Development.....	2,421,478	—	—
<b>CAPITAL OUTLAY.....</b>	<b>—</b>	<b>4,625</b>	<b>—</b>
<b>DEBT SERVICE.....</b>	<b>—</b>	<b>—</b>	<b>329,359</b>
<b>TOTAL EXPENDITURES.....</b>	<b>34,842,685</b>	<b>10,432,086</b>	<b>390,631</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>1,893,897</b>	<b>40,646</b>	<b>(91,392)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....	530,000	—	—
Refunding Bonds and COPs Issued.....	—	—	—
Payment to Refunded Bond and COPs Escrow Agents.....	—	—	—
Premiums/Discounts.....	56,696	—	—
Transfers-in.....	286,624	51,406	—
Transfers-out.....	(2,116,780)	(42,499)	(15,100)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(1,243,460)</b>	<b>8,907</b>	<b>(15,100)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>650,437</b>	<b>49,553</b>	<b>(106,492)</b>
<b>FUND BALANCES (DEFICITS), July 1 (as restated).....</b>	<b>5,004,435</b>	<b>304,274</b>	<b>4,860,349</b>
Increase (Decrease) for Changes in Inventories.....	(511)	—	—
<b>FUND BALANCES (DEFICITS), JUNE 30.....</b>	<b>\$ 5,654,361</b>	<b>\$ 353,827</b>	<b>\$ 4,753,857</b>

The notes to the financial statements are an integral part of this statement.

<b>NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL</b>
\$ 390	\$ 7,996,349
112	10,548,038
66,462	2,737,316
689,242	1,798,483
—	1,008,677
313,716	1,006,342
1,313,402	3,498,903
59,568	145,147
6,197,730	26,281,700
—	300,051
—	161,904
14,564	113,375
825,504	1,392,958
<b>9,480,690</b>	<b>56,989,243</b>
3,076,865	12,383,787
28,490	2,467,060
1,942,786	28,937,506
602,036	1,560,412
717,540	3,324,692
330,103	411,046
2,838,708	2,841,556
354,962	875,371
804,876	3,226,354
673,969	678,594
1,672,817	2,002,176
<b>13,043,152</b>	<b>58,708,554</b>
<b>(3,562,462)</b>	<b>(1,719,311)</b>
540,000	1,070,000
473,270	473,270
(584,504)	(584,504)
216,726	273,422
3,413,674	3,751,704
(416,447)	(2,590,826)
<b>3,642,719</b>	<b>2,393,066</b>
<b>80,257</b>	<b>673,755</b>
3,260,233	13,429,291
27,006	26,495
<b>\$ 3,367,496</b>	<b>\$ 14,129,541</b>

# STATE OF OHIO

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

<b>Net Change in Fund Balances -- Total Governmental Funds.....</b>	<b>673,755</b>
Change in Inventories.....	26,495
	<u>700,250</u>

The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay Expenditures.....	1,057,695
Depreciation Expense.....	(401,772)
	<u>655,923</u>
Excess of Capital Outlay Over Depreciation Expense.....	

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

General Obligation Bonds.....	(840,000)
Special Obligation Bonds.....	(230,000)
Refunding Bonds, including Bond Premium/Discount, Net.....	(587,042)
Premiums and Discounts, Net:	
General Obligation Bonds.....	(120,275)
Special Obligation Bonds.....	(39,374)
Capital Leases.....	(6,734)
	<u>(1,823,425)</u>
Total Debt Proceeds.....	

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:

<i>Debt Principal Retirement and Defeasements:</i>	
General Obligation Bonds.....	1,223,499
Revenue Bonds and Notes.....	179,405
Special Obligation Bonds.....	298,258
Certificates of Participation.....	32,185
	<u>1,733,347</u>
Total Long-Term Debt Repayment.....	

The notes to the financial statements are an integral part of this statement.

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

<i>Increase in Other Assets.....</i>	1,622	
<i>Decrease in Accrued Interest and Other Accrued Liabilities.....</i>	6,475	
<i>Amortization of Bond Premiums/Accretion of Bond Discount, Net.....</i>	110,325	
<i>Increase in Refunding Loss Included in Deferred Outflows of Resources.....</i>	14,096	
<i>Increase in Pension Related Balances Included in Deferred Outflows of Resources.....</i>	868,240	
<i>Increase in Compensated Absences.....</i>	(22,988)	
<i>Increase in Derivative Liabilities (Excluding Hedging Derivatives) .....</i>	(3,146)	
<i>Decrease in Estimated Claims Payable.....</i>	486	
<i>Increase in Pollution Remediation.....</i>	(4,322)	
<i>Increase in Infrastructure Liability.....</i>	(195,762)	
<i>Increase in Net Pension Liability.....</i>	(1,096,540)	
<i>Increase in Liability for OPEB Obligation.....</i>	(22,217)	
<i>Increase in Litigation Liabilities.....</i>	(6,100)	
<i>Decrease in Other Noncurrent Liabilities.....</i>	7	
<i>Increase in Deferred Inflow of Resources.....</i>	(286,996)	
<i>Total additional revenues and expenditures.....</i>		<u>(636,820)</u>
 <b>Change in Net Position of Governmental Activities.....</b>		 <b><u>\$ 629,275</u></b>

# STATE OF OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

	GENERAL			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	BUDGET		ACTUAL	
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Income Taxes.....	\$ 8,462,764	\$ 8,386,664	\$ 8,168,998	\$ (217,666)
Sales Taxes.....	10,587,424	10,588,124	10,562,822	(25,302)
Corporate and Public Utility Taxes.....	2,647,757	2,653,257	2,658,739	5,482
Motor Vehicle Fuel Taxes.....	1,077,664	1,077,664	1,077,664	—
Cigarette Taxes.....	969,800	969,800	1,007,643	37,843
Other Taxes.....	705,516	705,516	691,235	(14,281)
Licenses, Permits and Fees.....	711,136	711,136	710,570	(566)
Sales, Services and Charges.....	110,321	110,321	110,496	175
Federal Government.....	12,294,727	12,294,727	11,386,163	(908,564)
Tobacco Settlement.....	106	106	106	—
Investment Income.....	31,059	31,059	43,828	12,769
Other.....	1,517,228	1,517,228	1,872,081	354,853
<b>TOTAL REVENUES.....</b>	<b>39,115,502</b>	<b>39,045,602</b>	<b>38,290,345</b>	<b>(755,257)</b>
<b>BUDGETARY EXPENDITURES:</b>				
<b>CURRENT OPERATING:</b>				
Primary, Secondary and Other Education.....	9,488,776	9,487,196	9,425,349	61,847
Higher Education Support.....	2,312,719	2,952,582	2,673,494	279,088
Public Assistance and Medicaid.....	19,705,025	19,601,934	18,544,343	1,057,591
Health and Human Services.....	822,797	828,047	763,887	64,160
Justice and Public Protection.....	2,654,044	2,697,258	2,610,177	87,081
Environmental Protection and Natural Resources.....	120,045	148,295	133,700	14,595
Transportation.....	20,410	20,422	19,965	457
General Government.....	1,276,455	1,420,171	1,199,089	221,082
Community and Economic Development.....	2,718,578	3,329,393	2,623,885	705,508
<b>CAPITAL OUTLAY.....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>DEBT SERVICE.....</b>	<b>1,356,930</b>	<b>1,363,669</b>	<b>1,330,787</b>	<b>32,882</b>
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>40,475,779</b>	<b>41,848,967</b>	<b>39,324,676</b>	<b>2,524,291</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>	<b>(1,360,277)</b>	<b>(2,803,365)</b>	<b>(1,034,331)</b>	<b>1,769,034</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bonds, Notes, and COPs Issued.....	552,414	552,414	552,364	(50)
Transfers-in.....	2,220,199	2,220,699	1,182,649	(1,038,050)
Transfers-out.....	(2,215,642)	(2,215,642)	(1,660,248)	555,394
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>556,971</b>	<b>557,471</b>	<b>74,765</b>	<b>(482,706)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ (803,306)</b>	<b>\$ (2,245,894)</b>	<b>(959,566)</b>	<b>\$ 1,286,328</b>
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....</b>			4,985,177	
<b>Outstanding Encumbrances at Beginning of Fiscal Year...</b>			796,642	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....</b>			<b>\$ 4,822,253</b>	

The notes to the financial statements are an integral part of this statement.

**JOB, FAMILY AND OTHER HUMAN SERVICES**

<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
<b>ORIGINAL</b>	<b>FINAL</b>		
		\$ —	
		—	
		—	
		—	
		1,376	
		1,484,084	
		—	
		5,414,662	
		—	
		3,656	
		1,231,912	
		<u>8,135,690</u>	
\$ 255	\$ 255	223	\$ 32
520	520	402	118
9,534,660	9,661,534	8,844,416	817,118
384,138	390,639	340,879	49,760
77,919	77,924	70,614	7,310
—	—	—	—
—	—	—	—
2,441	2,679	2,425	254
—	—	—	—
7,024	21,908	7,648	14,260
—	—	—	—
<u>\$ 10,006,957</u>	<u>\$ 10,155,459</u>	<u>9,266,607</u>	<u>\$ 888,852</u>
		<u>(1,130,917)</u>	
		—	
		59,877	
		<u>(54,115)</u>	
		<u>5,762</u>	
		<u>(1,125,155)</u>	
		(807,562)	
		<u>1,151,167</u>	
		<u>\$ (781,550)</u>	

**STATE OF OHIO**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS – ENTERPRISE**  
**JUNE 30, 2016**  
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 5,388	\$ 174,950	\$ —
Cash and Cash Equivalents.....	509,177	32,578	1,258
Collateral on Lent Securities.....	484	15,730	—
Restricted Assets:			
Cash Equity with Treasurer.....	—	54	—
Investments.....	—	57,032	—
Collateral on Lent Securities.....	—	84,671	—
Other Receivables.....	—	393	—
Deposit with Federal Government.....	—	—	538,564
Intergovernmental Receivable.....	—	—	24
Premiums and Assessments Receivable.....	34,788	—	30,076
Investment Trade Receivable.....	180,690	—	—
Interfund Receivable.....	58,336	1	—
Other Receivables.....	400,997	51,942	25,038
Other Assets.....	2,715	6,795	4,081
<b>TOTAL CURRENT ASSETS.....</b>	<b>1,192,575</b>	<b>424,146</b>	<b>599,041</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Investments.....	—	484,847	—
Investments.....	24,814,943	—	—
Premiums and Assessments Receivable.....	716,550	—	—
Interfund Receivable.....	557,035	—	—
Other Assets.....	267	53	—
Capital Assets Being Depreciated, Net.....	41,581	36,838	—
Capital Assets Not Being Depreciated.....	116,303	—	—
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>26,246,679</b>	<b>521,738</b>	<b>—</b>
<b>TOTAL ASSETS.....</b>	<b>27,439,254</b>	<b>945,884</b>	<b>599,041</b>
<b>DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>63,608</b>	<b>10,548</b>	<b>—</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>27,502,862</b>	<b>956,432</b>	<b>599,041</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	38,660	24,082	—
Accrued Liabilities.....	—	—	—
Obligations Under Securities Lending.....	484	100,401	—
Investment Trade Payable.....	387,057	—	—
Intergovernmental Payable.....	—	—	275,915
Prize Awards Payable.....	—	57,479	—
Interfund Payable.....	—	67	—
Unearned Revenue.....	513,089	2,458	—
Benefits Payable.....	1,636,037	—	537
Refund and Other Liabilities.....	483,131	75,766	6,609
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>3,058,458</b>	<b>260,253</b>	<b>283,061</b>
<b>NONCURRENT LIABILITIES:</b>			
Prize Awards Payable.....	—	414,180	—
Interfund Payable.....	—	1,379	—
Benefits Payable.....	14,034,563	—	—
Refund and Other Liabilities.....	1,649,271	37,218	—
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>15,683,834</b>	<b>452,777</b>	<b>—</b>
<b>TOTAL LIABILITIES.....</b>	<b>18,742,292</b>	<b>713,030</b>	<b>283,061</b>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	<b>6,685</b>	<b>1,465</b>	<b>—</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....</b>	<b>18,748,977</b>	<b>714,495</b>	<b>283,061</b>
<b>NET POSITION (DEFICITS):</b>			
Net Investment in Capital Assets.....	157,884	26,762	—
Restricted for Lottery Prizes.....	—	77,464	—
Unrestricted.....	8,596,001	137,711	315,980
<b>TOTAL NET POSITION (DEFICITS).....</b>	<b>\$ 8,753,885</b>	<b>\$ 241,937</b>	<b>\$ 315,980</b>

The notes to the financial statements are an integral part of this statement.

NONMAJOR PROPRIETARY FUNDS		TOTAL	
\$	41,130	\$	221,468
	33,473		576,486
	76		16,290
	—		54
	73,200		130,232
	—		84,671
	—		393
	—		538,564
	7,498		7,522
	—		64,864
	—		180,690
	1,588		59,925
	1,112		479,089
	—		13,591
	<u>158,077</u>		<u>2,373,839</u>
	264,857		749,704
	1,205		24,816,148
	—		716,550
	7,487		564,522
	6		326
	1,391		79,810
	—		116,303
	<u>274,946</u>		<u>27,043,363</u>
	<u>433,023</u>		<u>29,417,202</u>
	<u>20,204</u>		<u>94,360</u>
	<b><u>453,227</u></b>		<b><u>29,511,562</u></b>
	1,871		64,613
	4,144		4,144
	76		100,961
	—		387,057
	—		275,915
	—		57,479
	117		184
	993		516,540
	73,200		1,709,774
	1,621		567,127
	<u>82,022</u>		<u>3,683,794</u>
	—		414,180
	7,488		8,867
	224,000		14,258,563
	68,571		1,755,060
	<u>300,059</u>		<u>16,436,670</u>
	<u>382,081</u>		<u>20,120,464</u>
	<u>1,247</u>		<u>9,397</u>
	<b><u>383,328</u></b>		<b><u>20,129,861</u></b>
	1,391		186,037
	—		77,464
	68,508		9,118,200
\$	<b><u>69,899</u></b>	\$	<b><u>9,381,701</u></b>

# STATE OF OHIO

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS – ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
<b>OPERATING REVENUES:</b>			
Charges for Sales and Services.....	\$ —	\$ 3,978,629	\$ 30,684
Premium and Assessment Income.....	1,439,143	—	1,106,731
Federal Government.....	—	—	11,846
Investment Income.....	—	—	—
Other.....	12,442	8,606	29,043
<b>TOTAL OPERATING REVENUES.....</b>	<b>1,451,585</b>	<b>3,987,235</b>	<b>1,178,304</b>
<b>OPERATING EXPENSES:</b>			
Costs of Sales and Services.....	—	—	—
Administration.....	61,552	135,096	—
Bonuses and Commissions.....	—	766,420	—
Prizes.....	—	1,932,585	—
Benefits and Claims.....	1,211,609	—	1,012,485
Depreciation.....	8,128	10,200	—
Other.....	2,041,411	212	8,667
<b>TOTAL OPERATING EXPENSES.....</b>	<b>3,322,700</b>	<b>2,844,513</b>	<b>1,021,152</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(1,871,115)</b>	<b>1,142,722</b>	<b>157,152</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment Income.....	1,365,464	35,071	(360)
Interest Expense.....	—	(294)	—
Other.....	—	(22,113)	—
<b>TOTAL NONOPERATING REVENUES (EXPENSES).....</b>	<b>1,365,464</b>	<b>12,664</b>	<b>(360)</b>
<b>INCOME (LOSS) BEFORE GAIN (LOSS) AND TRANSFERS.....</b>	<b>(505,651)</b>	<b>1,155,386</b>	<b>156,792</b>
Gain on Extinguishment of Debt.....	—	—	502,586
Transfers-in.....	—	—	—
Transfers-out.....	(8,796)	(1,174,832)	(7,582)
<b>TOTAL GAIN (LOSS) AND TRANSFERS.....</b>	<b>(8,796)</b>	<b>(1,174,832)</b>	<b>495,004</b>
<b>NET INCOME (LOSS).....</b>	<b>(514,447)</b>	<b>(19,446)</b>	<b>651,796</b>
<b>NET POSITION (DEFICITS), JULY 1.....</b>	<b>9,268,332</b>	<b>261,383</b>	<b>(335,816)</b>
<b>NET POSITION (DEFICITS), JUNE 30.....</b>	<b>\$ 8,753,885</b>	<b>\$ 241,937</b>	<b>\$ 315,980</b>

The notes to the financial statements are an integral part of this statement.

<b>NONMAJOR PROPRIETARY FUNDS</b>		<b>TOTAL</b>	
\$	56,594	\$	4,065,907
	—		2,545,874
	—		11,846
	(1,240)		(1,240)
	46,041		96,132
	<b>101,395</b>		<b>6,718,519</b>
	72,512		72,512
	14,262		210,910
	—		766,420
	—		1,932,585
	59,212		2,283,306
	316		18,644
	—		2,050,290
	<b>146,302</b>		<b>7,334,667</b>
	<b>(44,907)</b>		<b>(616,148)</b>
	8		1,400,183
	—		(294)
	—		(22,113)
	<b>8</b>		<b>1,377,776</b>
	<b>(44,899)</b>		<b>761,628</b>
	—		502,586
	30,332		30,332
	—		(1,191,210)
	<b>30,332</b>		<b>(658,292)</b>
	<b>(14,567)</b>		<b>103,336</b>
	84,466		9,278,365
<b>\$</b>	<b>69,899</b>	<b>\$</b>	<b>9,381,701</b>

**STATE OF OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS – ENTERPRISE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
(dollars in thousands)

	<b>MAJOR PROPRIETARY FUNDS</b>		
	<b>WORKERS' COMPENSATION</b>	<b>LOTTERY COMMISSION</b>	<b>UNEMPLOYMENT COMPENSATION</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers.....	\$ —	\$ 3,943,534	\$ —
Cash Received from Multi-State Lottery for Grand Prize Winner.....	—	128,806	—
Cash Received from Premiums and Assessments.....	1,681,299	—	1,117,685
Cash Received from Interfund Services Provided.....	57,846	—	—
Other Operating Cash Receipts.....	28,526	58,719	33,666
Cash Payments to Suppliers for Goods and Services.....	(63,332)	(75,923)	—
Cash Payments to Employees for Services.....	(196,053)	(30,910)	—
Cash Payments for Benefits and Claims.....	(1,754,292)	—	(904,640)
Cash Payments for Lottery Prizes.....	—	(2,106,527)	—
Cash Payments for Bonuses and Commissions.....	—	(766,420)	—
Cash Payments for Premium Reductions and Refunds.....	(496,628)	—	—
Cash Payments for Interfund Services Used.....	(22,611)	(6,923)	—
Other Operating Cash Payments.....	—	(211)	(94,486)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>(765,245)</b>	<b>1,144,145</b>	<b>152,225</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Federal Advance Payments .....	—	—	(200,000)
Transfers-in .....	—	—	—
Transfers-out .....	(8,796)	(1,174,832)	(7,582)
<b>NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(8,796)</b>	<b>(1,174,832)</b>	<b>(207,582)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal Payments on Bonds, Notes and Capital Leases.....	—	(6,550)	—
Acquisition and Construction of Capital Assets .....	(26,997)	(14,826)	—
Proceeds from Sales of Capital Assets .....	3,332	102	—
<b>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(23,665)</b>	<b>(21,274)</b>	<b>—</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Investments.....	(11,816,206)	(61,411)	(1,103,642)
Proceeds from the Sales and Maturities of Investments .....	11,698,441	127,628	1,159,707
Investment Income Received .....	684,847	4,370	—
Borrower Rebates and Agent Fees.....	(51,614)	(317)	—
<b>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES.....</b>	<b>515,468</b>	<b>70,270</b>	<b>56,065</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS.....</b>	<b>(282,238)</b>	<b>18,309</b>	<b>708</b>
<b>CASH AND CASH EQUIVALENTS, JULY 1 .....</b>	<b>796,803</b>	<b>189,273</b>	<b>550</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30 .....</b>	<b>\$ 514,565</b>	<b>\$ 207,582</b>	<b>\$ 1,258</b>

The notes to the financial statements are an integral part of this statement.

<b>NONMAJOR PROPRIETARY FUNDS</b>		<b>TOTAL</b>	
\$	37,234	\$	3,980,768
	—		128,806
	—		2,798,984
	10,468		68,314
	8,434		129,345
	(8,165)		(147,420)
	(68,819)		(295,782)
	—		(2,658,932)
	—		(2,106,527)
	—		(766,420)
	—		(496,628)
	(3,746)		(33,280)
	(60,262)		(154,959)
	<b>(84,856)</b>		<b>446,269</b>
	—		(200,000)
	29,972		29,972
	—		(1,191,210)
	<b>29,972</b>		<b>(1,361,238)</b>
	—		(6,550)
	(294)		(42,117)
	23		3,457
	<b>(271)</b>		<b>(45,210)</b>
	(65,697)		(13,046,956)
	117,433		13,103,209
	8,890		698,107
	—		(51,931)
	<b>60,626</b>		<b>702,429</b>
	<b>5,471</b>		<b>(257,750)</b>
	69,132		1,055,758
<b>\$</b>	<b>74,603</b>	<b>\$</b>	<b>798,008</b>

(continued)

**STATE OF OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS -- ENTERPRISE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(dollars in thousands)

(continued)

	<b>MAJOR PROPRIETARY FUNDS</b>		
	<b>WORKERS' COMPENSATION</b>	<b>LOTTERY COMMISSION</b>	<b>UNEMPLOYMENT COMPENSATION</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss).....	\$ (1,871,115)	\$ 1,142,722	\$ 157,152
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income.....	—	—	—
Depreciation .....	8,128	10,200	—
Provision for Uncollectible Accounts.....	17,712	—	—
Decrease (Increase) in Assets:			
Deposit with Federal Government.....	—	—	(5,122)
Intergovernmental Receivable.....	—	—	392
Premiums and Assessments Receivable.....	2,070,404	—	(2,261)
Interfund Receivable.....	36,275	1,518	1,643
Other Receivables .....	(178,130)	12,424	2,961
Other Assets .....	(600)	5,739	166
Increase (Decrease) in Liabilities:			
Accounts Payable .....	17,434	15,039	—
Accrued Liabilities.....	—	—	—
Intergovernmental Payable.....	—	—	(74)
Prize Awards Payable.....	—	(68,661)	—
Interfund Payable.....	—	(39)	—
Unearned Revenue .....	512,952	1,078	—
Benefits Payable.....	(718,800)	—	(846)
Refund and Other Liabilities.....	(659,505)	24,125	(1,786)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>\$ (765,245)</b>	<b>\$ 1,144,145</b>	<b>\$ 152,225</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Change in Fair Value of Investments.....	\$ 731,967	\$ 18,551	\$ —
Gain on Extinguishment of Debt.....	—	—	502,586

The notes to the financial statements are an integral part of this statement.

<u>NONMAJOR PROPRIETARY FUNDS</u>	<u>TOTAL</u>
\$ (44,907)	\$ (616,148)
1,240	1,240
316	18,644
—	17,712
—	(5,122)
3,364	3,756
—	2,068,143
(360)	39,076
385	(162,360)
51	5,356
(1,176)	31,297
906	906
—	(74)
—	(68,661)
(12)	(51)
62	514,092
(45,600)	(765,246)
875	(636,291)
<u>\$ (84,856)</u>	<u>\$ 446,269</u>

\$ —	\$ 750,518
—	502,586

**STATE OF OHIO**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**  
(dollars in thousands)

	PENSION TRUST	PRIVATE- PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/15)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
<b>ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	13,515	249,949	41,517
U.S. Government and Agency Obligations.....	13,479	—	704,993
Common and Preferred Stock.....	65,478	—	—
Corporate Bonds and Notes.....	20,694	—	589,035
Foreign Stocks and Bonds.....	4,057	—	—
Commercial Paper.....	—	—	1,308,612
Repurchase Agreements.....	—	—	157,450
Mutual Funds.....	491,727	9,103,659	1,974,862
Real Estate.....	31,438	—	—
Venture Capital.....	—	—	—
Direct Mortgage Loans.....	—	—	—
Partnership and Hedge Funds.....	166,865	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio).....	—	—	—
Collateral on Lent Securities.....	—	—	—
Employer Contributions Receivable.....	1,417	—	—
Employee Contributions Receivable.....	1,202	—	—
Other Receivables.....	1,300	28,517	2,689
Other Assets.....	15	—	21
Capital Assets, Net.....	89	—	—
<b>TOTAL ASSETS.....</b>	<b>811,276</b>	<b>9,382,125</b>	<b>4,779,179</b>
<b>DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>33</b>	<b>—</b>	<b>—</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>811,309</b>	<b>9,382,125</b>	<b>4,779,179</b>
<b>LIABILITIES:</b>			
Accounts Payable.....	692	—	—
Accrued Liabilities.....	4,350	3,003	109
Obligations Under Securities Lending.....	—	—	—
Intergovernmental Payable.....	—	—	—
Refund and Other Liabilities.....	610	29,823	318
<b>TOTAL LIABILITIES.....</b>	<b>5,652</b>	<b>32,826</b>	<b>427</b>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	<b>12</b>	<b>—</b>	<b>—</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....</b>	<b>5,664</b>	<b>32,826</b>	<b>427</b>
<b>NET POSITION (DEFICITS):</b>			
Restricted for:			
Employees' Pension Benefits.....	704,225	—	—
Employees' Postemployment Healthcare Benefits.....	101,420	—	—
Individuals, Organizations and Other Governments.....	—	9,349,299	—
Pool Participants.....	—	—	4,778,752
<b>TOTAL NET POSITION (DEFICITS).....</b>	<b>\$ 805,645</b>	<b>\$ 9,349,299</b>	<b>\$ 4,778,752</b>

The notes to the financial statements are an integral part of this statement.

AGENCY

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\$ 320,070  
136,683  
11,822,814  
41,261,079  
11,595,128  
43,509,082  
2,001,429  
450,000  
8,835,935  
22,097,192  
19,184,378  
7,313,657  
17,087,131  
72,413  
28,778  
—  
—  
—  
425,290  
—  

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**186,141,059**  

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**186,141,059**

—  
—  
28,778  
216,103  

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185,896,178  

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**186,141,059**  

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**186,141,059**

—  
—  
—  
—  

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**\$ —**  

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# STATE OF OHIO

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (dollars in thousands)

	PENSION TRUST	PRIVATE- PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/15)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
<b>ADDITIONS:</b>			
Contributions from:			
Employer.....	\$ 26,964	\$ —	\$ —
Employees.....	12,711	—	—
Plan Participants.....	—	2,359,167	—
Other.....	4,913	—	—
<b>Total Contributions.....</b>	<b>44,588</b>	<b>2,359,167</b>	<b>—</b>
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments.....	(14,377)	(315,204)	—
Interest, Dividends and Other.....	14,512	342,464	13,744
<b>Total Investment Income.....</b>	<b>135</b>	<b>27,260</b>	<b>13,744</b>
Less: Investment Expense.....	5,247	35,845	2,907
<b>Net Investment Income.....</b>	<b>(5,112)</b>	<b>(8,585)</b>	<b>10,837</b>
Capital Share and Individual Account Transactions:			
Shares Sold.....	—	—	13,054,529
Reinvested Distributions.....	—	—	12,963
Shares Redeemed.....	—	—	(10,959,116)
<b>Net Capital Share and Individual Account Transactions.....</b>	<b>—</b>	<b>—</b>	<b>2,108,376</b>
<b>TOTAL ADDITIONS.....</b>	<b>39,476</b>	<b>2,350,582</b>	<b>2,119,213</b>
<b>DEDUCTIONS:</b>			
Pension Benefits Paid to Participants or Beneficiaries.....	65,828	—	—
Healthcare Benefits Paid to Participants or Beneficiaries....	13,759	—	—
Refunds of Employee Contributions.....	858	—	—
Administrative Expense.....	1,241	—	—
Transfers to Other Retirement Systems.....	161	—	—
Distributions to Shareholders and Plan Participants.....	—	2,183,969	10,837
<b>TOTAL DEDUCTIONS.....</b>	<b>81,847</b>	<b>2,183,969</b>	<b>10,837</b>
<b>CHANGE IN NET POSITION RESTRICTED FOR:</b>			
Employees' Pension Benefits.....	(35,842)	—	—
Employees' Postemployment Healthcare Benefits.....	(6,529)	—	—
Individuals, Organizations and Other Governments.....	—	166,613	—
Pool Participants.....	—	—	2,108,376
<b>TOTAL CHANGE IN NET POSITION.....</b>	<b>(42,371)</b>	<b>166,613</b>	<b>2,108,376</b>
<b>NET POSITION (DEFICITS), JULY 1 (as restated).....</b>	<b>848,016</b>	<b>9,182,686</b>	<b>2,670,376</b>
<b>NET POSITION (DEFICITS), JUNE 30.....</b>	<b>\$ 805,645</b>	<b>\$ 9,349,299</b>	<b>\$ 4,778,752</b>

The notes to the financial statements are an integral part of this statement.

**STATE OF OHIO**  
**COMBINING STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2016**  
(dollars in thousands)

	<b>MAJOR COMPONENT UNITS</b>		
	<b>OHIO FACILITIES CONSTRUCTION COMMISSION</b>	<b>OHIO STATE UNIVERSITY</b>	<b>NONMAJOR COMPONENT UNITS</b>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 273,213	\$ —	\$ 12,448
Cash and Cash Equivalents.....	—	550,076	1,045,077
Investments.....	1,501	1,543,493	2,426,525
Collateral on Lent Securities.....	24,565	—	—
Restricted Assets:			
Cash and Cash Equivalents.....	—	—	150,308
Investments.....	—	—	186,044
Intergovernmental Receivable.....	—	5,466	43,965
Loans Receivable, Net.....	495	25,578	40,688
Receivable from Primary Government.....	—	1,757	25,064
Other Receivables.....	1	612,740	492,942
Inventories.....	—	38,208	105,085
Other Assets.....	—	54,108	84,466
<b>TOTAL CURRENT ASSETS.....</b>	<b>299,775</b>	<b>2,831,426</b>	<b>4,612,612</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash and Cash Equivalents.....	—	802,707	242,111
Investments.....	—	3,754,299	2,245,406
Investments.....	—	—	2,172,715
Loans Receivable, Net.....	823	41,526	168,068
Other Receivables.....	—	65,546	149,286
Other Assets.....	—	—	1,739,269
Capital Assets Being Depreciated, Net.....	33,740	4,716,482	8,932,178
Capital Assets Not Being Depreciated.....	11,858	253,916	1,143,298
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>46,421</b>	<b>9,634,476</b>	<b>16,792,331</b>
<b>TOTAL ASSETS.....</b>	<b>346,196</b>	<b>12,465,902</b>	<b>21,404,943</b>
<b>DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>—</b>	<b>698,249</b>	<b>883,451</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>346,196</b>	<b>13,164,151</b>	<b>22,288,394</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	1,608	385,520	356,015
Accrued Liabilities.....	128	106,812	407,219
Obligations Under Securities Lending.....	24,565	—	—
Intergovernmental Payable.....	315,472	—	2,526
Unearned Revenue.....	—	216,843	253,435
Refund and Other Liabilities.....	1,553	123,255	249,781
Bonds and Notes Payable.....	—	657,520	262,837
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>343,326</b>	<b>1,489,950</b>	<b>1,531,813</b>
<b>NONCURRENT LIABILITIES:</b>			
Intergovernmental Payable.....	301,000	—	72,242
Unearned Revenue.....	—	—	12,269
Refund and Other Liabilities.....	222	3,269,913	4,745,999
Payable to Primary Government.....	—	—	27,708
Bonds and Notes Payable.....	—	2,726,739	7,515,148
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>301,222</b>	<b>5,996,652</b>	<b>12,373,366</b>
<b>TOTAL LIABILITIES.....</b>	<b>644,548</b>	<b>7,486,602</b>	<b>13,905,179</b>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	<b>3,526,996</b>	<b>587,157</b>	<b>319,059</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....</b>	<b>4,171,544</b>	<b>8,073,759</b>	<b>14,224,238</b>
<b>NET POSITION (DEFICITS):</b>			
Net Investment in Capital Assets.....	45,597	2,382,715	5,354,826
Restricted for:			
Transportation.....	—	—	229,401
Community and Economic Development.....	—	—	13,223
Nonexpendable:			
Scholarships and Fellowships.....	—	—	361,614
Research.....	—	—	75,434
Endowments and Quasi-Endowments.....	—	1,370,064	1,178,513
Loans, Grants and Other College and University Purposes.....	—	—	597,982
Expendable:			
Scholarships and Fellowships.....	—	—	274,734
Research.....	—	—	152,347
Instructional Department Uses.....	—	—	155,038
Student and Public Services.....	—	—	69,329
Academic Support.....	—	—	140,321
Debt Service.....	—	—	24,043
Capital Purposes.....	—	(23,130)	142,701
Endowments and Quasi-Endowments.....	—	283,351	386,825
Current Operations.....	—	648,732	(3,911)
Loans, Grants and Other College and University Purposes.....	—	—	467,059
Unrestricted.....	(3,870,945)	428,660	(1,555,323)
<b>TOTAL NET POSITION (DEFICITS).....</b>	<b>\$ (3,825,348)</b>	<b>\$ 5,090,392</b>	<b>\$ 8,064,156</b>

The notes to the financial statements are an integral part of this statement.

**TOTAL**

\$ 285,661  
1,595,153  
3,971,519  
24,565  
  
150,308  
186,044  
49,431  
66,761  
26,821  
1,105,683  
143,293  
138,574  

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**7,743,813**

1,044,818  
5,999,705  
2,172,715  
210,417  
214,832  
1,739,269  
13,682,400  
1,409,072  

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**26,473,228**  

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**34,217,041**  

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**1,581,700**  

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**35,798,741**

743,143  
514,159  
24,565  
317,998  
470,278  
374,589  

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**920,357**  

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**3,365,089**

373,242  
12,269  
8,016,134  
27,708  

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**10,241,887**  

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**18,671,240**  

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**22,036,329**  

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**4,433,212**  

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**26,469,541**

7,783,138

229,401  
13,223

361,614  
75,434  
2,548,577  
597,982

274,734  
152,347  
155,038  
69,329  
140,321  
24,043  
119,571  
670,176  
644,821  
467,059  
(4,997,608)

**\$ 9,329,200**

**STATE OF OHIO**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
(dollars in thousands)

	<b>MAJOR COMPONENT UNITS</b>		
	<b>OHIO FACILITIES CONSTRUCTION COMMISSION</b>	<b>OHIO STATE UNIVERSITY</b>	<b>NONMAJOR COMPONENT UNITS</b>
<b>EXPENSES:</b>			
Primary, Secondary and Other Education.....	\$ 344,183	\$ —	\$ —
Transportation.....	—	—	417,091
Community and Economic Development.....	33,997	—	892,570
Education and General:			
Instruction and Departmental Research.....	—	999,739	2,053,204
Separately Budgeted Research.....	—	470,556	370,933
Public Service.....	—	170,096	199,550
Academic Support.....	—	207,688	551,777
Student Services.....	—	103,784	337,027
Institutional Support.....	—	237,275	696,800
Operation and Maintenance of Plant.....	—	108,461	393,294
Scholarships and Fellowships.....	—	120,962	273,338
Auxiliary Enterprises.....	—	254,137	725,302
Hospitals.....	—	2,683,589	357,296
Interest on Long-Term Debt.....	—	95,495	319,703
Depreciation.....	1,733	358,326	569,383
Other.....	—	—	72,210
<b>TOTAL EXPENSES.....</b>	<b>379,913</b>	<b>5,810,108</b>	<b>8,229,478</b>
<b>PROGRAM REVENUES:</b>			
Charges for Services, Fees, Fines and Forfeitures.....	35,353	4,441,709	5,417,695
Operating Grants, Contributions and Restricted Investment Income.....	7,051	683,809	709,319
Capital Grants, Contributions and Restricted Investment Income.....	—	10,422	27,900
<b>TOTAL PROGRAM REVENUES.....</b>	<b>42,404</b>	<b>5,135,940</b>	<b>6,154,914</b>
<b>NET PROGRAM (EXPENSE) REVENUE .....</b>	<b>(337,509)</b>	<b>(674,168)</b>	<b>(2,074,564)</b>
<b>GENERAL REVENUES:</b>			
Unrestricted Investment Income.....	—	(10,376)	(79,164)
State Assistance.....	183,577	492,444	1,479,862
Other.....	890	225,646	494,032
<b>TOTAL GENERAL REVENUES.....</b>	<b>184,467</b>	<b>707,714</b>	<b>1,894,730</b>
<b>ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....</b>	<b>—</b>	<b>64,537</b>	<b>46,138</b>
<b>GAIN (LOSS) ON EXTINGUISHMENT OF DEBT.....</b>	<b>—</b>	<b>—</b>	<b>(87)</b>
<b>CHANGE IN NET POSITION.....</b>	<b>(153,042)</b>	<b>98,083</b>	<b>(133,783)</b>
<b>NET POSITION (DEFICITS), JULY 1 (as restated).....</b>	<b>(3,672,306)</b>	<b>4,992,309</b>	<b>8,197,939</b>
<b>NET POSITION (DEFICITS), JUNE 30.....</b>	<b>\$ (3,825,348)</b>	<b>\$ 5,090,392</b>	<b>\$ 8,064,156</b>

The notes to the financial statements are an integral part of this statement.

**TOTAL**

\$ 344,183  
417,091  
926,567

3,052,943  
841,489  
369,646  
759,465  
440,811  
934,075  
501,755  
394,300  
979,439  
3,040,885  
415,198  
929,442  
72,210

**14,419,499**

9,894,757

1,400,179

38,322

**11,333,258**

**(3,086,241)**

(89,540)

2,155,883

720,568

**2,786,911**

110,675

(87)

(188,742)

9,517,942

**\$ 9,329,200**



## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2016, and for the year then ended, conform with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are included in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The State's significant accounting policies are as follows.

### A. Financial Reporting Entity

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

GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*, as amended by GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
- an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

### 1. Blended Component Units

The Buckeye Tobacco Settlement Financing Authority (BTSFA) is a legally separate organization for which the State has financial accountability through voting majority and the State has the potential to receive a financial benefit. The BTSFA provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, for the benefit of the State. Therefore, the State reports this organization's balances and transactions as though they were part of the primary government using the blending method.

### 2. Fiduciary Component Units

The State Highway Patrol Retirement System is a legally separate organization that provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, for the benefit of the State. Therefore, the State reports this organization's balances and transactions separately in the fiduciary fund financial statements.

### 3. Discretely Presented Component Units

The component units' columns in the basic financial statements include the financial data of another 28 organizations. The separate discrete column labeled, "Component Units," emphasizes these organizations' separateness from the State's primary government. Officials of the primary government appoint a voting majority of each organization's governing board.

The primary government has the ability to impose its will on the following organizations by modifying or approving their respective budgets, through policy modification authority, or by modifying or approving rate or fee changes.

Ohio Facilities Construction Commission  
Ohio Air Quality Development Authority  
Ohio Capital Fund  
JobsOhio

The Ohio Turnpike and Infrastructure Commission has the potential to provide a financial benefit to the primary government.



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

The following organizations impose or potentially impose financial burdens on the primary government.

Ohio State University  
University of Cincinnati  
Ohio University  
Miami University  
University of Akron  
Bowling Green State University  
Kent State University  
University of Toledo  
Cleveland State University  
Youngstown State University  
Wright State University  
Shawnee State University  
Northeast Ohio Medical University  
Central State University  
Terra State Community College  
Columbus State Community College  
Clark State Community College  
Edison State Community College  
Southern State Community College  
Washington State Community College  
Cincinnati State Community College  
Northwest State Community College  
Owens State Community College

The Ohio Facilities Construction Commission, a governmental component unit, does not issue separately audited financial reports.

Information on how to obtain financial statements for the State's component units that do issue their own separately audited financial reports is available from the Ohio Office of Budget and Management.

**4. Joint Ventures and Related Organizations**

As discussed in more detail in NOTE 19, the State participates in several joint ventures and has related organizations. The State does not include the financial activities of these organizations in its financial statements, in conformity with GASB 14, as amended by GASB 39 and GASB 61.

**B. Basis of Presentation**

*Government-wide Statements* — The Statement of Net Position and the Statement of Activities display information about the primary government (the State) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities.

Fiduciary funds of the primary government and component units that are fiduciary in nature are reported only in the statements of fiduciary net position and changes in fiduciary net position.

For the government-wide financial statements, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the State. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources using the economic resources measurement focus and the accrual basis of accounting. The State presents the statement in a format that displays *assets and deferred outflows of resources less liabilities and deferred inflows of resources equal net position*. The *net position* section is displayed in three components:



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

- The *Net Investment in Capital Assets* component consists of 1) capital assets, net of accumulated depreciation, and deferred outflows of resources that are attributable to the acquisition, construction, or improvements of those assets or related debt less 2) outstanding balances of any bonds or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. The portion of debt and deferred inflows of resources attributable to significant unspent related debt proceeds at year-end is not included in the calculation of this net position component.
- The *Restricted Net Position* component represents the net position with constraints placed on its use that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. For component units with permanent endowments, restricted net position is displayed in two additional components — nonexpendable and expendable. Nonexpendable net position is for those endowments that are required to be retained in perpetuity.
- The *Unrestricted Net Position* component consists of the net position that does not meet the definition of the preceding two components.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for the different business-type activities of the State. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Centralized expenses have been included in direct expenses. Indirect expenses have not been allocated to the programs or functions reported in the Statement of Activities.

Program revenues include licenses, permits and other fees, fines, forfeitures, charges paid by the recipients of goods or services offered by the programs, and grants, contributions, and investment earnings that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all tax, tobacco settlement, escheat property revenues, unrestricted investment income, and state assistance, are presented as general revenues.

*Fund Financial Statements* — The fund financial statements provide information about the State's funds, including the fiduciary funds and blended component units. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Governmental fund types include the General, special revenue, debt service, and capital projects funds. The proprietary funds consist of enterprise funds. Fiduciary fund types include pension trust, private-purpose trust, investment trust, and agency funds.

Operating revenues for the State's proprietary funds mainly consist of charges for sales and services and premium and assessment income since these revenues result from exchange transactions associated with the principal activity of the respective enterprise fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Revenue from the federal government for the underfunded regular and extended unemployment benefits is also reported as operating revenues for the Unemployment Compensation Fund, since this source provides significant funding for the payment of unemployment benefits — the fund's principal activity. Investment income for the Tuition Trust Authority Fund is also reported as operating revenue, since this source provides significant funding for the payment of tuition benefits. Nonoperating revenues for the proprietary funds result from nonexchange transactions or ancillary activities; nonoperating revenues are primarily comprised of investment income and federal operating grants.

Proprietary fund operating expenses principally consist of expenses for the cost of sales and services, administration, bonuses and commissions, prizes, benefits and claims, and depreciation. Nonoperating expenses principally consist of interest expense on debt and the amortization of discount on lottery prize liabilities, which is reported under "Other" nonoperating expenses.



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

The State reports the following major governmental funds:

*General* — The General Fund, the State's primary operating fund, accounts for resources of the general government, except those required to be accounted for in another fund.

*Job, Family and Other Human Services Special Revenue Fund* — This fund accounts for public assistance programs primarily administered by the Ohio Department of Job and Family Services, which provides financial assistance, services, and job training to those individuals and families who do not have sufficient resources to meet their basic needs. The primary sources of revenue for this fund are licenses, permits and fees and the federal government.

*Buckeye Tobacco Settlement Financing Authority Revenue Bonds Debt Service Fund* — This fund accounts for the payment of principal and interest on the revenue bonds issued to fund long-lived capital projects at State-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State.

The State reports the following major proprietary funds:

*Workers' Compensation Enterprise Fund* — This fund accounts for the operations of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio, which provide workers' compensation insurance services.

*Lottery Commission Enterprise Fund* — This fund accounts for the State's lottery operations.

*Unemployment Compensation Enterprise Fund* — This fund, which is administered by the Ohio Department of Job and Family Services, accounts for unemployment compensation benefit claims.

The State reports the following fiduciary fund types:

*Pension Trust Fund* — The State Highway Patrol Retirement System Pension Trust Fund accounts for resources that are required to be held in trust for members and beneficiaries of the defined benefit plan. The financial statements for the State Highway Patrol Retirement System Pension Trust Fund are presented for the fiscal year ended December 31, 2015.

*Private-Purpose Trust Fund* — The Private-Purpose Trust Fund accounts for trust arrangements under which principal and income benefit participants in the Variable College Savings Plan, which is administered by the Tuition Trust Authority.

*Investment Trust Fund* — The STAR Ohio Investment Trust Fund accounts for the state-sponsored external investment pool, which the Treasurer of State administers for local government participants.

*Agency Funds* — These funds account for the receipt, temporary investment, and remittance of fiduciary resources held on behalf of individuals, private organizations, and other governments.

The State reports the following major discretely presented component unit funds:

The *Ohio Facilities Construction Commission Fund* primarily accounts for grants that provide assistance to local entities for the construction of school buildings. The fund also provides construction services for arts and sports facilities.

The *Ohio State University Fund* is a business-type activity that uses proprietary fund reporting. It reports the university's operations, including the University's health system, supercomputer center, agricultural research and development center, and other legally separate entities subject to the control of the university's board.



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

**C. Measurement Focus and Basis of Accounting**

*Government-wide, Enterprise Fund, and Fiduciary Fund Financial Statements* — The State reports the government-wide financial statements and the proprietary fund and fiduciary fund financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The State recognizes revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions when the exchange takes place. When resources are received in advance of the exchange, the State reports the unearned revenue as a liability.

Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include derived taxes, grants, and entitlements. The revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB 65, *Items Previously Reported as Assets and Liabilities*.

Under the accrual basis, the State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred.

Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue.

Investment income includes the net increase (decrease) in the fair value of investments.

*Governmental Fund Financial Statements* — The State reports governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers revenues reported in the governmental funds to be available when the revenues are collectible within 60 days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Significant revenue sources susceptible to accrual under the modified accrual basis of accounting include:

- Personal income taxes
- Sales and use taxes
- Motor vehicle fuel taxes
- Charges for goods and services
- Federal government grants
- Tobacco settlement
- Investment income

The State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred and the revenues are collected during the availability period.

For revenue arising from exchange transactions (e.g., charges for goods and services), the State recognizes deferred inflows of resources when resources earned from the exchange are not received during the availability period and reports unearned revenue when resources are received in advance of exchange.



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

The governmental funds recognize federal government revenue in the period when all applicable eligibility requirements have been met and resources are available. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue. The State recognizes deferred inflows of resources for reimbursement-type grant programs if the reimbursement is not received during the availability period.

Licenses, permits, fees, and certain other miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. The "Other" revenue account is comprised of refunds, reimbursements, recoveries, and other miscellaneous income.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, capital lease obligations, compensated absences, and claims and judgments. The governmental funds recognize expenditures for these liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from long-term debt issuances, including refunding bond proceeds, premiums, and acquisitions under capital leases are reported as other financing sources while discounts and payments to refunded bond escrow agents are reported as other financing uses.

**D. Budgetary Process**

As the Ohio Revised Code requires, the Governor submits biennial operating and capital budgets to the General Assembly.

The General Assembly approves operating appropriations in annual amounts and capital appropriations in two-year amounts.

The General Assembly enacts the budget through passage of specific departmental line-item appropriations, the legal level of budgetary control. Line-item appropriations are established within funds by program or major object of expenditure. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative override.

The State's Controlling Board can transfer or increase a line-item appropriation within the limitations set under Sections 127.14 and 131.35, Ohio Revised Code.

All governmental funds are budgeted except the following activities within the debt service and capital projects fund types:

- Improvements General Obligations
- Highway Improvements General Obligations
- Development General Obligations
- Highway General Obligations
- Public Improvements General Obligations
- Vietnam Conflict Compensation General Obligations
- Infrastructure Bank Revenue Bonds
- Buckeye Tobacco Settlement Financing Authority Revenue Bonds
- Lease Rental Special Obligations
- MARCS Certificates of Participation
- OAKS Certificates of Participation
- STARS Certificates of Participation
- TMS Certificates of Participation
- EDCS Certificates of Participation
- MARCS Project
- OAKS Project
- STARS Project
- TMS Project
- EDCS Project



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

For budgeted funds, the State's Ohio Administrative Knowledge System (OAKS) controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. The State uses the modified cash basis of accounting for budgetary purposes.

The *Detailed Appropriation Summary by Fund Report* is available for public inspection at the Ohio Office of Budget and Management and on its web site at [www.obm.ohio.gov/StateAccounting/financialreporting](http://www.obm.ohio.gov/StateAccounting/financialreporting). This Summary provides a more comprehensive accounting of activity on the budgetary basis at the legal level of budgetary control.

In the *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Fund*, the State reports estimated revenues and other financing sources and uses for the General Fund only; the State does not estimate revenue and other financing sources and uses for the major special revenue fund or its budgeted nonmajor governmental funds.

Additionally, in the non-GAAP budgetary basis financial statement and schedules, "actual" budgetary expenditures include cash disbursements and outstanding encumbrances, as of June 30.

The State Highway Patrol Retirement System Pension Trust Fund, the Variable College Savings Plan Private-Purpose Trust Fund, and the STAR Ohio Investment Trust Fund are not legally required to adopt budgets. The State is not legally required to report budgetary data and comparisons for the budgeted proprietary funds. Also, the State does not present budgetary data for its discretely presented component units.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, NOTE 3 presents a reconciliation of the differences between the GAAP basis and non-GAAP budgetary basis of reporting.

**E. Cash Equity with Treasurer and Cash and Cash Equivalents**

Cash equity with Treasurer consists of pooled demand deposits and investments carried at fair value. The State's cash pool under the Treasurer of State's administration has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

Cash and cash equivalents include amounts on deposit with financial institutions and cash on hand. The cash and cash equivalents account also includes investments with original maturities of three months or less from the date of acquisition for the Workers' Compensation Enterprise Fund.

Cash equity with Treasurer and cash and cash equivalents, including the portions reported under "Restricted Assets," are considered to be cash equivalents, as defined in GASB Statement No. 9, for purposes of the Statement of Cash Flows.

Additional disclosures on the State's deposits can be found in NOTE 4.

**F. Investments**

Investments include long-term investments that may be restricted by law or other legal instruments. With the exception of certain money market investments, which have remaining maturities at the time of purchase of one year or less and are carried at amortized cost, and holdings in the State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool, the State reports investments at fair value based on quoted market prices. STAR Ohio reports investments at amortized cost, which approximates fair value.

The colleges and universities report investments received as gifts at their fair value on the donation date.

The primary government does not manage or provide investment services for investments reported in the Agency Fund that are owned by other, legally separate entities that are not part of the State of Ohio's reporting entity.

Additional disclosures on the State's investments can be found in NOTE 4.



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

**G. Taxes Receivable**

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, revenue has been recognized for the receivable. In the fund financial statements only the portion of the receivable collected during the 60-day availability period has been recognized as revenue while the remainder is recorded as deferred inflows of resources. Additional disclosures on taxes receivable can be found in NOTE 5.

**H. Intergovernmental Receivable**

The intergovernmental receivable balance is primarily comprised of amounts due from the federal government for reimbursement-type grant programs. Advances of resources to recipient local governments before eligibility requirements have been met under government-mandated and voluntary nonexchange programs and amounts due for exchanges of State goods and services with other governments are also reported as intergovernmental receivables. Additional details on the intergovernmental receivable balance can be found in NOTE 5.

**I. Inventories**

Inventories are valued at cost. Principal inventory cost methods applied include first-in/first-out, average cost, moving-average, and retail.

In the governmental fund financial statements, the State recognizes the costs of material inventories as expenditures when purchased. Inventories do not reflect current appropriable resources in the governmental fund financial statements. Therefore, the State reports an equivalent portion of fund balance as nonspendable.

**J. Restricted Assets**

The primary government reports assets restricted for the payment of lottery prize awards payable, revenue bonds, and tuition benefits in the enterprise funds.

Generally, the component unit funds hold assets in trust under bond covenants or other financing arrangements that legally restrict the use of these assets.

**K. Capital Assets**

*Primary Government*

The State reports capital assets purchased with governmental fund resources in the government-wide financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the donation date. The State does not report capital assets purchased with governmental fund resources in the fund financial statements. Governmental capital assets are reported net of accumulated depreciation, except for land, construction-in-progress, transportation infrastructure assets, and individual works of art and historical treasures, including historical land improvements and buildings. Transportation infrastructure assets are reported using the "modified approach," as discussed below, and therefore are not depreciable. Individual works of art and historical treasures, including historical land improvements and buildings, are considered to be inexhaustible, and therefore, are not depreciable.

The State reports capital assets purchased with enterprise fund resources and fiduciary fund resources in the government-wide and the fund financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the donation date. Capital assets, except for land and construction-in-progress, are reported net of accumulated depreciation.

The State has elected to capitalize its transportation infrastructure assets, defined as bridges, general highways, and priority highways, using the modified approach. Under this approach, the infrastructure assets are not depreciated because the State has committed itself to maintaining the assets at a condition level that the Ohio Department of Transportation (ODOT) has determined to be adequate to meet the needs of the citizenry. Costs of maintaining the bridge and highway infrastructure are not capitalized. New construction that represents additional lane-miles of highway or additional square-footage of bridge deck area and improvements that add to the capacity or efficiency of an asset are capitalized.



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

ODOT maintains an inventory of its transportation infrastructure capital assets, and conducts annual condition assessments to establish that the condition level that the State has committed itself to maintaining is, in fact, being achieved. ODOT also estimates the amount that must be spent annually to maintain the assets at the desired condition level.

For its other types of capital assets, the State does not capitalize the costs of normal maintenance and repairs that do not add to an asset’s value or materially extend its useful life. Costs of major improvements are capitalized. Interest costs associated with the acquisition of capital assets purchased using governmental fund resources are not capitalized, while those associated with acquisitions purchased using enterprise and fiduciary fund resources are capitalized.

The State does not capitalize collections of works of art or historical treasures that can be found at the Governor’s residence, Malabar Farm (i.e., Louis Bromfield estate), which the Ohio Department of Natural Resources operates, the Ohio Arts Council, the State Library of Ohio, and the Capitol Square Review and Advisory Board for the following reasons:

- The collection is held for public exhibition, education, or research in furtherance of public service rather than for financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State has established the following capitalization thresholds:

Buildings .....	\$15,000
Building Improvements .....	100,000
Land, including easements .....	All, regardless of cost
Land Improvements .....	15,000
Machinery and Equipment .....	15,000
Vehicles.....	15,000
Infrastructure:	
Highway Network.....	500,000
Bridge Network .....	500,000
Park and Natural Resources Network .....	All, regardless of cost

For depreciable assets, the State applies the straight-line method over the following estimated useful lives:

Buildings .....	20-45 Years
Land Improvements .....	10-30 Years
Machinery and Equipment .....	3-15 Years
Vehicles.....	7-15 Years
Park and Natural Resources Infrastructure Network .....	10-50 Years

NOTE 8 contains additional disclosures about the primary government’s capital assets.

*Discretely Presented Component Unit Funds*

The discretely presented component unit funds value all capital assets at cost and donated capital assets at estimated fair value on the donation date. They apply the straight-line method to depreciable capital assets. Additional disclosures about the discretely presented component unit funds’ capital assets can be found in NOTE 8.

**L. Medicaid Claims Payable**

The Medicaid claims liability, which has an average maturity of one year or less, includes an estimate for incurred, but not reported claims.



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

**M. Noncurrent Liabilities**

*Government-wide Financial Statements* — Liabilities whose average maturities are greater than one year are reported in two components — the amount due in one year and the amount due in more than one year. Additional disclosures as to the specific liabilities included in noncurrent liabilities can be found in NOTES 10 through 15.

*Fund Financial Statements* — Governmental funds recognize noncurrent liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

The proprietary funds and discretely presented component unit funds report noncurrent liabilities expected to be financed from their operations.

**N. Compensated Absences**

Employees of the State's primary government earn vacation leave, sick leave, and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first four years of employment, up to a maximum rate of 9.2 hours every two weeks after 24 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their full rate, 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 to 55 percent of unused sick leave.

Such leave is liquidated in cash, under certain restrictions, either annually in December, or at the time of termination from employment.

For the governmental funds, the State reports the matured compensated absences liability as a fund liability (included in the "Accrued Liabilities" account as a component of wages payable) to the extent it will be liquidated with expendable, available financial resources. For the primary government's proprietary funds and its discretely presented component unit funds, the State reports the compensated absences liability as a fund liability included in the "Refund and Other Liabilities" account.

The State's primary government accrues vacation, compensatory time, and personal leaves as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement.

Sick leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

The State's primary government accrues sick leave using the vesting method. Under this method, the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

Included in the compensated absences liability is an amount accrued for salary-related payments directly and incrementally associated with the payment of compensated absences upon termination. Such payments include the primary government's share of Medicare taxes.

For the colleges and universities, vacation and sick leave policies vary by institution.

**O. Pensions**

For purposes of measuring the net pension liability, Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.



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

**P. Fund Balance Classification; Budget Stabilization Fund; Net Position/Fund Balance Spending Order**

Fund balance reported in the governmental fund financial statements is classified as follows:

Nonspendable

The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either 1) not in spendable form, such as prepaids and inventories or 2) legally or contractually required to be maintained intact, such as the corpus of a permanent fund.

Restricted

Fund balance amounts should be *restricted* when constraints placed on the use of resources are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted

Committed

Amounts constrained for specific purposes by formal action (i.e., legislation) of the government's highest level of decision-making authority (i.e., General Assembly) should be reported as *committed* fund balance. Committed amounts cannot be used for other purposes unless the General Assembly passes legislation to remove the constraints.

Assigned

Amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as *assigned* fund balance, except for stabilization arrangements. The intent should be conveyed by the governing body itself or through delegation to a body or official authorized on behalf of the government to assign amounts to be used for specific purposes. The Controlling Board, created under Chapter 127, Ohio Revised Code, is an example of a body delegated by the government to make assignments. The Director of the Office of Budget and Management is an example of an authorized official granted assignment authority through legislative language, including enacted budget bills. While both the committed and assigned fund balance classifications include amounts constrained for specific use by actions taken by the government itself, the authority for making an assignment is not required to be the government's highest level of decision-making authority. Amounts should not be reported as assigned if the assignment would result in a deficit in unassigned fund balance.

Unassigned

*Unassigned* fund balance is the residual classification for the General Fund. This classification represents spendable fund balance that has not been otherwise restricted, committed or assigned to specific purposes within the General Fund. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance due to overspending amounts that are restricted or committed.

Fund balance in the State's Budget Stabilization Fund, as discussed in Sections 131.43 and 131.44, Ohio Revised Code, does not meet the criteria to be classified as restricted or committed and is, therefore, reported as unassigned in the General Fund.

For reporting purposes, restricted amounts are generally considered to have been spent first, followed by unrestricted amounts. Within the unrestricted fund balance amounts, the spending order is generally committed, followed by assigned, and then unassigned when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classification could be used.

**Q. Risk Management**

The State's primary government is self-insured for claims under its traditional healthcare plan and for vehicle liability while it has placed employee and public official fidelity bonding with a private insurer. The State self-funds tort liability although several agencies also choose to participate in private insurance programs. All State owned buildings are covered under a catastrophic property policy that covers both real and personal property losses. All other liability risk to State property is self-funded on a pay-as-you-go basis.



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

While not the predominant participants, the State's primary government and its discretely presented component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their respective workers' compensation liabilities. These liabilities are reported in the governmental and proprietary funds under the "Interfund Payable" account. (See NOTE 7).

**R. Interfund Balances and Activities**

Interfund transactions and balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

In the fund financial statements, interfund activity within and among the three fund categories (governmental, proprietary, and fiduciary) is classified and reported as follows:

*Reciprocal interfund activity* is the internal counterpart to exchange and exchange-like transactions. This activity includes:

*Interfund Loans* — Amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

*Interfund Services Provided and Used* — Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and as expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net position.

*Nonreciprocal interfund activity* is the internal counterpart to nonexchange transactions. This activity includes:

*Interfund Transfers* – Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

*Interfund Reimbursements* — Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not displayed in the financial statements.

Details on interfund balances and transfers are disclosed in NOTE 7.

**S. Intra-Entity Balances and Activities**

Balances due between the primary government and its discretely presented component units are reported as receivables from component units or primary government and payables to component units or primary government. For the discretely presented component units, the nature and amount of significant transactions with the primary government are disclosed in NOTE 7.

Resource flows between the primary government and its discretely presented component units are reported like external transactions (i.e., revenues and expenses).

**T. Derivatives Instruments**

The State's derivative instruments include investment derivatives and interest rate swaps. Interest rate swaps that are ineffective hedging derivatives are reported within the investment derivatives classification.

The State reports its derivative instruments at fair value in the Statement of Net Position. Changes in fair value for investment derivatives are recorded as investment income in the Statement of Activities. Changes in fair value for effective hedging derivatives are reported as deferred outflows/inflows of resources in the Statement of Net Position and disclosed in NOTE 18.



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

Additional disclosures on the State’s investment derivatives and its hedging derivatives can be found in NOTE 4 and NOTE 10, respectively.

**U. Use of Estimates**

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

**NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES, EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS**

**A. Restatements**

Restatements of net position, as of June 30, 2016, for the primary government and discretely presented component units are presented in the following table (dollars in thousands).

**Government-Wide Financial Statements:**

	Governmental Activities	Total Discretely Presented Component Units
Net Position, as of June 30, 2015, As Previously Reported .....	\$ 19,317,816	\$ 9,563,238
<i>Implementation of a New Accounting Standard:</i>		
GASB Statement No. 68 (Fiscal Year Ended December 31, 2015).....	-	(41,054)
<i>Change in Reporting Entity:</i>		
Wright State University.....	-	2,435
<i>Correction of an Error:</i>		
Office of Loan Administration.....	636	-
Ohio Air Quality Development Authority.....	-	(8)
Cleveland State University.....	-	(6,225)
Clark State Community College.....	-	(444)
Total Changes in Net Position.....	636	(45,296)
Net Position, July 1, 2015, As Restated .....	<u>\$ 19,318,452</u>	<u>\$ 9,517,942</u>

**Governmental Fund and Fiduciary Fund Financial Statements:**

	General Fund	Pension Trust Fund
Fund Balance/Net Position, as of June 30, 2015, As Previously Reported .....	\$ 5,003,799	\$ 848,611
<i>Implementation of a New Accounting Standard:</i>		
GASB Statement No. 68 (Fiscal Year Ended December 31, 2015).....	-	(595)
<i>Correction of an Error:</i>		
Office of Loan Administration.....	636	-
Total Changes in Fund Balance/Net Position.....	636	(595)
Fund Balance/Net Position, July 1, 2015, As Restated .....	<u>\$ 5,004,435</u>	<u>\$ 848,016</u>

**B. Implementation of Recently Issued Accounting Pronouncements**

For the fiscal year ended June 30, 2016, the State implemented the provisions of

- Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*.
- Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*.



**NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES,  
EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS (Continued)**

- Governmental Accounting Standards Board (GASB) Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.
- Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 enhances comparability by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurement on a government's financial position.

GASB Statement No. 73 improves financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. Part of the Statement was implemented for the fiscal year ending June 30, 2016 and part will be implemented for fiscal year ending June 30, 2017.

GASB Statement No.76, which supersedes GASB 55, establishes improved financial reporting by 1) raising the category of GASB Implementation Guides in the GAAP hierarchy; 2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and 3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature.

GASB Statement No.79 enhances comparability of financial statements by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement and with consistent application of an amortized cost-based measurement for financial reporting purposes. This Statement establishes additional note disclosure requirements to include information about any limitations or restrictions on participant withdrawals. Part of the Statement was implemented for the fiscal year ending June 30, 2016 and part will be implemented for fiscal year ending June 30, 2017.

**C. Recently Issued GASB Pronouncements**

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions of GASB 74 are effective for financial statements for fiscal years beginning after June 15, 2016. The requirements of this Statement improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of GASB 75 are effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The consistency, comparability, and transparency of the information reported by employers and governmental nonemployer contributing entities about OPEB transactions will also be improved by the requirements of this Statement.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The provisions of GASB 77 are effective for financial statements for periods beginning after December 15, 2015. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and



**NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES,  
EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS (Continued)**

magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand 1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of GASB 78 are effective for financial statements for fiscal years beginning after December 15, 2015. The requirements of this Statement establishes recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions provided to employees of state or local governmental employers associated with certain cost-sharing multiple-employer defined benefit pension plans.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14*. The provisions of GASB 80 are effective for financial statements for fiscal years beginning after June 15, 2016. The requirements of this Statement clarify the financial statement presentation requirements for certain component units and requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The provisions of GASB 81 are effect for financial statements for fiscal years beginning after December 15, 2016. When receiving resources pursuant to an irrevocable split-interest agreement, a government must recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and to recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party.

In March 2016, the GASB issued Statement No. 82, *Pension Issues-An Amendment of FASB Statements No. 67, No. 68, and No. 73*. The provisions of GASB 82 are effective for financial statements for fiscal years beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This Statement addresses issues regarding 1) the presentation of payroll-related measures in required supplementary information, 2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and 3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Management is assessing the impact that the new GASB pronouncements will have on the State's financial statements.

**D. Extinguishments of Debt – Major Funds**

Extinguishments of debt reflected in the State's basic financial statements, as of June 30, 2016 (dollars in thousands) are as follows:

**Unemployment Compensation**

Gain on Extinguishment of Debt

The \$502.6 million gain on extinguishment of debt reported in the business-type activities relates to Unemployment Compensation. To assist the State in the repayment of outstanding advances owed to the federal government, the federal government implemented a reduction to the Federal Unemployment Tax Act (FUTA) credit it gives to employers. The additional tax paid by the employers and collected directly by the federal government as a result of the FUTA credit reduction is offset against the State's outstanding advance balance.

Voluntary Federal Advance Payments

In addition to the FUTA offset, the State made voluntary payments totaling \$200 million which reduced the outstanding advance balance to \$275.9 million as of June 30, 2016. The State paid off the outstanding balance in August 2016.



**NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS**

In the accompanying *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, actual revenues, transfers-in, expenditures, encumbrances, and transfers-out reported on the non-GAAP budgetary basis do not equal those reported on the GAAP basis in the *Statement of Revenues, Expenditures and Changes in Fund Balances — Major Governmental Funds*.

This inequality results primarily from basis differences in the recognition of accruals, deferred resources, interfund transactions, and loan transactions, and from timing differences in the budgetary basis of accounting for encumbrances. On the non-GAAP budgetary basis, the State recognizes encumbrances as expenditures in the year encumbered, while on the modified accrual basis, the State recognizes expenditures when goods or services are received regardless of the year encumbered.

*Original Budget* amounts in the accompanying budgetary statements have been taken from the first complete appropriated budget for fiscal year 2016. An appropriated budget is the expenditure authority created by appropriation bills that are signed into law and related estimated revenues. The original budget also includes actual appropriation amounts automatically carried over from prior years by law, including the automatic rolling forward of appropriations to cover prior-year encumbrances.

*Final Budget* amounts represent original appropriations modified by authorized transfers, supplemental and amended appropriations, and other legally authorized legislative and executive changes applicable to fiscal year 2016, whenever signed into law or otherwise legally authorized.

For fiscal year 2016, no excess expenditures over appropriations were reported in individual funds.

A reconciliation of the fund balances reported under the GAAP basis and budgetary basis for the General Fund and the major special revenue fund is presented on the following page.



**NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS (Continued)**

**Primary Government**  
**Reconciliation of GAAP Basis Fund Balances to Non-GAAP Budgetary Basis Fund Balances**  
**For the General Fund and Major Special Revenue Fund**  
**As of June 30, 2016**  
*(dollars in thousands)*

	General	Job, Family & Other Human Services
Total Fund Balances — GAAP Basis .....	\$ 5,654,361	\$ 353,827
Less: Nonspendable Fund Balances.....	45,953	-
Less: Restricted Fund Balances.....	1,270,315	287,297
Less: Committed Fund Balances.....	820,878	66,810
Less: Assigned Fund Balances.....	2,653,290	-
Unassigned Fund Balances — GAAP Basis .....	<u>863,925</u>	<u>(280)</u>
<b>BASIS DIFFERENCES</b>		
Revenue Accruals/Adjustments:		
Cash Equity with Treasurer .....	(133,544)	(11,255)
Taxes Receivable .....	(1,370,920)	-
Intergovernmental Receivable .....	(669,950)	(188,464)
Loans Receivable, Net .....	(1,057,980)	-
Interfund Receivable .....	(2,847)	-
Receivables from Component Units.....	(2,587)	-
Other Receivables .....	(253,256)	(455,018)
Unearned Revenue .....	-	378,894
Total Revenue Accruals/Adjustments .....	<u>(3,491,084)</u>	<u>(275,843)</u>
Expenditure Accruals/Adjustments:		
Cash Equity with Treasurer .....	37,610	5,757
Inventories .....	(21,359)	-
Other Assets .....	(20)	-
Accounts Payable .....	289,458	151,097
Accrued Liabilities .....	126,735	20,435
Medicaid Claims Payable .....	980,186	-
Intergovernmental Payable .....	781,086	116,067
Interfund Payable .....	453,875	13,391
Payable to Component Units .....	18,958	2,014
Refund and Other Liabilities .....	804,899	5,942
Liability for Escheat Property .....	271,580	-
Total Expenditure Accruals/Adjustments .....	<u>3,743,008</u>	<u>314,703</u>
Deferred Inflows of Resources.....	<u>1,243,096</u>	<u>81,873</u>
Other Adjustments:		
Fund Balance Reclassifications:		
From Unassigned (Non-GAAP Budgetary Basis) to:		
Nonspendable .....	45,953	-
Restricted.....	1,270,315	287,297
Committed .....	820,878	66,810
Assigned.....	2,653,290	-
Cash and Investments Held Outside State Treasury .....	(1,321,627)	(3,383)
Other .....	(1)	-
Total Other Adjustments .....	<u>3,468,808</u>	<u>350,724</u>
Total Basis Differences .....	<u>4,963,828</u>	<u>471,457</u>
<b>TIMING DIFFERENCES</b>		
Encumbrances .....	<u>(1,005,500)</u>	<u>(1,252,727)</u>
Budgetary Fund Balances (Deficits) — Non-GAAP Basis .....	<u>\$ 4,822,253</u>	<u>\$ (781,550)</u>



## NOTE 4 DEPOSITS AND INVESTMENTS

### A. Legal Requirements

The deposit and investment policies of the Treasurer of State and the State Board of Deposit are governed by the Uniform Depository Act, Chapter 135, Ohio Revised Code, which requires state moneys to be maintained in one of the following three classifications:

*Active Deposits* – Moneys required to be kept in cash or near cash status to meet current demands. Such moneys must be maintained either as cash in the State’s treasury or in any of the following: a commercial account that is payable or about to be withdrawn, in whole or in part, on demand, a negotiable order of withdrawal account, a money market deposit account or a designated warrant clearance account.

*Inactive Deposits* – Those moneys not required for use within the current two year period of designation of depositories. Inactive moneys may be deposited or invested only in certificates of deposit maturing not later than the end of the current period of designation of depositories.

*Interim Deposits* – Those moneys not required for immediate use, but needed before the end of the current period of designation of depositories. Interim deposits may be deposited or invested in the following instruments:

- US Treasury bills, notes, bonds or other obligations or securities issued by or guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
- Bonds and other direct obligations of the State of Ohio issued by the Treasurer of State and of the Ohio Public Facilities Commission, the Ohio Housing Finance Agency, the Ohio Water Development Authority, and the Ohio Turnpike Infrastructure Commission;
- Commercial paper issued by any corporation that is incorporated under the laws of the United States or a state;
- Written repurchase agreements with any eligible Ohio financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer in the securities enumerated above;
- No-load money market mutual funds consisting exclusively of securities and repurchase agreements enumerated above;
- Securities lending agreements with any eligible financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer;
- Bankers’ acceptances maturing in 270 days or less;
- Certificates of deposit in the eligible institutions applying for interim moneys, including linked deposits, as authorized under Sections 135.61 to 135.67, Ohio Revised Code, agricultural linked deposits, as authorized under Sections 135.71 to 135.76, Ohio Revised Code, and housing linked deposits, as authorized under Sections 135.81 to 135.87, Ohio Revised Code;
- The Treasurer of State’s investment pool, as authorized under section 135.45, Ohio Revised Code;
- The Treasurer of State’s STAR Plus program;
- Debt interest, other than commercial paper as enumerated above, of corporations incorporated under the laws of the United States or a state, or foreign nations diplomatically recognized by the United States, or any instrument based on, derived from, or related to such interests that are denominated and payable in U.S. funds;



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

- Bonds, notes, and other obligations of any state or political subdivision thereof;
- Obligations of a board of education, as authorized under Section 133.10, Ohio Revised Code; and
- Obligations of a political subdivision issued under Chapter 133, Ohio Revised Code.

The reporting entity's deposits must be held in insured depositories approved by the State Board of Deposit and must be fully collateralized. However, in the case of foundations and other component units of the colleges and universities, deposits of these entities are not subject to the legal requirements for deposits of governmental entities.

Deposit and investment policies of certain individual funds and component units are established by Ohio Revised Code provisions other than the Uniform Depository Act and by bond trust agreements. In accordance with applicable statutory authority, the State Highway Patrol Retirement System Pension Trust Fund, the Tuition Trust Authority Enterprise Fund, the Workers' Compensation Enterprise Fund, the Retirement Systems Agency fund, and the higher education institutions may also invest in common and preferred stocks, domestic and foreign corporate and government bonds and notes, mortgage loans, limited partnerships, venture capital, real estate and other investments.

**B. State-Sponsored Investment Pool**

The Treasurer of State is the investment advisor and administrator of the State Treasury Asset Reserve of Ohio (STAR Ohio), a statewide external investment pool authorized under Section 135.45, Ohio Revised Code. STAR Ohio issues a stand-alone financial report, copies of which may be obtained by making a written request to: Director of Investments, Treasurer of State, 30 East Broad Street, 9<sup>th</sup> Floor, Columbus, Ohio 43215, by calling 1-800-648-7827, or by accessing the Treasurer of State's website at [www.tos.ohio.gov](http://www.tos.ohio.gov).

**C. Deposit and Investment Risks**

Although exposure to risks is minimized by complying with the legal requirements explained above and internal policies adopted by the Treasurer of State and the investment departments at the various state agencies, the State's deposits and investments are exposed to risks that may lead to losses of value.

The following risk disclosures report investments by type. The "U.S. Agency Obligations" category includes securities issued by federal government agencies and instrumentalities, including government sponsored enterprises.

**1. Custodial Credit Risk**

Custodial credit risk for deposits exists when a government is unable to recover deposits or recover collateral securities that are in the possession of an outside party in the event of a failure of a depository financial institution.

Deposits of the primary government and its component units are exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

In Ohio, legal requirements for depositor-governments are met when deposits are collateralized with securities held by the pledging financial institution, or by the pledging institution's trust department or agent but not in the government's name. The State's reporting entity has not established specific policies for managing custodial credit risk exposure for deposits.



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

The table below reports the carrying amount of deposits, as of June 30, 2016, held by the primary government, including fiduciary activities, and its major discretely presented component units and the extent of exposure to custodial credit risk.

<b>Primary Government (including Fiduciary Activities) and Major Discretely Presented Component Unit</b>					
<b>Deposits—Custodial Credit Risk</b>					
<b>As of June 30, 2016</b>					
<i>(dollars in thousands)</i>					
				<u>Uninsured Portion of Reported Bank Balance</u>	
	Carrying Amount	Bank Balance	Uncollateralized	Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent but not in the Depositor- Government's Name	Collateralized with Securities Held by the Pledging Institution
<i>Primary Government</i> .....	\$ 962,231	\$ 869,501	\$ 12,393	\$ 76,449	\$ 17,853
<i>Major Discretely Presented Component Unit:</i>					
Ohio State University.....	1,352,783	1,403,806	-	-	1,345,614

Custodial credit risk for investments exists when a government is unable to recover the value of investments or collateral securities that are in the possession of an outside party in the event of a failure of a counterparty to a transaction.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department but not in the government's name.

The State's reporting entity has not established specific policies for managing custodial credit risk exposure for investments.

The following table reports the fair value, as of June 30, 2016, of investments by type for the primary government, including fiduciary activities, and the extent of exposure to custodial credit risk (dollars in thousands).



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

Primary Government (including Fiduciary Activities)  
Investments—Fair Value and Custodial Credit Risk  
As of June 30, 2016  
(dollars in thousands)

	Total Fair Value	Uninsured, Unregistered, and Held by the Counterparty's Trust Department or Agent but not in the State's Name
<i>Investments Subject to Custodial Credit Risk Exposure:</i>		
U.S. Government Obligations .....	\$ 15,211,593	\$ -
U.S. Government Obligations—Strips .....	1,092,726	611,703
U.S. Agency Obligations .....	5,665,142	-
U.S. Agency Obligations—Strips .....	265,106	-
Common and Preferred Stock .....	46,556,781	-
Corporate Bonds and Notes .....	18,798,267	-
Corporate Bonds and Notes—Strips .....	79	-
Municipal Obligations.....	650,912	-
Negotiable Certificates of Deposit .....	2,925	-
Commercial Paper .....	7,072,104	-
Repurchase Agreements .....	1,432,580	-
Mortgage and Asset-Backed Securities .....	7,940,774	-
International Investments:		
Foreign Stocks .....	34,988,917	-
Foreign Bonds .....	2,863,198	-
High-Yield and Emerging Markets Fixed Income .....	7,223,703	-
Securities Lending Collateral:		
Commercial Paper .....	26,720	-
Repurchase Agreements .....	102,295	-
Variable Rate Notes .....	925,267	-
		<u>\$ 611,703</u>
<i>Investments Not Subject to Custodial Credit Risk Exposure:</i>		
<i>Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:</i>		
U.S. Government Obligations .....	856,695	
U.S. Government Obligations—Strips .....	76,692	
U.S. Agency Obligations .....	74,161	
U.S. Agency Obligations—Strips .....	2,331	
Corporate Bonds and Notes.....	22,792	
International Investments-Commingled Equity Funds .....	6,039,687	
Equity Mutual Funds .....	12,181,099	
Bond Mutual Funds .....	8,871,084	
Real Estate .....	24,370,239	
Venture Capital .....	19,184,378	
Partnerships and Hedge Funds .....	17,253,996	
Deposit with Federal Government .....	538,564	
Component Units' Equity in State Treasurer's Cash and Investment Pool .....	(310,226)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio .....	(278,345)	
Total Investments — Primary Government .....	<u>\$ 239,702,236</u>	



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

The following table reports investments with custodial credit risk exposure for the major discretely presented component units. The Ohio Facilities Construction Commission Component Unit Fund also participates in the State Treasurer’s Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission’s share of the pool are included in the disclosures for the Primary Government.

<b>Major Discretely Presented Component Units</b>		
<b>Investment Custodial Credit Risk</b>		
<b>As of June 30, 2016</b>		
<i>(dollars in thousands)</i>		
	Fair Value	Uninsured, Unregistered, and Held by the Counterparty but not in the Component Unit’s Name
<i>Ohio State University:</i>		
U.S. Government Obligations .....	\$ 181,524	\$ 181,524
U.S. Agency Obligations .....	114,737	114,737
Common and Preferred Stock .....	366,931	366,931
Corporate Bonds and Notes .....	987,221	987,221
Municipal Obligations .....	11,685	11,685
Negotiable Certificates of Deposit.....	377,323	377,323
Commercial Paper.....	40,746	40,746
Repurchase Agreements.....	2,200	2,200
International Investments:		
Foreign Stocks .....	112,199	112,199
Foreign Bonds .....	6,994	6,994
Securities Lending Collateral:		
Commercial Paper .....	521	521
Repurchase Agreements .....	7,317	7,317
Variable Rate Notes .....	17,774	17,774
Total Ohio State University.....		<u>\$ 2,227,172</u>

**2. Credit Risk**

The risk that an investment’s issuer or counterparty will not satisfy its obligation is called credit risk. The exposure to this risk has been minimized through the laws and policies adopted by the State.

For investments that are included in the treasury’s cash and investment pool and reported as “Cash Equity with Treasurer” and other investment securities managed by the Treasurer of State’s Office, Chapter 135, Ohio Revised Code, requires such investments to carry certain credit ratings at the time of purchase as follows:

- Commercial paper must carry ratings in the two highest categories by two nationally recognized rating agencies;
- Debt interests (other than commercial paper) must carry ratings in the three highest categories by two nationally recognized rating agencies. This requirement is met when either the debt interest or the issuer of the debt interest carries this rating; and
- For Registered Investment Companies (Mutual Funds), no-load money market mutual funds must carry a rating of the highest category by one nationally recognized rating agency.

Investment policies of the Treasurer of State’s Office further define required credit ratings as follows:

- Commercial paper must have a short term debt rating of at least “A-1” or equivalent by all nationally recognized rating agencies that rate the issuer, with at least two agencies rating the issuer;



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

- Bonds and notes of any State or political subdivision thereof must be rated in the three highest categories by Standard & Poor's;
- Banker acceptances must carry a minimum of "A+" for long-term debt ("AAA" for foreign issuers) by a majority of the nationally recognized rating agencies rating the issuer. For short-term debt, the rating must be at least "A-1" or equivalent by at least two nationally recognized rating agencies rating the issuer;
- Foreign debt, or the implicit rating of the issuer of the debt, must be rated in one of the three highest categories by at least two nationally recognized rating agencies; and
- Repurchase agreements must, in the case when issued by a counterparty that is not either: an Ohio financial institution that is a member of the Federal Reserve System, or a Federal Home Loan Bank, or a recognized government securities dealer, then such counterparty must have a short-term debt rating of at least A-1 by Standard & Poor's, or, if the counterparty is not explicitly rated A-1 by Standard & Poor's, then the counterparty must possess a guarantee from a Standard & Poor's-rated parent company.
- Money Market Mutual Funds must be rated "AAA" or "AAAm" by Standard & Poor's.

Investment policies regarding credit risk that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State's reporting entity are as follows:

*Workers' Compensation Enterprise Fund*

The Fund requires investment-grade ratings by at least two nationally-recognized bond rating services for fixed income securities. If only one of the rating services rates a security, the rating must be investment grade.

*Variable College Savings Plan Private-Purpose Trust Fund*

The fixed income portfolio should consist primarily of domestic investment grade bonds and may be partially invested in below investment grade bonds. Any portion of the portfolio in below-investment grade securities should be invested in "BB" and "B" rated securities.

*STAR Ohio Investment Trust Fund*

Investment policies governing the STAR Ohio external investment pool require that all securities must be rated the equivalent of "A-1+" or "A-1" higher by Standard & Poor's rating agency. Mutual funds must be rated AAA or AAAM by Standard and Poor's.

*Retirement Systems Agency Fund*

For the Public Employees Retirement System, the percentage by market value of non-investment grade securities in the Fixed Income Asset Class will be within 15 percentage points of the percentage by market value of non-investment grade securities in the Fixed Income Aggregate Benchmark.

For the Ohio Police and Fire Pension Fund,

- Securities in the core fixed income portfolio shall be rated "BBB-" or better by two standard rating agencies at the time of the purchase;
- Securities in the high yield fixed income portfolio are high yield bonds issued by U.S. corporations with a minimum rating of "CCC" or equivalent;
- Investment managers may purchase securities that are "Not Rated" as long as they deem these securities to be at least equivalent to the minimum ratings; and
- Short-term investments must be rated within the two highest classifications established by two standard rating agencies.

The Ohio Facilities Construction Commission Component Unit Fund also participates in the State Treasurer's Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission's share of the pool are included in the disclosures for the Primary Government.



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

All investments, as categorized by credit ratings in the tables below and on the following page, meet the requirements of the State's laws and policies, when applicable.

**Primary Government (including Fiduciary Activities)  
Investment Credit Ratings  
As of June 30, 2016  
(dollars in thousands)**

Investment Type	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations .....	\$ 77,766	\$ 5,622,435	\$ 2,308	\$ 5,211	\$ -	\$ 1,661
U.S. Agency Obligations—Strips .....	246,170	17,119	-	-	-	-
Corporate Bonds and Notes .....	581,342	2,030,849	5,087,153	6,614,966	2,521,248	1,495,631
Corporate Bonds and Notes—Strips .....	73	-	-	-	-	-
Municipal Obligations.....	64,386	443,019	117,130	22,633	-	2,124
Negotiable Certificates of Deposit .....	-	-	-	-	-	-
Commercial Paper .....	1,443,309	1,248,917	4,290,062	-	-	-
Repurchase Agreements .....	200,000	256,900	775,000	-	-	-
Mortgage and Asset-Backed Securities .....	3,322,198	2,974,055	322,173	285,058	235,469	285,285
International Investments:						
Foreign Bonds.....	480,673	232,016	772,235	996,798	233,798	73,784
High-Yield & Emerging Markets Fixed Income .	29,068	28,562	892,225	1,875,966	1,817,357	1,486,344
Bond Mutual Funds .....	5,612,531	1,460,358	465,262	64,771	60,332	57,446
Securities Lending Collateral:						
Commercial Paper .....	-	-	26,720	-	-	-
Repurchase Agreements .....	-	-	72,295	30,000	-	-
Variable Rate Notes .....	-	494,145	431,122	-	-	-
Total Primary Government .....	<u>\$12,057,516</u>	<u>\$14,808,375</u>	<u>\$13,253,685</u>	<u>\$ 9,895,403</u>	<u>\$ 4,868,204</u>	<u>\$ 3,402,275</u>

Investment Type	Credit Rating					Total
	CCC/Caa	CC/Ca	C	D	Unrated	
U.S. Agency Obligations .....	\$ -	\$ -	\$ -	\$ -	\$ 29,922	\$ 5,739,303
U.S. Agency Obligations—Strips .....	-	-	-	-	4,148	267,437
Corporate Bonds and Notes .....	413,921	1,881	116	11,935	62,017	18,821,059
Corporate Bonds and Notes—Strips .....	-	-	-	-	6	79
Municipal Obligations.....	39	913	-	-	668	650,912
Negotiable Certificates of Deposit .....	-	-	-	-	2,925	2,925
Commercial Paper .....	-	-	-	-	89,816	7,072,104
Repurchase Agreements .....	-	-	-	-	200,680	1,432,580
Mortgage and Asset-Backed Securities .....	152,694	58,628	31,721	101,617	171,876	7,940,774
International Investments:						
Foreign Bonds.....	37,365	-	-	32	36,497	2,863,198
High-Yield & Emerging Markets Fixed Income .	543,889	21,346	1,993	5,500	521,453	7,223,703
Bond Mutual Funds .....	7,110	-	-	-	1,143,274	8,871,084
Securities Lending Collateral:						
Commercial Paper .....	-	-	-	-	-	26,720
Repurchase Agreements .....	-	-	-	-	-	102,295
Variable Rate Notes .....	-	-	-	-	-	925,267
Total Primary Government .....	<u>\$ 1,155,018</u>	<u>\$ 82,768</u>	<u>\$ 33,830</u>	<u>\$ 119,084</u>	<u>\$ 2,263,282</u>	<u>\$61,939,440</u>



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Major Discretely Presented Component Units**

**Investment Credit Ratings**

**As of June 30, 2016**

*(dollars in thousands)*

	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
<i>Ohio State University:</i>						
U.S. Agency Obligations .....	\$ 289	\$ 110,868	\$ 2,518	\$ -	\$ -	\$ -
Corporate Bonds and Notes .....	60,992	211,662	359,356	291,321	22,258	8,313
Municipal Obligations .....	-	4,726	5,235	275	-	1,004
Negotiable Certificates of Deposit.....	-	-	-	-	-	-
Commercial Paper.....	-	-	-	-	-	-
Repurchase Agreements .....	-	-	-	-	-	-
International Investments-Foreign Bonds .....	2,512	2,731	-	1,255	-	-
Bond Mutual Funds .....	62,906	7,385	16,059	12,542	919	281
Securities Lending Collateral:						
Commercial Paper.....	521	-	-	-	-	-
Repurchase Agreements .....	-	-	-	-	-	-
Bond Mutual Funds .....	1,977	-	-	-	-	-
Variable Rate Notes .....	2,015	6,029	9,730	-	-	-
Total Ohio State University.....	\$ 131,212	\$ 343,401	\$ 392,898	\$ 305,393	\$ 23,177	\$ 9,598

	Credit Rating					Total
	CCC/Caa	CC/Ca	C	D	Unrated	
<i>Ohio State University (continued):</i>						
U.S. Agency Obligations .....	\$ -	\$ -	\$ -	\$ -	\$ 1,062	\$ 114,737
Corporate Bonds and Notes .....	238	-	-	-	33,081	987,221
Municipal Obligations .....	-	-	-	-	445	11,685
Negotiable Certificates of Deposit.....	-	-	-	-	377,323	377,323
Commercial Paper.....	-	-	-	-	40,746	40,746
Repurchase Agreements .....	-	-	-	-	2,200	2,200
International Investments-Foreign Bonds .....	-	-	-	-	496	6,994
Bond Mutual Funds .....	1	-	1,320	-	546	101,959
Securities Lending Collateral:						
Commercial Paper.....	-	-	-	-	-	521
Repurchase Agreements .....	-	-	-	-	7,317	7,317
Bond Mutual Funds .....	-	-	-	-	-	1,977
Variable Rate Notes .....	-	-	-	-	-	17,774
Total Ohio State University.....	\$ 239	\$ -	\$ 1,320	\$ -	\$ 463,216	\$ 1,670,454

	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
<i>Ohio Facilities Construction Commission:</i>						
Bond Mutual Funds .....	\$ 1,501	\$ -	\$ -	\$ -	\$ -	\$ -
Total Ohio Facilities Construction Commission.....	\$ 1,501	\$ -	\$ -	\$ -	\$ -	\$ -

	Credit Rating				
	CCC/Caa	CC/Ca	C	Unrated	Total
<i>Ohio Facilities Construction Commission (continued):</i>					
Bond Mutual Funds .....	\$ -	\$ -	\$ -	\$ -	\$ 1,501
Total Ohio Facilities Construction Commission.....	\$ -	\$ -	\$ -	\$ -	\$ 1,501



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

Descriptions of the investment credit ratings shown in the tables are as follows:

Rating	General Description of Credit Rating
AAA/Aaa	Extremely strong
AA/Aa	Very strong
A/A-1	Strong
BBB/Baa	Adequate
BB/Ba	Less vulnerable
B	More vulnerable
CCC/Caa	Currently vulnerable to nonpayment
CC/Ca	Currently highly vulnerable to nonpayment
C	Currently highly vulnerable to nonpayment due to certain conditions (e.g., filing of bankruptcy petition or similar action by issuer)
D	Currently highly vulnerable to nonpayment for failure to pay by due date

**3. Concentration of Credit Risk**

The potential for loss of value increases when investments are not diversified. The State has imposed limits on the types of authorized investments to prevent this type of loss.

For investments that are included in the treasury’s cash and investment pool, and reported as “Cash Equity with Treasurer” and other investment securities managed by the Treasurer of State’s Office, Chapter 135, Ohio Revised Code, requires the following:

- Investments in commercial paper may not exceed 40 percent of the State’s total average portfolio;
- Bankers acceptances cannot exceed ten percent of the State’s total average portfolio;
- Debt interest (other than commercial paper) shall not exceed 25 percent of the State’s total average portfolio, and when combined with commercial paper, the amount of a single issuer may not exceed five percent of the total average portfolio; and
- Debt interests in foreign nations may not exceed one percent of the State’s total average portfolio.

Investment policies of the Treasurer of State further restrict concentrations of investments. Maximum concentrations are as follows:

Investment Type	Maximum % of Total Average
U.S. Treasury .....	100
Federal Agency (fixed rate) .....	100
Federal Agency (callable) .....	55
Federal Agency (variable rate) .....	10
Repurchase Agreements .....	50
Bankers’ Acceptances .....	10
Commercial Paper .....	40
Corporate Notes .....	25
Foreign Notes .....	1
Certificates of Deposit .....	20
Municipal Obligations .....	20
STAR Ohio .....	25
Mutual Funds .....	100



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

The investment policies of the Treasurer of State's Office also specify that commercial paper, when combined with investments in other corporate obligations of a single issuer, are further limited to no more than five percent of the total average portfolio. Bankers' Acceptances are further limited to no more than five percent of the total average portfolio in any single issuer. Mutual funds are limited in that the Treasurer's holdings in a single mutual fund cannot be more than ten percent of the total assets of that mutual fund, nor more than ten percent of the total average portfolio. Repurchase Agreements are limited in that any one counterparty may not exceed ten percent of the total average portfolio. Municipal obligations are limited to no more than 2.5 percent of the total average portfolio in any single issuer.

Investment policies regarding concentration of investments that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State's reporting entity are as follows:

*Lottery Commission Enterprise Fund*

No more than two percent of the total average portfolio may be invested in the securities of any single issuer with the following exceptions: U.S. government obligations, 100 percent maximum; repurchase agreements, limited at the lesser of five percent or \$250 million; and mutual funds, ten percent maximum.

*State Highway Patrol Retirement System Pension Trust Fund*

Policy prohibits the investment of more than ten percent of its fixed income portfolio in securities of any one issuer with the exception of U.S. government securities, or the investment of more than five percent of the Fund's total investments in any one issue with the exception of U.S. government securities.

*STAR Ohio Investment Trust Fund*

Investments in a single issuer are further limited to no more than five percent of the total average portfolio except as follows:

- U.S. Treasury obligations, limited at 100 percent;
- U.S. Agency obligations, limited to 100 percent with no single U.S. Agency exceeding 33 percent unless maturing in 30 days or less and rated AA- or higher;
- repurchase agreement counterparties, limited at a maximum of 25 percent for A-1 rated counterparties and at a maximum of 50 percent for A-1+ rated counterparties, with further limitations based on the maturity of the investment;
- mutual funds, limited at 100 percent; with no more than ten percent of the total average portfolio invested in any single mutual fund and limited to STAR Ohio representing no more than ten percent of the total assets under management of any single mutual fund;
- corporate obligations, limited to 25 percent, and when added to investments in commercial paper, no more than five percent invested with any single issuer;
- municipal bonds, limited at ten percent and limited to no more than 2.5 percent with any single issuer;
- commercial paper, limited to 40 percent, and when added to investments in other corporate obligations, no more than five percent invested with any single issuer; and
- bankers' acceptances, limited at ten percent, with no more than five percent invested with any single issuer.

*Retirement Systems Agency Fund*

For the Ohio Police and Fire Pension Fund, no more than ten percent of the core Fixed Income Portfolio may be invested in the securities of any one issuer, and no more than five percent in any one issue on a dollar duration basis, with the exception of U.S. government or agency securities. For its High Yield Portfolio, no more than ten percent of the portfolio may be invested in securities of a single issue or issuer, unless approved by the Board of Trustees.



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

As of June 30, 2016, all investments meet the requirements of the State’s law and policies, when applicable. However, investments in certain issuers are at least five percent of investment balances, as follows (dollars in thousands):

Issuer	Amount	Percentage of Investment Balance
<i>STAR Ohio Investment Trust Fund:</i>		
Federal Home Loan Bank .....	\$ 455,370	8%
Federal Farm Credit Bank.....	299,738	5%
<i>Ohio Facilities Construction Commission Component Unit Fund:</i>		
Federal National Mortgage Association .....	\$ 22,116	7%
Federal Home Loan Bank .....	28,409	10%

**4. Interest Rate Risk**

Certain of the State’s investments are exposed to interest rate risk. This risk exists when changes to interest rates will negatively impact the fair value of an investment. The State has adopted laws and policies to mitigate this risk.

For investments that are included in the treasury’s cash and investment pool, and reported as “Cash Equity with Treasurer” and other investment securities managed by the Treasurer of State’s Office, Chapter 135, Ohio Revised Code, requires that Bankers Acceptances must mature in two hundred seventy days or less.

Investment policies governing the treasury’s cash and investment pool, which is reported as “Cash Equity with Treasurer” and is managed by the Treasurer of State’s Office, limit maturities of short term investments to no more than 18 months with a weighted average maturity not to exceed 90 days. For long-term investments, maturities are limited to five years or less, except for those that are matched to a specific obligation or debt of the State. A duration target of three years or less has been established for long-term investments. Policy also limits maturities for specific investment types as follows: five years for corporate notes, 270 days for commercial paper, 90 days for repurchase agreements, and five years for foreign debt.

Investment policies regarding investment maturities that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State’s reporting entity are as follows:

*Workers’ Compensation Enterprise Fund*

Policy requires each fixed-income portfolio to be invested with duration characteristics that are within a range consistent with Barclay’s Fixed Income Index ranges.

*Lottery Commission Enterprise Fund*

Investments are required to have maturities of 30 years or less. In no case may the maturity of an investment exceed the expected date of disbursement of those funds.

*Variable College Savings Plan Private-Purpose Trust Fund*

Policy requires the fixed-income portfolio to be invested with duration characteristics that are within a range consistent with Barclay’s Aggregate Index ranges.

*STAR Ohio Investment Trust Fund*

Investment policies limit maturities of investments to a final stated maturity of 397 days or less, with a 762 day limit for floating rate U.S. Treasury and U.S. Agency obligations. Repurchase agreements are limited to maturities of 30 days and both commercial paper and bankers’ acceptances are limited to maturities of 270 days.

*Retirement Systems Agency Fund*

The Public Fixed Income Policy of the Ohio Public Employees Retirement System requires an average effective duration of all defined benefit and health care assets to be within 20 percent of the option-adjusted duration of the Public Fixed Income asset class.



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

As of June 30, 2016, investments reported as “Cash Equity with Treasurer” have terms that make their fair values highly sensitive to the interest rate changes. The U.S. agency obligations investment type includes \$1.56 billion of investments with call dates during fiscal years 2017 through 2019 and maturity dates during fiscal years 2017 through 2021, while the Corporate Bonds and Notes investment type has \$245.4 million of investments with call dates during fiscal 2017 through 2021 and maturity dates during fiscal years 2017 through 2021.

In addition, several investments reported as “Investments” have terms that make their fair values highly sensitive to interest rate changes. U.S. agency obligations of \$337.2 million and corporate bonds of \$364.4 million have daily, monthly, and quarterly reset dates. For “Collateral on Lent Securities,” variable rate notes of \$654.6 million, \$181.2 million, and \$50 million have quarterly, monthly, and daily reset rates, respectively. Commercial paper of \$25.7 million has monthly reset dates.

The Lottery Commission Enterprise Fund has “Collateral on Lent Securities” with reset dates. Variable rate notes of \$30 million and \$9.5 million have quarterly and monthly reset dates, respectively. Commercial paper of \$1.1 million has monthly reset dates. Repurchase agreements of \$44.1 million have daily reset dates.

Also during fiscal year 2016, the Treasurer of State acted as the custodian of the Retirement Systems Agency Fund’s investments. These investments contain terms that make their fair values highly sensitive to interest rate changes. Specific information on the nature of the investments and their terms can be found in each respective retirement system’s Comprehensive Annual Financial Report.

The tables on the following page list the investment maturities of the investments for the primary government, including fiduciary activities, and its major discretely presented component units. All investments at June 30, 2016, meet the requirements of the State’s laws and policies, when applicable. The Ohio Facilities Construction Commission Component Unit Fund also participates in the State Treasurer’s Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission’s share of the pool are included in the disclosures for the Primary Government.



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Primary Government (including Fiduciary Activities)**

**Investments Subject to Interest Rate Risk**

**As of June 30, 2016**

*(dollars in thousands)*

Investment Type	Investment Maturities (in years)				Total
	Less than 1	1-5	6-10	More than 10	
U.S. Government Obligations .....	\$ 2,550,453	\$ 6,965,213	\$ 2,793,393	\$ 3,759,229	\$ 16,068,288
U.S. Government Obligations—Strips .....	345,296	460,261	128,844	235,017	1,169,418
U.S. Agency Obligations .....	2,074,992	2,744,220	178,159	741,932	5,739,303
U.S. Agency Obligations—Strips .....	44,228	152,241	60,287	10,681	267,437
Corporate Bonds and Notes .....	2,076,984	4,919,424	4,816,691	7,007,960	18,821,059
Corporate Bonds and Notes—Strips .....	-	3	-	76	79
Municipal Obligations.....	3,426	6,514	8,707	632,265	650,912
Negotiable Certificates of Deposit.....	407	2,518	-	-	2,925
Commercial Paper .....	7,072,104	-	-	-	7,072,104
Repurchase Agreements .....	1,432,580	-	-	-	1,432,580
Mortgage and Asset-Backed Securities .....	267,244	1,135,199	349,303	6,189,028	7,940,774
International Investments:					
Foreign Bonds .....	285,500	446,732	469,774	1,661,192	2,863,198
High-Yield & Emerging Markets Fixed Income.....	264,287	1,787,411	3,449,637	1,722,368	7,223,703
Bond Mutual Funds .....	6,628,427	145,128	1,441,958	655,571	8,871,084
Securities Lending Collateral:					
Commercial Paper .....	26,720	-	-	-	26,720
Repurchase Agreements .....	102,295	-	-	-	102,295
Variable Rate Notes.....	925,267	-	-	-	925,267
Total Primary Government .....	<u>\$ 24,100,210</u>	<u>\$ 18,764,864</u>	<u>\$ 13,696,753</u>	<u>\$ 22,615,319</u>	<u>\$ 79,177,146</u>

**Major Discretely Presented Component Units**

**Investments Subject to Interest Rate Risk**

**As of June 30, 2016**

*(dollars in thousands)*

Ohio State University:	Investment Maturities (in years)				Total
	Less than 1	1-5	6-10	More than 10	
U.S. Government Obligations .....	\$ 18,829	\$ 157,702	\$ 779	\$ 4,214	\$ 181,524
U.S. Agency Obligations .....	14,980	62,852	15,136	21,769	114,737
Corporate Bonds and Notes .....	271,251	637,495	35,072	43,403	987,221
Municipal Obligations .....	3,237	7,739	-	709	11,685
Negotiable Certificates of Deposit.....	377,323	-	-	-	377,323
Commercial Paper.....	40,746	-	-	-	40,746
Repurchase Agreements .....	2,200	-	-	-	2,200
International Investments-Foreign Bonds .....	1,711	5,093	-	190	6,994
Bond Mutual Funds .....	(1,010)	66,153	27,138	9,678	101,959
Securities Lending Collateral:.....					
Commercial Paper.....	521	-	-	-	521
Repurchase Agreements .....	7,317	-	-	-	7,317
Bond Mutual Funds .....	1,977	-	-	-	1,977
Variable Rate Notes .....	17,774	-	-	-	17,774
Total Ohio State University.....	<u>\$ 756,856</u>	<u>\$ 937,034</u>	<u>\$ 78,125</u>	<u>\$ 79,963</u>	<u>\$ 1,851,978</u>
<i>Ohio Facilities Construction Commission:</i>					
Bond Mutual Funds .....	\$ 1,501	\$ -	\$ -	\$ -	\$ 1,501
Total Ohio Facilities Construction Commission.....	<u>\$ 1,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,501</u>

**5. Foreign Currency Risk**

Investments in stocks and bonds denominated in foreign currencies are affected by foreign currency risk which arises from changes in currency exchange rates.



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

As of June, 30, 2016, investments denominated in the currency of foreign nations, as detailed in the following tables for the primary government, including fiduciary activities, and the Ohio State University major discretely presented component unit, meet the requirements of the State's laws and policies, when applicable.

**Primary Government (including Fiduciary Activities)  
International Investments—Foreign Currency Risk  
As of June 30, 2016  
(dollars in thousands)**

	Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	Commingled International Equity	Total
Australian Dollar .....	\$ 860,462	\$ 343	\$ -	\$ 114,013	\$ 974,818
Bermudian Dollar .....	-	-	-	955	955
Brazilian Real .....	400,249	(2,201)	175,575	36,994	610,617
British Pound .....	2,959,939	5,674	28,886	539,920	3,534,419
Canadian Dollar .....	874,428	56	(64)	151,103	1,025,523
Caymanian Dollar.....	-	-	-	29	29
Chilean Peso.....	86,918	-	269	6,186	93,373
Chinese Renminbi .....	992	(2,834)	1,184	105,992	105,334
Colombian Peso .....	1,933	(145)	136,401	2,416	140,605
Czech Koruna .....	7,819	-	-	792	8,611
Danish Krone .....	395,211	-	-	30,974	426,185
Dominican Peso .....	-	-	12,231	-	12,231
Egyptian Pound .....	19,268	-	-	797	20,065
Euro .....	4,405,521	(6,316)	148,439	509,101	5,056,745
Ghana Cedi.....	-	-	16,522	-	16,522
Hong Kong Dollar .....	1,917,240	-	-	117,201	2,034,441
Hungarian Forint .....	42,527	421	39,925	1,304	84,177
Indian Rupee .....	678,961	3,300	120,078	41,867	844,206
Indonesian Rupiah .....	145,422	(911)	208,386	13,584	366,481
Israeli Shekel .....	25,968	-	-	12,124	38,092
Japanese Yen .....	3,416,554	3,384	-	366,519	3,786,457
Kenya Shilling .....	1,897	-	9,893	-	11,790
Macau Pataca .....	-	-	-	1,566	1,566
Malaysian Ringgit .....	96,785	333	137,075	14,898	249,091
Manx Pound .....	-	-	-	344	344
Mexican Peso .....	173,496	(6,210)	338,396	21,130	526,812
Moroccan Dirham .....	751	-	-	-	751
New Zealand Dollar .....	105,506	23	-	2,978	108,507
Nigerian Naira.....	9,358	-	-	-	9,358
Norwegian Krone .....	100,093	(14)	-	10,075	110,154
Omani Rial.....	1,808	-	-	-	1,808
Peruvian New Sol.....	293	538	27,047	1,684	29,562
Philippines Peso .....	73,567	-	11,843	10,221	95,631
Polish Zloty .....	56,831	(308)	170,528	5,639	232,690
Qatari Rial.....	15,933	-	-	4,468	20,401
Romanian Leu .....	-	966	41,090	-	42,056
Russian Ruble .....	89,335	(452)	113,649	18,686	221,218
Singapore Dollar .....	241,094	-	-	20,984	262,078
South African Rand .....	490,457	(1,740)	197,354	34,322	720,393
South Korean Won .....	1,159,673	81	13	73,114	1,232,881
Swedish Krona .....	407,174	-	394	45,987	453,555
Swiss Franc .....	1,488,586	-	1,160	151,197	1,640,943
Taiwan Dollar .....	667,784	-	-	60,478	728,262
Thailand Baht .....	217,632	269	68,745	11,269	297,915
Tunisian Dinar .....	626	-	-	-	626
Turkish Lira .....	137,327	(253)	214,956	12,565	364,595
Uganda Shilling.....	-	-	8,125	-	8,125
United Arab Emirates Dirham .....	27,769	-	-	4,417	32,186
Uruguayan Peso .....	-	-	40,782	-	40,782
Vietnamese Dong .....	529	-	-	-	529
Zimbabwean Dollar .....	-	-	8,734	-	8,734
Investments Held in Foreign Currency .....	\$ 21,803,716	\$ (5,996)	\$ 2,277,616	\$ 2,557,893	\$ 26,633,229
Foreign Investments Held in U.S. Dollars .....					24,482,276
Total Foreign Investments-Primary Government, including Fiduciary Activities .....					\$ 51,115,505



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

Major Discretely Presented Component Unit  
International Investments—Foreign Currency Risk  
As of June 30, 2016  
(dollars in thousands)

Ohio State University:

Currency	Stocks	Bonds	Total
Australian Dollar .....	\$ 1,005	\$ -	\$ 1,005
Brazilian Real .....	315	-	315
British Pound .....	22,789	190	22,979
Canadian Dollar .....	7,474	-	7,474
Danish Krone .....	1,110	-	1,110
Euro .....	35,254	1,597	36,851
Hong Kong Dollar .....	5,104	-	5,104
Japanese Yen .....	19,823	-	19,823
Norwegian Krone .....	1,529	-	1,529
Swedish Krona .....	1,723	-	1,723
Swiss Franc .....	16,073	-	16,073
Investments Held in Foreign Currency .....	<u>\$ 112,199</u>	<u>\$ 1,787</u>	<u>\$ 113,986</u>
Foreign Investments Held in U.S. Dollars .....			<u>5,207</u>
Total Foreign Investments - Ohio State University .....			<u>\$ 119,193</u>

The State’s laws and investment policies include provisions to limit the exposure to this type of risk. According to Chapter 135, Ohio Revised Code, investments managed by the Treasurer of State’s Office, and reported as “Cash Equity with Treasurer”, are limited to the debt of nations diplomatically recognized by the United States and that are backed by the full faith and credit of that foreign nation, and provided that all denomination of principal and interest be in U.S. dollars.

Investment policies of the Treasurer of State’s Office further limit the types of authorized investments. These requirements include maturity limitations of five years at the date of purchase and denomination of principal and interest in U.S. dollars. Other limitations are noted in the previous sections of this note that discuss credit risk and concentration of credit risk.

Investment policies regarding foreign currency risk have also been adopted for the following significant entities reported in the primary government and are specific to those entities:

*Retirement Systems Agency Fund*

For the Ohio Public Employees Retirement System, non-U.S. dollar-based securities are limited to 25 percent of the total Fixed Income assets. Additionally, no more than 40 percent of the Fixed Income assets may be from non-U.S. issuers.

**D. Securities Lending Transactions**

The Treasurer of State participates in the securities lending programs for securities included in the “Cash Equity with Treasurer” and “Investments” accounts. Each lending program is administered by a custodial agent bank, whereby certain securities are transferred to an independent broker-dealer (borrower) in exchange for collateral.

At the time of the loan, the Treasurer of State requires its custodial agents to ensure that the State’s lent securities are collateralized at no less than 102 percent of fair value. At no point in time can the value of the collateral be less than 100 percent of the underlying securities.

Consequently, as of June 30, 2016, the State had no credit exposure since the amount the State owed to the borrowers at least equaled or exceeded the amount borrowers owed to the State.

The State invests cash collateral in short-term obligations, which have a weighted average maturity of 32 days or less while the weighted average maturity of securities loans is 8 days or less.



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

The State cannot sell securities received as collateral unless the borrower defaults. Consequently, these amounts are not reflected in the financial statements.

According to the lending contracts the Treasurer of State executes for the State’s cash and investment pool and for the Ohio Lottery Commission Enterprise Fund, the securities lending agent is to indemnify the Treasurer of State for any losses resulting from either the default of a borrower or any violations of the security lending policy.

During fiscal year 2016, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2016, the Treasurer of State lent U.S. government and agency obligations and corporate notes in exchange for cash collateral.

**E. Investment Derivatives**

As of June 30, 2016, the State reports the following investment derivatives in its financial statements (dollars in thousands):

	Notional	Fair Value at 6/30/2016		Increase (Decrease) in Fair Value	
		Amount	Reported as	Amount	Reported as
<b>Governmental Activities:</b>					
<b>Investment Derivatives:</b>					
Pay-fixed interest rate swaps	\$ 102,650	\$ (14,343)	Other Noncurrent Liability	\$ (3,146)	Operating Restricted Investment Loss - Primary, Secondary and Other Education Function
<b>Fiduciary Funds—Agency:</b>					
<b>Investment Derivatives:</b>					
Credit default swaps	33,011	(767)	Investments	(1,979)	Investment Income
Equity swaps	1,057,047	7,093	Investments	25,669	Investment Income
Foreign exchange forward currency contracts	10,402,465	91,212	Investments	115,050	Investment Income
Futures contracts	(22,022)	1,157	Investments	5,116	Investment Income
Interest rate swap	4,323,584	(2,412)	Investments	(2,370)	Investment Income
Options	2,815,560	(3,307)	Investments	(7,837)	Investment Income
Total return swaps	1,878,663	1,290	Investments	(8,335)	Investment Income
Warrants	285,128	1,929	Investments	(1,280)	Investment Income

For governmental activities, the pay-fixed swaps included in the table above do not meet the criteria for hedging derivatives as of June 30, 2016, and are reported as investment derivatives. The decreases in the fair values for fiscal year 2016 of \$3.1 million are reported as operating restricted investment losses for the primary, secondary and other education function in the Statement of Activities.

The credit quality ratings of JPMorgan Chase, the counterparty, are Aa3/A+/AA- as of June 30, 2016. The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2016. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the derivative’s positive fair value.

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement and based on the fair value of the swap. This arrangement protects the State by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

These swaps, maturing March 15, 2025, are associated with Common Schools Bonds, Series 2005A and Series 2005B. The underlying index is a variable rate based on 62 percent of the ten year LIBOR. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and State Teachers Retirement System of Ohio have entered into the derivatives reported in the Agency Fund. All derivatives of these retirement systems are categorized as investment derivatives. The fair values and associated risks of the investment derivatives for the Agency Fund are included in the balances and risks disclosed in the previous sections of this note disclosure.

**F. Fair Value Disclosures**

The State categorizes fair value measurements of its investments within the fair value hierarchy shown in the table on the following page:



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

Primary Government (including Fiduciary Activities)  
Investments—Fair Value Disclosures

As of June 30, 2016  
(dollars in thousands)

	Fair Value at June 30, 2016	Amount of Fair Value Measured Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured by Fair Value Level</b>				
U.S. Government Obligations .....	\$ 10,218,218	\$ 4,277,296	\$ 5,940,922	\$ -
U.S. Government Obligations—Strips .....	1,056,050	793,317	262,733	-
U.S. Agency Obligations .....	5,206,962	23,955	5,183,007	-
U.S. Agency Obligations—Strips .....	256,584	-	256,584	-
Common and Preferred Stock .....	29,529,748	29,524,838	4,910	-
Corporate Bonds and Notes .....	11,875,219	14,569	11,840,837	19,813
Corporate Bonds and Notes—Strips .....	79	-	79	-
Municipal Obligations.....	608,664	3,459	605,205	-
Negotiable Certificates of Deposit .....	2,925	1,691	1,234	-
Commercial Paper .....	2,000,020	420,320	1,579,700	-
Repurchase Agreements .....	207,580	10,680	196,900	-
Mortgage and Asset-Backed Securities .....	3,497,003	-	3,482,389	14,614
International Investments:				
Foreign Stocks .....	18,817,500	16,696,496	2,121,004	-
Foreign Bonds .....	1,581,788	-	1,470,829	110,959
Equity Securities .....	63,632	63,632	-	-
High-Yield and Emerging Markets Fixed Income	1,760,231	-	1,760,231	-
Securities Lending Collateral:				
Variable Rate Notes .....	925,267	-	925,267	-
Equity Mutual Funds .....	9,394,615	9,381,615	13,000	-
Bond Mutual Funds .....	3,632,489	3,572,871	-	59,618
Real Estate .....	9,294,316	1,266,135	-	8,028,181
Venture Capital .....	1,451,925	657,221	-	794,704
	<u>\$ 111,380,815</u>	<u>\$ 66,708,095</u>	<u>\$ 35,644,831</u>	<u>\$ 9,027,889</u>
<b>Investment Derivative Instruments</b>				
Pay-fixed Interest Rate Swaps .....	\$ (14,343)	\$ -	\$ (14,343)	\$ -
Credit Default Swaps .....	(767)	-	(767)	-
Equity Swaps .....	7,093	-	7,093	-
Foreign Exchange Forward Currency Contracts ...	89,139	-	89,139	-
Futures Contracts .....	1,157	1,157	-	-
Interest Rate Swap .....	(2,412)	-	(2,412)	-
Options.....	(3,307)	(1,889)	(1,418)	-
Warrants .....	1,929	-	-	1,929
	<u>\$ 78,489</u>	<u>\$ (732)</u>	<u>\$ 77,292</u>	<u>\$ 1,929</u>



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Primary Government (including Fiduciary Activities)  
Investments—Fair Value Disclosures  
As of June 30, 2016  
(dollars in thousands)**

	Net Asset Value at June 30, 2016
<b>Investments measured at the Net Asset Value</b>	
Common and Preferred Stock .....	\$ 72,322
International Investments:	
Commingled Equity Funds .....	3,543,889
Equity Mutual Funds .....	431,849
Bond Mutual Funds .....	1,558,932
Real Estate .....	5,269,009
Venture Capital .....	7,847,790
Partnerships and Hedge Funds .....	3,636,303
	<u>\$ 22,360,094</u>

For investments held by the Treasurer of State, \$6.75 billion classified in Level 2 was valued using either matrix pricing, or, in the case of variable rate notes, were valued by discounting the current and future coupons using a yield calculation or scale based on the characteristics of the security. For matrix pricing, inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications were used. Interactive Data pricing used by the Treasurer’s office also monitors market indicators, and industry and economic events. The Ohio Lottery Commission’s structured investments are included in the Treasurer of State’s Level 2 investments noted above. Investments in the amount of \$103.7 million, classified in Level 3, were bonds for which there is no secondary market, and were therefore, valued at the original principal.

For investments held by the STAR Ohio investment pool, \$2.38 billion classified in Level 1 was valued using the daily redemption value as reported by the underlying fund, while the \$3.33 classified in Level 2 was valued using market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids and offers. Market indicators and industry and economic events were also monitored, to see if further market data was needed.

Investments held by the Department of Commerce in the amount of \$611.7 million for escheat property classified in Level 1, were valued using quoted prices for identical securities in an active market.

For investments held by independently audited organizations of the primary government, more information regarding investment valuations can be found in the organizations’ stand-alone financial reports, with the exception of the Ohio Public Employees Retirement System, and the Ohio Police and Fire Pension Fund, who will implement the fair value hierarchy disclosures in their December 31, 2016, financial reports. The stand-alone financial reports for the independently audited organizations included in the table above may be found as follows:

- STAR Ohio investment pool at the Treasurer of State’s Office, at <http://www.tos.ohio.gov/>
- Development Services Agency-Office of Loan Administration, at <http://development.ohio.gov/>
- Buckeye Tobacco Settlement Financing Authority, at <http://obm.ohio.gov/BondsInvestors/tobacco.aspx>
- Southern Ohio Agricultural and Community Development Foundation, at <http://www.soacdf.net/>
- Bureau of Workers’ Compensation/Industrial Commission of Ohio, at <https://www.bwc.ohio.gov/>
- Tuition Trust Authority, at <https://www.collegeadvantage.com/>
- State Highway Patrol Retirement System, at <http://www.statepatrol.ohio.gov/>
- State Teachers Retirement System, at <https://www.strsoh.org/>
- School Employees Retirement System, at <https://www.ohsers.org/>



**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

The fair value investment hierarchy for Ohio State University, a major discretely presented component unit, is reported in the table below:

<b>Major Discretely Presented Component Units Investments-Fair Value Disclosures As of June 30, 2016 (dollars in thousands)</b>				
<i>Ohio State University</i>	Fair Value at June 30, 2016	<b>Amount of Fair Value Measured Using:</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b><i>Investments Measured by Fair Value Level</i></b>				
U.S. Government Obligations .....	\$ 181,524	\$ -	\$ 181,524	\$ -
U.S. Agency Obligations .....	114,737	-	114,737	-
Common and Preferred Stock .....	366,931	366,931	-	-
Corporate Bonds and Notes .....	987,221	-	983,702	3,519
Municipal Obligations.....	11,685	-	11,685	-
Negotiable Certificates of Deposit .....	377,323	377,323	-	-
Commercial Paper .....	40,746	-	40,746	-
Repurchase Agreements .....	2,200	-	2,200	-
International Investments:				
Foreign Stocks .....	112,199	112,199	-	-
Foreign Bonds .....	6,994	-	6,994	-
Securities Lending Collateral:				
Commercial Paper .....	521	-	521	-
Repurchase Agreements .....	7,317	-	7,317	-
Variable Rate Notes .....	17,774	-	17,199	575
Bond Mutual Funds.....	1,977	-	1,977	-
Equity Mutual Funds .....	105,279	105,279	-	-
Bond Mutual Funds .....	101,959	101,959	-	-
Real Estate .....	140,539	15,182	-	125,357
Partnerships and Hedge Funds .....	36,707	-	-	36,707
Life Insurance .....	3,120	-	-	3,120
	<b>\$ 2,616,753</b>	<b>\$ 1,078,873</b>	<b>\$ 1,368,602</b>	<b>\$ 169,278</b>
	Net Asset Value at June 30, 2016			
<b><i>Investments measured at the Net Asset Value Level</i></b>				
Equity Mutual Funds .....	\$ 158,935			
Real Estate .....	530,765			
Partnerships and Hedge Funds .....	1,991,339			
	<b>\$ 2,681,039</b>			

More information on Ohio State University's fair value investment valuations can be found in its audited stand-alone financial report at <https://www.osu.edu/>.

The Ohio Facilities Construction Commission's investments in the amount of \$1.5 million were classified in Level 1 based on their valuation using the market approach.



**NOTE 5 RECEIVABLES**

**A. Taxes Receivable – Primary Government**

Current taxes receivable are expected to be collected in the next fiscal year while noncurrent taxes receivable are not expected to be collected until more than one year from the balance sheet date. As of June 30, 2016, approximately \$71 million of the net taxes receivable balance is also reported as deferred inflows of resources on the governmental funds' balance sheet, all of which is reported in the General Fund.

Refund liabilities for income taxes, totaling approximately \$804.7 million are reported as "Refund and Other Liabilities" for governmental activities on the Statement of Net Position and in the General Fund on the governmental funds' Balance Sheet.

The following table summarizes taxes receivable for the primary government (dollars in thousands):

	Governmental Activities		
	General	Nonmajor Governmental Funds	Total Primary Government
Current-Due Within One Year:			
Income Taxes .....	\$ 264,981	\$ -	\$ 264,981
Sales Taxes .....	521,674	-	521,674
Motor Vehicle Fuel Taxes .....	102,132	63,210	165,342
Commercial Activity Taxes .....	392,123	14,805	406,928
Public Utility Taxes .....	79,888	-	79,888
Casino Taxes .....	-	4,186	4,186
	<u>1,360,798</u>	<u>82,201</u>	<u>1,442,999</u>
Noncurrent-Due in More Than One Year:			
Income Taxes .....	10,122	-	10,122
Taxes Receivable, Net .....	<u>\$1,370,920</u>	<u>\$ 82,201</u>	<u>\$ 1,453,121</u>

**B. Intergovernmental Receivable – Primary Government**

The intergovernmental receivable balance reported for the primary government, all of which is expected to be collected within the next fiscal year, consists of the following, as of June 30, 2016 (dollars in thousands):

	From Nonexchange Programs		From Sales of Goods and Services		Total Primary Government
	Federal Government	Local Government	Other State Government	Local Government	
<b>Governmental Activities:</b>					
Major Governmental Funds:					
General .....	\$ 669,950	\$ -	\$ -	\$ -	\$ 669,950
Job, Family and Other Human .....	175,650	12,814	-	-	188,464
Nonmajor Governmental Funds .....	386,042	97,294	-	11,136	494,472
Total Governmental Activities .....	<u>1,231,642</u>	<u>110,108</u>	<u>-</u>	<u>11,136</u>	<u>1,352,886</u>
<b>Business-Type Activities:</b>					
Major Proprietary Funds:					
Unemployment Compensation .....	-	-	24	-	24
Nonmajor Proprietary Funds .....	-	-	-	7,498	7,498
Total Business-Type Activities .....	<u>-</u>	<u>-</u>	<u>24</u>	<u>7,498</u>	<u>7,522</u>
Intergovernmental Receivable .....	<u>\$1,231,642</u>	<u>\$ 110,108</u>	<u>\$ 24</u>	<u>\$ 18,634</u>	<u>\$1,360,408</u>



**NOTE 5 RECEIVABLES (Continued)**

**C. Loans Receivable**

Loans receivable for the primary government, as of June 30, 2016, are detailed in the following table (dollars in thousands):

<b>Primary Government - Loans Receivable</b>			
Loan Program	Governmental Activities		
	General	Nonmajor Governmental Funds	Total Primary Government
Economic Development Office of Loan Administration.....	\$ 298,813	\$ -	\$ 298,813
Local Infrastructure Improvements .....	514,039	-	514,039
Housing Finance .....	243,129	-	243,129
Highway, Transit, & Aviation Infrastructure Bank.....	-	95,304	95,304
Third Frontier Program Loans.....	-	18,870	18,870
Wayne Trace Local School District .....	1,999	-	1,999
Rail Development .....	-	2,633	2,633
Capital Access Loan Program.....	-	6,802	6,802
OhioMeansJobs Workforce Development Revolving Loan Program.....	-	378	378
Loans Receivable, Net .....	<u>1,057,980</u>	<u>123,987</u>	<u>1,181,967</u>
Current-Due Within One Year .....	121,602	13,497	135,099
Noncurrent-Due in More Than One Year .....	936,378	110,490	1,046,868
Loans Receivable, Net .....	<u>\$ 1,057,980</u>	<u>\$ 123,987</u>	<u>\$ 1,181,967</u>

The "Loans Receivable" balance reported in the major discretely presented component units, as of June 30, 2016, is comprised of student loans and other miscellaneous loans.



**NOTE 5 RECEIVABLES (Continued)**

**D. Other Receivables**

The other receivables balances reported for the primary government, as of June 30, 2016, consist of the following (dollars in thousands):

<b>Primary Government - Other Receivables</b>					
Governmental Activities					
Major Governmental Funds					
Types of Receivables	General	Job, Family & Other Human Services	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total
Manufacturers' Rebates .....	\$ 199,589	\$ 334,556	\$ -	\$ 4,691	\$ 538,836
Tobacco Settlement .....	-	-	472,202	34,100	506,302
Health Facility Bed Assessments .....	-	109,481	-	-	109,481
Interest .....	19,075	-	-	72	19,147
Accounts .....	11,535	10,981	-	2,618	25,134
Miscellaneous .....	23,057	-	-	-	23,057
Other Receivables, Net.....	<u>253,256</u>	<u>455,018</u>	<u>472,202</u>	<u>41,481</u>	<u>1,221,957</u>
Current-Due Within One Year .....	253,256	455,018	-	7,381	715,655
Noncurrent-Due in More Than One Year.....	-	-	472,202	34,100	506,302
Other Receivables, Net.....	<u>\$ 253,256</u>	<u>\$ 455,018</u>	<u>\$ 472,202</u>	<u>\$ 41,481</u>	<u>\$ 1,221,957</u>
Business-Type Activities					
Major Proprietary Funds					
Types of Receivables	Workers' Compensation	Lottery Commission	Unemployment Compensation	Nonmajor Proprietary Funds	Total
Accounts.....	\$ 267,559	\$ -	\$ 45,161	\$ 23	\$ 312,743
Interest and Dividends (including restricted portion).....	134,594	393	-	1,089	136,076
Lottery Sales Agents.....	-	52,434	-	-	52,434
Other Receivables, Gross.....	402,153	52,827	45,161	1,112	501,253
Estimated Uncollectible.....	(1,156)	(492)	(20,123)	-	(21,771)
Other Receivables, Net-Due Within One Year.....	<u>\$ 400,997</u>	<u>\$ 52,335</u>	<u>\$ 25,038</u>	<u>\$ 1,112</u>	<u>\$ 479,482</u>
Total Primary Government.....					<u>\$ 1,701,439</u>

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2016, is comprised of interest due of approximately \$4.1 million and investment trade receivables of \$28.3 million.

In the major discretely presented component units, the "Other Receivables" balance reported, as of June 30, 2016, is comprised of accounts receivable, interest receivable, pledges receivable, unbilled charges receivable, grants receivable, and other miscellaneous receivables.



**NOTE 6 PAYABLES**

**A. Accrued Liabilities**

Details on accrued liabilities for the primary government, as of June 30, 2016, follow (dollars in thousands):

<b>Primary Government - Accrued Liabilities</b>				
	Wages and Employee Benefits	Accrued Interest	Total Accrued Liabilities	
<b>Governmental Activities:</b>				
Major Governmental Funds:				
General.....	\$ 126,735	\$ -	\$ 126,735	
Job, Family and Other Human Services.....	20,435	-	20,435	
Nonmajor Governmental Funds.....	72,298	-	72,298	
	<u>219,468</u>	<u>-</u>	<u>219,468</u>	
Reconciliation of fund level statements to government- wide statements due to basis differences.....	-	159,977	159,977	
Total Governmental Activities.....	<u>219,468</u>	<u>159,977</u>	<u>379,445</u>	
<b>Business-Type Activities:</b>				
Nonmajor Proprietary Funds.....	4,144	-	4,144	
Total Primary Government.....	<u>\$ 223,612</u>	<u>\$ 159,977</u>	<u>\$ 383,589</u>	
<b>Fiduciary Activities:</b>				
State Highway Patrol Retirement System Pension Trust (12/31/2015).....	\$ 3,543	\$ 807	\$ -	\$ 4,350
Variable College Savings Plan Private-Purpose Trust.....	-	-	3,003	3,003
STAR Ohio Investment Trust.....	-	-	109	109
Total Fiduciary Activities.....	<u>\$ 3,543</u>	<u>\$ 807</u>	<u>\$ 3,112</u>	<u>\$ 7,462</u>

The "Accrued Liabilities" balance reported in the major discretely presented component units, as of June 30, 2016, is comprised largely of payables similar to those of the primary government, such as wages and employee benefits, self-insurance, and accrued interest.



**NOTE 6 PAYABLES (Continued)**

**B. Intergovernmental Payable**

The intergovernmental payable balances for the primary government, as of June 30, 2016, are comprised of the following (dollars in thousands).

<b>Primary Government - Intergovernmental Payable</b>					
	Local Government			Other States	Total
	Shared Revenue and Local Permissive Taxes	Subsidies and Other	Federal Government		
<b>Governmental Activities:</b>					
Major Governmental Funds:					
General .....	\$ 648,770	\$101,402	\$ 30,914	\$ -	\$ 781,086
Job, Family and Other Human Services .	-	116,067	-	-	116,067
Nonmajor Governmental Funds .....	89,224	110,533	-	-	199,757
Total Governmental Activities .....	<u>737,994</u>	<u>328,002</u>	<u>30,914</u>	<u>-</u>	<u>1,096,910</u>
<b>Business-Type Activities:</b>					
Major Proprietary Funds:					
Unemployment Compensation .....	-	-	275,915	-	275,915
Total Business-Type Activities .....	<u>-</u>	<u>-</u>	<u>275,915</u>	<u>-</u>	<u>275,915</u>
Total Primary Government.....					<u>\$ 1,372,825</u>
<b>Fiduciary Activities:</b>					
Holding and Distribution Agency Fund .....	\$ -	\$ 736	\$ 2,033	\$ 2,403	\$ 5,172
Payroll Withholding and Fringe Benefits Agency Fund .....	-	29,301	-	-	29,301
Other Agency Fund .....	170,035	11,595	-	-	181,630
Total Fiduciary Activities .....	<u>\$ 170,035</u>	<u>\$ 41,632</u>	<u>\$ 2,033</u>	<u>\$ 2,403</u>	<u>\$ 216,103</u>

As of June 30, 2016, the Ohio Facilities Construction Commission, a major discretely presented component unit fund, reported an intergovernmental payable balance totaling approximately \$606.5 million for long-term funding contracts the Commission has with local school districts. In the government-wide Statement of Net Position, the intergovernmental payable balance for the Commission is included with "Other Noncurrent Liabilities." The contracts commit the State to cover the costs of construction of facilities of the school districts once the districts have met certain eligibility requirements.



**NOTE 6 PAYABLES (Continued)**

**C. Refund and Other Liabilities**

Refund and other liabilities for the primary government, as of June 30, 2016, consist of the balances, as follows (dollars in thousands):

<b>Primary Government - Refund and Other Liabilities</b>						
			Personal Income Tax Estimated Refund Claims	Other	Total	
<b>Governmental Activities:</b>						
Major Governmental Funds:						
General .....			\$ 804,897	\$ 2	\$ 804,899	
Job, Family and Other Human Services .....			-	5,942	5,942	
Nonmajor Governmental Funds .....			-	695	695	
Total Governmental Activities .....			\$ 804,897	\$ 6,639	\$ 811,536	
<b>Business-Type Activities:</b>						
	Reserve for Compensation Adjustment	Net Pension Liability	Refund and Security Deposits	Compensated Absences	Other	Total
Major Proprietary Funds:						
Workers' Compensation .....	\$ 1,822,600	\$ 187,038	\$ -	\$ 25,245	\$ 97,519	\$ 2,132,402
Lottery Commission .....	-	27,660	67,723	3,590	14,011	112,984
Unemployment Compensation .....	-	-	6,609	-	-	6,609
Nonmajor Proprietary Funds .....	-	60,826	38	9,328	-	70,192
	1,822,600	275,524	74,370	38,163	111,530	2,322,187
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements .....	(1,822,600)	(275,524)	-	(38,163)	(71,377)	(2,207,664)
Total Business-Type Activities .....	\$ -	\$ -	\$ 74,370	\$ -	\$ 40,153	\$ 114,523
Total Primary Government .....						\$ 926,059
<b>Fiduciary Activities:</b>						
	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
State Highway Patrol Retirement						
System Pension Trust (12/31/2015) .....	\$ -	\$ -	\$ -	\$ -	\$ 610	\$ 610
Variable College Savings Plan						
Private-Purpose Trust .....	-	-	-	-	29,823	29,823
STAR Ohio Investment Trust .....	-	-	-	-	318	318
Agency Funds:						
Holding and Distribution .....	-	22,260	-	-	-	22,260
Centralized Child Support Collections .....	66,659	-	-	-	-	66,659
Retirement Systems .....	-	-	-	185,155,392	-	185,155,392
Payroll Withholding and Fringe Benefits .....	-	-	109,540	-	-	109,540
Other .....	-	-	-	-	542,327	542,327
Total Fiduciary Activities .....	\$ 66,659	\$ 22,260	\$ 109,540	\$ 185,155,392	\$ 573,078	\$ 185,926,929

In the major discretely presented component units, the "Refunds and Other Liabilities" balance reported, as of June 30, 2016, is comprised largely of payables similar to the primary government, such as refund and security deposits, compensated absences, capital leases, and other miscellaneous payables.



**NOTE 7 INTERFUND BALANCES AND TRANSFERS AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS**

**A. Interfund Balances**

Interfund balances, as of June 30, 2016, consist of the following (in thousands):

Due from	Due To				Total Primary Government
	Governmental Activities			Total	
	Major Governmental Funds	Nonmajor Governmental Funds	General		
Major Governmental Funds:					
Buckeye Tobacco Settlement Financing Authority Revenue Bonds.....	\$ 2,847	\$ -	\$ 2,847	\$ -	\$ 2,847
Nonmajor Governmental Funds .....	-	1,357	-	1,357	1,357
Total Governmental Activities .....	2,847	1,357	4,204	-	4,204
Total Primary Government .....	\$ 2,847	\$ 1,357	\$ 4,204		
	Business-Type Activities				
	Major Proprietary Funds		Nonmajor Proprietary Funds	Total	
	Workers' Compensation	Lottery Commission			
Major Governmental Funds:					
General .....	\$ 444,800	\$ -	\$ 9,075	\$ 453,875	\$ 453,875
Job, Family and Other Human Services .....	13,391	-	-	13,391	13,391
Buckeye Tobacco Settlement Financing Authority Revenue Bonds.....	-	-	-	-	2,847
Nonmajor Governmental Funds .....	148,129	1	-	148,130	149,487
Total Governmental Activities .....	606,320	1	9,075	615,396	619,600
Business-Type Activities:					
Major Proprietary Funds:					
Lottery Commission .....	1,446	-	-	1,446	1,446
Nonmajor Proprietary Funds .....	7,605	-	-	7,605	7,605
Total Business-Type Activities .....	9,051	-	-	9,051	9,051
Total Primary Government .....	\$ 615,371	\$ 1	\$ 9,075	\$ 624,447	\$ 628,651

Interfund balances result from the time lag between dates that 1) interfund goods and services are provided or reimbursable expenditures/expenses occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The State's primary government is permitted to pay its workers' compensation liability on a terminal-funding (pay-as-you-go) basis. As a result, the Workers' Compensation Enterprise Fund recognized \$615.4 million as an interfund receivable for the unbilled premium due for the primary government's share of the Bureau's actuarially determined liability for compensation. In the Statement of Net Position, the State includes the liability in the internal balance reported for governmental activities.



**NOTE 7 INTERFUND BALANCES AND TRANSFERS AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)**

**B. Interfund Transfers**

Interfund transfers, for the fiscal year ended of June 30, 2016, consist of the following (dollars in thousands):

Transferred from	Transferred to			
	Governmental Activities			
	Major Governmental Funds			
	General	Job, Family & Other Human Services	Nonmajor Governmental Funds	Total
<b>Major Governmental Funds:</b>				
General .....	\$ -	\$ 48,714	\$ 2,037,734	\$ 2,086,448
Job, Family and Other Human Services .....	-	-	42,499	42,499
Buckeye Tobacco Settlement Financing				
Authority Revenue Bonds.....	13,973	-	1,127	15,100
Nonmajor Governmental Funds .....	257,530	-	158,917	416,447
<b>Total Governmental Activities .....</b>	<b>271,503</b>	<b>48,714</b>	<b>2,240,277</b>	<b>2,560,494</b>
<b>Major Proprietary Funds:</b>				
Workers' Compensation .....	8,796	-	-	8,796
Lottery Commission .....	1,435	-	1,173,397	1,174,832
Unemployment Compensation .....	4,890	2,692	-	7,582
<b>Total Business-Type Activities .....</b>	<b>15,121</b>	<b>2,692</b>	<b>1,173,397</b>	<b>1,191,210</b>
<b>Total Primary Government .....</b>	<b>\$ 286,624</b>	<b>\$ 51,406</b>	<b>\$ 3,413,674</b>	<b>\$ 3,751,704</b>
			<b>Business-Type Activities</b>	
			<b>Nonmajor Proprietary Funds</b>	<b>Total Primary Government</b>
<b>Transferred from</b>				
<b>Major Governmental Funds:</b>				
General .....			\$ 30,332	\$ 2,116,780
Job, Family and Other Human Services .....			-	42,499
Buckeye Tobacco Settlement Financing.....				
Authority Revenue Bonds.....			-	15,100
Nonmajor Governmental Funds .....			-	416,447
<b>Total Governmental Activities .....</b>			<b>30,332</b>	<b>2,590,826</b>
<b>Major Proprietary Funds:</b>				
Workers' Compensation .....			-	8,796
Lottery Commission .....			-	1,174,832
Unemployment Compensation .....			-	7,582
<b>Total Business-Type Activities .....</b>			<b>-</b>	<b>1,191,210</b>
<b>Total Primary Government .....</b>			<b>\$ 30,332</b>	<b>\$ 3,782,036</b>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts, to the debt service fund as the debt service payments become due, and 3) utilize unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budget authorizations.



**NOTE 7 INTERFUND BALANCES AND TRANSFERS AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)**

**C. Discretely Presented Component Units**

For fiscal year 2016, the discretely presented component units reported \$2.16 billion in state assistance revenue from the primary government in the Statement of Activities.

Included in "Primary, Secondary, and Other Education" expenses reported for the governmental activities, is the funding that the primary government provided to the Ohio Facilities Construction Commission for capital construction at local school districts. The primary government also transferred bond proceeds to the Ohio Facilities Construction Commission to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State.

Additionally, the primary government provided financial support to the colleges and universities in the form of state appropriations for instructional and non-instructional purposes and capital appropriations for construction. This assistance is included in "Higher Education Support" expenses reported for governmental activities.

Details of balances and activity reported in the government-wide financial statements between the primary government and its discretely presented component units are summarized below.

<b>Primary Government</b> <i>(dollars in thousands)</i>							
Program Expenses for State Assistance to Component Units							
	Receivable from the Component Units	Payable to the Component Units	Primary, Secondary, and Other Education Function	Higher Education Support Function	Transportati on Function	Community and Economic Development Function	Total State Assistance to the Component Units
Major Governmental Funds:							
General .....	\$ 2,587	\$ 18,958	\$ 149,245	\$ 1,808,753	\$ 2,751	\$ 34,332	\$ 1,995,081
Job, Family and Other Human .....	-	2,014	-	-	-	-	-
Nonmajor Governmental Funds .....	28,744	5,900	-	160,802	-	-	160,802
Total Governmental Activities.....	<u>\$ 31,331</u>	<u>\$ 26,872</u>	<u>\$ 149,245</u>	<u>\$ 1,969,555</u>	<u>\$ 2,751</u>	<u>\$ 34,332</u>	<u>\$ 2,155,883</u>

<b>Discretely Presented Component Units</b> <i>(dollars in thousands)</i>			
	Receivable from the Primary Government	Payable to the Primary Government	Total State Assistance from the Primary Government
Major Discretely Presented Component Units:			
Ohio Facilities Construction Commission.....	\$ -	\$ -	\$ 183,577
Ohio State University .....	1,757	-	492,444
Nonmajor Discretely Presented Component Units .....	25,064	27,708	1,479,862
Total Discretely Presented Component Units .....	<u>\$ 26,821</u>	<u>\$ 27,708</u>	<u>\$ 2,155,883</u>



**NOTE 8 CAPITAL ASSETS**

**A. Primary Government**

Capital asset activity, for the year ended June 30, 2016, reported for the primary government was as follows (dollars in thousands):

	<b>Primary Government</b>			
	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land .....	\$ 2,323,700	\$ 37,031	\$ (1,872)	\$ 2,358,859
Buildings .....	62,464	-	-	62,464
Land Improvements .....	1,416	23	-	1,439
Construction-in-Progress .....	1,714,845	832,673	(350,026)	2,197,492
Infrastructure:				
Highway Network:				
General Subsystem .....	8,594,583	37,568	(2,014)	8,630,137
Priority Subsystem .....	8,469,414	166,168	(1,146)	8,634,436
Bridge Network .....	2,849,116	33,661	(44,513)	2,838,264
Total Capital Assets Not Being Depreciated.....	<u>24,015,538</u>	<u>1,107,124</u>	<u>(399,571)</u>	<u>24,723,091</u>
Other Capital Assets:				
Buildings .....	3,666,201	130,757	(60,718)	3,736,240
Land Improvements .....	469,859	31,407	(13,116)	488,150
Machinery and Equipment .....	1,423,608	169,979	(87,315)	1,506,272
Vehicles .....	386,630	77,133	(41,475)	422,288
Infrastructure:				
Parks, Recreation and Natural Resources Network.....	111,647	41,102	(588)	152,161
Total Other Capital Assets at Historical Cost.....	<u>6,057,945</u>	<u>450,378</u>	<u>(203,212)</u>	<u>6,305,111</u>
Less Accumulated Depreciation for:				
Buildings .....	2,172,453	105,222	(24,640)	2,253,035
Land Improvements .....	310,085	17,735	(7,399)	320,421
Machinery and Equipment .....	773,871	233,502	(36,846)	970,527
Vehicles .....	228,112	41,234	(33,975)	235,371
Infrastructure:				
Parks, Recreation and Natural Resources Network.....	31,622	4,079	(116)	35,585
Total Accumulated Depreciation .....	<u>3,516,143</u>	<u>401,772</u>	<u>(102,976)</u>	<u>3,814,939</u>
Other Capital Assets, Net .....	<u>2,541,802</u>	<u>48,606</u>	<u>(100,236)</u>	<u>2,490,172</u>
Governmental Activities - Capital Assets, Net.....	<u>\$ 26,557,340</u>	<u>\$ 1,155,730</u>	<u>\$ (499,807)</u>	<u>\$ 27,213,263</u>
<b>Business-Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land .....	\$ 11,994	\$ -	\$ (2,528)	\$ 9,466
Construction-In Progress.....	83,672	23,165	-	106,837
Total Capital Assets Not Being Depreciated.....	<u>95,666</u>	<u>23,165</u>	<u>(2,528)</u>	<u>116,303</u>
Other Capital Assets:				
Buildings .....	209,372	38	-	209,410
Land Improvements .....	66	-	(66)	-
Machinery and Equipment .....	175,210	21,623	(9,567)	187,266
Vehicles .....	3,070	756	(469)	3,357
Total Other Capital Assets at Historical Cost.....	<u>387,718</u>	<u>22,417</u>	<u>(10,102)</u>	<u>400,033</u>
Less Accumulated Depreciation for:				
Buildings .....	166,499	6,964	-	173,463
Land Improvements .....	60	1	(61)	-
Machinery and Equipment .....	142,526	9,980	(7,453)	145,053
Vehicles .....	1,740	372	(405)	1,707
Total Accumulated Depreciation .....	<u>310,825</u>	<u>17,317</u>	<u>(7,919)</u>	<u>320,223</u>
Other Capital Assets, Net .....	<u>76,893</u>	<u>5,100</u>	<u>(2,183)</u>	<u>79,810</u>
Business-Type Activities - Capital Assets, Net.....	<u>\$ 172,559</u>	<u>\$ 28,265</u>	<u>\$ (4,711)</u>	<u>\$ 196,113</u>



**NOTE 8 CAPITAL ASSETS (Continued)**

For fiscal year 2016, the State charged depreciation expense to the following functions (dollars in thousands):

	<i>Depreciation Expense</i>
<b>Governmental Activities:</b>	
Primary, Secondary and Other Education.....	\$ 4,933
Higher Education Support.....	5
Public Assistance and Medicaid.....	141,647
Health and Human Services.....	14,777
Justice and Public Protection.....	89,060
Environmental Protection and Natural Resources.....	16,398
Transportation.....	66,841
General Government.....	66,971
Community and Economic Development.....	7,323
Total Depreciation Expense for Governmental Activities.....	<u>407,955</u>
Gains (Losses) on Capital Asset Disposals Included in Depreciation.....	(6,183)
Fiscal Year 2016 Increases to Accumulated Depreciation.....	<u>\$ 401,772</u>
<b>Business-Type Activities:</b>	
Workers' Compensation.....	\$ 8,128
Lottery Commission.....	10,200
Tuition Trust Authority.....	17
Office of Auditor of State.....	299
Total Depreciation Expense for Business-Type Activities.....	<u>18,644</u>
Gains (Losses) on Capital Asset Disposals Included in Depreciation.....	(1,327)
Fiscal year 2016 Increase to Accumulated Depreciation.....	<u>\$ 17,317</u>

As of June 30, 2016, the State considered the following governmental capital asset balances as being temporarily impaired and removed from service (dollars in thousands).

	<i>Net Book Value</i>
<b>Governmental Activities:</b>	
Temporarily Impaired Assets Removed from Service:	
Buildings.....	\$ 13,198
Land Improvements .....	225
Total.....	<u>\$ 13,423</u>



**NOTE 8 CAPITAL ASSETS (Continued)**

**B. Major Discretely Presented Component Units**

Capital asset activity, for the year ended June 30, 2016, reported for major discretely presented component unit funds with significant capital asset balance was as follows (dollars in thousands):

	Major Discretely Presented Component Units			
	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Ohio State University:</b>				
Capital Assets Not Being Depreciated:				
Land .....	\$ 97,759	\$ 24,200	\$ (15,502)	\$ 106,457
Construction-in-Progress .....	332,928	(203,882)	-	129,046
Patents and Trademarks.....	18,413	-	-	18,413
Total Capital Assets Not Being Depreciated.....	449,100	(179,682)	(15,502)	253,916
Other Capital Assets:				
Buildings .....	5,656,310	468,161	(12,595)	6,111,876
Land Improvements .....	738,660	83,334	(1,429)	820,565
Machinery, Equipment and Vehicles .....	1,367,648	93,048	(36,216)	1,424,480
Library Books and Publications .....	177,753	6,165	(529)	183,389
Total Other Capital Assets at Historical Cost.....	7,940,371	650,708	(50,769)	8,540,310
Less Accumulated Depreciation for:				
Buildings .....	2,199,657	216,407	(7,046)	2,409,018
Land Improvements .....	249,040	26,459	(7)	275,492
Machinery, Equipment and Vehicles .....	904,010	111,083	(33,233)	981,860
Library Books and Publications .....	153,611	4,377	(530)	157,458
Total Accumulated Depreciation .....	3,506,318	358,326	(40,816)	3,823,828
Other Capital Assets, Net .....	4,434,053	292,382	(9,953)	4,716,482
Total Capital Assets, Net .....	\$ 4,883,153	\$ 112,700	\$ (25,455)	\$ 4,970,398

The decrease in construction in progress in fiscal year 2016 represents the amount of capital expenditures for new projects, net of assets placed in service.

For fiscal year 2016, Ohio State University reported approximately \$358.3 million in depreciation expense.

**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS**

All part-time and full-time employees and elected officials of the State, including its component units (unless otherwise excluded in Ohio Revised Code), are eligible to be covered by one of the following retirement plans:

- Ohio Public Employees Retirement System
- State Teachers Retirement System of Ohio
- State Highway Patrol Retirement System
- Alternative Retirement Plan

**A. Ohio Public Employees Retirement System (OPERS)**

**Pension Benefits**

OPERS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – a defined benefit plan, a defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan.

OPERS issues a stand-alone financial report, copies of which may be obtained by visiting <https://www.opers.org/> or by making a written request to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or calling (800) 222-7377.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

As established under Chapter 145, Ohio Revised Code, OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and survivor and death benefits to plan members and beneficiaries enrolled in the defined benefit and combined plans.

Most employees who are members of OPERS and who have fewer than five total years of service credit as of December 31, 2002, and new employees hired on or after January 1, 2003, are eligible to select one of the OPERS retirement plans, as listed above, in which they wish to participate. Members not eligible to select a plan include law enforcement officers, (who must participate in the defined benefit plan), college and university employees who choose to participate in one of the university's alternative retirement plans (see NOTE 9D), and re-employed OPERS retirees. Participants may change their selection once prior to attaining five years of service credit, once after attaining five years of service credit but prior to attaining ten years of service credit, and once after attaining ten years of service credit.

Senate Bill 343 was enacted into law with an effective date of January 7, 2013. The pension changes included in the bill modify the retirement eligibility criteria and benefits to provide for longer life expectancies of members. The pension plan design changes also include updated benefits to the disability program, which addresses eligibility for members to return to work. Other changes include updated provisions such as the cost of purchasing service credit and the impact of retiring early with a reduced retirement benefit.

In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members eligible to retire under the law in effect prior to Senate Bill 343 or who will be eligible to retire no later than five years after January 7, 2013, comprise Transition Group A. Members with 20 years of service credit prior to January 7, 2013, or who will be eligible to retire no later than 10 years after January 7, 2013, are included in Transition Group B. Those members who are not in either Group A or B or were hired after January 7, 2013, are in Transition Group C.

Members in Transition Groups A and B are eligible to retire at age 55 with 25 years of credited service, or at or after age 60 with five years of credited service. Members in Transition Group C are eligible to retire at age 57 with 25 years of service credit or at age 62 with 5 years of service credit. Regular employees retiring before meeting certain age and service credit eligibility requirements receive a percentage reduction in benefit amounts. Law enforcement employees in Transition Groups A and B may retire at age 52 with 15 or more years of credited service, while members in Transition Group C may retire at age 56 with 15 or more years of credited service.

The retirement allowance for the defined benefit plan is calculated on the basis of age, years of credited service, and the final average salary. The annual allowance for regular employees is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 30 years and by 2.5 percent for all other years in excess of 30 years of credited service. The annual allowance for law enforcement employees is determined by multiplying the final average salary by 2.5 percent for the first 25 years of Ohio contributing service, and by 2.1 percent for each year of service over 25 years. Retirement benefits increase three percent annually of the original base amount regardless of changes in the Consumer Price Index.

The retirement allowance for the defined benefit portion of the combined plan is calculated on the basis of age, years of credited service, and the final average salary. The annual allowance for regular employees is determined by multiplying the final average salary by one percent for each year of Ohio contributing service up to 30 years and by 1.25 percent for all other years in excess of 30 years of credited service. Retirement benefits for the defined benefit portion of the plan increase three percent annually of the original base amount regardless of changes in the Consumer Price Index. Additionally, retirees receive the proceeds of their individual retirement plans in a manner similar to retirees in the defined contribution plan, as discussed below.

Regular employees who participate in the defined contribution plan may retire after they reach the age of 55. The retirement allowance for the defined contribution plan is based entirely on the total member and vested employer contributions to the plan, plus or minus any investment gains or losses. Employer contributions vest at a rate of 20 percent per year over a five-year vesting period. Retirees may choose from various payment options including monthly annuities, partial lump-sum payments, a rollover of the vested amount to another financial institution,



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

receipt of the entire account balance, or various combinations of these options. Participants direct the investment of their accounts by selecting from professionally managed OPERS investment options.

Retirees covered under any one of the three OPERS plan options may also choose to take part of their retirement benefit in a Partial Lump-Sum Option Plan (PLOP). Under this option, the amount of the monthly pension benefit paid to the retiree is actuarially reduced to offset the amount received initially under the PLOP. The amount payable under the PLOP cannot be less than six times or more than 36 times the monthly amount that would be payable to the member under the plan of payment selected, and cannot result in a monthly allowance that is less than 50 percent of that monthly amount.

Employer and employee required contributions to OPERS are established by the Retirement Board and are within the limits authorized by the Ohio Revised Code. The contribution rates are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for regular employees and 18.1 percent of covered payroll for law enforcement employees.

Contribution rates for fiscal year 2016, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

	Contribution Rates	
	Employee Share	Employer Share
<u>Regular Employees:</u>		
July 1, 2015 through June 30, 2016.....	10.00%	14.00%
<u>Law Enforcement Employees:</u>		
July 1, 2015 through June 30, 2016.....	13.00%	18.10%

In the combined plan, the employer's share finances the defined benefit portion of the plan, while the employee's share finances the defined contribution portion of the plan. In the defined contribution plan, both the employee and employer share of the costs are used to finance the plan.

At June 30, 2016, the State reports a liability of \$3.56 billion for its proportionate share of the net pension liability for the traditional plan and an asset for its proportionate share of the net pension asset of \$9.3 million for the Combined Plan. Ohio State University discretely presented component unit reports liabilities of \$1.56 billion, for its proportionate share of the net pension liability for the traditional plan. The net pension asset/liability was measured as of December 31, 2015. The Plan's total pension asset/liability used to calculate the Plan's net pension asset/liability was determined by an actuarial valuation as of December 31, 2015. The State's proportion of the net pension asset/liability is determined by a measure of the State's proportionate relationship of employer contributions made to OPERS to the total contributions made to OPERS by all employers and non-employer contributing entities to the plan. At December 31, 2015, the State's proportion was 20.65 percent for the traditional plan based on employer contributions of \$308.5 million, as compared to the December 31, 2014, proportion of 20.73 percent. For the combined plan, the State's proportion at December 31, 2015, was 19.64 percent based on employer contributions of \$8.6 million, as compared to the December 31, 2014, proportion of 20.23 percent. The proportion for the traditional plan for Ohio State University discretely presented component unit was 9 percent based on employer contributions totaling \$178.3 million at December 31, 2015, compared to 8.8 percent for the previous fiscal year. For purposes of measuring the net pension liability/asset, Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions, and pension expense, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, deductions are recorded when the liability is incurred and revenues are recognized when earned. Refunds are payable three months after termination of the member's employment.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

For the year ended June 30, 2016, the State recognized pension expense of \$500.4 million for the traditional plan, and \$4.8 million for the combined plan. Ohio State University discretely presented component unit, recognized \$278.5 million. At June 30, 2016, the State reports Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Primary Government	Ohio State University
<b>Traditional Plan</b>		
Deferred Outflow of Resources:		
Differences Between Expected and Actual Experience .....	\$ -	\$ 317
Net Difference between Projected and Actual Earnings		
on Pension Plan Investments .....	1,039,533	461,637
Differences Between Employers' Contributions and		
Proportionate Share of Contributions .....	9,019	-
Change in Employers' Proportionate Share .....	225	1,343
Contributions Subsequent to the Measurement Date .....	136,079	88,058
Total .....	<u>\$ 1,184,856</u>	<u>\$ 551,355</u>
Deferred Inflow of Resources:		
Differences Between Employers' Contributions and		
Proportionate Share of Contributions .....	\$ (903)	\$ -
Change in Employers' Proportionate Share .....	(11,693)	(40)
Differences Between Expected and Actual Experience .....	(69,118)	(33,260)
Total .....	<u>\$ (81,714)</u>	<u>\$ (33,300)</u>
<b>Combined Plan</b>		
Deferred Outflow of Resources:		
Change in Employers' Proportionate Share .....	\$ 226	
Net Difference between Projected and Actual Earnings		
on Pension Plan Investments .....	3,882	
Differences Between Employers' Contributions and		
Proportionate Share of Contributions .....	23	
Contributions Subsequent to the Measurement Date .....	3,690	
Total .....	<u>\$ 7,821</u>	
Deferred Inflow of Resources:		
Differences Between Employers' Contributions and		
Proportionate Share of Contributions .....	(3)	
Differences Between Expected and Actual Experience .....	(4,184)	
Total .....	<u>\$ (4,187)</u>	

Deferred Outflows of Resources of \$136.1 million related to pensions resulting from State contributions subsequent to the measurement date for the traditional plan will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Deferred Outflows of Resources of \$3.7 million for the combined plan will be recognized as an increase to the net pension asset in the year ended June 30, 2017. Ohio State University discretely presented component unit, will recognize \$88.1 million as a reduction of its net pension liability.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

Traditional Plan	Primary Government	Ohio State University
Year Ended June 30:		
2017.....	\$ 224,469	\$ 101,402
2018.....	241,403	108,593
2019.....	266,173	117,169
2020.....	235,074	104,301
2021.....	(14)	(383)
Thereafter.....	(42)	(1,085)

Combined Plan	Primary Government
Year Ended June 30:	
2017.....	\$ 502
2018.....	502
2019.....	501
2020.....	375
2021.....	(499)
Thereafter.....	(1,437)

**Actuarial Assumptions:**

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Traditional Plan	Combined Plan
Wage Inflation.....	3.75	3.75 Percent
Salary Increases (including wage inflation).....	4.25-10.05	4.25-8.05 Percent
Investment Rate of Return.....	8.00	8.00 Percent
COLA or Ad Hoc COLA.....	3.00	3.00 Percent
Actuarial Cost Method.....	Individual Entry Age	

Mortality rates were based on the RP-2000 Combined Mortality Table for males or females, as appropriate, projected 20 years based on Projection Scale AA.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study dated December 31, 2010.

An estimate range for investment return assumption is developed and based on the target allocation adopted by the OPERS Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Weighted, Average Long- Term Expected Real Rate of Return*
Fixed Income.....	23.00%	2.31%
Domestic Equity.....	20.70%	5.84%
Real Estate.....	10.00%	4.25%
Private Equity.....	10.00%	9.25%
International Equities.....	18.30%	7.40%
Other Investments.....	18.00%	4.59%
Total Fund.....	100.00%	5.27%

\*Arithmetic.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

Discount Rate - The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at statutory contribution rates. In each period of the projection, employer contributions were assumed to be applied first to the service cost of all members, with any remaining amount included in projected employer contributions for current members. Therefore, the long-term expected rate of return of 8 percent was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2015.

Sensitivity of the State's proportionate share of the Net Pension Liability to changes in the Discount Rate – The following table represents the net pension liability as of December 31, 2015, calculated using the current period discount rate assumption of 8 percent. Also shown is what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current assumption:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
<b>Traditional Plan</b>			
Net Pension Liability:			
Primary Government .....	\$ 5,674,338	\$ 3,561,458	\$ 1,779,387
Ohio State University .....	2,486,407	1,556,155	771,771
<b>Combined Plan</b>			
Net Pension Liability:			
Primary Government .....	\$ (192)	\$ (9,355)	\$ (16,612)

**Other Postemployment Benefits (OPEB)**

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the defined benefit and combined plans. Members of the defined contribution plan do not qualify for ancillary benefits, including post-employment healthcare coverage, but qualify for a Retiree Medical Account.

In order to qualify for post-employment healthcare coverage, age-and-service retirees under the defined benefit and combined plans must have twenty years of qualifying Ohio service credit with a minimum age of 60, or 30 years of qualifying service at any age. An OPERS retiree, who is re-employed in an OPERS covered job must enroll in the employers health care plan if offered. The retiree may continue participation in the OPER health care plan, after the two month forfeiture period, as secondary coverage. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an OPEB as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible recipients. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement healthcare through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement healthcare benefits.

Employer contribution rates are expressed as a percentage of covered payroll of active members. For fiscal year 2016, state employers contributed at a rate of 14 percent of covered payroll and law enforcement employers



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

contributed at 18.1 percent. These are the maximum contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment healthcare benefits. The contribution rates for regular and law enforcement employees were as follows:

	Employer Share	
	Defined Benefit Plan	Combined Plan
July 1, 2015 through June 30, 2016.....	2.00%	2.00%

The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the healthcare benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012. The changes were implemented in a phased-in manner from 2013, and continuing through 2018. With the passage of pension legislation under Senate Bill 343 and the approved healthcare changes, OPERS has continued efforts in 2015 to implement pension changes provided by the legislation.

Employer contributions required and made for the last three fiscal years for the defined benefit plan and the defined benefit portion of the combined plan were as follows (dollars in thousands):

	2016	2015	2014
<u>Primary Government:</u>			
Regular Employees .....	\$ 44,519	\$ 51,394	\$ 38,693
Law Enforcement Employees.....	616	608	447
Total .....	<u>\$ 45,135</u>	<u>\$ 52,002</u>	<u>\$ 39,140</u>
<u>Major Discretely Presented Component Units:</u>			
Ohio State University.....	\$ 24,104	\$ 23,400	\$ 17,016

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2016, employers' paid four percent of their share into members' accounts. Currently, an employee's interest in the medical account for qualifying healthcare expenses vests on the basis of length of service, with 100 percent vesting attained after five years of credited service for employees hired prior to July 1, 2015. Members who elect the member-directed plan after July 1, 2015, will vest at 15 years of service at a rate of 10 percent each year starting with the sixth year of participation. Employers make no further contributions to a member's medical account after retirement, nor do employers have any further obligation to provide postemployment healthcare benefits.

Employer contributions required and made for the last three fiscal years for the defined contribution plan were as follows (dollars in thousands):

	2016	2015	2014
Primary Government.....	\$ 3,886	\$ 1,684	\$ 1,208
<u>Major Discretely Presented Component Units:</u>			
Ohio State University.....	\$ 2,904	\$ 1,026	\$ 736

The number of active contributing participants for the primary government was 65,276 as of June 30, 2016.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

**Early Retirement Incentives (ERI)**

State agencies, or departments within agencies, may offer voluntary ERI under Section 145.297, Ohio Revised Code. Through the ERI Program, the State can offer to purchase up to a maximum of five years worth of service credit from OPERS on behalf of employees who would then meet the age and service requirements to qualify for retirement. The ERI plan must remain in effect for at least one year and the employees must be given at least thirty days' notice before terminating the plan.

State agencies are also required under Section 145.298, Ohio Revised Code, to offer a generally similar ERI when terminating a number of employees that equals or exceeds the lesser of 350 employees or 40 percent of the agency's workforce, as a result of a closure of the agency or a lay-off within a six-month period. Under these circumstances, qualifying employees must decide whether to accept the offer in the time between the announcement of the layoffs and the effective date. The amount of service credit offered cannot exceed five years.

The ERI agreements establish an obligation to pay specific amounts on fixed dates. State agencies that implement an ERI must pay their obligation to OPERS within a maximum of two years after the agreement is finalized, so the State does not discount the amount of the liability incurred under the agreement.

As of June 30, 2016, the State had no significant liability balances relative to existing ERI agreements with state employees covered by OPERS. During fiscal year 2016, the State did not incur any significant expenditures/expenses related to ERI agreements.

**B. State Teachers Retirement System of Ohio (STRS)**

**Pension Benefits**

STRS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – a defined benefit plan, a defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan. STRS benefits are established under Chapter 3307, Ohio Revised Code.

STRS also provides death, survivors', disability, healthcare, and supplemental benefits to members in the defined benefit and combined plans.

STRS issues a stand-alone financial report, copies of which may be obtained by making a written request to State Teachers Retirement System of Ohio, Attention: Chief Financial Officer, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at <https://www.strsoh.org>.

Participants in the defined benefit plan may retire after 30 years of credited service regardless of age or age 55 or after with 25 years of credited service, or at or after age 60 with five years of credited service. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Retirees are entitled to a maximum annual retirement benefit, payable in monthly installments for life, equal to the "formula benefit" calculation. Beginning August 1, 2015, eligibility requirements for an unreduced benefit changed, and are based on the final average salary based on the five highest years of earning, and by multiplying 2.2 percent times the number of years of service credit. The annual retirement allowance for July 1, 2015, and earlier, is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.2 percent for the first 30 years of credited service. Each year over 30 years is incrementally increased by .1 percent, starting at 2.5 percent for the 31<sup>st</sup> year of contributing service up to a maximum allowance of 100 percent of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5 percent, and each year over 31 years is incrementally increased by .1 percent starting at 2.6 percent for the 32<sup>nd</sup> year.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

Retirees can also choose a “partial lump-sum” option plan. Under this option, retirees may take a lump-sum payment that equals from six to 36 times their monthly service retirement benefit. Subsequent monthly benefits are reduced proportionally.

Employees hired after July 1, 2001, and those with less than five years of service credit at that date, may choose to participate in the combined plan or the defined contribution plan, in lieu of participation in the defined benefit plan.

Participants in the defined contribution plan are eligible to retire at age 50. Employee and employer contributions are placed into individual member accounts, and members direct the investment of their accounts by selecting from various professionally managed investment options. Retirees may choose to receive either a lump-sum distribution or a monthly annuity for life. Employer contributions become vested after one year of service, while employee contributions vest immediately.

Participants in the combined plan may start to collect the defined benefit portion of the plan at age 60 with five years of service. The annual allowance is determined by multiplying the final average salary by one percent for each year of Ohio contributing service credit. Participants in the combined plan may also participate in the partial lump-sum option plan, as described previously, for the portion of their retirement benefit that is provided through the defined benefit portion of the plan. The defined contribution portion of the plan may be taken as a lump sum or as a lifetime monthly annuity.

A retiree of STRS or any other Ohio public retirement system is eligible for re-employment as a teacher after two months from the date of retirement. Members and the employer make contributions during the period of re-employment. Upon termination or the retiree reaches the age of 65, whichever comes later, the retiree is eligible for an annuity benefit or a lump-sum payment in addition to the original retirement allowance. Alternatively, the retiree may receive a refund of member contributions with interest before age 65, once employment is terminated.

Employer and employee required contributions to STRS are established by the Board and limited under the Ohio Revised Code to employer and employee rates of 14 percent and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuary.

Contribution rates for fiscal year 2016 were 14 percent for employers and 13 percent for employees for the defined benefit, defined contribution, and combined plans. For the defined benefit and combined plans, all employer contributions are used to fund pension obligations. For the defined contribution plan, 9.5 percent of the employer's share is deposited into individual employee accounts, while 4.5 percent is paid to the defined benefit plan.

At June 30, 2016, the State reports a liability of \$107.5 million for its proportionate share of the net pension liability, as compared to \$99.4 million at June 30, 2015. Ohio State University discretely presented component unit reports a liability of \$1.24 billion for its proportionate share, as compared to \$1.1 billion at June 30, 2015. The net pension liability was measured as of June 30, 2015. The Plan's total pension liability used to calculate the Plan's net pension liability was determined by an actuarial valuation as of July 1, 2015. The State's proportion of the net pension liability is determined by a measure of the State's proportionate relationship of employer contributions made to STRS to the total contributions made to STRS by all employers and non-employer contributing entities to the plan. At June 30, 2015, the State's proportion was 0.389 percent based on employer contributions totaling \$5.7 million as compared to the State's proportion at June 30, 2014, of 0.409 percent. Ohio State University had a proportionate share of 4.5 percent based on employer contributions of \$67 million, as compared to 4.4 percent for June 30, 2014.

For purposes of measuring the net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by STRS. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

For the year ended June 30, 2016, the State recognized pension expense of \$6.6 million and Ohio State University discretely presented component unit recognized \$78 million.

At June 30, 2016, the State and Ohio State University report Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):

	Primary Government	Ohio State University
<b>Deferred Outflows of Resources</b>		
Differences Between Expected and Actual Experience.....	\$ 4,936	\$ 56,459
Change in Employer Proportionate Share of NPL.....	-	789
Employer Contributions Subsequent to Measurement Date.....	5,588	67,106
Total.....	<u>\$ 10,524</u>	<u>\$ 124,354</u>
<b>Deferred Inflows of Resources</b>		
Change in Employer Proportionate Share of NPL.....	\$ (3,840)	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments.....	(8,399)	(89,069)
Total.....	<u>\$ (12,239)</u>	<u>\$ (89,069)</u>

Deferred Outflows of Resources of \$5.6 million related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Ohio State University discretely presented component unit will recognize \$67.1 million as a reduction of its net pension liability. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

	Primary Government	Ohio State University
<b>YEAR ENDED JUNE 30:</b>		
2017.....	\$ (2,916)	\$ (19,694)
2018.....	(2,916)	(19,694)
2019.....	(2,916)	(19,694)
2020.....	1,445	27,261

**Actuarial Assumptions:**

The Total Pension Liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age
Inflation	2.75 percent
Salary Increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of pension plan investment expense, including inflation
COLA or Ad Hoc COLA	2.00 percent simple applied as follows: members retired before August 1, 2013, two percent per year; members retiring August 1, 2013 or later, two percent COLA commences on the fifth anniversary of the retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table for males or females, as appropriate, with adjustments based on Projection 2022-Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study dated July 1, 2012.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

An estimate range for investment return assumption is developed and based on the target allocation adopted by the STRS Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity.....	31%	8.00%
International Equity.....	26%	7.85%
Alternatives.....	14%	8.00%
Fixed Income.....	18%	3.75%
Real Estate.....	10%	6.75%
Liquidity Reserves.....	1%	3.00%
Total Fund.....	100%	7.61%

\*10-year annualized geometric nominal returns, which include the real rate of return and inflation, and does not include investment expenses.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at statutory contribution rates. Only employer contributions that are intended to fund benefits of current plan members and beneficiaries are included. Projected employer contributions that are intended to fund the costs of future plan members and beneficiaries, and projected contributions from future plan members, are not included. In each period of the projection, employer contributions are assumed to be applied first to the service cost of all members, with any remaining amount included in projected employer contributions for current members. Therefore, the long-term expected rate of return of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the State's proportionate share of the Net Pension Liability to changes in the Discount Rate – The following table represents the net pension liability as of the June 30, 2015, measurement date, calculated using the current period discount rate assumption of 7.75 percent. Also shown is what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current assumption:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Primary Government.....	\$ 149,356	\$ 107,522	\$ 72,145
Ohio State University Discretely Presented Component Unit.....	1,720,329	1,238,470	830,987

**Other Postemployment Benefits (OPEB)**

Ohio law authorizes STRS to offer a cost-sharing, multiple-employer healthcare plan. STRS provides access to healthcare to eligible retirees who participate in the defined benefit plan or combined plan. Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Retirees enrolled in the defined contribution plan receive no post-employment healthcare benefits.

Chapter 3307, Ohio Revised Code, gives the STRS board discretionary authority over how much, if any, of associated healthcare costs are absorbed by the healthcare plan. All benefit recipients, for the most recent year, pay a portion of the healthcare costs in the form of a monthly premium.

Under Ohio law, funding for the post-employment healthcare may be deducted from employer contributions. Of the 14 percent employer contribution rate, no covered payroll was allocable to postemployment healthcare for



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

fiscal years 2015 and 2016. This action will reduce the amortization period for the pension fund. The Board has authority to direct part of the employer contribution back to the Health Care Fund in the future. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

As of June 30, 2015 (the most recent information available), net position available for future healthcare benefits was \$3.4 billion. Employer contributions required and made for the last three fiscal years for the defined benefit and the defined benefit portion of the combined plans were as follows (dollars in thousands):

	2016	2015	2014
Primary Government.....	\$ -	\$ -	\$ 414
<i>Major Discretely Presented Component Unit:</i>			
Ohio State University.....	\$ -	\$ -	\$ 3,387

The number of eligible benefit recipients for STRS as a whole was 175,569 as of June 30, 2015 (the most recent information available); a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2016, is unavailable.

**C. State Highway Patrol Retirement System (SHPRS)  
Pension Benefits**

SHPRS, a component unit of the State, was established in 1941 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State. The plan covers all employees of the State Highway Patrol.

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan as a pension trust fund. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 1900 Polaris Parkway, Suite 201, Columbus, Ohio 43240-4037, or by calling (614) 431-0781. A copy of the Comprehensive Annual Financial Report for the year ended December 31, 2015, may also be found at SHPRS's website: <https://www.ohprs.org>.

SHPRS is authorized under Chapter 5505, Ohio Revised Code, to provide retirement and disability benefits to retired members and survivor benefits to qualified dependents of deceased members of the Ohio State Highway Patrol. In addition to providing pension benefits, SHPRS is authorized by Chapter 5505, Ohio Revised Code, to provide a post-employment healthcare plan, which is considered to be an other post-employment benefit.

Chapter 5505, Ohio Revised Code, requires contributions by active members and the Ohio State Highway Patrol. The employer and employee contribution rates are established by the General Assembly, and any change in the rates requires legislative action. By law, the employer rate may not exceed three times the employee contribution rate, nor be less than the employee rate paid by contributing members.

SHPRS' financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded when they are earned and become measureable.

All investments are reported at fair value. Fair value is "the amount that the plan can reasonably expect to receive for an investment in a current sale, between a willing buyer and a willing seller – that is, other than in a forced or liquidation sale.

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. The fair value of real estate and private equity investments are based on information provided by the Fund's managers or by independent appraisals. For actuarial purposes, assets are valued with a method that amortizes the difference between actual and assumed return over a closed, four-year period.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

Employees are eligible for pension and healthcare benefits upon reaching both an age and service requirement. Employees with at least 15 years of service credit, but less than 20 years of service credit, may retire at age 55. Employees with at least 20 years of service credit, but less than 25 years of service credit may retire at age 52 or age 48 with reduced benefits. Employees with more than 25 years of service may retire at age 48. Membership data for SHPRS is presented in the table below:

**Membership Data as of December 31, 2015**

Active Members.....	1,621
Retirees Receiving Benefits.....	1,548
Retirees not Receiving Benefits.....	10
	3,179

The pension benefit is a percentage of the member's final average salary, which is the average of the member's five highest salary years. For members with at least 15 years of service credit, but less than 20 years of service credit, the percentage is determined by multiplying 1.5 percent times the number of years of service credit. For members with 20 or more years of service credit, the percentage is determined by multiplying 2.5 percent for the first 20 years of service, plus 2.25 percent for the next five years of service, plus two percent for each year in excess of 25 years of service. A member's pension may not exceed 79.25 percent of the final average salary.

The SHPRS Board sets employee contribution rates and cost-of-living adjustment rates. Employee contribution rates may range between ten and 14 percent and cost-of-living adjustments range between zero and three percent. The Board may set the cost-of-living adjustments annually, but in no case shall it exceed three percent. The cost-of-living adjustment eligibility is 60 years of age, or age 53 for members retired prior to January 2013.

The employer and employee contribution rates, as of December 31, 2015, were 26.5 percent and 12.5 percent, respectively.

During calendar year 2015, all of the employees' contributions funded pension benefits while 22.5 percent of the employer's contributions funded pension benefits. The difference in the total employer rates charged and the employer rates applicable to the funding of pension benefits is applied to the funding of postemployment healthcare benefits.

The State's net pension liability was measured as of December 31, 2015, and the Plan's total pension liability used to calculate the Plan's net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability at December 31, 2015, was determined using the following actuarial assumptions, applied to all periods included in the measurement: an investment rate of return of 7.75 percent compounded annually, projected salary increase of 3.5 percent attributable to inflation and additional projected salary increases ranging from 0.3 percent to ten percent attributable to seniority and merit, and price inflation of 2.75 percent annually. Mortality rates were based on the RP-2014 Healthy Annuitant mortality tables for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for females was then established to be 2012. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumes employer contribution rates allocated to pensions will be 24.5 percent in 2016 and 26.5 percent for each year thereafter, and employee contribution rates of 12.5 percent in each year. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members and beneficiaries. Therefore, the long-term expected rate of return of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2015.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

An estimate range for investment return assumptions is developed and based on the target allocation adopted by the SHPRS' Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Cash .....	1.0%	-0.1%
Domestic Equity - Large Cap .....	25.0%	5.5%
Domestic Equity - Small Cap .....	5.0%	6.3%
International Equity .....	15.0%	6.3%
Emerging Markets .....	8.0%	8.4%
Domestic Corporate Fixed Income .....	10.0%	1.1%
Domestic Government Fixed Income .....	3.0%	0.4%
Treasury Inflation Protected Securities .....	0.0%	0.9%
High Yield Bonds .....	3.0%	2.7%
Real Estate .....	0.0%	4.1%
Private Equity .....	10.0%	8.4%
Hedge Funds .....	10.0%	3.5%
Other Alternatives .....	10.0%	3.8%
Total Fund .....	100.0%	

\*Long-Term expected rates of return as shown were calculated geometrically.

Regarding sensitivity of the State's proportionate share of the Net Pension Liability to changes in the Discount Rate, the following table (dollars in thousands) represents the net pension liability as of December 31, 2015, calculated using the current period discount rate assumption of 7.75 percent, a decrease from the discount rate of eight percent used in the previous fiscal year. Also shown is what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current assumption.

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$ 530,721	\$ 406,839	\$ 304,216

Detailed information about SHPRS' pension plan fiduciary net position is available in the separately issued SHPRS financial report. The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. SHPRS uses the accrual basis of accounting, under which expenses are recorded when incurred and revenues are recorded when earned and measurable. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded at the trade date.

The Schedule of Changes in Net Pension Liability is presented below (dollars in thousands).



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

Fiscal year ending December 31, 2015

Total Pension Liability:	
Service Cost .....	\$ 17,805
Interest on the Total Pension Liability .....	81,577
Difference Between Expected and Actual Experience .....	(6,366)
Assumption Changes .....	40,773
Benefit Payments .....	(66,213)
Refunds .....	(858)
Net Change in Total Pension Liability .....	66,718
Total Pension Liability - Beginning .....	1,044,346
Total Pension Liability - Ending (a) .....	<u>\$ 1,111,064</u>
Plan Fiduciary Net Position:	
Employer Contributions .....	\$ 22,895
Employee Contributions .....	13,686
Pension Plan Net Investment Income .....	(5,702)
Benefit Payments .....	(66,213)
Refunds .....	(858)
Pension Plan Administrative Expense .....	(1,084)
Other .....	839
Net Change in Plan Fiduciary Net Position .....	(36,437)
Plan Fiduciary Net Position - Beginning .....	740,662
Plan Fiduciary Net Position - Ending (b) .....	<u>\$ 704,225</u>
Net Pension Liability - Ending (a) - (b) .....	\$ 406,839
Plan Fiduciary Net Position as a Percentage	
of Total Pension Liability .....	63.4%
Covered Employee Payroll* .....	99,983
Net Pension Liability as a Percentage	
of Covered Employee Payroll .....	406.9%
Notes to Schedule: .....	N/A

\*Includes members of the DROP.

For the year ended June 30, 2016, the State recognized pension expense of \$47.2 million. The amount of employer contributions from the State for the calendar year ended December 31, 2015, totaled \$22.9 million. At June 30, 2016, the State reports Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

**Deferred Outflows of Resources**

Net Difference Between Projected and Actual	
Earnings on Pension Plan Investments .....	\$ 58,106
Changes of Assumptions .....	32,999
Contributions Subsequent to Measurement Date .....	11,611
Total .....	<u>\$ 102,716</u>

**Deferred Inflows of Resources**

Difference Between Projected and Actual Experience .....	\$ (5,152)
Total .....	<u>\$ (5,152)</u>

Deferred Outflows of Resources of \$11.6 million related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

Year Ended June 30:

2017.....	\$	21,681
2018.....		21,681
2019.....		21,681
2020.....		19,306
2021.....		1,604

**Other Postemployment Benefits (OPEB)**

The healthcare coverage provided by SHPRS is considered to be an OPEB as described in GASB Statement 45. Healthcare benefits are not guaranteed and are subject to change at any time. The OPEB valuation is based on the substantive plan as it is currently presented to plan members, including a historical pattern of cost-sharing between the plan and benefit recipients.

During calendar year 2015, 4 percent of the employer’s contributions funded healthcare benefits. Active members do not make contributions to the OPEB plan. The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The number of active contributing plan participants, as of December 31, 2015, was 1,621.

The State’s annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed thirty years. The components of the State’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the State’s net OPEB obligation to SHPRS were as follows (dollars in thousands):

Annual Required Contribution (ARC)	\$	25,887
Interest on Net OPEB Obligation		7,457
Adjustment to ARC		(5,917)
Annual OPEB Cost		<u>27,427</u>
Contributions Made		<u>(5,209)</u>
Increase (Decrease) in Net OPEB Obligation		22,218
Net OPEB Obligation, Beginning of Year		<u>149,130</u>
Net OPEB Obligation, End of Year	\$	<u><u>171,348</u></u>

The State’s annual OPEB cost, percentage of annual OPEB cost contributed, and net OPEB obligation for the last three calendar years, were as follows (dollars in thousands):

For the Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015.....	\$ 27,427	18.9%	\$ 171,348
2014.....	26,002	19.1%	149,131
2013.....	25,520	16.1%	128,101

As of December 31, 2015, the most recent actuarial valuation, the plan was 25.8 percent funded. The actuarial accrued liability was \$412.4 million, and the actuarial value of assets was \$106.6 million, resulting in an unfunded actuarial liability (UAAL) of \$305.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$100 million, and the ratio of the UAAL to the covered payroll was 305.8 percent.

The Schedule of Funding Progress for OPEB, displayed in the following table, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS**  
**(Continued)**

SHPRS Schedule of Funding Progress Last Three Calendar Years – OPEB						
<i>(dollars in thousands)</i>						
(A)	(B)	(C)	(D)	(E)	(F)	(G)
Valuation Year	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL) (B)-(C)	Ratio of Assets to AAL (C)/(B)	Active Member Payroll	UAAL as Percentage of Active Member Payroll (D)/(F)
2015	\$ 412,352	\$ 106,550	\$ 305,802	25.8%	\$ 99,983	305.9%
2014	376,683	103,813	272,870	27.6%	99,212	275.0%
2013	438,562	102,084	336,478	23.3%	98,520	341.5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing in the future. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Healthcare benefits are advance funded by the employer using the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2015, for OPEB. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: a five percent rate of return on investments; projected salary increase of four percent attributable to inflation and additional projected salary increases ranging from 3.8 percent to 13.8 percent a year attributable to seniority and merit; and an annual healthcare cost increase of nine percent annually, reduced by declining percentages ranging from 8.25 percent to four percent through 2030 and later. There are no cost-of-living adjustments for OPEB benefits. Maximum contribution rates were not considered in the projection of actuarially accrued liabilities for OPEB benefits.

The unfunded actuarial accrued liability is being amortized using the level-percentage of projected payroll method over an open period of 31 years.

**D. Alternative Retirement Plan (ARP)**  
**Pension Benefits**

The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least four or more alternative retirement plans for academic and administrative employees of Ohio’s institutions of higher education, who otherwise would be covered by OPERS or STRS. Unclassified civil service employees hired on or after August 1, 2005, are also eligible to participate in the ARP.

The Board of Trustees of each public institution of higher education enters into contracts with each approved retirement plan provider. Once established, full-time faculty and unclassified employees who are hired subsequent to the establishment of the ARP, or who had less than five years of service credit under the existing retirement plans, may choose to enroll in the ARP. The choice is irrevocable for as long as the employee remains continuously employed in a position for which the ARP is available. For those employees that choose to join the ARP, any prior employee contributions that had been made to OPERS or STRS would be transferred to the ARP. The Ohio Department of Higher Education has designated the companies that are eligible to serve as plan providers for the ARP.



**NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS  
(Continued)**

Ohio law requires that employee contributions be made to the ARP in an amount equal to those that would otherwise have been required by the retirement system that applies to the employee's position. For the fiscal year ended June 30, 2016, these contribution rates are ten percent for OPERS and 13 percent for STRS. Employees may also voluntarily make additional contributions to the ARP.

For the year ended June 30, 2016, each public institution of higher education was required to contribute 0.77 percent of a participating employee's salary to OPERS in cases when the employee would have otherwise been enrolled in OPERS.

Ohio law also requires each public institution of higher education to contribute 4.5 percent of a participating employee's gross salary, for the year ended June 30, 2016, to STRS in cases when the employee would have otherwise been enrolled in STRS.

The employer contribution amount is subject to actuarial review every third year to determine if the rate needs to be adjusted to mitigate any negative financial impact that the loss of contributions may have on OPERS and STRS. The Board of Trustees of each public institution of higher education may also make additional payments to the ARP based on the gross salaries of employees multiplied by a percentage the respective Board of Trustees approves.

The ARP vesting of all contributions made on behalf of participants is based on the employer's vesting requirements. The contributions are directed to one of the investment management companies as chosen by the participants. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement healthcare benefits, or death benefits. Benefits are entirely dependent on the sum of the contributions and related investment income generated by each participant's choice of investment options.

For the State's major discretely presented component units, employer and employee contributions required and made for the year ended June 30, 2016, for the ARP follow (dollars in thousands):

<u>Major Component Unit:</u>	<u>OPERS</u>	<u>STRS</u>
Ohio State University:		
Employer Contributions .....	\$ 28,124	\$ 25,299
Employee Contributions .....	21,258	34,620

**NOTE 10 GENERAL OBLIGATION BONDS**

At various times since 1921, Ohio voters, by 20 constitutional amendments (the last adopted May 2014 for a ten-year extension of the local government infrastructure program adopted in 2005), have authorized the incurrence of general obligation debt for the construction and improvement of common school and higher education facilities, highways, local infrastructure improvements, research and development of coal technology, natural resources, research and development support for high-tech business, business site development, and veterans compensation. Issuances for highway capital improvements, natural resources, and conservation are, in part, used for acquisition, construction or improvement of capital assets. In practice, general obligation bonds are retired over periods of 10 to 25 years.

A 1999 constitutional amendment provided for the issuance of Common School Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2016, the General Assembly had authorized the issuance of \$5.17 billion in Common Schools Capital Facilities Bonds, of which \$4.47 billion has been issued. As of June 30, 2016, the General Assembly had also authorized the issuance of \$4.02 billion in Higher Education Capital Facilities Bonds, of which \$3.22 billion has been issued.



**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

Through the approval of the November 1995 amendment, voters authorized the issuance of Highway Capital Improvements Bonds in amounts up to \$220 million in any fiscal year (plus any prior fiscal years' principal amounts not issued under the new authorization), with no more than \$1.2 billion outstanding at any time. As of June 30, 2016, the General Assembly has authorized the issuance of approximately \$3.43 billion in Highway Capital Improvements Bonds, of which \$2.92 billion has been issued.

Constitutional amendments in 1995, 2005, and 2014 allowed for the issuance of \$5.63 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds). In 2014, the annual issuance limitation increased from \$150 million to \$175 million in the first five fiscal years and will rise to \$200 million in each following fiscal year thereafter (plus any obligations unissued from previous fiscal years). As of June 30, 2016, the General Assembly had authorized \$4.08 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which \$3.6 billion had been issued (net of \$214 million in unaccreted discounts at issuance).

Coal Research and Development Bonds and Parks, Recreation, and Natural Resources Bonds may be issued as long as the outstanding principal amounts do not exceed \$100 and \$200 million, respectively. As of June 30, 2016, the General Assembly had authorized the issuance of \$258 million in Coal Research and Development Bonds, of which \$234 million had been issued. Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled \$458 million, as of June 30, 2016, of which \$418 million had been issued.

Constitutional amendments in 2000 and 2008 allowed for outstanding Conservation Projects Bonds of up to \$400 million. No more than \$50 million may be issued during a fiscal year. As of June 30, 2016, the General Assembly had authorized the issuance of approximately \$600 million in Conservation Projects Bonds of which \$400 million had been issued.

Through approval of the May 2010 and November 2005 amendments, voters authorized the issuance of \$1.2 billion of Third Frontier Research and Development Bonds. Obligations that may be issued are limited to \$175 million in any fiscal year (plus any obligations unissued from previous fiscal years). As of June 30, 2016, the General Assembly had authorized the issuance of \$1.2 billion in Third Frontier Research and Development Bonds, of which \$761 million had been issued.

The issuance of \$150 million of Site Development Bonds were also authorized through the approval of the November 2005 amendment. Not more than \$30 million may be issued in each of the first three years, beginning with fiscal year 2006, and not more than \$15 million may be issued in any of the subsequent fiscal years. The General Assembly had authorized the issuance of \$150 million in Site Development Bonds as of June 30, 2016, of which all \$150 million had been issued.

A 2009 constitutional amendment provided for the issuance of up to \$200 million in Veterans Compensation Bonds. No obligations may be issued after December 31, 2013. As of June 30, 2016, the General Assembly had authorized all \$200 million in Veterans' Compensation Bonds, of which \$83.9 million had been issued.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2016, are presented in the table on the following page. For the variable-rate bonds, using the assumption that current interest rates remain the same over their term, the interest and net swap payment amounts are based on rates as of June 30, 2016. As rates vary, variable-rate bond interest payments and net swap payments vary.



**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

**Primary Government-Governmental Activities  
Summary of General Obligation Bonds  
and Future Funding Requirements  
As of June 30, 2016  
(dollars in thousands)**

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities .....	2004-16	2.5%-5.5%	2035	\$ 3,031,231	\$ 700,000
Higher Education Capital Facilities .....	2006-16	2.0%-5.3%	2036	2,281,805	795,000
Highway Capital Improvements .....	2007-16	1.3%-5.0%	2031	1,003,902	506,590
Infrastructure Improvements .....	2002-16	2.0%-5.5%	2036	1,922,401	482,014
Coal Research and Development .....	2010-16	1.5%-5.0%	2026	40,933	24,000
Natural Resources Capital Facilities .....	2007-16	3.0%-5.0%	2030	161,151	39,870
Conservation Projects .....	2007-16	2.0%-5.0%	2031	245,308	200,000
Third Frontier Research and Development .....	2007-16	1.1%-5.5%	2026	461,225	439,000
Site Development .....	2010-14	2.5%-4.6%	2023	75,805	-
Veterans' Compensation .....	2011-14	1.2%-4.9%	2027	59,395	116,090
Total General Obligation Bonds .....				<u>\$ 9,283,156</u>	<u>\$ 3,302,564</u>

**Future Funding of Current Interest and Capital Appreciation Bonds:**

Year Ending June 30,	Principal	Interest	Total
2017.....	\$ 725,080	\$ 357,063	\$ 1,082,143
2018.....	691,110	328,002	1,019,112
2019.....	715,715	297,361	1,013,076
2020.....	717,675	265,271	982,946
2021.....	706,105	232,792	938,897
2022-2026.....	2,609,050	733,357	3,342,407
2027-2031.....	1,359,655	295,177	1,654,832
2032-2036.....	505,985	50,784	556,769
Total Current Interest and Capital Appreciation Bonds .....	<u>\$ 8,030,375</u>	<u>\$ 2,559,807</u>	<u>\$ 10,590,182</u>

**Future Funding of Variable-Rate Bonds:**

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2017.....	\$ 70,600	\$ 7,179	\$ 8,501	\$ 86,280
2018.....	63,450	5,706	7,727	76,883
2019.....	46,335	4,616	6,915	57,866
2020.....	50,465	3,774	6,073	60,312
2021.....	52,305	3,164	4,834	60,303
2022-2026.....	179,855	6,387	8,477	194,719
Total Variable-Rate Bonds.....	<u>\$ 463,010</u>	<u>\$ 30,826</u>	<u>\$ 42,527</u>	<u>\$ 536,363</u>
Total General Obligation Bonds .....	\$ 8,493,385			
Unamortized Premium/(Discount), Net.....	789,771			
Total.....	<u>\$ 9,283,156</u>			

For the year ended June 30, 2016, NOTE 15 summarizes changes in general obligation bonds.



**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

**Hedging Derivatives**

As of June 30, 2016, approximately \$285.3 million of Infrastructure Improvement Bonds and Common Schools Bonds have associated cash flow hedges with a fair value of (\$37.1) million. The value of these bonds is reported as part of the Bonds and Notes Payable section and the negative fair value of the cash flow hedges is reported in the Other Noncurrent Liabilities section on the Statement of Net Position. The fair value decreased \$2.4 million during fiscal year 2016. This decrease is reported on the Statement of Net Position as part of Deferred Outflows of Resources. Fair value of the cash flow hedges is determined using the zero-coupon method. For information on the State's Deferred Outflows of Resources and Deferred Inflows of Resources, see NOTE 18.

Terms and objectives of the State's hedging derivatives are provided in the following table.

<b>Hedging Derivatives</b>							
<b>As of June 30, 2016</b>							
<i>(dollars in thousands)</i>							
Issue	Type of Cash Flow Hedge	Notional Amount	Underlying Index	Counterparty's Swap Rate at 06/30/2016	State's Swap Rate at 06/30/2016	Effective Date	Termination (Maturity) Date
Infrastructure Improvements, Series 2001B	Pay-fixed interest rate swap	\$50,000	SIFMA Index	0.41%	4.63%	11/29/2001	8/1/2021
Objective: Convert Series 2001B variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Embedded Option: JPMorgan Chase may elect to terminate its portion of the swap if the SIFMA index averages 7 percent or higher over a 180-day period.							
Credit Quality Ratings of Counterparty:		50% Aa3/A+/AA- JPMorgan Chase; 50% Aa2/AA-/AA Wells Fargo					
Infrastructure Improvements, Refunding Series 2004A	Pay-fixed interest rate swap	\$53,340	LIBOR (See terms below)	0.54%	3.51%	3/3/2004	2/1/2023
Objective: Convert Series 2004A variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty:		Aa2/AA-/AA Wells Fargo					
Terms: 63% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2003D	Pay-fixed interest rate swap	\$67,000	LIBOR (see terms below)	0.55%	3.41%	9/14/2007	3/15/2024
Objective: Convert Series 2003D variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty:		50% Aa3/A+/AA- JPMorgan Chase; 50% Aa2/AA-/AA Wells Fargo					
Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006B	Pay-fixed interest rate swap	\$57,495	LIBOR (see terms below)	0.55%	3.20%	11/21/2014	6/15/2026
Objective: Convert Series 2006B variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty:		A1/AA-/AA US Bank National Association					
Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006C	Pay-fixed interest rate swap	\$57,495	LIBOR (see terms below)	0.55%	3.20%	6/15/2006	6/15/2026
Objective: Convert Series 2006C variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty:		Aa3/AA-/AA Royal Bank of Canada					
Terms: 65% of 1-month LIBOR + 25 basis points							

The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2016. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the derivative's positive fair value.



**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement. This arrangement protects the State by mitigating credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities and held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.

The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

These swaps expose the State to basis risk or a mismatch between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch would increase or decrease the interest cost paid by the State.

For Infrastructure Improvements, Series 2001B, the SIFMA municipal swap index has proven to be an effective proxy for the State's variable-rate debt and substantially mitigates basis risk.

For Infrastructure Improvements, Series 2004A and for Common Schools, Series 2003D, 2006B, and 2006C, the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities, given that the variable swap receipt is based on a taxable index (LIBOR). Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

The State retains the right to terminate any swap agreement at the market value prior to maturity. The State has termination risk under the contracts, particularly upon the occurrence of an additional termination event (ATE), as defined in the swap agreements. An ATE occurs if either the credit rating of the bonds associated with a specific swap or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. If the swap was terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the State may be liable to the counterparty for a payment. Other termination events include failure to pay, bankruptcy, merger without assumption, and illegality. No termination events have occurred.

**Advance Refundings**

During fiscal year 2016, there were seven advance refundings of general obligations bonds. Details on the advanced refundings are presented in the table on the following page.

Proceeds of the refunding (new) bonds are placed in irrevocable trusts to provide for all future debt service payments of the refunded (old) bonds. These refunded amounts are considered defeased and no longer outstanding. The various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements.

In prior years, the State defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. For these prior year defeasances, Conservation Bonds of \$20.4 million, and Infrastructure Improvement Bonds of \$169.8 million are considered defeased and no longer outstanding as of June 30, 2016.



**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

**Primary Government — Governmental Activities**  
**General Obligation Bonds**  
**Details of Advance Refundings**  
**For the Year Ended June 30, 2016**  
*(dollars in thousands)*

Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	True Interest Cost Rates of Refunding Bonds	Carrying Amount of Bonds Refunded (in substance)	Refunding Bond Proceeds Placed in Escrow	Reduction (Increase) in Debt Service Payments	Economic Gain / (Loss) Resulting from Refunding
Infrastructure, Series 2015C.....	9/29/2015	\$ 50,390	2.15%	\$ 54,575	\$ 59,514	5,788/13 yrs	\$ 4,950
Conservation, Series 2016A.....	3/9/2016	20,930	1.59%	22,565	26,146	2,068/10 yrs	1,799
Common Schools, Series 2016A .....	3/9/2016	138,225	1.57%	143,240	172,302	11,040/10 yrs	9,311
Infrastructure, Series 2016A.....	3/9/2016	96,430	1.91%	108,315	122,216	19,533/13 yrs	16,881
Higher Education, Series 2016A.....	6/2/2016	69,400	1.40%	70,625	86,154	3,937/10 yrs	3,207
Natural Resources, Series U.....	6/2/2016	13,715	1.39%	13,585	16,608	739/9 yrs	611
Third Frontier, Series 2016 B.....	6/2/2016	22,105	1.20%	22,615	25,553	1,161/7 yrs	941
Total .....		<u>\$ 411,195</u>		<u>\$ 435,520</u>	<u>\$ 508,493</u>		<u>\$ 37,700</u>

**NOTE 11 REVENUE BONDS AND NOTES**

The State Constitution permits state agencies and authorities to issue bonds and notes that are not supported by the full faith and credit of the State. These bonds and notes pledge income derived from user fees and rentals on the acquired or constructed assets to pay the debt service.

The Treasurer of State and the Buckeye Tobacco Settlement Financing Authority (BTSFA) issue revenue bonds and notes for the primary government. The Treasurer of State issues bonds and notes on behalf of the Ohio Department of Transportation. The Ohio State University issues revenue bonds and notes as a major discretely presented component unit.

**A. Primary Government**

The Treasurer of State, since fiscal year 1998, has issued a total of \$2.15 billion in State Infrastructure Bank Bonds for various transportation construction projects financed by the Department of Transportation. The State has pledged federal highway receipts and loan repayments received under the State Infrastructure Bank Loan Program as the primary source of moneys for meeting the principal and interest requirements on the bonds.

Issuances for the State Infrastructure Bank are, in part, used for the acquisition, construction, or improvement of capital assets. Total pledged federal highway receipts and loan repayments through the maturity of the bonds in 2025 are estimated at approximately \$753.3 million. For fiscal year 2016, principal and interest payments on the revenue bonds was \$179.8 million and pledged receipts was \$176.9 million.

BTSFA is authorized by the Ohio General Assembly to issue and to sell obligations, the aggregate principle amount of which shall not exceed \$6 billion, exclusive of obligations issued to refund, renew, or advance refund other obligations issued or incurred. On October 29, 2007, BTSFA successfully securitized 100 percent of the projected tobacco settlement receipts for the next 45 years through the issuance of five series of asset-backed revenue bonds, aggregating in the amount of \$5.53 billion. The future tobacco settlement receipts, including related investment earnings and net of specified operating and enforcement expenses, have been pledged to repay the bonds, which are payable through 2052. Annual principal and interest payments on the bonds will require 100 percent of the net tobacco settlement receipts. As of June 30, 2016, the total principal and interest payments remaining to be paid on the bonds were \$17.22 billion. Principal and interest paid and total net tobacco settlement receipts for fiscal year 2016 were \$329.4 million and \$299.1 million, respectively. In the event that the assets of BTSFA have been exhausted, no amounts will thereafter be paid on the bonds. After the bonds and any related operating expenses have been fully paid, any remaining tobacco settlement receipts will become



**NOTE 11 REVENUE BONDS AND NOTES (Continued)**

payable to the State. The bonds include fixed rate serial bonds, fixed rate current interest turbo term bonds, and capital appreciation turbo term bonds which will convert to fixed rate current interest turbo term bonds. They were issued to fund long-lived capital projects at state-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State. Additional information on these bonds can be found in BTSFA's stand-alone financial report.

Revenue bonds and notes outstanding and future bond service requirements for the primary government, as of June 30, 2016, are presented in the following tables.

**Primary Government-Governmental Activities  
Summary of Revenue Bonds and Notes  
As of June 30, 2016  
(dollars in thousands)**

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Treasurer of State: State Infrastructure Bank .....	2006-15	2.0%-6.0%	2025	\$ 691,214
Buckeye Tobacco Settlement Financing Authority.....	2008	4.9%-7.5%	2052	5,570,668
Total Revenue Bonds and Notes.....				<u>\$ 6,261,882</u>

**Primary Government-Governmental Activities  
Future Funding Requirements for Revenue Bonds and Notes  
As of June 30, 2016  
(dollars in thousands)**

Year Ending June 30,	Principal	Interest	Total
2017.....	\$ 325,895	\$ 322,137	\$ 648,032
2018.....	200,525	305,939	506,464
2019.....	210,835	295,127	505,962
2020.....	220,060	284,723	504,783
2021.....	200,115	274,565	474,680
2022-2026.....	765,335	1,240,481	2,005,816
2027-2031.....	584,335	1,057,946	1,642,281
2032-2036.....	631,065	881,268	1,512,333
2037-2041.....	898,095	667,251	1,565,346
2042-2046.....	1,308,830	346,402	1,655,232
2047-2051.....	503,956	3,034,792	3,538,748
2052.....	128,183	3,289,117	3,417,300
	<u>5,977,229</u>	<u>11,999,748</u>	<u>17,976,977</u>
Unamortized Premium/(Discount), Net.....	284,653	-	284,653
Total .....	<u>\$ 6,261,882</u>	<u>\$ 11,999,748</u>	<u>\$ 18,261,630</u>

For the year ended June 30, 2016, NOTE 15 summarizes changes in revenue bonds and notes.

In prior years, the Treasurer of State defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. For these prior year defeasances, Economic Development Bonds of \$118.2 million, Revitalization Bonds of \$35.1 million and State Infrastructure Bonds of \$62.5 million are considered defeased and no longer outstanding as of June 30, 2016.



**NOTE 11 REVENUE BONDS AND NOTES (Continued)**

**B. Major Discretely Presented Component Units**

Future bond service requirements for revenue bonds and notes reported for the major discretely presented component units, as of June 30, 2016, are shown in the following table.

<b>Major Discretely Presented Component Units</b>			
<b>Future Funding Requirements for Revenue Bonds and Notes</b>			
<b>As of June 30, 2016</b>			
<i>(dollars in thousands)</i>			
Year Ending June 30,	Ohio State University		
	Principal	Interest	Total
2017.....	\$ 657,520	\$ 122,747	\$ 780,267
2018.....	62,624	117,456	180,080
2019.....	48,478	115,116	163,594
2020.....	35,513	113,246	148,759
2021.....	34,028	111,606	145,634
2022-2026.....	195,793	531,954	727,747
2027-2031.....	170,211	490,186	660,397
2032-2036.....	116,031	461,015	577,046
2037-2041.....	785,746	402,856	1,188,602
2042-2046.....	84,150	245,427	329,577
2047-2051.....	350,000	177,247	527,247
2052-2056.....	-	170,600	170,600
2057-2061.....	250,000	125,060	375,060
2062-2066.....	-	120,000	120,000
2067-2071.....	-	120,000	120,000
2072-2076.....	-	120,000	120,000
2077-2081.....	-	120,000	120,000
2082-2086.....	-	120,000	120,000
2087-2091.....	-	120,000	120,000
2092-2096.....	-	120,000	120,000
2097-2101.....	-	120,000	120,000
2102-2106.....	-	120,000	120,000
2107-2111.....	500,000	120,000	620,000
	<u>3,290,094</u>	<u>4,384,516</u>	<u>7,674,610</u>
Unamortized Premium/(Discount), Net....	94,165	-	94,165
Total .....	<u>\$ 3,384,259</u>	<u>\$ 4,384,516</u>	<u>\$ 7,768,775</u>

The bonds and notes of the state universities and state community colleges are payable from the institutions' available receipts, including student fees, rental income, and gifts and donations, as may be provided for in the respective bond and note agreements. The proceeds of the bonds and notes are used for the construction of educational and student resident facilities and auxiliary facilities such as dining halls, hospitals, parking facilities, bookstores and athletic facilities. The State is not obligated for the debt of its discretely presented component units.

**NOTE 12 SPECIAL OBLIGATION BONDS**

Under the authority of Chapter 154, Ohio Revised Code, the Treasurer of State is the issuer of special obligation bonds that finance the cost of capital facilities for state-supported institutions of higher education, mental health and developmental disabilities institutions, parks and recreation, cultural and sports facilities, correctional facilities, office buildings for state departments and agencies, transportation, and, in some cases, related facilities for local governments. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.



**NOTE 12 SPECIAL OBLIGATION BONDS (Continued)**

Pledges of lease rental payments from appropriations made to the General Fund and the Highway Safety and Highway Operating special revenue funds, moneys held by trustees pursuant to related trust agreements, and other receipts, as required by the respective bond documents, secure the special obligation bonds. The lease rental payments are reported in the fund financial statements as interfund transfers.

Special obligation bonds outstanding, bonds authorized but unissued, and future debt service requirements, as of June 30, 2016, are presented in the following tables.

**Primary Government-Governmental Activities  
Summary of Special Obligation Bonds  
As of June 30, 2016  
(dollars in thousands)**

	Fiscal Years		Maturing	Outstanding Balance	Authorized but Unissued
	Issued	Interest Rates	Through Fiscal Year		
Treasurer of State Lease Rental Bonds.....	2001-16	1.2%-5.6%	2036	\$ 1,930,592	\$ 1,103,325
<b>Total Special Obligation Bonds.....</b>				<b>\$ 1,930,592</b>	<b>\$ 1,103,325</b>

**Future Funding of Special Obligation Bonds:**

Year Ending June 30,	Principal	Interest	Total
2017.....	\$ 216,720	\$ 77,592	\$ 294,312
2018.....	212,410	69,478	281,888
2019.....	187,245	60,703	247,948
2020.....	162,480	52,976	215,456
2021.....	154,475	45,641	200,116
2022-2026.....	559,065	132,563	691,628
2027-2031.....	210,955	43,307	254,262
2032-2036.....	65,770	7,007	72,777
	1,769,120	489,267	2,258,387
Unamortized Premium/(Discount), Net.....	161,472	-	161,472
<b>Total .....</b>	<b>\$ 1,930,592</b>	<b>\$ 489,267</b>	<b>\$ 2,419,859</b>

For the year ended June 30, 2016, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2016, Treasurer of State Lease Rental had three current/advance refunding issues. Details on advanced refunding for fiscal year 2016 are presented in the following table.

**Primary Government — Governmental Activities  
Special Obligation Bonds  
Details of Advance Refundings  
For the Year Ended June 30, 2016  
(dollars in thousands)**

Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	True Interest Cost Rates of Refunding Bonds	Carrying Amount of Bonds Refunded (in substance)	Refunding Bond Proceeds Placed in Escrow	Reduction (Increase) in Debt Service Payments	Economic Gain / (Loss) Resulting from Refunding
Treasurer of State Lease Rental Bonds:							
Adult Correctional Facilities 2016 Series A.....	5/25/2016	\$ 20,565	2.03%	\$ 22,515	\$ 25,178	\$ 2,939/13 yrs	\$ 2,584
Administrative Facilities 2016 Series A.....	5/25/2016	31,095	2.03%	34,270	38,111	4,260/13 yrs	3,724
Parks and Recreation Facilities 2016 Series B.....	6/28/2016	10,415	1.61%	10,875	12,708	762/10 yrs	714
<b>Total .....</b>		<b>\$ 62,075</b>		<b>\$ 67,660</b>	<b>\$ 75,997</b>		<b>\$ 7,022</b>



**NOTE 12 SPECIAL OBLIGATION BONDS (Continued)**

These refunded amounts are considered defeased and no longer outstanding. The various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements.

In prior years, the Treasurer of State defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. For these prior year defeasances, \$88.2 million of lease rental special obligations bonds are considered defeased and no longer outstanding as of June 30, 2016.

**NOTE 13 CERTIFICATES OF PARTICIPATION**

As of June 30, 2016, approximately \$194.9 million in certificate of participation (COP) obligations were reported in governmental activities.

In fiscal year 2015, the Ohio Department of Administrative Services participated in the issuance of \$33.6 million of COP obligations to finance the cost of acquisition of the Enterprise Data Center Solutions (EDCS).

Beginning in fiscal year 2013, the Ohio Department of Administrative Services participated in the issuance of \$72 million of COP obligations to finance the upgrade of the Ohio Multi-Agency Radio Communications System (MARCS).

Beginning in fiscal year 2005, the Ohio Department of Administrative Services participated in the issuance of \$185.2 million of COP obligations to finance the acquisition of the Ohio Administrative Knowledge System (OAKS), a statewide Enterprise Resource Planning (ERP) system. These issuances are, in part, used for the acquisition, construction, or improvement of capital assets.

Beginning in fiscal year 2008, the Ohio Department of Administrative Services participated in the issuance of \$58.1 million of COP obligations to finance the cost of acquisition of the State Taxation Accounting and Revenue System (STARS).

In fiscal year 2015, the Ohio Treasurer of State's Office participated in the issuance of \$8.8 million of COP obligations to finance the cost of acquisition of the Treasury Management System (TMS).

Under the COP financing arrangements, the State is required to make rental payments from the General Fund (subject to biennial appropriations) that approximate the interest and principal payments made by trustees to certificate holders.

Obligations outstanding and future commitments for the primary government under COP financing arrangements, as of June 30, 2016, are presented in the following tables.



**NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)**

**Primary Government — Governmental Activities**  
**Summary of Certificate of Participation Obligations**  
**As of June 30, 2016**  
*(dollars in thousands)*

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
<b>Department of Administrative Services:</b>				
Enterprise Data Center Solutions (EDCS).....	2015	2.0%-5.0%	2025	\$ 35,171
Multi-Agency Radio Communications System (MARCS) .....	2013-15	3.0%-5.0%	2028	69,904
Ohio Administrative Knowledge System (OAKS) .....	2014	4.0%-5.0%	2019	47,507
State Taxation Accounting and Revenue System (STARS).....	2008-15	4.1%-5.0%	2025	33,098
<b>Treasurer of State:</b>				
Treasury Management Systems (TMS).....	2015	5.0%	2025	9,219
Total Certificates of Participation .....				<u>\$ 194,899</u>

Future Commitments for Certificate of Participation Obligations:

Year Ending June 30,	Principal	Interest	Total
2017.....	\$ 34,190	\$ 7,525	\$ 41,715
2018.....	26,145	6,153	32,298
2019.....	27,450	4,949	32,399
2020.....	10,440	4,084	14,524
2021.....	10,965	3,557	14,522
2022-2026.....	55,780	9,069	64,849
2027-2031.....	12,975	556	13,531
	<u>177,945</u>	<u>35,893</u>	<u>213,838</u>
Unamortized Premium, Net.....	16,954	-	16,954
Total .....	<u>\$ 194,899</u>	<u>\$ 35,893</u>	<u>\$ 230,792</u>

For the year ended June 30, 2016, NOTE 15 summarizes changes in COP obligations.

**NOTE 14 OTHER NONCURRENT LIABILITIES**

As of June 30, 2016, in addition to bonds, notes, and certificates of participation obligations discussed in NOTES 10 through 13, the State reports the following noncurrent liabilities in its financial statements (dollars in thousands):



**NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)**

<b>Non-Current Liabilities</b>	
<b>Governmental Activities:</b>	
Compensated Absences .....	\$ 444,805
Net Pension Liability .....	3,800,346
Net OPEB Obligation .....	171,348
Capital Leases Payable .....	8,806
Derivatives .....	51,403
Pollution Remediation Liabilities .....	5,890
Infrastructure, Capital Assets .....	195,762
Litigation Liabilities .....	6,100
Estimated Claims Payable .....	1,700
Liability for Escheat Property .....	271,580
Total Governmental Activities .....	<u>4,957,740</u>
<b>Business-Type Activities:</b>	
Compensated Absences .....	38,163
Net Pension Liability .....	275,524
Capital Leases Payable .....	10,077
Workers' Compensation:	
Benefits Payable .....	15,670,600
Other .....	1,883,900
Prize Awards Payable .....	471,659
Tuition Benefits Payable .....	297,200
Total Business-Type Activities .....	<u>18,647,123</u>
Total Primary Government .....	<u>\$ 23,604,863</u>

For the year ended June 30, 2016, NOTE 15 summarizes the changes in other noncurrent liabilities. Explanations of certain significant noncurrent liability balances reported in the financial statements follow:

**A. Compensated Absences**

For the primary government, the compensated absences liability, as of June 30, 2016, was \$483 million, of which \$444.8 million is allocable to governmental activities and \$38.2 million is allocable to business-type activities.

As of June 30, 2016, major discretely presented component units reported a total of \$171.3 million in compensated absences liabilities, as detailed by major discretely presented component unit in NOTE 15.

**B. Net Pension Liability and Net OPEB Obligation**

The State recognizes a net pension liability in the amount of \$4.08 billion, as of June 30, 2016, for the primary government of which \$3.8 billion is allocable to governmental activities and \$275.5 million is allocable to business-type activities. The net pension liability represents the State's proportionate share of the difference between the total pension liability and the fiduciary net position for OPERS, STRS, and SHPRS.

For the primary government, the State recognizes a net OPEB obligation in the amount of \$171.3 million as of June 2016. The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the employer's contributions to the SHPRS. The SHPRS is a blended component unit reported as a fiduciary pension trust fund. See NOTE 9 for further details.

**C. Lease Agreements**

The State's primary government leases office buildings and computer and office equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment,



**NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)**

remote, then the lease is considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or as a liability for capital leases.

Operating leases (leases on assets not recorded in the Statement of Net Position) contain various renewable options as well as some purchase options. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. The primary government's total operating lease expenditures/expenses for fiscal year 2016 were approximately \$89.6 million. Fiscal year 2017 future minimum lease commitments for operating leases judged to be noncancelable, as of June 30, 2016, were \$4 million.

Assets acquired through capital leasing are valued at the lower of fair value or the present value of the future minimum lease payments at the lease's inception. Capital leases are used for the acquisition of capital assets. Future minimum lease commitments for capital leases judged to be noncancelable, as of June 30, 2016, are below (dollars in thousands):

Year Ending June 30,	Capital Leases		
	Governmental Activities	Business- Type Activities	Total
2017.....	\$ 2,253	\$ 3,800	\$ 6,053
2018.....	2,094	-	2,094
2019.....	1,845	-	1,845
2020.....	1,405	6,277	7,682
2021.....	1,083	-	1,083
2022.....	658	-	658
Total Minimum Lease Payments.....	9,338	10,077	19,415
Amount for Interest.....	(532)	-	(532)
Present Value of Net Minimum Lease Payments.....	\$ 8,806	\$ 10,077	\$ 18,883

As of June 30, 2016, the primary government had the following capital assets under capital leases (dollars in thousands):

	Capital Assets		
	Governmental Activities	Business- Type Activities	Total
Equipment .....	\$ 9,115	\$ 108,815	\$ 117,930
Vehicles .....	11,136	-	11,136
Total .....	\$ 20,251	\$ 108,815	\$ 129,066

Amortization expense for the proprietary funds within the Statement of Activities is included with depreciation expense. Capital leases are reported under the "Refund and Other Liabilities" account in the proprietary and discretely presented component unit funds.

Future minimum lease commitments for capital leases judged to be noncancelable and capital assets under capital leases for the major discretely presented component unit funds, as of June 30, 2016, are presented in the table below (dollars in thousands):



**NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)**

**Capital Leases**

Major Discretely Presented Component Units	
Year Ending June 30,	Ohio State University
2017.....	\$ 1,788
2018.....	690
2019.....	625
2020.....	560
2021.....	560
2022-2026.....	560
Total Minimum Lease Payments.....	4,783
Amount for Interest.....	(236)
Present Value of Net Minimum Lease Payments.....	<u>\$ 4,547</u>
Equipment & Vehicles.....	<u>\$ 13,338</u>
Total .....	<u>\$ 13,338</u>

**D. Derivatives**

For governmental activities, the State has reported \$(51.4) million of investment and hedging derivatives as of June 30, 2016. Additional information regarding the State's derivatives is included in NOTE 4, NOTE 10, and NOTE 18.

**E. Pollution Remediation Liabilities**

The State recognizes a liability for pollution remediation in the amount of \$5.9 million, as of June 30, 2016. This represents the cost to the State to the extent that is probable for future clean up and reclamation of polluted sites within the State. See NOTE 20 for further detail.

**F. Infrastructure, Capital Assets**

The State records a liability for the Portsmouth Bypass Highway. This road infrastructure construction in progress cost is being incurred by the developer, but not yet reimbursed by the State. Reimbursement payments will commence in State Fiscal Year 2019. As of June 30, 2016, the liability totaled approximately \$195.8 million.

**G. Litigation Liabilities**

In instances when the unfavorable outcome of a pending litigation has been assessed to be probable, liabilities are recorded in the financial statements. As of June 30, 2016, \$6.1 million in liabilities was reported in Noncurrent, Other Liabilities, Due in One Year. For more information on the State's loss contingencies arising from pending litigation, see NOTE 20.

**H. Estimated Claims Payable**

The State reported \$1.7 million in estimated claims for defaulted loans under the Ohio Enterprise Bond Programs at the Development Services Agency, Office of Loan Administration, as of June 30, 2016. The program is included in governmental activities and is accounted for in the nonmajor governmental funds. See NOTE 16 for additional information.



**NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)**

The following table reflects the Ohio Enterprise Bond Fund future debt service obligations as of June 30, 2016 (dollars in thousands):

Year Ending June 30,	Principal Due
2017.....	\$ 500
2018.....	522
2019.....	541
2020.....	137
Total .....	<u>\$ 1,700</u>

**I. Liability for Escheat Property**

The State records a liability for escheat property to the extent that it is probable that the escheat property will be reclaimed and paid to claimants. As of June 30, 2016, the liability totaled approximately \$271.6 million.

**J. Worker’s Compensation**

*Benefits Payable*

As discussed in NOTE 21, the Worker’s Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death. The Bureau has computed a reserve for compensation, as of June 30, 2016, in the amount of approximately \$15.67 billion. The reserve, which includes estimates for reported claims and claims incurred but not reported, is included in the “Benefits Payable” balance reported for the enterprise fund.

**K. Prize Awards Payable**

Future installment payments for the prize awards payable are reported at present value based upon interest rates that the Treasurer of State provides to the Lottery Commission Enterprise Fund. The interest rates, ranging from 2 to 8 percent, represent the expected long-term rate of return on the assets restricted for the payment of prize awards. Once established for a particular prize award, the interest rate does not fluctuate with changes in the expected long-term rate of return. The difference between the present value and gross amount of the obligations is amortized into income over the terms of the obligations using the interest method. The State reduces prize liabilities by an estimate of the amount of the prize that will ultimately be unclaimed. As of June 30, 2016, this payable totals \$471.7 million.

Future payments of prize awards, stated at present value, as of June 30, 2016, follow (dollars in thousands):

Year Ending June 30,	
2017.....	\$ 76,250
2018.....	67,714
2019.....	61,145
2020.....	52,559
2021.....	47,260
2022-2026.....	155,962
2027-2031.....	91,867
2032-2036.....	35,129
2037-2041.....	4,483
2042-2046.....	500
	<u>592,869</u>
Unamortized Discount .....	(121,210)
Net Prize Liability .....	<u>\$ 471,659</u>



**NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)**

**L. Tuition Benefits Payable**

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately \$297.2 million, as of June 30, 2016. The valuation method reflects the present value of estimated

tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases in state universities and state community colleges and termination of participant contracts under the plan.

The following assumptions were used in the actuarial determination of tuition benefits payable: 4.5 percent rate of return, compounded annually, on the investment of current and future assets, a tuition inflation assumption equal to the maximum amount of tuition and mandatory fee increases permitted by the State of Ohio biennial budget of 5.5 percent.

As of June 30, 2016, the market value of actuarial net position available for the payment of the tuition benefits payable was \$338.1 million.

**M. Other Liabilities**

The Workers' Compensation Enterprise Fund reports approximately \$1.88 billion in other noncurrent liabilities, as of June 30, 2016, of which 1) \$1.82 billion is comprised of the compensation adjustment expenses liability for estimated future expenses to be incurred in the settlement of claims, as discussed further in NOTE 21, 2) \$35.4 million relates to transition credit liabilities, 3) \$4.5 million is contingent liabilities, and 4) \$21.4 million consists of other miscellaneous liabilities.



**NOTE 15 CHANGES IN NONCURRENT LIABILITIES**

**A. Primary Government**

Changes in noncurrent liabilities, for the year ended June 30, 2016, are presented for the primary government in the following table.

**Primary Government  
Changes in Noncurrent Liabilities  
For the Fiscal Year Ended June 30, 2016  
(dollars in thousands)**

<b>Governmental Activities:</b>	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10) .....	\$ 9,149,056	\$ 1,470,997	\$ 1,336,897	\$ 9,283,156	\$ 801,491
Revenue Bonds and Notes (NOTE 11) .....	6,409,774	44,785	192,677	6,261,882	164,158
Special Obligation Bonds (NOTE 12) .....	1,906,844	345,999	322,251	1,930,592	242,690
Total Bonds and Notes Payable .....	<u>17,465,674</u>	<u>1,861,781</u>	<u>1,851,825</u>	<u>17,475,630</u>	<u>1,208,339</u>
Certificates of Participation (NOTE 13) .....	231,837	-	36,938	194,899	34,724
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences .....	421,817	333,661	310,673	444,805	52,264
Net Pension Liability.....	2,703,806	1,096,540	-	3,800,346	-
Net OPEB Obligation .....	149,131	27,426	5,209	171,348	-
Capital Leases Payable .....	2,072	6,734	-	8,806	2,057
Derivatives.....	45,873	5,530	-	51,403	-
Pollution Remediation Liabilities .....	1,568	4,913	591	5,890	330
Infrastructure, Capital Assets.....	-	195,762	-	195,762	-
Litigation Liabilities.....	-	6,100	-	6,100	6,100
Estimated Claims Payable .....	2,186	-	486	1,700	500
Liability for Escheat Property .....	236,773	108,545	73,738	271,580	81,945
Total Other Noncurrent Liabilities .....	<u>3,563,226</u>	<u>1,785,211</u>	<u>390,697</u>	<u>4,957,740</u>	<u>143,196</u>
Total Noncurrent Liabilities .....	<u>\$ 21,260,737</u>	<u>\$ 3,646,992</u>	<u>\$ 2,279,460</u>	<u>\$ 22,628,269</u>	<u>\$ 1,386,259</u>
<b>Business-Type Activities:</b>					
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences .....	\$ 37,338	\$ 26,522	\$ 25,697	\$ 38,163	\$ 3,498
Net Pension Liability.....	195,669	79,855	-	275,524	-
Capital Leases Payable .....	13,094	3,533	6,550	10,077	3,800
Workers' Compensation:					
Benefits Payable .....	16,389,400	1,232,134	1,950,934	15,670,600	1,636,038
Other:					
Adjustment Expenses Liability .....	1,805,604	(29,134)	(46,130)	1,822,600	384,004
Premium Payment Security Deposits .....	86,088	-	86,088	-	-
Miscellaneous .....	419,733	84,525	442,958	61,300	61,300
Unemployment Compensation:					
Intergovernmental Payable .....	978,459	-	978,459	-	-
Prize Awards Payable .....	518,232	35,483	82,056	471,659	57,480
Tuition Benefits Payable .....	342,800	-	45,600	297,200	73,200
Total Other Noncurrent Liabilities .....	<u>20,786,417</u>	<u>1,432,918</u>	<u>3,572,212</u>	<u>18,647,123</u>	<u>2,219,320</u>
Total Noncurrent Liabilities .....	<u>\$ 20,786,417</u>	<u>\$ 1,432,918</u>	<u>\$ 3,572,212</u>	<u>\$ 18,647,123</u>	<u>\$ 2,219,320</u>

The State makes payments on bonds and notes payable and certificate of participation obligations that pertain to its governmental activities from the debt service funds. The General Fund and the nonmajor governmental funds will primarily liquidate the other noncurrent liabilities balance attributable to governmental activities.



**NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)**

For fiscal year 2016, the State's primary government included interest expense on its debt issues in the following governmental functions rather than reporting it separately as interest expense. The related borrowings are essential to the creation or continuing existence of the programs they finance and accordingly, such expense is not reported separately on the Statement of Activities under the expense category for interest on long-term debt. The various state subsidy programs supported by the borrowings provide direct state assistance to local governments for their respective capital and construction or research projects.

	<i>(in 000s)</i>
<b>Governmental Activities:</b>	
Primary, Secondary and Other Education .....	\$ 374,305
Higher Education Support .....	150,600
Health and Human Services.....	2,056
Environmental Protection and Natural Resources .....	1,207
Transportation.....	35,414
Community and Economic Development.....	104,077
	<hr/>
Total Interest Expense Charged to Governmental Functions .....	<u>\$ 667,659</u>

**B. Major Discretely Presented Component Units**

Changes in noncurrent liabilities, for the year ended June 30, 2016, are presented in the following table for the State's major discretely presented component units.

**Major Discretely Presented Component Units  
Changes in Noncurrent Liabilities  
For the Fiscal Year Ended June 30, 2016  
*(dollars in thousands)***

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due Within One Year
<i>Ohio Facilities Construction Commission</i>					
Intergovernmental Payable .....	\$ 545,781	\$ 339,150	\$ 278,485	\$ 606,446	\$ 305,447
Compensated Absences* .....	842	183	751	274	52
Net Pension Liability* .....	5,058	-	5,058	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total .....	<u>\$ 551,681</u>	<u>\$ 339,333</u>	<u>\$ 284,294</u>	<u>\$ 606,720</u>	<u>\$ 305,499</u>
<i>Ohio State University:</i>					
Compensated Absences* .....	\$ 166,356	\$ 15,794	\$ 11,138	\$ 171,012	\$ 11,138
Capital Leases Payable* (NOTE 14).....	6,394	-	1,847	4,547	1,709
Net Pension Liability* .....	2,130,728	664,264	-	2,794,992	-
Other Liabilities* .....	350,108	439,798	394,878	395,028	82,819
Revenue Bonds & Notes Payable (NOTE 11) .....	2,851,984	635,620	103,345	3,384,259	657,520
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total .....	<u>\$ 5,505,570</u>	<u>\$ 1,755,476</u>	<u>\$ 511,208</u>	<u>\$ 6,749,838</u>	<u>\$ 753,186</u>

\*Liability is reported under the "Refund and Other Liabilities" account.

**NOTE 16 CONDUIT DEBT**

The State of Ohio, by action of the General Assembly, created various financing authorities for the expressed purpose of making available to non-profit and, in some cases, for profit private entities, lower cost sources of capital financing for facilities and projects found to be for a public purpose. Fees are assessed to recover related processing and application costs incurred. The authorities' debt instruments represent a limited obligation payable solely from payments made by the borrowing entities. Most of the bonds are secured by the property financed. Upon repayment of the bonds, ownership of acquired property transfers to the entity served by the bond issuance. This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.



**NOTE 16 CONDUIT DEBT (Continued)**

Ohio Enterprise Bond Fund bonds are issued through the Treasurer of State for the purpose of financing eligible projects of private industry organizations. The actual bonds are sold through private placement. These bonds are not general obligations of the State of Ohio or of any political subdivision and are not payable from any tax source; therefore, the rights of the holders of the bonds for payments of amounts due are limited solely to the pledged receipts deposited into the Ohio Enterprise Bond Fund Accounts. The bonds represent conduit debt and are not reflected in the accompanying financial statements. The scheduled payment of the bonds currently outstanding is, however, guaranteed through the Development Services Agency, Office of Loan Administration, under Chapter 166, Ohio Revised Code. As of June 30, 2016, a liability of \$1.7 million has been recorded in the accompanying financial statements for guarantees extended to defaulted organizations. See NOTE 14H. for additional information. The cumulative guarantee payments made for defaulted organizations with bonds currently outstanding is \$3.7 million. Recoveries for guarantee payments are submitted to the Attorney General's Office for collection; however, no amounts are expected to be recovered from guarantee payments made through June 30, 2016.

The Development Services Agency also participates in the issuance of Hospital Facilities Bonds, as authorized under Chapter 140, Ohio Revised Code. These revenue bonds are payable solely from payments made by the borrowing entities and are secured by the property financed. This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

Under Chapter 5531, Ohio Revised Code, the Ohio Department of Transportation is authorized to issue State Infrastructure Bond Program debt issuances through the Treasurer of State for highway and transit capital projects of eligible Ohio political subdivisions. These bonds are not general obligations of the State of Ohio or of any political subdivision and are not payable from any tax source; therefore, the rights of the holders of the bonds for payments of amounts due are limited to the pledged receipts and those special funds pledged by each debt issuance. The bonds represent conduit debt and are not reflected in the accompanying financial statements. The scheduled payment of the bonds currently outstanding is, however, guaranteed through the State Infrastructure Bank program of the Ohio Department of Transportation. In the event of a borrower's default, amounts recovered from the secured capital project would be used to replenish any reserve funds and any remaining amounts would be transferred to the State Infrastructure Bank accounts. Any amounts provided to repay bonds using appropriations of the Ohio Department of Transportation would be submitted to the Attorney General's Office for collection. Currently, guarantees are outstanding through fiscal year 2039, when the bonds mature, and no circumstances presently exist that indicate that the State will be required to make any payments as a result of these guarantees.

As of June 30, 2016, revenue bonds and notes outstanding that represent conduit debt for the State were as follows (dollars in thousands):

	<u>Outstanding Amount</u>
<b>Primary Government:</b>	
Development Services Agency:	
Ohio Enterprise Bond Program .....	\$ 162,005
Hospital Facilities Bonds .....	4,365
Ohio Department of Transportation:	
State Transportation Infrastructure Bond Fund Program.....	<u>39,300</u>
Total Primary Government .....	<u>\$ 205,670</u>

**NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING**

**A. Fund Balance Reporting-Constraints by Purpose**

Fund balance constraints reported in the governmental funds, as of June 30, 2016, are presented by purpose in the table on the following page:



**NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING (Continued)**

Primary Government					
Fund Balance Constraints by Purpose					
(dollars in thousands)					
	Major Funds				Total
	General	Job, Family & Other Human Services	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	
Fund Balance:					
<i>Nonspendable</i>					
Inventories.....	\$ 21,359	\$ -	\$ -	\$ 109,665	\$ 131,024
Noncurrent Portion of Loans Receivable.....	1,999	-	-	-	1,999
Advances to Local Government.....	22,595	-	-	-	22,595
Total Nonspendable.....	<u>45,953</u>	<u>-</u>	<u>-</u>	<u>109,665</u>	<u>155,618</u>
<i>Restricted</i>					
Primary, Secondary and Other Education.....	19	48	-	144,723	144,790
Higher Education Support.....	234,010	-	-	26,993	261,003
Public Assistance and Medicaid.....	-	266,911	-	200,146	467,057
Health and Human Services.....	-	-	-	50,313	50,313
Justice and Public Protection.....	15,399	948	-	107,078	123,425
Environmental Protection and Natural Resources.....	6,053	-	-	147,756	153,809
Transportation.....	-	-	-	10,180	10,180
Transit Project Loans.....	-	-	-	222,877	222,877
Highway Construction/Preservation.....	-	-	-	723,325	723,325
General Government.....	8,417	19,381	-	48,552	76,350
Community and Economic Development.....	82,927	9	-	356,988	439,924
Grants/Loans-Local Government Capital Improvements..	729,056	-	-	-	729,056
State/Local Government Road/Bridge Improvements.....	194,434	-	-	-	194,434
Capital Outlay.....	-	-	-	528,829	528,829
Debt Service.....	-	-	4,753,857	10,344	4,764,201
Total Restricted.....	<u>1,270,315</u>	<u>287,297</u>	<u>4,753,857</u>	<u>2,578,104</u>	<u>8,889,573</u>
<i>Committed</i>					
Primary, Secondary and Other Education.....	2	-	-	83,585	83,587
Higher Education Support.....	-	-	-	1,744	1,744
Public Assistance and Medicaid.....	104,531	43,585	-	28,820	176,936
Health and Human Services.....	5,662	7,518	-	14,015	27,195
Justice and Public Protection.....	786	-	-	79,412	80,198
Environmental Protection and Natural Resources.....	-	-	-	190,548	190,548
Transportation.....	-	-	-	1,235	1,235
General Government.....	18,152	15,707	-	95,023	128,882
Community and Economic Development.....	2,372	-	-	185,493	187,865
Business Development Loans.....	689,373	-	-	-	689,373
Total Committed.....	<u>820,878</u>	<u>66,810</u>	<u>-</u>	<u>679,875</u>	<u>1,567,563</u>
<i>Assigned</i>					
Primary, Secondary and Other Education.....	144,407	-	-	-	144,407
Higher Education Support.....	38,685	-	-	-	38,685
Public Assistance and Medicaid.....	377,850	-	-	-	377,850
Health and Human Services.....	180,203	-	-	-	180,203
Justice and Public Protection.....	78,105	-	-	-	78,105
Environmental Protection and Natural Resources.....	24,660	-	-	-	24,660
General Government.....	481,425	-	-	-	481,425
Escheat Investments used for Mortgage Insurance/ Minority Contractor Bonding/Housing Finance Loans..	1,187,653	-	-	-	1,187,653
Community and Economic Development.....	140,302	-	-	-	140,302
Total Assigned.....	<u>2,653,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,653,290</u>
<i>Unassigned</i>					
	863,925	(280)	-	(148)	863,497
Total Fund Balance.....	<u>\$ 5,654,361</u>	<u>\$ 353,827</u>	<u>\$ 4,753,857</u>	<u>\$ 3,367,496</u>	<u>\$ 14,129,541</u>



**NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING (Continued)**

As of June 30, 2016, the Budget Stabilization Fund had a fund balance of \$2 billion which was included as a part of the unassigned fund balance in the General Fund.

**B. Fund Deficits**

The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2016 (dollars in thousands):

**Primary Government:**

Nonmajor Proprietary Funds:	
Office of Auditor of State.....	\$ (4,713)
<i>Total Primary Government</i>	<u>\$ (4,713)</u>

**Discretely Presented Component Units:**

Major Component Units:	
Ohio Facilities Construction Commission .....	\$ (3,825,348)
Nonmajor Component Units:	
Ohio Capital Fund.....	(63,443)
Cincinnati State Community College.....	(25,752)
Owens State Community College.....	(8,430)
<i>Total Component Units</i> .....	<u>\$ (3,922,973)</u>

Deficits are due to the timing of revenue recognition and the accrual of expenses not recorded under the cash basis of accounting.

**NOTE 18 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

**A. Deferred Outflows of Resources**

Details on deferred outflows of resources for the primary government, as of June 30, 2016, follow (dollars in thousands):

Primary Government - Deferred Outflows of Resources					
	Net Pension Asset/Liability	Hedging Derivatives	Loss on Debt Refundings	Resources of a Future Period	Total
<b>Governmental Activities:</b>					
Major Governmental Funds:					
Buckeye Tobacco Settlement Financing Authority Revenue Bonds.....	\$ -	\$ -	\$ -	\$ 4,331,322	\$ 4,331,322
<i>Total Governmental Activities</i> .....	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,331,322</u>	<u>4,331,322</u>
Reconciliation of fund level statements to government-wide statements due to basis differences.....	1,211,563	37,060	177,839	-	1,426,462
<i>Total Governmental Activities</i> .....	<u>\$ 1,211,563</u>	<u>\$ 37,060</u>	<u>\$ 177,839</u>	<u>\$ 4,331,322</u>	<u>\$ 5,757,784</u>
<b>Business-Type Activities:</b>					
Major Proprietary Funds:					
Workers' Compensation.....	\$ 63,608	\$ -	\$ -	\$ -	\$ 63,608
Lottery Commission.....	10,548	-	-	-	10,548
Nonmajor Proprietary Funds .....	20,204	-	-	-	20,204
<i>Total Business-Type Activities</i> .....	<u>\$ 94,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,360</u>
<i>Total Primary Government</i> .....					<u>\$ 5,852,144</u>

As of June 30, 2016, The Ohio State University, a major discretely presented component unit, reported deferred outflows of resources totaling approximately \$675.8 million for net pension asset/liability and \$22.4 million for losses on debt-related transactions.



**NOTE 18 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES (Continued)**

**B. Deferred Inflows of Resources**

The deferred inflows of resources for the primary government, as of June 30, 2016, are comprised of the following (dollars in thousands).

<b>Primary Government - Deferred Inflows of Resources</b>					
	Net Pension Asset/Liability	Resources from the Sale of Future Revenues	Unavailable Resources	Debt Refundings	Total
<b>Governmental Activities:</b>					
Major Governmental Funds:					
General .....	\$ -	\$ 804,327	\$ 438,769	\$ -	\$ 1,243,096
Job, Family and Other Human Services .....	-	-	81,873	-	81,873
Buckeye Tobacco Settlement Financing					
Authority Revenue Bonds.....	-	-	472,178	-	472,178
Nonmajor Governmental Funds .....	-	34,100	16,703	-	50,803
Total Governmental Activities .....	-	838,427	1,009,523	-	1,847,950
Reconciliation of fund level statements to government-wide statements due to basis differences.....					
	93,896	1,229,393	(1,009,523)	71	313,837
Total Governmental Activities .....	<u>\$ 93,896</u>	<u>\$ 2,067,820</u>	<u>\$ -</u>	<u>\$ 71</u>	<u>2,161,787</u>
<b>Business-Type Activities:</b>					
Major Proprietary Funds:					
Workers' Compensation.....	\$ 6,685	\$ -	\$ -	\$ -	\$ 6,685
Lottery Compensation.....	1,465	-	-	-	1,465
Nonmajor Proprietary Funds .....	1,247	-	-	-	1,247
Total Business-Type Activities .....	<u>\$ 9,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,397</u>
Total Primary Government.....					<u>\$ 2,171,184</u>

As of June 30, 2016, the Ohio Facilities Construction Commission, a major discretely presented component unit, reported deferred inflows of resources totaling approximately \$3.53 billion pertaining to resources from the sale of future revenues. In addition, the Ohio State University, another major discretely presented component unit, reported deferred inflows of resources of \$122.4 million for net pension asset/liability, \$19.3 million for gains on debt-related transactions, and approximately \$445.4 million related to service concession arrangements.

**NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS**

**A. Joint Ventures**

**Great Lakes Protection Fund (GLPF)**

The Great Lakes Protection Fund is an Illinois non-profit organization that was formed to further federal and state commitments to the restoration and maintenance of the Great Lakes Basin's ecosystem. The governors of seven of the eight states that border on the Great Lakes comprise the GLPF's membership. Under the GLPF's articles of

incorporation, each state is required to make a financial contribution. Income earned on the contributions provides grants to projects that advance the goals of the Great Lakes Toxic Substances Control Agreement and the binational Great Lakes Water Quality Agreement.

Each governor nominates two individuals to the GLPF's board of directors who serve staggered two-year terms. All budgetary and financial decisions rest with the board, except when they are restricted by the GLPF's articles of incorporation.



**NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)**

Annually, one-third of the GLPF's net earnings is allocated and paid to the member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the state's contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio applies its distribution (approximately \$199 thousand) to operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2015 (the GLPF's year-end), are presented below (dollars in thousands):

	Contribution Required	Contribution Received	Contribution Percentage
Michigan .....	\$ 25,000	\$ 25,000	30.9%
Indiana* .....	16,000	-	-
Illinois .....	15,000	15,000	18.4%
Ohio .....	14,000	14,000	17.3%
New York .....	12,000	12,000	14.8%
Wisconsin .....	12,000	12,000	14.8%
Minnesota .....	1,500	1,500	1.9%
Pennsylvania ....	1,500	1,500	1.9%
<b>Total .....</b>	<b>\$ 97,000</b>	<b>\$ 81,000</b>	<b>100.00%</b>

\*The State of Indiana has not yet elected to join the Great Lakes Protection Fund.

Summary Financial information for the GLPF, for the fiscal year ended December 31, 2015, was as follows (dollars in thousands):

Cash and Investments .....	\$ 124,528
Other Assets .....	143
<b>Total Assets .....</b>	<b>\$ 124,671</b>
Total Liabilities .....	\$ 1,354
Total Net Position .....	123,317
<b>Total Liabilities and Net Position .....</b>	<b>\$ 124,671</b>
Total Revenues and Other Additions.....	\$ 5,251
Total Expenditures and Other Deductions.....	(10,383)
<b>Change in Net Position .....</b>	<b>\$ (5,132)</b>

In the event of the Fund's dissolution, the State of Ohio would receive a residual portion of the Fund's assets equal to the lesser of the amount of such assets multiplied by the ratio of its required contribution to the required contributions of all member states, or the amount of its required contribution.

**Local Community and Technical Colleges**

The State's primary government has an ongoing financial responsibility for the funding of six local community colleges and eight technical colleges. With respect to the local community colleges, State of Ohio officials appoint three members of each college's respective nine-member board of trustees; county officials appoint the remaining six members.

The governing boards of the technical colleges consist of either seven or nine trustees, of which State officials appoint two or three members, respectively; the remaining members are appointed by the local school boards located in the respective technical college district.

The Ohio General Assembly appropriates moneys to these institutions from the General Fund to subsidize operations so that higher education can become more financially accessible to Ohio residents. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt



**NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)**

service requirements for the Tobacco Settlement revenue bonds issued by the Buckeye Tobacco Settlement Financing Authority, the Higher Education Capital Facilities general obligation bonds issued by the Ohio Public Facilities Commission (OPFC), and the Higher Education Facilities special obligation bonds, previously issued by the OPFC, for these purposes. The bonds provide funding for capital appropriations, which are available to the local community and technical colleges for spending on capital construction.

Fiscal year 2016 expenses that were included in the “Higher Education Support” function under governmental activities in the Statement of Activities for state assistance to the local community and technical colleges are presented below (dollars in thousands).

	Operating Subsidies	Capital Subsidies	Total
<b>Local Community Colleges:</b>			
Cuyahoga .....	\$ 68,148	\$ 5,321	\$ 73,469
Eastern Gateway.....	6,693	1,525	8,218
Lakeland .....	19,344	4,293	23,637
Lorain County .....	26,626	4,138	30,764
Rio Grande .....	6,002	213	6,215
Sinclair .....	48,781	4,085	52,866
Total Local Community Colleges.....	<u>175,594</u>	<u>19,575</u>	<u>195,169</u>
<b>Technical Colleges:</b>			
Belmont .....	5,355	58	5,413
Central Ohio .....	12,141	-	12,141
Hocking .....	13,245	1,525	14,770
James A. Rhodes .....	10,509	360	10,869
Marion .....	7,333	-	7,333
Zane .....	8,892	424	9,316
North Central .....	7,747	1,949	9,696
Stark .....	28,655	3,636	32,291
Total Technical Colleges .....	<u>93,877</u>	<u>7,952</u>	<u>101,829</u>
Total .....	<u>\$ 269,471</u>	<u>\$ 27,527</u>	<u>\$ 296,998</u>

Information for obtaining complete financial statements for each of the primary government’s joint ventures is available from the Ohio Office of Budget and Management.

**B. Related Organizations**

Officials of the State’s primary government appoint a voting majority of the governing boards of the Ohio Housing Finance Agency, the Ohio Water Development Authority, the Petroleum Underground Storage Tank Release Compensation Board, the Higher Education Facility Commission, and the Ohio Legal Assistance Foundation. However, the primary government’s accountability for these organizations does not extend beyond making the appointments.

During fiscal year 2016, the State had the following related-party transactions with its related organizations:

- The General Fund reports a \$243.1 million loans receivable balance due from the Ohio Housing Finance Agency. The State made the loans to finance and support the agency’s housing programs.
- Separate funds, established for the Ohio Housing Finance Agency, the Petroleum Underground Storage Tank Release Compensation Board, and the Higher Education Facility Commission, were accounted for on the primary government’s Ohio Administrative Knowledge System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the agency funds.



**NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)**

- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid the Ohio Legal Assistance Foundation approximately \$3.4 million for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies.

**NOTE 20 CONTINGENCIES AND COMMITMENTS**

**A. Litigation**

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations. Pending litigation affecting the Department of Natural Resources is discussed below. All other legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the State's financial position.

**Department of Natural Resources (DNR)**

In *State ex rel. Merrill v. Ohio Dept. of Natural Resources*, a class action case brought by owners of property bordering Lake Erie, the plaintiffs sought declaratory relief as to title for shoreline land consistent with their deeds (that the phrase "natural shoreline" is not synonymous with "ordinary high-water mark" and therefore the legal boundary of their properties extends beyond the point claimed by DNR). Plaintiffs also sought a writ of mandamus to compel appropriations from the State and DNR for taking of this land. This lawsuit was filed in 2004 and after many years of litigation, in order to avoid additional costs, risks, and further delays associated with proceeding, the parties agreed to settle their claims. On May 26, 2016, the parties submitted a joint proposed class action settlement to the Lake County Court of Common Pleas for approval. The settlement agreement was approved by the court on October 24, 2016. As part of the settlement, the State and DNR denied any wrongdoing or legal liability for the claims asserted in the lawsuit and DNR was required to make payment in the amount of \$6.1 million no later than December 8, 2016. Based on this payment the claim will be resolved in fiscal year 2017.

**B. Federal Awards**

The State of Ohio receives significant awards from the Federal Government in the form of grants and entitlements, including certain non-cash programs. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the spending of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit or to financial compliance audits by the grantor agencies of the federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities to the State.

**Federal Single Audit**

As a result of the fiscal year 2015 State of Ohio Single Audit (issued in March 2016), \$8 million of federal expenditures were in question as not being appropriate under the terms of the respective grants. No provision for any liability or adjustments has been recognized for these questioned costs in the state's financial statements for the fiscal year ended June 30, 2016.

**C. Tobacco Settlement**

In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers. This signaled the end of litigation brought by the Attorneys General against the manufacturers in 1996 for state healthcare expenses attributed to smoking-related claims. The remaining four states (Florida, Minnesota, Mississippi, and Texas) settled separately.

According to the MSA, participating tobacco manufacturers are required to adhere to a variety of new marketing and lobbying restrictions and provide payments to the states in perpetuity.

As of October 23, 2007, the State transferred future rights to the Master Settlement Agreement revenue to the Buckeye Tobacco Settlement Financing Authority (BTSFA).

While BTSFA's share of the total base payments to the states through 2052 will not change over time, estimating the amount of annual payments that actually will be received in any given year can be complex, since under the



**NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)**

terms of the MSA, payments are subject to a number of adjustment factors, including an inflation adjustment, a volume adjustment, and a potential adjustment for market share losses of participating manufacturers. Some of these adjustments, such as the inflation adjustment, result in BTSFA receiving higher payments. Other factors, such as the volume adjustment and the market share adjustment can work to reduce the amount of the State's annual payments.

In addition to the base payments, BTSFA will receive payments from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the fund are based on a state's contribution to the litigation and settlement with the tobacco companies. These payments are also subject to the adjustment factors outlined in the MSA.

During fiscal year 2016, Ohio received \$297.1 million, which is approximately \$104 million or 25.9 percent less than the pre-adjusted base payment for the year.

As of June 30, 2016, the estimated tobacco settlement receivable in the amount of \$506.3 million is included in "Other Receivables" reported for the governmental funds. The receivable includes \$300.3 million for payments withheld from BTSFA beginning fiscal year 2008 and \$34.1 million for payments withheld from the State for fiscal years 2006 and 2007. These amounts were withheld by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. The moneys are on deposit in an escrow account until pending litigation between the States and the manufacturers is resolved. Both the Authority and the State contend that they have met their obligations under the MSA and are due the payments withheld.

The Tobacco Settlement receipts provide funding for the construction of primary and secondary school capital facilities, education technology for primary and secondary education and for higher education, programs for smoking cessation and other health-related purposes, biomedical research and technology, and assistance to tobacco-growing areas in Ohio.

The BTSFA revenue bonds are secured by and payable solely from the tobacco settlement receipts and other collateral pledged under an indenture between BTSFA and U.S. Bank National Association, as trustee. In the event that the assets of BTSFA have been exhausted, no amounts will thereafter be paid on the bonds.

The enforcement of the terms of the MSA has been challenged by lawsuits and may continue to be challenged in the future. In the event of an adverse court ruling, BTFSA may not have adequate financial resources to make payment on the bonds.

A schedule of pre-adjusted base payments and payments from the Strategic Contribution Fund for the State of Ohio in future years follows (dollars in thousands):



**NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)**

Year Ending June 30,	Pre-adjusted MSA Base Payments	Pre-Adjusted Payments from the Strategic Contribution Fund	Total
2017.....	\$ 380,940	\$ 25,096	\$ 406,036
2018.....	431,324	—	431,324
2019.....	436,331	—	436,331
2020.....	441,189	—	441,189
2021.....	446,563	—	446,563
2022-2026.....	2,316,649	—	2,316,649
2027-2031.....	2,472,971	—	2,472,971
2032-2036.....	2,640,790	—	2,640,790
2037-2041.....	2,812,833	—	2,812,833
2042-2046.....	2,993,720	—	2,993,720
2047-2051.....	3,187,256	—	3,187,256
2052.....	662,283	—	662,283
Total .....	<u>\$ 19,222,849</u>	<u>\$ 25,096</u>	<u>\$ 19,247,945</u>

**D. Construction Commitments**

As of June 30, 2016, the Ohio Department of Transportation had total contractual commitments of approximately \$2.89 billion for highway construction projects. Funding for future projects is expected to be provided from federal, primary government, general obligation and revenue bonds, and local government sources in amounts of \$1.35 billion, \$1.04 billion, \$412.1 million, and \$87.5 million, respectively.

As of June 30, 2016, other major non-highway construction commitments for the primary government’s budgeted capital projects funds and major discretely presented component unit funds were as follows (dollars in thousands):

<b>Primary Government</b>	
Mental Health/Developmental Disabilities Facilities Improvements .....	\$ 21,593
Parks and Recreation Improvements .....	70,403
Administrative Services Building Improvements .....	20,462
Youth Services Building Improvements .....	28,199
Adult Correctional Building Improvements .....	79,197
Highway Safety Building Improvements .....	16
Ohio Parks and Natural Resources .....	24,242
Transportation Building Improvements.....	47,503
Total .....	<u>\$ 291,615</u>

<b>Major Discretely Presented Component Units</b>	
Ohio State University .....	\$ 188,978

**E. Pollution Remediation Activities**

During fiscal year 2016, the State was involved in remediation activities for pollution as described in the following paragraph. These activities include site investigation, cleanup, and monitoring. The associated estimated cost of remediation activities is shown below (in general, projects with a liability of less than \$1 million at June 30 are not listed).



## **NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)**

As a result of the imminent danger to public health, the Ohio Environmental Protection Agency (EPA) has assumed responsibility for operating and maintaining the collection and treatment system at the Lincoln Fields contaminated water system in Mansfield. The liability at June 30 is estimated at \$4.3 million. Cost was estimated by the EPA site coordinator using actual invoices to date.

The Ohio Department of Transportation has been named as a responsible party to remediate pollution resulting from contaminated soil on the agency-owned property and contaminated groundwater on the surrounding properties. The June 30 liability to eliminate the pollution and continue monitoring activities is estimated to be \$1.6 million. Cost was estimated by the onsite coordinators using actual invoices to date.

The liabilities described above are reported as "Other Noncurrent Liabilities-Due in One Year" and "Other Noncurrent Liabilities-Due in More Than One Year" for governmental activities in the government-wide Statement of Net Position. The reported liabilities for these activities are an estimate and are subject to change over time. Variances in the final costs may result from changes in technology, changes in responsible parties, results of environmental studies, and changes in laws and regulations. Future recoveries from other responsible parties may also reduce the final cost paid by the State.

Capital assets may be created during the pollution remediation process. These capital assets will be reported in accordance with the State's capital assets policy. As of June 30, 2016, no capital assets were created nor reported as a result of any pollution remediation process.

### **F. Encumbrances**

At June 30, 2016, the State has significant encumbrances of \$746.6 million in the General Fund, \$1.01 billion in the Job, Family and Other Human Services Special Revenue Fund, and \$3.9 billion in the nonmajor governmental funds.

## **NOTE 21 RISK FINANCING**

### **A. Workers' Compensation Benefits**

The Ohio Workers' Compensation System, which the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio administer, is the exclusive provider of workers' compensation insurance to private and public employers in Ohio who are not self-insured. The Workers' Compensation Enterprise Fund (Fund) provides benefits to employees for losses sustained from job-related injury, disease, or death.

"Benefits Payable" of \$15.67 billion is reported in the Fund as of June 30, 2016. This amount represents reserves for indemnity and medical claims resulting from work-related injuries or illnesses, including actuarial estimates for both reported claims and claims incurred but not reported. The liability is based on the estimated ultimate cost of settling claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for medical claims reserves. The compensation adjustment expenses liability, which is included in "Other Liabilities" in the amount of approximately \$1.82 billion, is an estimate of future expenses to be incurred in the settlement of claims. The estimate for this liability is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, nonincremental adjustment expense, and the reserve for compensation.

Management of the Bureau of Workers' Compensation and the Industrial Commission believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.



**NOTE 21 RISK FINANCING (Continued)**

Benefits payable and the compensation adjustment expenses liability have been discounted at four percent to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with durations similar to the expected claims underlying the Fund's reserves.

The undiscounted reserves for the benefits and compensation adjustment expenses totaled \$29.3 billion, as of June 30, 2016, and \$30.7 billion, as of June 30, 2015. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2016.

Changes in the balance of benefits payable and the compensation adjustment expenses liability for the Workers' Compensation Program during the past two fiscal years are presented in the table below.

**Primary Government  
Changes in Workers' Compensation Benefits Payable  
and Compensation Adjustment Expenses Liability  
Last Two Fiscal Years  
(dollars in millions)**

	Fiscal Year 2016	Fiscal Year 2015
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1 .....	\$ 18,195	\$ 18,722
Incurring Compensation and Compensation Adjustment Benefits .....	1,203	1,395
Incurring Compensation and Compensation Adjustment Benefit Payments and Other Adjustments .....	(1,905)	(1,922)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30 .....	<u>\$ 17,493</u>	<u>\$ 18,195</u>

**B. State Employee Healthcare Plan**

Employees of the State's primary government have the option of participating in the Ohio Med PPO Plan (Plan). The Plan is managed by two third party administrators (TPAs), Medical Mutual of Ohio (MMO) and United Healthcare (UHC). The two TPAs are responsible for processing claims for separate regions throughout the State.

When it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, liabilities are reported in the governmental and proprietary funds for claims that have been incurred but not reported. The Plan's actuaries calculate estimated claims liabilities based on prior claims data, employee enrollment figures, medical trends, and experience.

Governmental and proprietary funds pay a share of the costs for claims settlement based on the number of employees opting for plan participation and the type of coverage selected by participants. The payments are reported in the Payroll Withholding and Fringe Benefits Agency Fund (Agency Fund) until such time that the accumulated resources are distributed to MMO or UHC for claims settlement.

For governmental funds, claims are recognized as expenditures to the extent that the amounts are payable with expendable available financial resources. For governmental and business-type activities, claims are recognized in the Statement of Activities as expenses when incurred.

As of June 30, 2016, approximately \$44.4 million in total assets was available in the Agency Fund to cover healthcare claims. Changes in the balance of claims liabilities for the Plan during the past two fiscal years were as follows (dollars in thousands):



**NOTE 21 RISK FINANCING (Continued)**

Ohio Med PPO		
	Fiscal Year 2016	Fiscal Year 2015
Claims Liabilities, as of July 1 .....	\$ 48,214	\$ 48,216
Incurring Claims .....	530,252	467,729
Claims Payments .....	(524,476)	(467,731)
Claims Liabilities, as of June 30 .....	<u>\$ 53,990</u>	<u>\$ 48,214</u>

As of June 30, 2016, the resources on deposit in the Agency Fund were less than the estimated claims liability by approximately \$9.6 million, thereby resulting in a funding deficit. Eighty-five percent or \$8.2 million of the deficit, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting increase in expenditures/expenses.

**C. Other Risk Financing Programs**

The primary government has established programs to advance fund potential losses for vehicular liability and theft in office. The potential amount of loss arising from these risks, however, is not considered material in relation to the State's financial position.

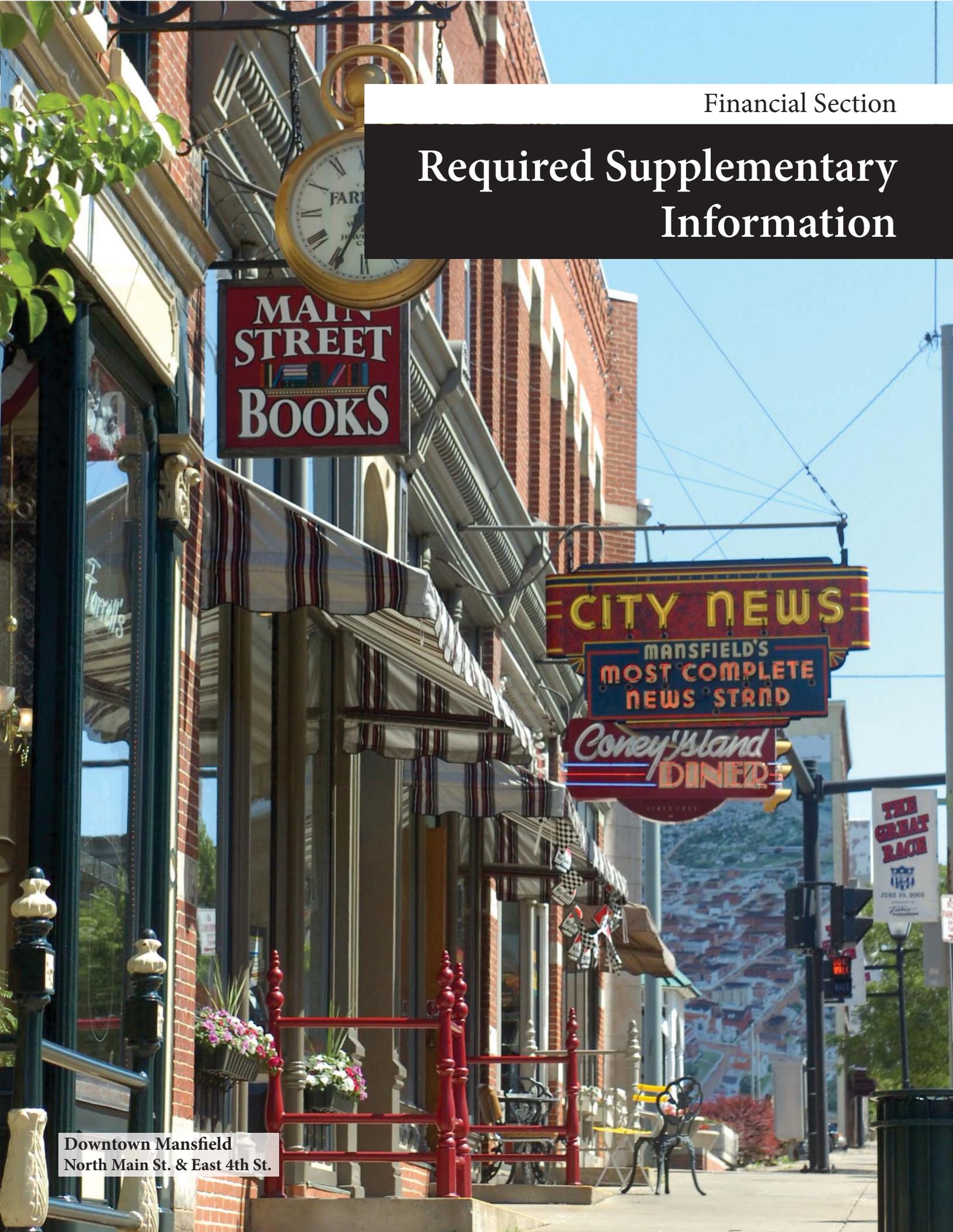
**NOTE 22 SUBSEQUENT EVENTS**

**Bond Issuances**

Subsequent to June 30, 2016, the State issued major debt as detailed in the table below:

Debt Issuances Subsequent to June 30, 2016 (dollars in thousands)			
	Date Issued	Net Interest Rate or True Interest Cost	Amount
<b>Primary Government:</b>			
<i>Ohio Public Facilities Commission - General Obligation Bonds:</i>			
Infrastructure Improvements, Series 2016B.....	11/01/16	3.00%	\$ 150,000
Total General Obligation Bonds.....			<u>150,000</u>
<i>Treasurer of State - Revenue Bonds:</i>			
State Infrastructure Project, Series 2016-1.....	07/26/16	1.86%	217,565
Total Revenue Bonds.....			<u>217,565</u>
<i>Treasurer of State-Special Obligation Bonds:</i>			
Cultural and Sports Capital Facilities, Series 2016A.....	08/16/16	1.52%	40,000
Parks and Recreation Facilities, Series 2016C.....	09/27/16	2.24%	100,000
Adult Correctional Facilities, Series 2016D.....	10/18/16	1.53%	15,380
Adult Correctional Facilities, Series 2016B-C.....	10/25/16	3.04%	64,620
Total Special Obligation Bonds .....			<u>220,000</u>
<i>Department of Administrative Services - Certificates of Participation:</i>			
Enterprise Data Center Solutions, Series 2016.....	10/20/16	1.85%	26,035
Ohio Administrative Knowledge System, Series 2016.....	10/20/16	1.90%	19,145
Total Certificates of Participation.....			<u>45,180</u>
Total Primary Government.....			<u>\$ 632,745</u>

# Required Supplementary Information



Downtown Mansfield  
North Main St. & East 4th St.



**Infrastructure Assets Accounted for Using the Modified Approach**

**Pavement Network**

The Ohio Department of Transportation conducts annual condition assessments of its Pavement Network. The State manages its pavement system by means of annual, visual inspections by trained pavement technicians. Technicians rate the pavement using a scale of 1 (minimum) to 100 (maximum) based on a Pavement Condition Rating (PCR). This rating examines items such as cracking, potholes, deterioration of the pavement, and other factors. It does not include a detailed analysis of the pavement's subsurface conditions.

Ohio accounts for its pavement network in two subsystems: *Priority*, which comprises interstate highways, freeways, and multi-lane portions of the National Highway System, and *General*, which comprises two-lane routes outside of cities.

For the Priority Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 65, and to allow no more than 25 percent of the pavement to fall below a 65 PCR level. For the General Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 55, and to allow no more than 25 percent of the pavement to fall below a 55 PCR level.

**Pavement Network  
Condition Assessment Data**

**Priority Subsystem**

Fiscal Year	Pavement Condition Ratings (PCR)									
	Excellent PCR = 85-100		Good PCR = 75-84		Fair PCR = 65-74		Poor PCR = Below 65		Total	
	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%
2016	8,245	59.97	4,309	31.34	933	6.79	261	1.90	13,748	100.00
2015	8,724	63.51	3,944	28.71	901	6.56	168	1.22	13,737	100.00
2014	9,172	67.19	3,528	25.85	797	5.84	153	1.12	13,650	100.00
2013	9,177	67.98	3,299	24.44	786	5.82	237	1.76	13,499	100.00
2012	9,145	69.76	2,828	21.57	971	7.41	165	1.26	13,109	100.00

**General Subsystem**

Fiscal Year	Pavement Condition Ratings (PCR)									
	Excellent PCR = 85-100		Good PCR = 75-84		Fair PCR = 55-74		Poor PCR = Below 55		Total	
	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%
2016	12,940	43.91	8,884	30.15	7,480	25.38	166	0.56	29,470	100.00
2015	14,213	48.25	8,556	29.04	6,506	22.08	186	0.63	29,461	100.00
2014	15,341	51.98	7,838	26.56	6,087	20.63	246	0.83	29,512	100.00
2013	14,841	50.15	8,038	27.16	6,403	21.64	309	1.05	29,591	100.00
2012	14,610	48.83	8,415	28.13	6,600	22.06	293	0.98	29,918	100.00



**Infrastructure Assets Accounted for Using the Modified Approach (Continued)**

**Pavement Network**  
**Comparison of Estimated-to-Actual Maintenance and Preservation Costs**  
*(dollars in thousands)*

**Priority Subsystem**

Fiscal Year	Estimated	Actual
2016	\$619,382	\$533,788
2015	482,291	526,202
2014	504,669	482,849
2013	454,299	521,908
2012	403,829	438,510

**General Subsystem**

Fiscal Year	Estimated	Actual
2016	\$283,059	\$369,117
2015	287,411	361,582
2014	266,985	344,005
2013	285,563	352,769
2012	211,210	357,337

**Bridge Network**

The Ohio Department of Transportation conducts annual inspections of all bridges in the State's Bridge Network. The inspections cover major structural items such as piers and abutments, and assign a General Appraisal Condition Rating (GACR) from 0 (minimum) to nine (maximum) based on a composite measure of these major structural items.

It is the State's intention to maintain at least 85 percent of the square feet of deck area at a general appraisal condition rating level of at least five, and to allow no more than 15 percent of the number of square feet of deck area to fall below a general appraisal condition rating level of five.

**Bridge Network**  
**Condition Assessment Data**  
*(square feet in thousands)*

Fiscal Year	General Appraisal Condition Ratings (GACR)									
	Excellent GACR = 7-9		Good GACR = 5-6		Fair GACR = 3-4		Poor GACR = 0-2		Total	
	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%
2016	67,201	63.05	37,216	34.92	2,163	2.03	0	0.00	106,580	100.00
2015	64,945	61.15	38,702	36.44	2,541	2.39	18	0.02	106,206	100.00
2014	62,239	58.46	40,626	38.15	3,609	3.39	0	0.00	106,474	100.00
2013	58,649	55.49	43,129	40.81	3,908	3.70	4	0.00	105,690	100.00
2012	56,082	53.25	45,029	42.76	4,156	3.95	42	0.04	105,309	100.00



***Infrastructure Assets Accounted for Using the Modified Approach (Continued)***

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**Bridge Network**  
**Comparison of Estimated-to-Actual Maintenance and Preservation Costs**  
*(dollars in thousands)*

---

Fiscal Year	Estimated	Actual
2016	\$499,522	\$552,021
2015	534,578	571,689
2014	550,629	528,001
2013	484,103	513,637
2012	508,955	511,486

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**STATE OF OHIO**

**SCHEDULE OF NET PENSION LIABILITY/ASSET**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST TWO YEARS <sup>(A)</sup>**

*(dollars in thousands)*

<b>Traditional Plan:</b>	2015	2014
Employer's Proportion of the Collective Net Pension Liability.....	20.65%	20.73%
Employer's Proportionate Share of the Collective Net Pension Liability.....	\$ 3,561,470	\$ 2,496,359
Covered Payroll.....	\$ 2,589,575	\$ 2,608,075
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll.....	137.53%	95.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability.....	81.08%	86.45%
 <b>Combined Plan:</b>		
Employer's Proportion of the Collective Net Pension Asset.....	19.64%	20.23%
Employer's Proportionate Share of the Collective Net Pension Asset.....	\$ 9,293	\$ 7,577
Covered Payroll.....	\$ 72,010	\$ 69,383
Employer's Proportionate Share of the Collective Net Pension Asset as a Percentage of the Employer's Covered Payroll.....	12.91%	10.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset.....	116.90%	114.83%

**Notes:**

<sup>(A)</sup> This table will present ten years of information as it becomes available.



**STATE OF OHIO**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR THE LAST TWO FISCAL YEARS <sup>(A)</sup>**

(dollars in thousands)

	2016	2015
<b>Traditional Plan:</b>		
Statutorily Required Employer Contribution.....	\$ 308,456	\$ 365,010
Actual Employer Contributions Received.....	308,456	365,010
Difference.....	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll.....	\$ 2,589,575	\$ 2,608,075
Actual Employer Contributions Received as a Percentage of Covered Payroll..... <sup>(B)</sup>	11.91%	14.00%
<b>Combined Plan: <sup>(C)</sup></b>		
Statutorily Required Employer Contribution.....	\$ 8,578	\$ 9,710
Actual Employer Contributions Received.....	8,578	9,710
Difference.....	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll.....	\$ 72,010	\$ 69,383
Actual Employer Contributions Received as a Percentage of Covered Payroll..... <sup>(B)</sup>	11.91%	14.00%

**Notes:**

<sup>(A)</sup> This table will present ten years of information as it becomes available.

<sup>(B)</sup> Of the employer's required 14 percent share, 2 percent is devoted to other post-employment benefits. Fiscal year 2015 includes other post-employment benefits.

<sup>(C)</sup> Starting in fiscal year 2016, the Combined Plan is presented, and the fiscal year 2015 Combined Plan was added to this table.



**STATE OF OHIO**

**SCHEDULE OF NET PENSION LIABILITY**

**STATE TEACHERS RETIREMENT SYSTEM**

**AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST TWO YEARS <sup>(A)</sup>**

*(dollars in thousands)*

	2015	2014
Employer's Proportion of the Collective Net Pension Liability.....	0.39%	0.41%
Employer's Proportionate Share of the Collective Net Pension Liability.....	\$ 107,522	\$ 99,431
Covered Payroll.....	\$ 40,509	\$ 41,996
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll.....	265.43%	236.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability.....	72.10%	74.71%

**Notes:**

<sup>(A)</sup> This table will present ten years of information as it becomes available.



**STATE OF OHIO**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**STATE TEACHERS RETIREMENT SYSTEM**  
**FOR THE LAST TWO FISCAL YEARS <sup>(A)</sup>**

*(dollars in thousands)*

	2016	2015
Statutorily Required Employer Contribution.....	\$ 5,683	\$ 5,879
Actual Employer Contributions Received.....	5,683	5,879
Difference.....	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll.....	\$ 40,509	\$ 41,996
Actual Employer Contributions Received as a Percentage of Covered Payroll.....	14.03%	14.00%

**Notes:**

<sup>(A)</sup> This table will present ten years of information as it becomes available.

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**STATE OF OHIO**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

**STATE HIGHWAY PATROL RETIREMENT SYSTEM**

**AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST TWO YEARS <sup>(A)</sup>**

(dollars in thousands)

	2015	2014
<b>Total Pension Liability:</b>		
Service Cost.....	\$ 17,805	\$ 17,657
Interest on the Total Pension Liability.....	81,577	79,175
Difference between Expected and Actual Experience.....	(6,366)	-
Assumption Changes.....	40,773	-
Benefit Payments.....	(66,213)	(64,526)
Refunds.....	(858)	(2,177)
Net Change in Total Pension Liability.....	66,718	30,129
Total Pension Liability - Beginning.....	1,044,346	1,014,217
Total Pension Liability - Ending (a).....	<u>\$ 1,111,064</u>	<u>\$ 1,044,346</u>
<b>Plan Fiduciary Net Position:</b>		
Employer Contributions.....	\$ 22,895	\$ 22,325
Employee Contributions.....	13,686	11,577
Pension Plan Net Investment Income.....	(5,702)	45,105
Benefit Payments.....	(66,213)	(64,526)
Refunds.....	(858)	(2,177)
Pension Plan Administrative Expense.....	(1,084)	(1,031)
Other.....	839	421
Net Change in Plan Fiduciary Net Position.....	(36,437)	11,694
Plan Fiduciary Net Position - Beginning.....	740,662	728,968
Plan Fiduciary Net Position - Ending (b).....	<u>\$ 704,225</u>	<u>\$ 740,662</u>
Net Pension Liability - Ending (a) - (b).....	<u>\$ 406,839</u>	<u>\$ 303,684</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability.....	63.38%	70.92%
Covered Employee Payroll..... <sup>(B)</sup>	\$ 99,983	\$ 89,878
Net Pension Liability as a Percentage of Covered Employee Payroll.....	406.91%	337.88%

**Notes:**

<sup>(A)</sup> This table will present ten years of information as it becomes available.

<sup>(B)</sup> Covered payroll excludes Deferred Retirement Option Program (DROP) employees for 2014, but includes DROP employees for 2015.



**STATE OF OHIO**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**STATE HIGHWAY PATROL RETIREMENT SYSTEM**  
**FOR THE LAST TEN CALENDAR YEARS**  
*(dollars in thousands)*

	2015	2014	2013	2012	2011
Actuarially Determined Contribution.....	\$ 22,446	\$ 29,767	\$ 35,430	\$ 30,488	\$ 26,956
Actual Employer Contributions Received.....	22,895	22,325	22,908	23,766	22,966
Difference.....	\$ (449)	\$ 7,442	\$ 12,522	\$ 6,722	\$ 3,990
Covered Payroll..... (A)	\$ 99,983	\$ 99,212	\$ 98,520	\$ 98,117	\$ 93,126
Actual Employer Contributions Received as a Percentage of Covered Payroll.....	22.90%	22.50%	23.25%	24.22%	24.66%

**Notes:**

(A) Covered payroll includes Deferred Retirement Option Program (DROP) employees.

<b>Actuarial Assumptions</b>	
Valuation Date	December 31, 2014
Notes	The roll-forward of total pension liability from December 31, 2014 to December 31, 2015 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses. Actuarially determined contribution rates are calculated as of December 31, which is one day prior to the beginning of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age
Amortization Method	Level-Percentage Closed
Remaining Amortization Period	29 years
Asset Valuation Method	Four-year smoothed market
Inflation	4 percent wage inflation; 3 percent price inflation
Salary Increases	4.3 percent to 14 percent including inflation
Investment Rate of Return	8 percent
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Male and Female Tables projected to 2020 using Projection Scale AA. The current assumption allows for an approximate 2 percent margin for future mortality improvement.
Other Information	There were no benefit changes during the year. There were assumption changes beginning with the December 31, 2015 annual actuarial valuation based on the 2010-2014 Experience Study.



2010	2009	2008	2007	2006
<u>\$ 22,872</u>	<u>\$ 19,978</u>	<u>\$ 21,221</u>	<u>\$ 21,666</u>	<u>\$ 19,567</u>
21,212	20,454	20,302	19,957	19,264
<u>\$ 1,660</u>	<u>\$ (476)</u>	<u>\$ 919</u>	<u>\$ 1,709</u>	<u>\$ 303</u>
\$ 94,768	\$ 94,825	\$ 94,302	\$ 93,753	\$ 85,878
22.38%	21.57%	21.53%	21.29%	22.43%

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Financial Section

# Combining Financial Statements & Schedules



U.S. Air Force Museum  
Dayton, Ohio

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## ***NONMAJOR GOVERNMENTAL FUNDS***

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### **Special Revenue Funds**

The Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

### **Debt Service Funds**

The Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

### **Capital Projects Funds**

The Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**  
(dollars in thousands)

	<b>SPECIAL REVENUE FUNDS</b>	<b>DEBT SERVICE FUNDS</b>	<b>CAPITAL PROJECTS FUNDS</b>
<b>ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 3,020,801	\$ 241	\$ 551,213
Cash and Cash Equivalents.....	43,722	1,407	15,243
Investments.....	10,241	11,017	14,534
Collateral on Lent Securities.....	271,601	20	49,558
Taxes Receivable .....	82,201	—	—
Intergovernmental Receivable.....	494,472	—	—
Loans Receivable, Net .....	123,987	—	—
Interfund Receivable .....	1,357	—	—
Receivable from Component Units.....	28,744	—	—
Other Receivables .....	41,481	—	—
Inventories .....	109,665	—	—
<b>TOTAL ASSETS .....</b>	<b>\$ 4,228,272</b>	<b>\$ 12,685</b>	<b>\$ 630,548</b>
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 310,480	\$ 534	\$ 52,163
Accrued Liabilities.....	72,298	—	—
Medicaid Claims Payable.....	292,979	—	—
Obligations Under Securities Lending.....	271,601	20	49,558
Intergovernmental Payable.....	199,757	—	—
Interfund Payable.....	149,487	—	—
Payable to Component Units.....	5,900	—	—
Unearned Revenue.....	46,641	1,093	—
Refund and Other Liabilities.....	—	695	—
<b>TOTAL LIABILITIES.....</b>	<b>1,349,143</b>	<b>2,342</b>	<b>101,721</b>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	<b>50,803</b>	<b>—</b>	<b>—</b>
<b>FUND BALANCES (DEFICITS):</b>			
Nonspendable.....	109,665	—	—
Restricted.....	2,038,934	10,343	528,827
Committed.....	679,875	—	—
Unassigned.....	(148)	—	—
<b>TOTAL FUND BALANCES (DEFICITS).....</b>	<b>2,828,326</b>	<b>10,343</b>	<b>528,827</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES .....</b>	<b>\$ 4,228,272</b>	<b>\$ 12,685</b>	<b>\$ 630,548</b>

**TOTAL**

\$ 3,572,255  
60,372  
35,792  
321,179  
82,201  
494,472  
123,987  
1,357  
28,744  
41,481  
109,665  
\$ 4,871,505

\$ 363,177  
72,298  
292,979  
321,179  
199,757  
149,487  
5,900  
47,734  
695  
1,453,206  
50,803

109,665  
2,578,104  
679,875  
(148)  
3,367,496  
  
\$ 4,871,505

# STATE OF OHIO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS
<b>REVENUES:</b>			
Income Taxes.....	\$ 390	\$ —	\$ —
Sales Taxes.....	112	—	—
Corporate and Public Utility Taxes.....	66,462	—	—
Motor Vehicle Fuel Taxes.....	689,242	—	—
Other Taxes.....	313,716	—	—
Licenses, Permits and Fees.....	1,313,402	—	—
Sales, Services and Charges.....	59,568	—	—
Federal Government.....	6,197,730	—	—
Investment Income (Loss).....	10,588	748	3,228
Other.....	824,330	97	1,077
<b>TOTAL REVENUES.....</b>	<b>9,475,540</b>	<b>845</b>	<b>4,305</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education.....	3,076,865	—	—
Higher Education Support.....	28,490	—	—
Public Assistance and Medicaid.....	1,942,786	—	—
Health and Human Services.....	602,036	—	—
Justice and Public Protection.....	717,540	—	—
Environmental Protection and Natural Resources.....	330,103	—	—
Transportation.....	2,838,708	—	—
General Government.....	354,962	—	—
Community and Economic Development.....	804,876	—	—
<b>CAPITAL OUTLAY.....</b>	<b>27,295</b>	<b>—</b>	<b>646,674</b>
<b>DEBT SERVICE.....</b>	<b>—</b>	<b>1,672,817</b>	<b>—</b>
<b>TOTAL EXPENDITURES.....</b>	<b>10,723,661</b>	<b>1,672,817</b>	<b>646,674</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(1,248,121)</b>	<b>(1,671,972)</b>	<b>(642,369)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....	111,732	268	428,000
Refunding Bonds and COPs Issued.....	—	473,270	—
Payment to Refunded Bond and COPs Escrow Agents.....	—	(584,504)	—
Premiums/Discounts.....	1,906	143,737	71,083
Transfers-in.....	1,773,050	1,640,624	—
Transfers-out.....	(416,447)	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>1,470,241</b>	<b>1,673,395</b>	<b>499,083</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>222,120</b>	<b>1,423</b>	<b>(143,286)</b>
<b>FUND BALANCES (DEFICITS), July 1 (as restated).....</b>	<b>2,579,200</b>	<b>8,920</b>	<b>672,113</b>
Increase (Decrease) for Changes in Inventories.....	27,006	—	—
<b>FUND BALANCES (DEFICITS), JUNE 30.....</b>	<b>\$ 2,828,326</b>	<b>\$ 10,343</b>	<b>\$ 528,827</b>

**TOTAL**

\$ 390  
112  
66,462  
689,242  
313,716  
1,313,402  
59,568  
6,197,730  
14,564  
825,504  
9,480,690

3,076,865  
28,490  
1,942,786  
602,036  
717,540  
330,103  
2,838,708  
354,962  
804,876  
673,969  
1,672,817  
13,043,152

(3,562,462)

540,000  
473,270  
(584,504)  
216,726  
3,413,674  
(416,447)  
3,642,719

**80,257**

3,260,233  
27,006  
3,287,239

**\$ 3,367,496**

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## ***NONMAJOR SPECIAL REVENUE FUNDS***

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Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

### **Education Fund**

The Education Fund accounts for programs administered by the Department of Education, the Department of Higher Education, and other various state agencies, which prescribe the State's minimum educational requirements and which provide funding and assistance to local school districts for basic instruction and vocation and technical job training, and to the State's colleges and universities for post-secondary education.

### **Highway Operating Fund**

The Highway Operating Fund accounts for programs administered by the Department of Transportation, which is responsible for the planning and design, construction, and maintenance of Ohio's highways, roads, and bridges and for Ohio's public transportation programs.

### **Community and Economic Development Fund**

The Community and Economic Development Fund accounts for programs administered by the Development Services Agency and other various state agencies, which were created to assure the efficient use of resources for the State's community and economic growth and development.

### **Health Fund**

The Health Fund accounts for public health programs primarily administered by the Department of Health, which promotes the prevention and treatment of diseases and illnesses through technical assistance, health education, and research.

### **Mental Health and Developmental Disabilities Fund**

The Mental Health and Developmental Disabilities Fund accounts for mental health care and developmental disabilities programs primarily administered by the Department of Mental Health and Addiction Services and the Department of Developmental Disabilities, which provide assistance, services, and medical care to those individuals with mental health and developmental disability problems.

### **Highway Safety Fund**

The Highway Safety Fund accounts for public safety programs primarily administered by the Department of Public Safety, which enforces traffic-related laws for the purpose of reducing accidents, deaths, injuries, and property damages on Ohio's highways.

### **Natural Resources Fund**

The Natural Resources Fund accounts for environmental programs administered by the Department of Natural Resources, the Environmental Protection Agency, and other various state agencies, which promote, protect, and manage the State's natural resources and environment.

### **Wildlife and Waterways Safety Fund**

The Wildlife and Waterways Safety Fund accounts for programs administered by the Department of Natural Resources' Divisions of Wildlife and Watercraft, which promote, protect, and manage the State's wildlife and waterways and which provide technical assistance and education to the public.

### **Tobacco Settlement Fund**

The Tobacco Settlement Fund accounts for various health, education, economic, and law enforcement-related programs funded with moneys received under the Master Settlement Agreement with the nation's largest tobacco companies.

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2016**  
(dollars in thousands)

	<b>EDUCATION</b>	<b>HIGHWAY OPERATING</b>	<b>COMMUNITY AND ECONOMIC DEVELOPMENT</b>
<b>ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 289,424	\$ 935,493	\$ 783,529
Cash and Cash Equivalents.....	7	4	36,772
Investments.....	449	—	—
Collateral on Lent Securities.....	26,022	84,111	70,447
Taxes Receivable .....	—	61,040	19,453
Intergovernmental Receivable.....	94,311	114,863	13,612
Loans Receivable, Net .....	378	95,304	28,305
Interfund Receivable .....	—	—	—
Receivable from Component Units.....	—	28,744	—
Other Receivables .....	9	2,326	47
Inventories .....	4,416	84,538	—
<b>TOTAL ASSETS .....</b>	<b>\$ 415,016</b>	<b>\$ 1,406,423</b>	<b>\$ 952,165</b>
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 15,783	\$ 203,334	\$ 57,282
Accrued Liabilities.....	1,551	23,553	8,074
Medicaid Claims Payable.....	—	—	—
Obligations Under Securities Lending.....	26,022	84,111	70,447
Intergovernmental Payable.....	74,254	—	91,591
Interfund Payable.....	1,447	62,099	6,959
Payable to Component Units.....	753	934	3,581
Unearned Revenue.....	25,653	—	8,869
<b>TOTAL LIABILITIES.....</b>	<b>145,463</b>	<b>374,031</b>	<b>246,803</b>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	<b>—</b>	<b>1,652</b>	<b>—</b>
<b>FUND BALANCES (DEFICITS):</b>			
Nonspendable.....	4,416	84,538	—
Restricted.....	180,145	946,202	418,462
Committed.....	85,140	—	286,900
Unassigned.....	(148)	—	—
<b>TOTAL FUND BALANCES (DEFICITS).....</b>	<b>269,553</b>	<b>1,030,740</b>	<b>705,362</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES .....</b>	<b>\$ 415,016</b>	<b>\$ 1,406,423</b>	<b>\$ 952,165</b>

<u>HEALTH</u>	<u>MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES</u>	<u>HIGHWAY SAFETY</u>	<u>NATURAL RESOURCES</u>	<u>WILDLIFE AND WATERWAYS SAFETY</u>	<u>TOBACCO SETTLEMENT</u>
\$ 70,105	\$ 360,869	\$ 189,118	\$ 310,601	\$ 74,857	\$ 6,805
29	—	2,878	2,177	4	1,851
—	—	—	—	—	9,792
6,303	32,446	17,004	27,926	6,730	612
84	—	—	—	1,624	—
12,402	259,284	—	—	—	—
—	—	—	—	—	—
1,357	—	—	—	—	—
—	—	—	—	—	—
4,712	37	112	48	18	34,172
20,711	—	—	—	—	—
<b>\$ 115,703</b>	<b>\$ 652,636</b>	<b>\$ 209,112</b>	<b>\$ 340,752</b>	<b>\$ 83,233</b>	<b>\$ 53,232</b>
\$ 8,068	\$ 7,516	\$ 12,750	\$ 3,210	\$ 2,448	\$ 89
3,525	4,925	18,522	9,163	2,941	44
—	292,979	—	—	—	—
6,303	32,446	17,004	27,926	6,730	612
15,157	18,755	—	—	—	—
2,302	44,480	20,583	6,082	5,532	3
185	171	4	53	219	—
1,659	—	—	10,460	—	—
37,199	401,272	68,863	56,894	17,870	748
—	14,996	—	—	—	34,155
20,711	—	—	—	—	—
50,746	200,017	91,885	133,841	17,473	163
7,047	36,351	48,364	150,017	47,890	18,166
—	—	—	—	—	—
78,504	236,368	140,249	283,858	65,363	18,329
<b>\$ 115,703</b>	<b>\$ 652,636</b>	<b>\$ 209,112</b>	<b>\$ 340,752</b>	<b>\$ 83,233</b>	<b>\$ 53,232</b>

(continued)

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2016**

(dollars in thousands)

(continued)

	<u>TOTAL</u>
<b>ASSETS:</b>	
Cash Equity with Treasurer.....	\$ 3,020,801
Cash and Cash Equivalents.....	43,722
Investments.....	10,241
Collateral on Lent Securities.....	271,601
Taxes Receivable .....	82,201
Intergovernmental Receivable.....	494,472
Loans Receivable, Net .....	123,987
Interfund Receivable .....	1,357
Receivable from Component Units.....	28,744
Other Receivables .....	41,481
Inventories .....	109,665
<b>TOTAL ASSETS .....</b>	<b><u>\$ 4,228,272</u></b>
 <b>LIABILITIES:</b>	
Accounts Payable .....	\$ 310,480
Accrued Liabilities.....	72,298
Medicaid Claims Payable.....	292,979
Obligations Under Securities Lending.....	271,601
Intergovernmental Payable.....	199,757
Interfund Payable.....	149,487
Payable to Component Units.....	5,900
Unearned Revenue.....	46,641
<b>TOTAL LIABILITIES.....</b>	<b><u>1,349,143</u></b>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	<b><u>50,803</u></b>
 <b>FUND BALANCES (DEFICITS):</b>	
Nonspendable.....	109,665
Restricted.....	2,038,934
Committed.....	679,875
Unassigned.....	(148)
<b>TOTAL FUND BALANCES (DEFICITS).....</b>	<b><u>2,828,326</u></b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES .....</b>	 <b><u>\$ 4,228,272</u></b>

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# STATE OF OHIO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

	EDUCATION	HIGHWAY OPERATING	COMMUNITY AND ECONOMIC DEVELOPMENT
<b>REVENUES:</b>			
Income Taxes.....	\$ —	\$ —	\$ 390
Sales Taxes.....	—	—	112
Corporate and Public Utility Taxes.....	—	—	66,462
Motor Vehicle Fuel Taxes.....	—	665,612	6,038
Other Taxes.....	—	—	268,140
Licenses, Permits and Fees.....	149	38,360	617,503
Sales, Services and Charges.....	23	459	39,302
Federal Government.....	1,958,433	1,462,627	452,325
Investment Income.....	1,340	5,896	1,411
Other.....	12,209	313,079	44,526
<b>TOTAL REVENUES.....</b>	<b>1,972,154</b>	<b>2,486,033</b>	<b>1,496,209</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education.....	3,076,741	—	124
Higher Education Support.....	22,670	—	5,820
Public Assistance and Medicaid.....	—	—	—
Health and Human Services.....	990	—	9
Justice and Public Protection.....	5,803	—	201,355
Environmental Protection and Natural Resources.....	—	—	553
Transportation.....	—	2,837,563	1,145
General Government.....	562	—	349,105
Community and Economic Development.....	—	—	793,714
<b>CAPITAL OUTLAY.....</b>	<b>—</b>	<b>—</b>	<b>12,273</b>
<b>TOTAL EXPENDITURES.....</b>	<b>3,106,766</b>	<b>2,837,563</b>	<b>1,364,098</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(1,134,612)</b>	<b>(351,530)</b>	<b>132,111</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....	—	—	111,732
Premiums/Discounts.....	—	—	1,906
Transfers-in.....	1,174,389	500,261	35,853
Transfers-out.....	(2,033)	(300,614)	(95,200)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>1,172,356</b>	<b>199,647</b>	<b>54,291</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>37,744</b>	<b>(151,883)</b>	<b>186,402</b>
<b>FUND BALANCES (DEFICITS), July 1 (as restated).....</b>	<b>231,809</b>	<b>1,154,702</b>	<b>518,960</b>
Increase (Decrease) for Changes in Inventories.....	—	27,921	—
<b>FUND BALANCES (DEFICITS), JUNE 30.....</b>	<b>\$ 269,553</b>	<b>\$ 1,030,740</b>	<b>\$ 705,362</b>

<b>HEALTH</b>	<b>MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES</b>	<b>HIGHWAY SAFETY</b>	<b>NATURAL RESOURCES</b>	<b>WILDLIFE AND WATERWAYS SAFETY</b>	<b>TOBACCO SETTLEMENT</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	17,592	—
5,433	—	—	40,143	—	—
19,095	19,269	435,457	139,429	44,140	—
58	240	14,706	4,118	662	—
490,355	1,710,002	28,696	60,657	34,635	—
19	—	1,020	455	311	136
40,305	345,869	35,175	30,483	2,669	15
<b>555,265</b>	<b>2,075,380</b>	<b>515,054</b>	<b>275,285</b>	<b>100,009</b>	<b>151</b>
—	—	—	—	—	—
—	—	—	—	—	—
22,356	1,920,430	—	—	—	—
523,549	77,206	282	—	—	—
—	—	508,817	246	—	1,319
—	—	—	240,561	88,989	—
—	—	—	—	—	—
370	—	—	4,784	—	141
4,720	—	—	4,009	—	2,433
—	—	3,730	—	11,292	—
<b>550,995</b>	<b>1,997,636</b>	<b>512,829</b>	<b>249,600</b>	<b>100,281</b>	<b>3,893</b>
<b>4,270</b>	<b>77,744</b>	<b>2,225</b>	<b>25,685</b>	<b>(272)</b>	<b>(3,742)</b>
—	—	—	—	—	—
—	—	—	—	—	—
6,170	42,733	11,078	167	1,272	1,127
(359)	(74)	(10,352)	(7,799)	(4)	(12)
<b>5,811</b>	<b>42,659</b>	<b>726</b>	<b>(7,632)</b>	<b>1,268</b>	<b>1,115</b>
<b>10,081</b>	<b>120,403</b>	<b>2,951</b>	<b>18,053</b>	<b>996</b>	<b>(2,627)</b>
69,338	115,965	137,298	265,805	64,367	20,956
(915)	—	—	—	—	—
<b>\$ 78,504</b>	<b>\$ 236,368</b>	<b>\$ 140,249</b>	<b>\$ 283,858</b>	<b>\$ 65,363</b>	<b>\$ 18,329</b>

(continued)

# STATE OF OHIO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

(continued)

	<u>TOTAL</u>
<b>REVENUES:</b>	
Income Taxes.....	\$ 390
Sales Taxes.....	112
Corporate and Public Utility Taxes.....	66,462
Motor Vehicle Fuel Taxes.....	689,242
Other Taxes.....	313,716
Licenses, Permits and Fees.....	1,313,402
Sales, Services and Charges.....	59,568
Federal Government.....	6,197,730
Investment Income.....	10,588
Other.....	824,330
<b>TOTAL REVENUES.....</b>	<b><u>9,475,540</u></b>
<b>EXPENDITURES:</b>	
<b>CURRENT OPERATING:</b>	
Primary, Secondary and Other Education.....	3,076,865
Higher Education Support.....	28,490
Public Assistance and Medicaid.....	1,942,786
Health and Human Services.....	602,036
Justice and Public Protection.....	717,540
Environmental Protection and Natural Resources.....	330,103
Transportation.....	2,838,708
General Government.....	354,962
Community and Economic Development.....	804,876
<b>CAPITAL OUTLAY.....</b>	<b>27,295</b>
<b>TOTAL EXPENDITURES.....</b>	<b><u>10,723,661</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b><u>(1,248,121)</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>	
Bonds, Notes, and COPs Issued.....	111,732
Premiums/Discounts.....	1,906
Transfers-in.....	1,773,050
Transfers-out.....	(416,447)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b><u>1,470,241</u></b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>222,120</b>
<b>FUND BALANCES (DEFICITS), July 1 (as restated).....</b>	<b>2,579,200</b>
Increase (Decrease) for Changes in Inventories.....	27,006
<b>FUND BALANCES (DEFICITS), JUNE 30.....</b>	<b><u>\$ 2,828,326</u></b>

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# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

	EDUCATION		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Income Taxes.....		\$ —	
Sales Taxes.....		—	
Corporate and Public Utility Taxes.....		—	
Motor Vehicle Fuel Taxes.....		—	
Other Taxes.....		—	
Licenses, Permits and Fees.....		149	
Sales, Services and Charges.....		23	
Federal Government.....		1,891,921	
Investment Income.....		1,339	
Other.....		22,663	
<b>TOTAL REVENUES.....</b>		<b>1,916,095</b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education.....	\$ 3,255,953	3,089,925	\$ 166,028
Higher Education Support.....	37,982	32,482	5,500
Public Assistance and Medicaid.....	—	—	—
Health and Human Services.....	3,589	1,382	2,207
Justice and Public Protection.....	14,459	10,676	3,783
Environmental Protection and Natural Resources.....	—	—	—
Transportation.....	—	—	—
General Government.....	24,500	651	23,849
Community and Economic Development.....	—	—	—
<b>CAPITAL OUTLAY.....</b>	—	—	—
<b>DEBT SERVICE.....</b>	—	—	—
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 3,336,483</b>	<b>3,135,116</b>	<b>\$ 201,367</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(1,219,021)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		1,174,557	
Transfers-out.....		(2,209)	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>1,172,348</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(46,673)</b>	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JULY 1.....		129,810	
Outstanding Encumbrances at Beginning of Fiscal Year..		122,259	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JUNE 30.....		<b>\$ 205,396</b>	

HIGHWAY OPERATING			COMMUNITY AND ECONOMIC DEVELOPMENT		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ —			\$ 390	
	—			112	
	—			73,066	
	675,244			6,036	
	—			268,833	
	38,355			625,885	
	459			39,304	
	1,453,814			459,394	
	5,896			1,411	
	416,113			48,721	
	<u>2,589,881</u>			<u>1,523,152</u>	
\$ —	—	\$ —	\$ 575	123	\$ 452
—	—	—	8,300	5,835	2,465
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	420,830	245,344	175,486
—	—	—	564	562	2
6,912,200	5,557,793	1,354,407	7,086	4,266	2,820
—	—	—	407,226	364,836	42,390
—	—	—	1,660,187	1,368,602	291,585
—	—	—	64,171	43,110	21,061
190,303	185,116	5,187	—	—	—
<u>\$ 7,102,503</u>	<u>5,742,909</u>	<u>\$ 1,359,594</u>	<u>\$ 2,568,939</u>	<u>2,032,678</u>	<u>\$ 536,261</u>
	<u>(3,153,028)</u>			<u>(509,526)</u>	
	—			113,637	
	520,261			32,520	
	(143,721)			(101,134)	
	<u>376,540</u>			<u>45,023</u>	
	<u>(2,776,488)</u>			<u>(464,503)</u>	
	(1,869,522)			(154,229)	
	<u>2,935,691</u>			<u>720,993</u>	
	<u>\$ (1,710,319)</u>			<u>\$ 102,261</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

(continued)

	HEALTH		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	BUDGET		
	FINAL	ACTUAL	
<b>REVENUES:</b>			
Income Taxes.....		\$ —	
Sales Taxes.....		—	
Corporate and Public Utility Taxes.....		—	
Motor Vehicle Fuel Taxes.....		—	
Other Taxes.....		5,385	
Licenses, Permits and Fees.....		19,145	
Sales, Services and Charges.....		72	
Federal Government.....		379,379	
Investment Income.....		19	
Other.....		103,963	
<b>TOTAL REVENUES.....</b>		<b>507,963</b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education.....	\$ —	—	\$ —
Higher Education Support.....	—	—	—
Public Assistance and Medicaid.....	24,411	23,868	543
Health and Human Services.....	658,271	522,195	136,076
Justice and Public Protection.....	—	—	—
Environmental Protection and Natural Resources.....	—	—	—
Transportation.....	—	—	—
General Government.....	1,157	472	685
Community and Economic Development.....	7,750	7,488	262
<b>CAPITAL OUTLAY.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>DEBT SERVICE.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 691,589</b>	<b>554,023</b>	<b>\$ 137,566</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(46,060)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		6,170	
Transfers-out.....		(374)	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>5,796</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(40,264)</b>	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JULY 1.....		(18,479)	
Outstanding Encumbrances at Beginning of Fiscal Year...		77,996	
<b>BUDGETARY FUND BALANCES</b>		<b>19,253</b>	
(DEFICITS), JUNE 30.....		<b>\$ 19,253</b>	

<u>MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES</u>			<u>HIGHWAY SAFETY</u>		
<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ —			\$ —	
	—			—	
	—			—	
	—			—	
	19,269			439,970	
	240			14,703	
	1,847,638			28,696	
	—			1,020	
	341,698			37,683	
	<u>2,208,845</u>			<u>522,072</u>	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
3,358,084	2,167,891	1,190,193	—	—	—
163,971	111,195	52,776	433	284	149
—	—	—	607,693	558,546	49,147
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	9,977	7,200	2,777
—	—	—	2,436	2,418	18
<u>\$ 3,522,055</u>	<u>2,279,086</u>	<u>\$ 1,242,969</u>	<u>\$ 620,539</u>	<u>568,448</u>	<u>\$ 52,091</u>
	<u>(70,241)</u>			<u>(46,376)</u>	
	—			—	
	42,733			15,706	
	(74)			(12,577)	
	<u>42,659</u>			<u>3,129</u>	
	<u>(27,582)</u>			<u>(43,247)</u>	
	(854,877)			96,719	
	<u>1,095,404</u>			<u>73,314</u>	
	<u>\$ 212,945</u>			<u>\$ 126,786</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

(continued)

	NATURAL RESOURCES		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Income Taxes.....		\$ —	
Sales Taxes.....		—	
Corporate and Public Utility Taxes.....		—	
Motor Vehicle Fuel Taxes.....		—	
Other Taxes.....		35,384	
Licenses, Permits and Fees.....		141,246	
Sales, Services and Charges.....		4,124	
Federal Government.....		62,276	
Investment Income.....		455	
Other.....		34,104	
<b>TOTAL REVENUES.....</b>		<b>277,589</b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education.....	\$ —	—	\$ —
Higher Education Support.....	—	—	—
Public Assistance and Medicaid.....	—	—	—
Health and Human Services.....	—	—	—
Justice and Public Protection.....	326	260	66
Environmental Protection and Natural Resources.....	334,176	278,053	56,123
Transportation.....	—	—	—
General Government.....	8,237	5,474	2,763
Community and Economic Development.....	4,336	4,330	6
<b>CAPITAL OUTLAY.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>DEBT SERVICE.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 347,075</b>	<b>288,117</b>	<b>\$ 58,958</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(10,528)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		4,472	
Transfers-out.....		(12,100)	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>(7,628)</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(18,156)</b>	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JULY 1.....		228,057	
Outstanding Encumbrances at Beginning of Fiscal Year...		45,731	
<b>BUDGETARY FUND BALANCES</b>		<b>255,632</b>	
(DEFICITS), JUNE 30.....		<b>\$ 255,632</b>	

<u>WILDLIFE AND WATERWAYS SAFETY</u>			<u>TOBACCO SETTLEMENT</u>		
<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ —			\$ —	
	—			—	
	—			—	
	17,587			—	
	—			—	
	43,375			—	
	660			—	
	34,635			—	
	311			—	
	2,801			331	
	<u>99,369</u>			<u>331</u>	
\$ —	—	\$ —	\$ —	—	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	3,147	1,674	1,473
106,538	97,604	8,934	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	427	328	99
30,800	16,706	14,094	—	—	—
—	—	—	—	—	—
<u>\$ 137,338</u>	<u>114,310</u>	<u>\$ 23,028</u>	<u>\$ 3,574</u>	<u>2,002</u>	<u>\$ 1,572</u>
	<u>(14,941)</u>			<u>(1,671)</u>	
	—			—	
	1,272			—	
	(4)			(12)	
	<u>1,268</u>			<u>(12)</u>	
	<u>(13,673)</u>			<u>(1,683)</u>	
	54,571			7,630	
	<u>14,292</u>			<u>597</u>	
	<u>\$ 55,190</u>			<u>\$ 6,544</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

(continued)

	<b>TOTAL</b>		<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
	<b>BUDGET</b>		
	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUES:</b>			
Income Taxes.....		\$ 390	
Sales Taxes.....		112	
Corporate and Public Utility Taxes.....		73,066	
Motor Vehicle Fuel Taxes.....		698,867	
Other Taxes.....		309,602	
Licenses, Permits and Fees.....		1,327,394	
Sales, Services and Charges.....		59,585	
Federal Government.....		6,157,753	
Investment Income.....		10,451	
Other.....		1,008,077	
<b>TOTAL REVENUES.....</b>		<b>9,645,297</b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education.....	\$ 3,256,528	3,090,048	\$ 166,480
Higher Education Support.....	46,282	38,317	7,965
Public Assistance and Medicaid.....	3,382,495	2,191,759	1,190,736
Health and Human Services.....	826,264	635,056	191,208
Justice and Public Protection.....	1,046,455	816,500	229,955
Environmental Protection and Natural Resources.....	441,278	376,219	65,059
Transportation.....	6,919,286	5,562,059	1,357,227
General Government.....	441,120	371,433	69,687
Community and Economic Development.....	1,672,700	1,380,748	291,952
<b>CAPITAL OUTLAY.....</b>	<b>104,948</b>	<b>67,016</b>	<b>37,932</b>
<b>DEBT SERVICE.....</b>	<b>192,739</b>	<b>187,534</b>	<b>5,205</b>
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 18,330,095</b>	<b>14,716,689</b>	<b>\$ 3,613,406</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(5,071,392)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....		113,637	
Transfers-in.....		1,797,691	
Transfers-out.....		(272,205)	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>1,639,123</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(3,432,269)</b>	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JULY 1.....		(2,380,320)	
Outstanding Encumbrances at Beginning of Fiscal Year....		5,086,277	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JUNE 30.....		<b>\$ (726,312)</b>	

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## ***NONMAJOR DEBT SERVICE FUNDS***

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Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

### **Coal Research/Development General Obligations Fund**

The Coal Research/Development General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 15 of Article VIII, Ohio Constitution, to finance coal research and development projects.

### **Improvements General Obligations Fund**

The Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2f of Article VIII, Ohio Constitution, to finance the improvement of higher education facilities, public schools, and natural resources.

### **Highway Improvements General Obligations Fund**

The Highway Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2g of Article VIII, Ohio Constitution, to finance the acquisition of rights-of-way and the construction and reconstruction of the State's highways and urban extensions.

### **Development General Obligations Fund**

The Development General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2h of Article VIII, Ohio Constitution, to finance the construction, improvement, and development of higher education facilities, public schools, and natural resources.

### **Highway General Obligations Fund**

The Highway General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the construction of the State's highways.

### **Public Improvements General Obligations Fund**

The Public Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance water pollution controls and improvements at higher education facilities, parks, and natural resources.

### **Vietnam Conflict Compensation General Obligations Fund**

The Vietnam Conflict Compensation General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2j of Article VIII, Ohio Constitution, to provide funding for the compensation to Ohioans that served in the military during the Vietnam Conflict.

### **Local Infrastructure Improvements General Obligations Fund**

The Local Infrastructure Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2k of Article VIII, Ohio Constitution, to finance the cost of local government's public infrastructure improvement projects.

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### **State Projects General Obligations Fund**

The State Projects General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2l of Article VIII, Ohio Constitution, to finance capital improvements at state and local parks and other natural resources-related projects.

### **Highway Capital Improvements General Obligations Fund**

The Highway Capital Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2m of Article VIII, Ohio Constitution, to finance capital improvements to the state highway system.

### **Higher Education Capital Facilities General Obligations Fund**

The Higher Education Capital Facilities General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of capital facilities for state-supported and state-assisted institutions of higher education, including those for technical education.

### **Common Schools Capital Facilities General Obligations Fund**

The Common Schools Capital Facilities General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of facilities for a system of common schools throughout Ohio.

### **Conservation Projects General Obligations Fund**

The Conservation Projects General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2o of Article VIII, Ohio Constitution, to finance the purchase of additional “greenspace” land or interest in land devoted to natural areas, open spaces, and agriculture.

### **Third Frontier Research/Development General Obligations Fund**

The Third Frontier Research/Development General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2p of Article VIII, Ohio Constitution, to finance research and development in support of Ohio industry, commerce, and business.

### **Job Ready Site Development General Obligations Fund**

The Job Ready Site Development General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2p of Article VIII, Ohio Constitution, to finance the development of sites for industry, distribution, commerce, and research and development.

### **Persian Gulf Conflict Compensation General Obligations Fund**

The Persian Gulf Conflict Compensation General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2r of Article VIII, Ohio Constitution, to pay compensation to veterans of the Persian Gulf, Afghanistan, and Iraq Conflicts.

### **Infrastructure Bank Revenue Bonds Fund**

The Infrastructure Bank Revenue Bonds Fund accounts for the payment of principal and interest on revenue bonds issued to finance various highway construction projects sponsored by the Department of Transportation.

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**Lease Rental Special Obligations Fund**

The Lease Rental Special Obligations Fund accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of higher education facilities, mental health facilities, parks and recreation projects and facilities, and Ohio Facilities Construction Commission projects.

**MARCS Certificates of Participation Fund**

The MARCS Certificates of Participation Fund accounts for the payment of certificate of participation-related obligations that finance the State's statewide public service wireless communication system, known as the Multi Agency Radio Communications (MARCS).

**OAKS Certificates of Participation Fund**

The OAKS Certificates of Participation Fund accounts for the payment of certificate of participation-related obligations that finance the State's enterprise resource planning system project, known as the Ohio Administrative Knowledge System (OAKS).

**STARS Certificates of Participation Fund**

The STARS Certificates of Participation Fund accounts for the payment of certificates of participation related obligations that finance the State's Taxation Accounting and Revenue System, known as STARS.

**TMS Certificates of Participation Fund**

The TMS Certificates of Participation Fund accounts for the payment of certificates of participation related obligations that finance the State's Treasury Management System, known as TMS.

**EDCS Certificates of Participation Fund**

The EDCS Certificates of Participation Fund accounts for the payment of certificates of participation related obligations that finance the Enterprise Data Center Solutions, known as EDCS.

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**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2016**  
(dollars in thousands)

	<b>IMPROVEMENTS GENERAL OBLIGATIONS</b>	<b>HIGHWAY IMPROVEMENTS GENERAL OBLIGATIONS</b>	<b>DEVELOPMENT GENERAL OBLIGATIONS</b>
<b>ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	130	55	224
Investments.....	—	—	—
Collateral on Lent Securities.....	—	—	—
<b>TOTAL ASSETS .....</b>	<b><u>\$ 130</u></b>	<b><u>\$ 55</u></b>	<b><u>\$ 224</u></b>
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ —	\$ —	\$ —
Obligations Under Securities Lending.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	130	55	224
<b>TOTAL LIABILITIES.....</b>	<b><u>130</u></b>	<b><u>55</u></b>	<b><u>224</u></b>
<b>FUND BALANCES (DEFICITS):</b>			
Restricted.....	—	—	—
<b>TOTAL FUND BALANCES (DEFICITS).....</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b><u>\$ 130</u></b>	<b><u>\$ 55</u></b>	<b><u>\$ 224</u></b>

<b>HIGHWAY GENERAL OBLIGATIONS</b>	<b>PUBLIC IMPROVEMENTS GENERAL OBLIGATIONS</b>	<b>VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS</b>	<b>LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS</b>	<b>STATE PROJECTS GENERAL OBLIGATIONS</b>	<b>HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS</b>
\$ —	\$ —	\$ —	\$ 12	\$ 1	\$ 210
170	91	28	—	—	—
—	—	—	—	—	—
—	—	—	1	—	19
<b>\$ 170</b>	<b>\$ 91</b>	<b>\$ 28</b>	<b>\$ 13</b>	<b>\$ 1</b>	<b>\$ 229</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	1	—	19
—	—	—	—	—	—
170	91	25	—	—	—
170	91	25	1	—	19
—	—	3	12	1	210
—	—	3	12	1	210
<b>\$ 170</b>	<b>\$ 91</b>	<b>\$ 28</b>	<b>\$ 13</b>	<b>\$ 1</b>	<b>\$ 229</b>

(continued)

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2016**

(dollars in thousands)  
(continued)

	<b>HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS</b>	<b>COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS</b>	<b>CONSERVATION PROJECTS GENERAL OBLIGATIONS</b>
<b>ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 4	\$ 5	\$ 4
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	—
Collateral on Lent Securities.....	—	—	—
<b>TOTAL ASSETS .....</b>	<b><u>\$ 4</u></b>	<b><u>\$ 5</u></b>	<b><u>\$ 4</u></b>
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ —	\$ —	\$ —
Obligations Under Securities Lending.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	—	—	—
<b>TOTAL LIABILITIES.....</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>FUND BALANCES (DEFICITS):</b>			
Restricted.....	4	5	4
<b>TOTAL FUND BALANCES (DEFICITS).....</b>	<b><u>4</u></b>	<b><u>5</u></b>	<b><u>4</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b><u>\$ 4</u></b>	<b><u>\$ 5</u></b>	<b><u>\$ 4</u></b>

<b>THIRD FRONTIER RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS</b>	<b>JOB READY SITE DEVELOPMENT GENERAL OBLIGATIONS</b>	<b>INFRASTRUCTURE BANK REVENUE BONDS</b>	<b>LEASE RENTAL SPECIAL OBLIGATIONS</b>	<b>MARCS CERTIFICATES OF PARTICIPATION</b>	<b>TOTAL</b>
\$ 4	\$ 1	\$ —	\$ —	\$ —	\$ 241
—	—	—	709	—	1,407
—	—	7,731	3,278	8	11,017
—	—	—	—	—	20
<b>\$ 4</b>	<b>\$ 1</b>	<b>\$ 7,731</b>	<b>\$ 3,987</b>	<b>\$ 8</b>	<b>\$ 12,685</b>
\$ —	\$ —	\$ —	\$ 534	\$ —	\$ 534
—	—	—	—	—	20
—	—	—	1,093	—	1,093
—	—	—	—	—	695
—	—	—	1,627	—	2,342
4	1	7,731	2,360	8	10,343
4	1	7,731	2,360	8	10,343
<b>\$ 4</b>	<b>\$ 1</b>	<b>\$ 7,731</b>	<b>\$ 3,987</b>	<b>\$ 8</b>	<b>\$ 12,685</b>

# STATE OF OHIO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

	COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS	VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS	LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS
<b>REVENUES:</b>			
Investment Income.....	\$ 1	\$ —	\$ 49
Other.....	5	—	22
<b>TOTAL REVENUES.....</b>	<b>6</b>	<b>—</b>	<b>71</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
<b>DEBT SERVICE.....</b>	<b>6,082</b>	<b>—</b>	<b>231,722</b>
<b>TOTAL EXPENDITURES.....</b>	<b>6,082</b>	<b>—</b>	<b>231,722</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(6,076)</b>	<b>—</b>	<b>(231,651)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....	—	—	—
Refunding Bonds and COPs Issued.....	—	—	146,820
Payment to Refunded Bond and COPs Escrow Agents.....	—	—	(181,731)
Premiums/Discounts.....	93	—	47,997
Transfers-in.....	5,977	—	218,565
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>6,070</b>	<b>—</b>	<b>231,651</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(6)</b>	<b>—</b>	<b>—</b>
<b>FUND BALANCES (DEFICITS), July 1 (as restated).....</b>	<b>6</b>	<b>3</b>	<b>12</b>
<b>FUND BALANCES (DEFICITS), JUNE 30.....</b>	<b>\$ —</b>	<b>\$ 3</b>	<b>\$ 12</b>

<b>STATE PROJECTS GENERAL OBLIGATIONS</b>	<b>HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS</b>	<b>HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS</b>	<b>COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS</b>	<b>CONSERVATION PROJECTS GENERAL OBLIGATIONS</b>	<b>THIRD FRONTIER RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS</b>
\$ 2	\$ 283	\$ 35	\$ 20	\$ 13	\$ 10
—	—	—	70	—	—
<b>2</b>	<b>283</b>	<b>35</b>	<b>90</b>	<b>13</b>	<b>10</b>
27,192	121,163	242,325	372,916	34,654	77,110
<b>27,192</b>	<b>121,163</b>	<b>242,325</b>	<b>372,916</b>	<b>34,654</b>	<b>77,110</b>
<b>(27,190)</b>	<b>(120,880)</b>	<b>(242,290)</b>	<b>(372,826)</b>	<b>(34,641)</b>	<b>(77,100)</b>
—	—	—	—	—	268
13,715	—	69,400	138,225	20,930	22,105
(16,608)	—	(86,154)	(172,302)	(26,146)	(25,553)
3,009	1,226	18,137	34,578	9,241	3,702
27,074	119,703	240,904	372,320	30,618	76,579
<b>27,190</b>	<b>120,929</b>	<b>242,287</b>	<b>372,821</b>	<b>34,643</b>	<b>77,101</b>
—	49	(3)	(5)	2	1
1	161	7	10	2	3
<b>\$ 1</b>	<b>\$ 210</b>	<b>\$ 4</b>	<b>\$ 5</b>	<b>\$ 4</b>	<b>\$ 4</b>

(continued)

# STATE OF OHIO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)  
(continued)

	JOB READY SITE DEVELOPMENT GENERAL OBLIGATIONS	PERSIAN GULF CONFLICT COMPENSATION GENERAL OBLIGATIONS	INFRASTRUCTURE BANK REVENUE BONDS
<b>REVENUES:</b>			
Investment Income.....	\$ 2	\$ —	\$ 333
Other.....	—	—	—
<b>TOTAL REVENUES.....</b>	<b>2</b>	<b>—</b>	<b>333</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
DEBT SERVICE.....	19,384	9,084	177,540
<b>TOTAL EXPENDITURES.....</b>	<b>19,384</b>	<b>9,084</b>	<b>177,540</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(19,382)</b>	<b>(9,084)</b>	<b>(177,207)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....	—	—	—
Refunding Bonds and COPs Issued.....	—	—	—
Payment to Refunded Bond and COPs Escrow Agents.....	—	—	—
Premiums/Discounts.....	—	—	—
Transfers-in.....	19,382	9,084	176,933
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>19,382</b>	<b>9,084</b>	<b>176,933</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>—</b>	<b>—</b>	<b>(274)</b>
<b>FUND BALANCES (DEFICITS), July 1 (as restated).....</b>	<b>1</b>	<b>—</b>	<b>8,005</b>
<b>FUND BALANCES (DEFICITS), JUNE 30.....</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ 7,731</b>

<b>LEASE RENTAL SPECIAL OBLIGATIONS</b>	<b>MARCS CERTIFICATES OF PARTICIPATION</b>	<b>OAKS CERTIFICATES OF PARTICIPATION</b>	<b>STARS CERTIFICATES OF PARTICIPATION</b>	<b>TMS CERTIFICATES OF PARTICIPATION</b>	<b>EDCS CERTIFICATES OF PARTICIPATION</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
312,619	6,768	22,240	6,650	1,116	4,252
<b>312,619</b>	<b>6,768</b>	<b>22,240</b>	<b>6,650</b>	<b>1,116</b>	<b>4,252</b>
<b>(312,619)</b>	<b>(6,768)</b>	<b>(22,240)</b>	<b>(6,650)</b>	<b>(1,116)</b>	<b>(4,252)</b>
—	—	—	—	—	—
62,075	—	—	—	—	—
(76,010)	—	—	—	—	—
25,754	—	—	—	—	—
302,710	6,766	22,240	6,410	1,114	4,245
<b>314,529</b>	<b>6,766</b>	<b>22,240</b>	<b>6,410</b>	<b>1,114</b>	<b>4,245</b>
1,910	(2)	—	(240)	(2)	(7)
450	10	—	240	2	7
<b>\$ 2,360</b>	<b>\$ 8</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

(continued)

# STATE OF OHIO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

(continued)

	<u>TOTAL</u>
<b>REVENUES:</b>	
Investment Income.....	\$ 748
Other.....	97
<b>TOTAL REVENUES.....</b>	<b><u>845</u></b>
<b>EXPENDITURES:</b>	
<b>CURRENT OPERATING:</b>	
DEBT SERVICE.....	1,672,817
<b>TOTAL EXPENDITURES.....</b>	<b><u>1,672,817</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b><u>(1,671,972)</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>	
Bonds, Notes, and COPs Issued.....	268
Refunding Bonds and COPs Issued.....	473,270
Payment to Refunded Bond and COPs Escrow Agents.....	(584,504)
Premiums/Discounts.....	143,737
Transfers-in.....	1,640,624
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b><u>1,673,395</u></b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,423</b>
<b>FUND BALANCES (DEFICITS), July 1 (as restated).....</b>	<b><u>8,920</u></b>
<b>FUND BALANCES (DEFICITS), JUNE 30.....</b>	<b><u>\$ 10,343</u></b>

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# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

	COAL RESEARCH/DEVELOPMENT GENERAL OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Investment Income.....		\$ 1	
Other.....		5,982	
<b>TOTAL REVENUES.....</b>		<b>5,983</b>	
<b>BUDGETARY EXPENDITURES:</b>			
DEBT SERVICE.....	\$ 5,991	5,989	\$ 2
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 5,991</b>	<b>5,989</b>	<b>\$ 2</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(6)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>—</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(6)</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....</b>		<b>6</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....</b>		<b>\$ —</b>	

LOCAL INFRASTRUCTURE IMPROVEMENTS  
GENERAL OBLIGATIONS

STATE PROJECTS GENERAL OBLIGATIONS

LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS			STATE PROJECTS GENERAL OBLIGATIONS		
<u>BUDGET</u>		VARIANCE WITH FINAL <u>BUDGET</u>	<u>BUDGET</u>		VARIANCE WITH FINAL <u>BUDGET</u>
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ 49			\$ 2	
	218,587			27,074	
	<u>218,636</u>			<u>27,076</u>	
<u>\$ 234,437</u>	<u>230,277</u>	<u>\$ 4,160</u>	<u>\$ 27,080</u>	<u>27,076</u>	<u>\$ 4</u>
<u>\$ 234,437</u>	<u>230,277</u>	<u>\$ 4,160</u>	<u>\$ 27,080</u>	<u>27,076</u>	<u>\$ 4</u>
	<u>(11,641)</u>			<u>—</u>	
	11,641			—	
	<u>—</u>			<u>—</u>	
	<u>11,641</u>			<u>—</u>	
	<u>—</u>			<u>—</u>	
	<u>12</u>			<u>1</u>	
	<u>\$ 12</u>			<u>\$ 1</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

(continued)

	HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS		
			VARIANCE WITH FINAL BUDGET
	BUDGET FINAL	ACTUAL	BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Investment Income.....		\$ 283	
Other.....		1	
<b>TOTAL REVENUES.....</b>		<b>284</b>	
<b>BUDGETARY EXPENDITURES:</b>			
DEBT SERVICE.....	\$ 119,938	119,937	\$ 1
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 119,938</b>	<b>119,937</b>	<b>\$ 1</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(119,653)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		119,703	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>119,703</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>50</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....</b>		<b>160</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....</b>		<b>\$ 210</b>	

HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS			COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS		
<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
	\$ 35			\$ 20	
	240,904			372,390	
	<u>240,939</u>			<u>372,410</u>	
<u>\$ 254,971</u>	<u>240,942</u>	<u>\$ 14,029</u>	<u>\$ 375,707</u>	<u>372,414</u>	<u>\$ 3,293</u>
<u>\$ 254,971</u>	<u>240,942</u>	<u>\$ 14,029</u>	<u>\$ 375,707</u>	<u>372,414</u>	<u>\$ 3,293</u>
	<u>(3)</u>			<u>(4)</u>	
	—			—	
	<u>—</u>			<u>—</u>	
	<u>—</u>			<u>—</u>	
	<u>(3)</u>			<u>(4)</u>	
	<u>7</u>			<u>9</u>	
	<u>\$ 4</u>			<u>\$ 5</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

(continued)

	<u>CONSERVATION PROJECTS GENERAL OBLIGATIONS</u>		
			VARIANCE WITH FINAL BUDGET
	<u>BUDGET</u>		<u>BUDGET</u>
	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
<b>REVENUES:</b>			
Investment Income.....		\$ 13	
Other.....		30,620	
<b>TOTAL REVENUES.....</b>		<b>30,633</b>	
<b>BUDGETARY EXPENDITURES:</b>			
DEBT SERVICE.....	\$ 34,675	34,338	\$ 337
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 34,675</b>	<b>34,338</b>	<b>\$ 337</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>			
		<b>(3,705)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....		3,709	
Transfers-in.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>3,709</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>4</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....</b>			
		—	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....</b>			
		<b>\$ 4</b>	

THIRD FRONTIER RESEARCH/DEVELOPMENT GENERAL OBLIGATIONS			JOB READY SITE DEVELOPMENT GENERAL OBLIGATIONS		
<u>BUDGET</u>		VARIANCE WITH FINAL <u>BUDGET</u>	<u>BUDGET</u>		VARIANCE WITH FINAL <u>BUDGET</u>
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	\$ 10			\$ 2	
	76,581			19,382	
	<u>76,591</u>			<u>19,384</u>	
<u>\$ 79,091</u>	<u>76,589</u>	<u>\$ 2,502</u>	<u>\$ 19,384</u>	<u>19,384</u>	<u>\$ —</u>
<u>\$ 79,091</u>	<u>76,589</u>	<u>\$ 2,502</u>	<u>\$ 19,384</u>	<u>19,384</u>	<u>\$ —</u>
	<u>2</u>			<u>—</u>	
	—			—	
	<u>—</u>			<u>—</u>	
	<u>—</u>			<u>—</u>	
	2			—	
	<u>2</u>			<u>1</u>	
	<u>\$ 4</u>			<u>\$ 1</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

(continued)

	PERSIAN GULF CONFLICT COMPENSATION GENERAL OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Investment Income.....		\$ —	
Other.....		9,084	
<b>TOTAL REVENUES.....</b>		<b>9,084</b>	
<b>BUDGETARY EXPENDITURES:</b>			
DEBT SERVICE.....	\$ 9,084	9,084	\$ —
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 9,084</b>	<b>9,084</b>	<b>\$ —</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>—</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>—</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>—</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....</b>		<b>—</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....</b>		<b>\$ —</b>	

<b>TOTAL</b>		
<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET</b>
<b>FINAL</b>	<b>ACTUAL</b>	<b>POSITIVE/ (NEGATIVE)</b>
	\$ 415	
	1,000,605	
	<u>1,001,020</u>	
<u>\$ 1,160,358</u>	<u>1,136,030</u>	<u>\$ 24,328</u>
<u><b>\$ 1,160,358</b></u>	<u><b>1,136,030</b></u>	<u><b>\$ 24,328</b></u>
	<u>(135,010)</u>	
	15,350	
	119,703	
	<u>135,053</u>	
	43	
	198	
	<u>\$ 241</u>	

## ***NONMAJOR CAPITAL PROJECTS FUNDS***

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Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

### **Infrastructure Bank Obligations Fund**

The Infrastructure Bank Obligations Fund accounts for revenue bond proceeds that finance various highway construction projects sponsored by the Department of Transportation.

### **Mental Health/Developmental Disabilities Facilities Improvements Fund**

The Mental Health/Developmental Disabilities Facilities Improvements Fund accounts for special obligation bond proceeds that finance the construction of mental health and developmental disabilities facilities.

### **Parks and Recreation Improvements Fund**

The Parks and Recreation Improvements Fund accounts for special obligation bond proceeds that finance the capital improvement of parks and recreation facilities.

### **Administrative Services Building Improvements Fund**

The Administrative Services Building Improvements Fund accounts for special obligation bond proceeds that finance capital improvements for the Department of Administrative Services.

### **Youth Services Building Improvements Fund**

The Youth Services Building Improvements Fund accounts for special obligation bond proceeds that finance capital improvements for the Department of Youth Services.

### **Adult Correctional Building Improvements Fund**

The Adult Correctional Building Improvements Fund accounts for special obligation bond proceeds that finance capital improvements for the Department of Rehabilitation and Correction.

### **Highway Safety Building Improvements Fund**

The Highway Safety Building Improvements Fund accounts for special obligation bond proceeds that finance capital improvements for the Department of Public Safety.

### **Ohio Parks and Natural Resources Fund**

The Ohio Parks and Natural Resources Fund accounts for general obligation bond proceeds that finance capital improvements for state and local parks and other natural resources-related projects.

### **Highway Capital Improvement Fund**

The Highway Capital Improvement Fund accounts for general obligation bond proceeds that finance capital improvements to the state highway system.

### **Transportation Building Improvements Fund**

The Transportation Building Improvements Fund accounts for special obligation bond proceeds that finance capital improvements for the Department of Transportation.

### **MARCS Project Fund**

The MARCS Project Fund accounts for certificates of participation proceeds that finance the costs of the Multi Agency Radio Communications (MARCS) project for the statewide, secure, reliable public service wireless communication for public safety and first responders.

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**STARS Project Fund**

The STARS Project Fund accounts for certificate of participation proceeds that finance the costs of the State's Taxation Accounting and Revenue System (STARS) technology project.

**TMS Project Fund**

The TMS Project Fund accounts for certificate of participation proceeds that finance the costs of the State's Treasury Management System (TMS) technology project.

**EDCS Project Fund**

The EDCS Project Fund accounts for certificate of participation proceeds that finance the costs of the State's Enterprise Data Center Solutions (EDCS) technology project.

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2016**  
*(dollars in thousands)*

	<u>INFRASTRUCTURE BANK OBLIGATIONS</u>	<u>MENTAL HEALTH/ DEVELOPMENTAL DISABILITIES FACILITIES IMPROVEMENTS</u>	<u>PARKS AND RECREATION IMPROVEMENTS</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 20,235	\$ 64,569	\$ 41,922
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	—
Collateral on Lent Securities.....	1,819	5,805	3,769
<b>TOTAL ASSETS .....</b>	<b><u>\$ 22,054</u></b>	<b><u>\$ 70,374</u></b>	<b><u>\$ 45,691</u></b>
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 11,484	\$ 2,307	\$ 10,844
Obligations Under Securities Lending.....	1,819	5,805	3,769
<b>TOTAL LIABILITIES.....</b>	<b><u>13,303</u></b>	<b><u>8,112</u></b>	<b><u>14,613</u></b>
<b>FUND BALANCES (DEFICITS):.....</b>			
Restricted.....	8,751	62,262	31,078
<b>TOTAL FUND BALANCES (DEFICITS).....</b>	<b><u>8,751</u></b>	<b><u>62,262</u></b>	<b><u>31,078</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b><u>\$ 22,054</u></b>	<b><u>\$ 70,374</u></b>	<b><u>\$ 45,691</u></b>

<b>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</b>	<b>YOUTH SERVICES BUILDING IMPROVEMENTS</b>	<b>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</b>	<b>OHIO PARKS AND NATURAL RESOURCES</b>	<b>HIGHWAY CAPITAL IMPROVEMENT</b>	<b>TRANSPORTATION BUILDING IMPROVEMENTS</b>
\$ 31,898	\$ 19,118	\$ 24,819	\$ 31,811	\$ 242,387	\$ 74,454
—	—	—	—	—	—
—	—	—	—	—	—
2,868	1,719	2,231	2,860	21,793	6,694
<b>\$ 34,766</b>	<b>\$ 20,837</b>	<b>\$ 27,050</b>	<b>\$ 34,671</b>	<b>\$ 264,180</b>	<b>\$ 81,148</b>
\$ 1,025	\$ 490	\$ 7,300	\$ 416	\$ 8,695	\$ 4,384
2,868	1,719	2,231	2,860	21,793	6,694
3,893	2,209	9,531	3,276	30,488	11,078
30,873	18,628	17,519	31,395	233,692	70,070
30,873	18,628	17,519	31,395	233,692	70,070
<b>\$ 34,766</b>	<b>\$ 20,837</b>	<b>\$ 27,050</b>	<b>\$ 34,671</b>	<b>\$ 264,180</b>	<b>\$ 81,148</b>

(continued)

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2016**  
(dollars in thousands)  
(continued)

	<u>MARCS PROJECT</u>	<u>STARS PROJECT</u>	<u>TMS PROJECT</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	323	2,573	2,642
Investments.....	—	11,029	—
Collateral on Lent Securities.....	—	—	—
<b>TOTAL ASSETS .....</b>	<b><u>\$ 323</u></b>	<b><u>\$ 13,602</u></b>	<b><u>\$ 2,642</u></b>
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 90	\$ 3,315	\$ 581
Obligations Under Securities Lending.....	—	—	—
<b>TOTAL LIABILITIES.....</b>	<b><u>90</u></b>	<b><u>3,315</u></b>	<b><u>581</u></b>
<b>FUND BALANCES (DEFICITS):</b>			
Restricted.....	233	10,287	2,061
<b>TOTAL FUND BALANCES (DEFICITS).....</b>	<b><u>233</u></b>	<b><u>10,287</u></b>	<b><u>2,061</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b><u>\$ 323</u></b>	<b><u>\$ 13,602</u></b>	<b><u>\$ 2,642</u></b>

<u>EDCS PROJECT</u>	<u>TOTAL</u>
\$ —	\$ 551,213
9,705	15,243
3,505	14,534
—	49,558
<u>\$ 13,210</u>	<u>\$ 630,548</u>
\$ 1,232	\$ 52,163
—	49,558
<u>1,232</u>	<u>101,721</u>
11,978	528,827
<u>11,978</u>	<u>528,827</u>
<u>\$ 13,210</u>	<u>\$ 630,548</u>

# STATE OF OHIO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

	<u>INFRASTRUCTURE BANK OBLIGATIONS</u>	<u>MENTAL HEALTH/ DEVELOPMENTAL DISABILITIES FACILITIES IMPROVEMENTS</u>	<u>PARKS AND RECREATION IMPROVEMENTS</u>
<b>REVENUES:</b>			
Investment Income (Loss).....	\$ 452	\$ 161	\$ 225
Other.....	—	—	1
<b>TOTAL REVENUES.....</b>	<b>452</b>	<b>161</b>	<b>226</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
CAPITAL OUTLAY.....	116,046	39,802	99,564
<b>TOTAL EXPENDITURES.....</b>	<b>116,046</b>	<b>39,802</b>	<b>99,564</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(115,594)</b>	<b>(39,641)</b>	<b>(99,338)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....	—	50,000	80,000
Premiums/Discounts.....	—	9,174	11,717
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>—</b>	<b>59,174</b>	<b>91,717</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(115,594)</b>	<b>19,533</b>	<b>(7,621)</b>
<b>FUND BALANCES (DEFICITS), July 1 (as restated).....</b>	<b>124,345</b>	<b>42,729</b>	<b>38,699</b>
<b>FUND BALANCES (DEFICITS), JUNE 30.....</b>	<b>\$ 8,751</b>	<b>\$ 62,262</b>	<b>\$ 31,078</b>

<b>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</b>	<b>YOUTH SERVICES BUILDING IMPROVEMENTS</b>	<b>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</b>	<b>HIGHWAY SAFETY BUILDING IMPROVEMENTS</b>	<b>OHIO PARKS AND NATURAL RESOURCES</b>	<b>HIGHWAY CAPITAL IMPROVEMENT</b>
\$ 348	\$ 145	\$ 233	\$ 2	\$ 256	\$ 673
278	—	111	—	687	—
<b>626</b>	<b>145</b>	<b>344</b>	<b>2</b>	<b>943</b>	<b>673</b>
41,816	6,428	68,681	480	17,245	196,555
<b>41,816</b>	<b>6,428</b>	<b>68,681</b>	<b>480</b>	<b>17,245</b>	<b>196,555</b>
<b>(41,190)</b>	<b>(6,283)</b>	<b>(68,337)</b>	<b>(478)</b>	<b>(16,302)</b>	<b>(195,882)</b>
—	—	70,000	—	—	228,000
—	—	2,948	—	—	47,244
—	—	<b>72,948</b>	—	—	<b>275,244</b>
<b>(41,190)</b>	<b>(6,283)</b>	<b>4,611</b>	<b>(478)</b>	<b>(16,302)</b>	<b>79,362</b>
72,063	24,911	12,908	478	47,697	154,330
<b>\$ 30,873</b>	<b>\$ 18,628</b>	<b>\$ 17,519</b>	<b>\$ —</b>	<b>\$ 31,395</b>	<b>\$ 233,692</b>

(continued)

# STATE OF OHIO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

(continued)

	TRANSPORTATION BUILDING IMPROVEMENTS	MARCS PROJECT	STARS PROJECT
<b>REVENUES:</b>			
Investment Income (Loss).....	\$ 584	\$ —	\$ 109
Other.....	—	—	—
<b>TOTAL REVENUES.....</b>	<b>584</b>	<b>—</b>	<b>109</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
<b>CAPITAL OUTLAY.....</b>	<b>29,952</b>	<b>7,036</b>	<b>11,264</b>
<b>TOTAL EXPENDITURES.....</b>	<b>29,952</b>	<b>7,036</b>	<b>11,264</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(29,368)</b>	<b>(7,036)</b>	<b>(11,155)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....	—	—	—
Premiums/Discounts.....	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(29,368)</b>	<b>(7,036)</b>	<b>(11,155)</b>
<b>FUND BALANCES (DEFICITS), July 1 (as restated).....</b>	<b>99,438</b>	<b>7,269</b>	<b>21,442</b>
<b>FUND BALANCES (DEFICITS), JUNE 30.....</b>	<b>\$ 70,070</b>	<b>\$ 233</b>	<b>\$ 10,287</b>

<u>TMS PROJECT</u>	<u>EDCS PROJECT</u>	<u>TOTAL</u>
\$ —	\$ 40	\$ 3,228
—	—	1,077
<u>—</u>	<u>40</u>	<u>4,305</u>
2,169	9,636	646,674
<u>2,169</u>	<u>9,636</u>	<u>646,674</u>
<u>(2,169)</u>	<u>(9,596)</u>	<u>(642,369)</u>
—	—	428,000
—	—	71,083
<u>—</u>	<u>—</u>	<u>499,083</u>
<u>(2,169)</u>	<u>(9,596)</u>	<u>(143,286)</u>
4,230	21,574	672,113
<u>\$ 2,061</u>	<u>\$ 11,978</u>	<u>\$ 528,827</u>

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECT FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

	INFRASTRUCTURE BANK OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
<b>REVENUES:</b>			
Investment Income.....		\$ 450	
Other.....		—	
<b>TOTAL REVENUES.....</b>		<b>450</b>	
<b>BUDGETARY EXPENDITURES:</b>			
CAPITAL OUTLAY.....	\$ 361,279	314,050	\$ 47,229
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 361,279</b>	<b>314,050</b>	<b>\$ 47,229</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(313,600)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		—	
Transfers-out.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>—</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(313,600)</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....</b>		<b>(28,250)</b>	
<b>Outstanding Encumbrances at Beginning of Fiscal Year.....</b>		<b>159,159</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....</b>		<b>\$ (182,691)</b>	

<b>MENTAL HEALTH/DEVELOPMENTAL DISABILITIES FACILITIES IMPROVEMENTS</b>			<b>PARKS AND RECREATION IMPROVEMENTS</b>		
		<b>VARIANCE WITH FINAL BUDGET</b>			<b>VARIANCE WITH FINAL BUDGET</b>
<b>BUDGET</b>		<b>BUDGET</b>	<b>BUDGET</b>		<b>BUDGET</b>
<b>FINAL</b>	<b>ACTUAL</b>	<b>POSITIVE/ (NEGATIVE)</b>	<b>FINAL</b>	<b>ACTUAL</b>	<b>POSITIVE/ (NEGATIVE)</b>
	\$ 159			\$ 225	
	—			2	
	<u>159</u>			<u>227</u>	
\$ 96,175	62,783	\$ 33,392	\$ 210,809	160,788	\$ 50,021
<u>\$ 96,175</u>	<u>62,783</u>	<u>\$ 33,392</u>	<u>\$ 210,809</u>	<u>160,788</u>	<u>\$ 50,021</u>
	<u>(62,624)</u>			<u>(160,561)</u>	
	59,174			91,717	
	—			—	
	<u>59,174</u>			<u>91,717</u>	
	<u>(3,450)</u>			<u>(68,844)</u>	
	23,257			37,825	
	<u>23,135</u>			<u>2,539</u>	
	<u>\$ 42,942</u>			<u>\$ (28,480)</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECT FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

(continued)

	<u>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</u>		
	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET</u>
	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
<b>REVENUES:</b>			
Investment Income.....		\$ 348	
Other.....		278	
<b>TOTAL REVENUES.....</b>		<b>626</b>	
<b>BUDGETARY EXPENDITURES:</b>			
CAPITAL OUTLAY.....	\$ 128,211	66,555	\$ 61,656
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 128,211</b>	<b>66,555</b>	<b>\$ 61,656</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(65,929)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		—	
Transfers-out.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>—</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(65,929)</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....</b>		<b>73,891</b>	
<b>Outstanding Encumbrances at Beginning of Fiscal Year.....</b>		<b>3,327</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....</b>		<b>\$ 11,289</b>	

<u>YOUTH SERVICES BUILDING IMPROVEMENTS</u>			<u>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</u>		
		<u>VARIANCE WITH FINAL BUDGET</u>			<u>VARIANCE WITH FINAL BUDGET</u>
<u>BUDGET</u>		<u>POSITIVE/ (NEGATIVE)</u>	<u>BUDGET</u>		<u>POSITIVE/ (NEGATIVE)</u>
<u>FINAL</u>	<u>ACTUAL</u>		<u>FINAL</u>	<u>ACTUAL</u>	
	\$ 145			\$ 233	
	1			112	
	<u>146</u>			<u>345</u>	
<u>\$ 37,686</u>	<u>34,731</u>	<u>\$ 2,955</u>	<u>\$ 248,825</u>	<u>142,951</u>	<u>\$ 105,874</u>
<u>\$ 37,686</u>	<u>34,731</u>	<u>\$ 2,955</u>	<u>\$ 248,825</u>	<u>142,951</u>	<u>\$ 105,874</u>
	<u>(34,585)</u>			<u>(142,606)</u>	
	—			72,948	
	—			—	
	—			—	
	<u>—</u>			<u>72,948</u>	
	<u>(34,585)</u>			<u>(69,658)</u>	
	23,840			4,243	
	<u>1,664</u>			<u>11,037</u>	
	<u>\$ (9,081)</u>			<u>\$ (54,378)</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECT FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

(continued)

	<u>HIGHWAY SAFETY BUILDING IMPROVEMENTS</u>		
			VARIANCE WITH FINAL BUDGET
	<u>BUDGET</u>	<u>BUDGET</u>	POSITIVE/ (NEGATIVE)
	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
<b>REVENUES:</b>			
Investment Income.....		\$ 2	
Other.....		2	
<b>TOTAL REVENUES.....</b>		<b>4</b>	
<b>BUDGETARY EXPENDITURES:</b>			
CAPITAL OUTLAY.....	\$ 839	522	\$ 317
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 839</b>	<b>522</b>	<b>\$ 317</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>			
		<b>(518)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		—	
Transfers-out.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>—</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>			
		<b>(518)</b>	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JULY 1.....		495	
Outstanding Encumbrances at Beginning of Fiscal Year.....		7	
<b>BUDGETARY FUND BALANCES</b>			
(DEFICITS), JUNE 30.....		<b>\$ (16)</b>	

<u>OHIO PARKS AND NATURAL RESOURCES</u>			<u>HIGHWAY CAPITAL IMPROVEMENTS</u>		
		<u>VARIANCE WITH FINAL BUDGET</u>			<u>VARIANCE WITH FINAL BUDGET</u>
<u>BUDGET</u>		<u>POSITIVE/ (NEGATIVE)</u>	<u>BUDGET</u>		<u>POSITIVE/ (NEGATIVE)</u>
<u>FINAL</u>	<u>ACTUAL</u>		<u>FINAL</u>	<u>ACTUAL</u>	
	\$ 256			\$ 673	
	687			1	
	<u>943</u>			<u>674</u>	
\$ 60,499	43,112	\$ 17,387	\$ 451,951	411,477	\$ 40,474
<u>\$ 60,499</u>	<u>43,112</u>	<u>\$ 17,387</u>	<u>\$ 451,951</u>	<u>411,477</u>	<u>\$ 40,474</u>
	<u>(42,169)</u>			<u>(410,803)</u>	
	—			275,244	
	—			20,000	
	—			(20,000)	
	—			<u>275,244</u>	
	<u>(42,169)</u>			<u>(135,559)</u>	
	36,774			(115,485)	
	<u>12,962</u>			<u>284,307</u>	
	<u>\$ 7,567</u>			<u>\$ 33,263</u>	

(continued)

# STATE OF OHIO

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECT FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

(continued)

	<u>TRANSPORTATION BUILDING IMPROVEMENTS</u>		
	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
	<u>FINAL</u>	<u>ACTUAL</u>	
<b>REVENUES:</b>			
Investment Income.....		\$ 584	
Other.....		1	
<b>TOTAL REVENUES.....</b>		<b>585</b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>CAPITAL OUTLAY.....</b>	<b>\$ 99,978</b>	<b>73,887</b>	<b>\$ 26,091</b>
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 99,978</b>	<b>73,887</b>	<b>\$ 26,091</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>		<b>(73,302)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds, Notes, and COPs Issued.....		—	
Transfers-in.....		—	
Transfers-out.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>—</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(73,302)</b>	
<b>BUDGETARY FUND BALANCES</b>			
<b>(DEFICITS), JULY 1.....</b>		<b>100,254</b>	
<b>Outstanding Encumbrances at Beginning of Fiscal Year.....</b>		<b>—</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30.....</b>		<b>\$ 26,952</b>	

<u>TOTAL</u>		<u>VARIANCE WITH FINAL BUDGET</u>
<u>BUDGET</u>	<u>POSITIVE/ (NEGATIVE)</u>	
<u>FINAL</u>	<u>ACTUAL</u>	
	\$ 3,075	
	1,084	
	<u>4,159</u>	
<u>\$ 1,696,252</u>	<u>1,310,856</u>	<u>\$ 385,396</u>
<u>\$ 1,696,252</u>	<u>1,310,856</u>	<u>\$ 385,396</u>

(1,306,697)

499,083

20,000

(20,000)

499,083

(807,614)

156,844

498,137

\$ (152,633)

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## ***NONMAJOR ENTERPRISE FUNDS***

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Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services.

### **Tuition Trust Authority Fund**

The Tuition Trust Authority Fund accounts for the operations of the Ohio Tuition Trust Authority, including the sale of tuition credits under its guaranteed return option program.

### **Office of Auditor of State Fund**

The Office of Auditor of State Fund accounts for the operations of the Ohio Auditor of State's Office, which provides government audit and management advisory services to Ohio's public offices.

# STATE OF OHIO

## COMBINING STATEMENT OF NET POSITION NONMAJOR PROPRIETARY FUNDS – ENTERPRISE JUNE 30, 2016

(dollars in thousands)

	TUITION TRUST AUTHORITY	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 840	\$ 40,290	\$ 41,130
Cash and Cash Equivalents.....	33,473	—	33,473
Collateral on Lent Securities.....	76	—	76
Restricted Assets:			
Investments.....	73,200	—	73,200
Intergovernmental Receivable.....	—	7,498	7,498
Interfund Receivable.....	—	1,588	1,588
Other Receivables.....	1,089	23	1,112
<b>TOTAL CURRENT ASSETS.....</b>	<b>108,678</b>	<b>49,399</b>	<b>158,077</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Investments.....	264,857	—	264,857
Investments.....	1,205	—	1,205
Interfund Receivable.....	—	7,487	7,487
Other Assets.....	6	—	6
Capital Assets Being Depreciated, Net.....	53	1,338	1,391
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>266,121</b>	<b>8,825</b>	<b>274,946</b>
<b>TOTAL ASSETS.....</b>	<b>374,799</b>	<b>58,224</b>	<b>433,023</b>
<b>DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>514</b>	<b>19,690</b>	<b>20,204</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>375,313</b>	<b>77,914</b>	<b>453,227</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	1,573	298	1,871
Accrued Liabilities.....	285	3,859	4,144
Obligations Under Securities Lending.....	76	—	76
Interfund Payable.....	—	117	117
Unearned Revenue.....	—	993	993
Benefits Payable.....	73,200	—	73,200
Refund and Other Liabilities.....	—	1,621	1,621
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>75,134</b>	<b>6,888</b>	<b>82,022</b>
<b>NONCURRENT LIABILITIES:</b>			
Interfund Payable.....	—	7,488	7,488
Benefits Payable.....	224,000	—	224,000
Refund and Other Liabilities.....	1,479	67,092	68,571
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>225,479</b>	<b>74,580</b>	<b>300,059</b>
<b>TOTAL LIABILITIES.....</b>	<b>300,613</b>	<b>81,468</b>	<b>382,081</b>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	<b>88</b>	<b>1,159</b>	<b>1,247</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....</b>	<b>300,701</b>	<b>82,627</b>	<b>383,328</b>
<b>NET POSITION (DEFICITS):</b>			
Net Investment in Capital Assets.....	53	1,338	1,391
Unrestricted.....	74,559	(6,051)	68,508
<b>TOTAL NET POSITION (DEFICITS).....</b>	<b>\$ 74,612</b>	<b>\$ (4,713)</b>	<b>\$ 69,899</b>

# STATE OF OHIO

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION NONMAJOR PROPRIETARY FUNDS – ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

	TUITION TRUST AUTHORITY	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
<b>OPERATING REVENUES:</b>			
Charges for Sales and Services.....	\$ 7,666	\$ 48,928	\$ 56,594
Investment Income.....	(1,240)	—	(1,240)
Other.....	45,600	441	46,041
<b>TOTAL OPERATING REVENUES.....</b>	<b>52,026</b>	<b>49,369</b>	<b>101,395</b>
<b>OPERATING EXPENSES:</b>			
Costs of Sales and Services.....	—	72,512	72,512
Administration.....	8,156	6,106	14,262
Benefits and Claims.....	59,212	—	59,212
Depreciation.....	17	299	316
<b>TOTAL OPERATING EXPENSES.....</b>	<b>67,385</b>	<b>78,917</b>	<b>146,302</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(15,359)</b>	<b>(29,548)</b>	<b>(44,907)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment Income.....	—	8	8
<b>TOTAL NONOPERATING REVENUES (EXPENSES).....</b>	<b>—</b>	<b>8</b>	<b>8</b>
<b>INCOME (LOSS) BEFORE GAIN (LOSS) AND TRANSFERS.....</b>	<b>(15,359)</b>	<b>(29,540)</b>	<b>(44,899)</b>
Transfers-in.....	—	30,332	30,332
<b>TOTAL GAIN (LOSS) AND TRANSFERS.....</b>	<b>—</b>	<b>30,332</b>	<b>30,332</b>
<b>NET INCOME (LOSS).....</b>	<b>(15,359)</b>	<b>792</b>	<b>(14,567)</b>
<b>NET POSITION (DEFICITS), JULY 1 .....</b>	<b>89,971</b>	<b>(5,505)</b>	<b>84,466</b>
<b>NET POSITION (DEFICITS), JUNE 30.....</b>	<b>\$ 74,612</b>	<b>\$ (4,713)</b>	<b>\$ 69,899</b>

# STATE OF OHIO

## COMBINING STATEMENT OF CASH FLOWS NONMAJOR PROPRIETARY FUNDS – ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (dollars in thousands)

	TUITION TRUST AUTHORITY	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers.....	\$ —	\$ 37,234	\$ 37,234
Cash Received from Interfund Services Provided.....	—	10,468	10,468
Other Operating Cash Receipts.....	7,993	441	8,434
Cash Payments to Suppliers for Goods and Services.....	(5,545)	(2,620)	(8,165)
Cash Payments to Employees for Services.....	(2,187)	(66,632)	(68,819)
Cash Payments for Interfund Services Used.....	(321)	(3,425)	(3,746)
Other Operating Cash Payments.....	(59,212)	(1,050)	(60,262)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>(59,272)</b>	<b>(25,584)</b>	<b>(84,856)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers-in .....	—	29,972	29,972
<b>NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>—</b>	<b>29,972</b>	<b>29,972</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets .....	—	(294)	(294)
Proceeds from Sales of Capital Assets .....	—	23	23
<b>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>—</b>	<b>(271)</b>	<b>(271)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Investments.....	(65,697)	—	(65,697)
Proceeds from the Sales and Maturities of Investments .....	117,433	—	117,433
Investment Income Received .....	8,882	8	8,890
<b>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES.....</b>	<b>60,618</b>	<b>8</b>	<b>60,626</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS.....</b>	<b>1,346</b>	<b>4,125</b>	<b>5,471</b>
<b>CASH AND CASH EQUIVALENTS, JULY 1 .....</b>	<b>32,967</b>	<b>36,165</b>	<b>69,132</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30 .....</b>	<b>\$ 34,313</b>	<b>\$ 40,290</b>	<b>\$ 74,603</b>

**STATE OF OHIO**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS – ENTERPRISE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
(dollars in thousands)

	<u>TUITION TRUST AUTHORITY</u>	<u>OFFICE OF AUDITOR OF STATE</u>	<u>TOTAL NONMAJOR PROPRIETARY FUNDS</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss).....	\$ (15,359)	\$ (29,548)	\$ (44,907)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income.....	1,240	—	1,240
Depreciation .....	17	299	316
Decrease (Increase) in Assets:			
Intergovernmental Receivable.....	—	3,364	3,364
Interfund Receivable.....	—	(360)	(360)
Other Receivables .....	327	58	385
Other Assets .....	51	—	51
Increase (Decrease) in Liabilities:			
Accounts Payable .....	93	(1,269)	(1,176)
Accrued Liabilities.....	(41)	947	906
Interfund Payable.....	—	(12)	(12)
Unearned Revenue.....	—	62	62
Benefits Payable.....	(45,600)	—	(45,600)
Refund and Other Liabilities.....	—	875	875
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b><u>\$ (59,272)</u></b>	<b><u>\$ (25,584)</u></b>	<b><u>\$ (84,856)</u></b>

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## ***AGENCY FUNDS***

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Agency Funds account for resources the State holds in a purely custodial capacity (assets equal liabilities) for individuals, private organizations, or other governments.

### **Holding and Distribution Fund**

The Holding and Distribution Fund accounts for assets held until such time that a determination has been made to refund amounts to the individuals, private organizations, or other governments.

### **Centralized Child Support Collections Fund**

The Centralized Child Support Collections Fund accounts for assets temporarily held for custodial parents.

### **Retirement Systems Fund**

The Retirement Systems Fund accounts for assets held in the custody of the Treasurer of State for the Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and State Teachers Retirement System of Ohio. While legal custodian, the Treasurer of State does not manage or provide investment services to the foregoing retirement systems.

### **Payroll Withholding and Fringe Benefits Fund**

The Payroll Withholding and Fringe Benefits Fund primarily accounts for assets held to liquidate the State's payroll withholding obligations.

### **Other Fund**

The Other Fund accounts for assets held for others, which are not accounted for in another agency fund.

# STATE OF OHIO

## COMBINING STATEMENT OF ASSETS AND LIABILITIES

### AGENCY FUNDS

JUNE 30, 2016

(dollars in thousands)

	HOLDING AND DISTRIBUTION	CENTRALIZED CHILD SUPPORT COLLECTIONS	RETIREMENT SYSTEMS
<b>ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 26,473	\$ —	\$ —
Cash and Cash Equivalents.....	959	60,392	—
U.S. Government and Agency Obligations.....	—	—	11,822,814
Common and Preferred Stock.....	—	—	41,261,079
Corporate Bonds and Notes.....	—	—	11,595,128
Foreign Stocks and Bonds.....	—	—	43,509,082
Commercial Paper.....	—	—	2,001,429
Repurchase Agreements.....	—	—	450,000
Mutual Funds.....	—	—	8,833,502
Real Estate.....	—	—	22,097,192
Venture Capital.....	—	—	19,184,378
Direct Mortgage Loans.....	—	—	7,313,657
Partnership and Hedge Funds.....	—	—	17,087,131
State Treasury Asset Reserve of Ohio (STAR Ohio).....	—	6,267	—
Collateral on Lent Securities.....	2,380	—	—
Other Assets.....	—	—	—
<b>TOTAL ASSETS.....</b>	<b>\$ 29,812</b>	<b>\$ 66,659</b>	<b>\$ 185,155,392</b>
<b>LIABILITIES:</b>			
Obligations Under Securities Lending.....	\$ 2,380	\$ —	\$ —
Intergovernmental Payable.....	5,172	—	—
Refund and Other Liabilities.....	22,260	66,659	185,155,392
<b>TOTAL LIABILITIES.....</b>	<b>\$ 29,812</b>	<b>\$ 66,659</b>	<b>\$ 185,155,392</b>

<b>PAYROLL WITHHOLDING AND FRINGE BENEFITS</b>		
<b>OTHER</b>	<b>TOTAL</b>	
\$ 117,516	\$ 176,081	\$ 320,070
21,325	54,007	136,683
—	—	11,822,814
—	—	41,261,079
—	—	11,595,128
—	—	43,509,082
—	—	2,001,429
—	—	450,000
—	2,433	8,835,935
—	—	22,097,192
—	—	19,184,378
—	—	7,313,657
—	—	17,087,131
—	66,146	72,413
10,566	15,832	28,778
—	425,290	425,290
<b>\$ 149,407</b>	<b>\$ 739,789</b>	<b>\$ 186,141,059</b>
\$ 10,566	\$ 15,832	\$ 28,778
29,301	181,630	216,103
109,540	542,327	185,896,178
<b>\$ 149,407</b>	<b>\$ 739,789</b>	<b>\$ 186,141,059</b>

# STATE OF OHIO

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

### AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(dollars in thousands)

	BALANCE July 1, 2015	ADDITIONS	DEDUCTIONS	BALANCE June 30, 2016
<b>HOLDING AND DISTRIBUTION</b>				
<b>ASSETS</b>				
Cash Equity with Treasurer .....	\$ 56,693	\$ 3,979,513	\$ 4,009,733	\$ 26,473
Cash and Cash Equivalents .....	110	13,706	12,857	959
Collateral on Lent Securities .....	13,820	2,380	13,820	2,380
Total Assets .....	<u>\$ 70,623</u>	<u>\$ 3,995,599</u>	<u>\$ 4,036,410</u>	<u>\$ 29,812</u>
<b>LIABILITIES</b>				
Obligations Under Securities Lending.....	\$ 13,820	\$ 2,380	\$ 13,820	\$ 2,380
Intergovernmental Payable .....	26,697	59,372	80,897	5,172
Refund and Other Liabilities .....	30,106	3,933,847	3,941,693	22,260
Total Liabilities .....	<u>\$ 70,623</u>	<u>\$ 3,995,599</u>	<u>\$ 4,036,410</u>	<u>\$ 29,812</u>
<b>CENTRALIZED CHILD SUPPORT COLLECTIONS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents .....	\$ 56,934	\$ 1,925,560	\$ 1,922,102	\$ 60,392
Investments.....	6,397	19	149	6,267
Total Assets .....	<u>\$ 63,331</u>	<u>\$ 1,925,579</u>	<u>\$ 1,922,251</u>	<u>\$ 66,659</u>
<b>LIABILITIES</b>				
Refund and Other Liabilities .....	\$ 63,331	\$ 1,925,579	\$ 1,922,251	\$ 66,659
Total Liabilities .....	<u>\$ 63,331</u>	<u>\$ 1,925,579</u>	<u>\$ 1,922,251</u>	<u>\$ 66,659</u>
<b>RETIREMENT SYSTEMS</b>				
<b>ASSETS</b>				
Investments.....	\$ 194,294,227	\$ 405,562,750	\$ 414,701,585	\$ 185,155,392
Total Assets .....	<u>\$ 194,294,227</u>	<u>\$ 405,562,750</u>	<u>\$ 414,701,585</u>	<u>\$ 185,155,392</u>
<b>LIABILITIES</b>				
Refund and Other Liabilities :				
Liability to:				
Public Employees Retirement System.....	\$ 90,641,788	\$ 315,388,506	\$ 319,392,307	\$ 86,637,987
Police and Fire Pension Fund.....	14,432,245	21,413,559	21,992,543	13,853,261
School Employees Retirement System.....	12,994,718	38,239,231	38,645,798	12,588,151
State Teachers Retirement System.....	76,225,476	30,521,454	34,670,937	72,075,993
Total Liabilities .....	<u>\$ 194,294,227</u>	<u>\$ 405,562,750</u>	<u>\$ 414,701,585</u>	<u>\$ 185,155,392</u>

	BALANCE July 1, 2015	ADDITIONS	DEDUCTIONS	BALANCE June 30, 2016
<b>PAYROLL WITHHOLDING AND FRINGE BENEFITS</b>				
ASSETS				
Cash Equity with Treasurer .....	\$ 124,862	\$ 1,478,529	\$ 1,485,875	\$ 117,516
Cash and Cash Equivalents .....	24,343	551,785	554,803	21,325
Collateral on Lent Securities .....	30,438	10,566	30,438	10,566
Total Assets .....	<u>\$ 179,643</u>	<u>\$ 2,040,880</u>	<u>\$ 2,071,116</u>	<u>\$ 149,407</u>
LIABILITIES				
Obligations Under Securities Lending.....	\$ 30,438	\$ 10,566	\$ 30,438	\$ 10,566
Intergovernmental Payable .....	27,719	29,301	27,719	29,301
Refund and Other Liabilities .....	121,486	1,555,714	1,567,660	109,540
Total Liabilities .....	<u>\$ 179,643</u>	<u>\$ 1,595,581</u>	<u>\$ 1,625,817</u>	<u>\$ 149,407</u>
<b>OTHER</b>				
ASSETS				
Cash Equity with Treasurer .....	\$ 169,036	\$ 3,296,508	\$ 3,289,463	\$ 176,081
Cash and Cash Equivalents .....	66,784	72,289,386	72,302,163	54,007
Investments.....	60,026	54,956	46,403	68,579
Collateral on Lent Securities .....	41,206	15,832	41,206	15,832
Other Assets.....	423,366	120,594	118,670	425,290
Total Assets .....	<u>\$ 760,418</u>	<u>\$ 75,777,276</u>	<u>\$ 75,797,905</u>	<u>\$ 739,789</u>
LIABILITIES				
Obligations Under Securities Lending.....	\$ 41,206	\$ 15,832	\$ 41,206	\$ 15,832
Intergovernmental Payable .....	175,066	3,291,493	3,284,929	181,630
Refund and Other Liabilities .....	544,146	72,469,951	72,471,770	542,327
Total Liabilities .....	<u>\$ 760,418</u>	<u>\$ 75,777,276</u>	<u>\$ 75,797,905</u>	<u>\$ 739,789</u>
<b>TOTAL AGENCY</b>				
ASSETS				
Cash Equity with Treasurer .....	\$ 350,591	\$ 8,754,550	\$ 8,785,071	\$ 320,070
Cash and Cash Equivalents .....	148,171	74,780,437	74,791,925	136,683
Investments.....	194,360,650	405,617,725	414,748,137	185,230,238
Collateral on Lent Securities .....	85,464	28,778	85,464	28,778
Other Assets.....	423,366	120,594	118,670	425,290
Total Assets .....	<u>\$ 195,368,242</u>	<u>\$ 489,302,084</u>	<u>\$ 498,529,267</u>	<u>\$ 186,141,059</u>
LIABILITIES				
Obligations Under Securities Lending.....	\$ 85,464	\$ 28,778	\$ 85,464	\$ 28,778
Intergovernmental Payable .....	229,482	3,380,166	3,393,545	216,103
Refund and Other Liabilities .....	195,053,296	485,447,841	494,604,959	185,896,178
Total Liabilities .....	<u>\$ 195,368,242</u>	<u>\$ 488,856,785</u>	<u>\$ 498,083,968</u>	<u>\$ 186,141,059</u>

## ***NONMAJOR DISCRETELY PRESENTED COMPONENT UNIT FUNDS***

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Nonmajor Discretely Presented Component Unit Funds account for the financial activities of the State of Ohio's component units, organizations that are legally separate from the State's primary government and for which the primary government is financially accountable.

### **Ohio Turnpike and Infrastructure Commission Fund**

The Ohio Turnpike and Infrastructure Commission Fund accounts for the operations of the Ohio Turnpike and Infrastructure Commission, including its projects to construct, maintain and operate public roadways, express or limited access highways, superhighways, or motorways necessary for safe movement of traffic including bridges, tunnels, overpasses, underpasses, interchanges, entrance plazas, approaches, and toll booths. The Commission's Financial Statements are presented for the fiscal year end December 31, 2015. The Commission is located in Berea, Ohio.

### **Ohio Air Quality Development Authority Fund**

The Ohio Air Quality Development Authority Fund accounts for the Ohio Air Quality Development Authority's operations, including programs that assist Ohio's businesses, government agencies, and not-for-profit organizations with financing projects that increase energy efficiency and reduce air pollution. The Authority's financial statements are presented for the fiscal year ended December 31, 2015.

### **Ohio Capital Fund**

The Ohio Capital Fund accounts for the operations of the State's venture capital program.

### **JobsOhio Fund**

The JobsOhio Fund accounts for the operations of the nonprofit corporation, JobsOhio, including promoting economic development, job creation, job retention, job training, and the recruitment of business to the State of Ohio.

### **University of Cincinnati Fund**

The University of Cincinnati Fund accounts for the operations of University of Cincinnati and The University of Cincinnati Foundation. The university is located in Cincinnati, Ohio.

### **Ohio University Fund**

The Ohio University Fund accounts for the operations of Ohio University and the Ohio University Foundation. The university is located in Athens, Ohio.

### **Miami University Fund**

The Miami University Fund accounts for the operations of Miami University and the Miami University Foundation. The university is located in Oxford, Ohio.

### **University of Akron Fund**

The University of Akron Fund accounts for the operations of the University of Akron, the University of Akron Foundation, and the University of Akron Research Foundation.

### **Bowling Green State University Fund**

The Bowling Green State University Fund accounts for the operations of Bowling Green State University and the Bowling Green State University Foundation.

### **Kent State University Fund**

The Kent State University Fund accounts for the operations of Kent State University and the Kent State University Foundation.

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**University of Toledo Fund**

The University of Toledo Fund accounts for the operations of the University of Toledo, the University of Toledo Foundation, and the University of Toledo Physicians, Clinical Faculty, Inc.

**Cleveland State University Fund**

The Cleveland State University Fund accounts for the operations of Cleveland State University, the Cleveland State University Foundation, and the Euclid Avenue Housing Corporation.

**Youngstown State University Fund**

The Youngstown State University Fund accounts for the operations of Youngstown State University and the Youngstown State University Foundation.

**Wright State University Fund**

The Wright State University Fund accounts for the operations of Wright State University and the Wright State University Foundation. The university is located in Dayton, Ohio.

**Shawnee State University Fund**

The Shawnee State University Fund accounts for the operations of Shawnee State University and the Shawnee State University Development Foundation. The university is located in Portsmouth, Ohio.

**Northeast Ohio Medical University Fund**

The Northeast Ohio Medical University Fund accounts for the operations of Northeast Ohio Medical University and NEOMED Foundation. The college is located in Rootstown, Ohio.

**Central State University Fund**

The Central State University Fund accounts for the operations of Central State University and the Central State University Foundation. The university is located in Wilberforce, Ohio with a branch campus in Dayton, Ohio.

**Terra State Community College Fund**

The Terra State Community College Fund accounts for the operations of Terra State Community College and Terra College Foundation. The college is located in Fremont, Ohio.

**Columbus State Community College Fund**

The Columbus State Community College Fund accounts for the operations of Columbus State Community College and the Columbus State Community College Development Foundation, Inc.

**Clark State Community College Fund**

The Clark State Community College Fund accounts for the operations of Clark State Community College and the Clark State Community College Foundation. The college is located in Springfield, Ohio.

**Edison State Community College Fund**

The Edison State Community College Fund accounts for the operations of Edison State Community College and the Edison Foundation, Inc. The college is located in Piqua, Ohio.

**Southern State Community College Fund**

The Southern State Community College Fund accounts for the operations of Southern State Community College and the Southern State Community College Foundation. The college is located in Hillsboro, Ohio.

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**Washington State Community College Fund**

The Washington State Community College Fund accounts for the operations of Washington State Community College and the Washington State Foundation. The college is located in Marietta, Ohio.

**Cincinnati State Community College Fund**

The Cincinnati State Community College Fund accounts for the operations of Cincinnati State Technical and Community College.

**Northwest State Community College Fund**

The Northwest State Community College Fund accounts for the operations of Northwest State Community College and the Northwest State Community College Foundation. The college is located in Archbold, Ohio.

**Owens State Community College Fund**

The Owens State Community College Fund accounts for the operations of Owens State Community College and the Owens State Community College Foundation. The college is located in Toledo, Ohio with a branch campus in Findlay, Ohio.

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**STATE OF OHIO**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2016**  
(dollars in thousands)

	OHIO TURNPIKE AND INFRASTRUCTURE COMMISSION (as of 12/31/15)	OHIO AIR QUALITY DEVELOPMENT AUTHORITY (as of 12/31/15)	OHIO CAPITAL FUND
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ 12,448	\$ —
Cash and Cash Equivalents.....	69,121	1,986	7,037
Investments.....	39,684	998	—
Restricted Assets:			
Cash and Cash Equivalents.....	15,583	—	—
Investments.....	186,044	—	—
Intergovernmental Receivable.....	—	—	—
Loans Receivable, Net.....	—	4,635	—
Receivable from Primary Government.....	444	—	—
Other Receivables.....	16,159	67	3
Inventories.....	6,903	—	—
Other Assets.....	3,846	3	—
<b>TOTAL CURRENT ASSETS.....</b>	<b>337,784</b>	<b>20,137</b>	<b>7,040</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash and Cash Equivalents.....	118,172	1,782	—
Investments.....	394,402	—	—
Investments.....	—	4,726	96,569
Loans Receivable, Net.....	—	832	—
Other Receivables.....	—	—	—
Other Assets.....	143	—	—
Capital Assets Being Depreciated, Net.....	1,344,956	4	—
Capital Assets Not Being Depreciated.....	62,789	—	—
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>1,920,462</b>	<b>7,344</b>	<b>96,569</b>
<b>TOTAL ASSETS.....</b>	<b>2,258,246</b>	<b>27,481</b>	<b>103,609</b>
<b>DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>26,467</b>	<b>47</b>	<b>—</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>2,284,713</b>	<b>27,528</b>	<b>103,609</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	4,629	31	—
Accrued Liabilities.....	27,412	22	3,151
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	27,503	—	—
Bonds and Notes Payable.....	30,995	—	6,374
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>90,539</b>	<b>53</b>	<b>9,525</b>
<b>NONCURRENT LIABILITIES:</b>			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	54,113	178	—
Payable to Primary Government.....	25,934	1,774	—
Bonds and Notes Payable.....	1,603,914	—	157,527
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>1,683,961</b>	<b>1,952</b>	<b>157,527</b>
<b>TOTAL LIABILITIES.....</b>	<b>1,774,500</b>	<b>2,005</b>	<b>167,052</b>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	<b>888</b>	<b>7</b>	<b>—</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....</b>	<b>1,775,388</b>	<b>2,012</b>	<b>167,052</b>
<b>NET POSITION (DEFICITS):</b>			
Net Investment in Capital Assets.....	844,818	3	—
Restricted for:			
Transportation.....	229,401	—	—
Community and Economic Development.....	—	13,223	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	—
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Unrestricted.....	(564,894)	12,290	(63,443)
<b>TOTAL NET POSITION (DEFICITS).....</b>	<b>\$ 509,325</b>	<b>\$ 25,516</b>	<b>\$ (63,443)</b>

	UNIVERSITY OF CINCINNATI	OHIO UNIVERSITY	MIAMI UNIVERSITY	UNIVERSITY OF AKRON	BOWLING GREEN STATE UNIVERSITY
\$	\$	\$	\$	\$	\$
—	—	—	—	—	—
263,122	97,247	60,120	128,286	14,015	12,824
324,254	145,241	301,861	538,834	156,235	180,217
134,725	—	—	—	—	—
—	—	—	—	—	—
—	—	5,071	2,808	—	—
2,270	4,784	1,366	5,064	1,564	11,759
—	6,139	3,585	386	—	—
1,025	79,494	58,257	27,486	42,214	4,708
72,948	—	2,805	2,302	584	2,037
4,364	21,780	11,875	7,470	4,362	2,642
<u>802,708</u>	<u>354,685</u>	<u>444,940</u>	<u>712,636</u>	<u>218,974</u>	<u>214,187</u>
—	2,448	12,002	932	2,922	—
—	880,415	—	426,019	7,371	61,148
—	329,555	693,130	—	229,820	148,636
25,078	22,061	12,121	4,340	8,082	7,482
—	9,709	16,438	32,849	14,733	7,759
1,191,334	483,110	37,765	323	—	5,120
1,377	1,406,828	862,672	1,012,391	694,624	471,383
—	167,119	117,182	154,360	65,750	128,111
<u>1,217,789</u>	<u>3,301,245</u>	<u>1,751,310</u>	<u>1,631,214</u>	<u>1,023,302</u>	<u>829,639</u>
<u>2,020,497</u>	<u>3,655,930</u>	<u>2,196,250</u>	<u>2,343,850</u>	<u>1,242,276</u>	<u>1,043,826</u>
—	133,967	87,882	61,893	73,820	38,072
<u>2,020,497</u>	<u>3,789,897</u>	<u>2,284,132</u>	<u>2,405,743</u>	<u>1,316,096</u>	<u>1,081,898</u>
26,831	66,533	36,588	42,233	7,371	19,362
119,800	35,681	37,346	16,637	30,364	10,762
—	—	—	—	—	—
—	25,869	34,093	11,353	30,729	11,250
10	83,358	11,904	13,300	5,444	10,033
44,020	34,050	20,070	28,555	21,082	8,782
<u>190,661</u>	<u>245,491</u>	<u>140,001</u>	<u>112,078</u>	<u>94,990</u>	<u>60,189</u>
—	22,256	—	—	—	8,318
28	751,836	459,965	354,893	444,886	239,166
—	—	—	—	—	—
1,430,203	1,006,235	549,362	598,195	433,423	269,202
<u>1,430,231</u>	<u>1,780,327</u>	<u>1,009,327</u>	<u>953,088</u>	<u>878,309</u>	<u>516,686</u>
1,620,892	2,025,818	1,149,328	1,065,166	973,299	576,875
—	32,796	24,505	21,870	39,506	14,821
<u>1,620,892</u>	<u>2,058,614</u>	<u>1,173,833</u>	<u>1,087,036</u>	<u>1,012,805</u>	<u>591,696</u>
1,377	522,033	661,380	626,845	326,359	368,871
—	—	—	—	—	—
—	—	—	—	—	—
—	146,155	—	—	—	57,793
—	55,777	—	—	—	469
—	438,554	227,222	283,325	133,604	8,664
—	427,729	—	—	—	23,800
—	54,922	9,537	33,778	826	28,770
—	99,558	2,223	1,549	38,005	672
—	33,247	47,532	18,094	—	22,643
—	51,219	3,817	2,950	—	—
—	29,505	5,175	33,409	—	—
—	—	—	—	367	—
—	27,929	2,331	10,676	2,633	19,326
—	69,830	218,061	—	81,359	2,210
—	(6,228)	17,125	(23,098)	—	—
—	99,228	12,497	79,577	—	—
398,228	(318,175)	(96,601)	251,602	(279,862)	(43,016)
<u>\$ 399,605</u>	<u>\$ 1,731,283</u>	<u>\$ 1,110,299</u>	<u>\$ 1,318,707</u>	<u>\$ 303,291</u>	<u>\$ 490,202</u>

(continued)

**STATE OF OHIO**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2016**  
(dollars in thousands)  
(continued)

	KENT STATE UNIVERSITY	UNIVERSITY OF TOLEDO	CLEVELAND STATE UNIVERSITY
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	107,989	59,613	120,498
Investments.....	384,700	—	18,572
Restricted Assets:			
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	—
Intergovernmental Receivable.....	3,324	12,822	—
Loans Receivable, Net.....	—	2,352	1,477
Receivable from Primary Government.....	516	3,966	4
Other Receivables.....	31,442	95,515	33,953
Inventories.....	1,395	10,906	299
Other Assets.....	5,925	5,998	1,154
<b>TOTAL CURRENT ASSETS.....</b>	<b>535,291</b>	<b>191,172</b>	<b>175,957</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash and Cash Equivalents.....	78,168	—	—
Investments.....	—	324,382	17,365
Investments.....	158,849	149,735	92,408
Loans Receivable, Net.....	47,897	11,561	13,144
Other Receivables.....	4,789	16,785	26,568
Other Assets.....	4,145	10,030	1,067
Capital Assets Being Depreciated, Net.....	724,980	582,826	468,547
Capital Assets Not Being Depreciated.....	160,185	58,877	83,925
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>1,179,013</b>	<b>1,154,196</b>	<b>703,024</b>
<b>TOTAL ASSETS.....</b>	<b>1,714,304</b>	<b>1,345,368</b>	<b>878,981</b>
<b>DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>104,952</b>	<b>146,027</b>	<b>39,897</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>1,819,256</b>	<b>1,491,395</b>	<b>918,878</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	66,270	32,551	16,551
Accrued Liabilities.....	31,754	45,663	2,935
Intergovernmental Payable.....	—	643	—
Unearned Revenue.....	29,064	35,197	9,598
Refund and Other Liabilities.....	14,003	29,417	22,174
Bonds and Notes Payable.....	22,505	15,543	8,571
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>163,596</b>	<b>159,014</b>	<b>59,829</b>
<b>NONCURRENT LIABILITIES:</b>			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	8,591	—	1,164
Refund and Other Liabilities.....	573,540	540,585	269,927
Payable to Primary Government.....	—	—	—
Bonds and Notes Payable.....	452,700	277,419	280,857
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>1,034,831</b>	<b>818,004</b>	<b>551,948</b>
<b>TOTAL LIABILITIES.....</b>	<b>1,198,427</b>	<b>977,018</b>	<b>611,777</b>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	<b>26,266</b>	<b>38,140</b>	<b>11,391</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....</b>	<b>1,224,693</b>	<b>1,015,158</b>	<b>623,168</b>
<b>NET POSITION (DEFICITS):</b>			
Net Investment in Capital Assets.....	382,556	341,721	247,080
Restricted for:			
Transportation.....	—	—	—
Community and Economic Development.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	62,860	57,535
Research.....	—	10,848	—
Endowments and Quasi-Endowments.....	50,302	—	—
Loans, Grants and Other College and University Purposes.....	—	56,289	—
Expendable:			
Scholarships and Fellowships.....	—	81,709	15,158
Research.....	—	5,625	1,091
Instructional Department Uses.....	—	—	5,711
Student and Public Services.....	—	—	4,548
Academic Support.....	—	56,641	(524)
Debt Service.....	—	20,845	—
Capital Purposes.....	—	28,325	34
Endowments and Quasi-Endowments.....	—	—	212
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	132,865	64,174	37,946
Unrestricted.....	28,840	(252,800)	(73,081)
<b>TOTAL NET POSITION (DEFICITS).....</b>	<b>\$ 594,563</b>	<b>\$ 476,237</b>	<b>\$ 295,710</b>

YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY	SHAWNEE STATE UNIVERSITY	NORTHEAST OHIO MEDICAL UNIVERSITY	CENTRAL STATE UNIVERSITY	TERRA STATE COMMUNITY COLLEGE
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
16,887	19,220	1,082	5,197	7,817	1,716
180,941	3,765	—	22,103	4,410	1,467
—	—	—	—	—	—
—	—	—	—	—	—
1,012	11,060	—	4,381	—	127
422	4,351	84	391	—	65
2,761	4,160	93	567	—	609
10,908	18,880	5,765	2,119	13,903	1,788
85	125	40	172	—	247
2,403	5,842	280	1,569	67	116
<u>215,419</u>	<u>67,403</u>	<u>7,344</u>	<u>36,499</u>	<u>26,197</u>	<u>6,135</u>
3,747	11,637	422	977	5,593	—
71,827	—	17,603	41,682	—	—
17,598	157,570	18,263	—	—	5,594
1,456	9,413	—	4,548	—	—
4,695	9,438	404	1,562	—	19
171	1,381	1,039	2,445	1,045	—
178,917	360,699	73,546	200,049	117,304	30,308
35,607	22,781	17,518	3,181	14,218	535
<u>314,018</u>	<u>572,919</u>	<u>128,795</u>	<u>254,444</u>	<u>138,160</u>	<u>36,456</u>
<u>529,437</u>	<u>640,322</u>	<u>136,139</u>	<u>290,943</u>	<u>164,357</u>	<u>42,591</u>
<u>26,127</u>	<u>50,233</u>	<u>8,105</u>	<u>10,988</u>	<u>5,278</u>	<u>1,879</u>
<u>555,564</u>	<u>690,555</u>	<u>144,244</u>	<u>301,931</u>	<u>169,635</u>	<u>44,470</u>
4,868	14,909	992	2,486	454	256
5,620	11,057	2,416	6,329	3,084	361
1,853	—	—	—	—	—
5,825	24,428	1,254	3,338	12,854	486
3,502	13,156	2,084	1,036	502	892
2,455	7,203	723	2,615	2,066	130
<u>24,123</u>	<u>70,753</u>	<u>7,469</u>	<u>15,804</u>	<u>18,960</u>	<u>2,125</u>
—	—	—	41,668	—	—
—	1,921	593	—	—	—
157,286	297,586	47,556	4,890	27,515	19,913
—	—	—	—	—	—
78,301	85,734	17,400	153,917	41,305	5,535
<u>235,587</u>	<u>385,241</u>	<u>65,549</u>	<u>200,475</u>	<u>68,820</u>	<u>25,448</u>
<u>259,710</u>	<u>455,994</u>	<u>73,018</u>	<u>216,279</u>	<u>87,780</u>	<u>27,573</u>
<u>15,366</u>	<u>16,361</u>	<u>3,721</u>	<u>2,021</u>	<u>3,803</u>	<u>3,551</u>
<u>275,076</u>	<u>472,355</u>	<u>76,739</u>	<u>218,300</u>	<u>91,583</u>	<u>31,124</u>
134,289	294,540	65,400	47,993	92,013	25,725
—	—	—	—	—	—
—	—	—	—	—	—
—	18,513	4,056	6,444	1,220	—
—	8,340	—	—	—	—
5,041	—	122	12,402	—	2,467
65,232	17,105	6,022	—	1,353	—
10,576	20,340	1,336	—	939	1,213
313	3,439	23	—	(151)	—
3,338	23,477	—	—	—	947
1,765	1,123	—	—	—	52
816	14,851	—	—	436	12
—	—	—	—	381	—
10,496	—	—	—	—	57
11,608	—	830	—	—	—
709	—	—	7,581	—	—
1,120	32,246	5,791	—	1,072	—
35,185	(215,774)	(16,075)	9,211	(19,211)	(17,127)
<u>\$ 280,488</u>	<u>\$ 218,200</u>	<u>\$ 67,505</u>	<u>\$ 83,631</u>	<u>\$ 78,052</u>	<u>\$ 13,346</u>

(continued)

**STATE OF OHIO**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2016**  
(dollars in thousands)  
(continued)

	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE	EDISON STATE COMMUNITY COLLEGE
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	11,042	10,486	3,428
Investments.....	82,655	17,914	3,025
Restricted Assets:			
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	—
Intergovernmental Receivable.....	—	1,515	—
Loans Receivable, Net.....	—	96	—
Receivable from Primary Government.....	165	827	—
Other Receivables.....	12,773	3,408	1,893
Inventories.....	3,084	528	4
Other Assets.....	1,587	386	245
<b>TOTAL CURRENT ASSETS.....</b>	<b>111,306</b>	<b>35,160</b>	<b>8,595</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	1,145
Investments.....	51,975	—	1,737
Loans Receivable, Net.....	—	—	—
Other Receivables.....	1,990	1,094	—
Other Assets.....	—	151	—
Capital Assets Being Depreciated, Net.....	127,841	45,804	15,660
Capital Assets Not Being Depreciated.....	25,804	2,442	974
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>207,610</b>	<b>49,491</b>	<b>19,516</b>
<b>TOTAL ASSETS.....</b>	<b>318,916</b>	<b>84,651</b>	<b>28,111</b>
<b>DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>32,673</b>	<b>3,839</b>	<b>2,586</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>351,589</b>	<b>88,490</b>	<b>30,697</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	2,855	869	319
Accrued Liabilities.....	3,116	1,498	648
Intergovernmental Payable.....	—	30	—
Unearned Revenue.....	7,776	112	579
Refund and Other Liabilities.....	5,816	486	37
Bonds and Notes Payable.....	1,600	670	225
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>21,163</b>	<b>3,665</b>	<b>1,808</b>
<b>NONCURRENT LIABILITIES:</b>			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	199,779	37,365	15,082
Payable to Primary Government.....	—	—	—
Bonds and Notes Payable.....	5,320	13,120	2,657
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>205,099</b>	<b>50,485</b>	<b>17,739</b>
<b>TOTAL LIABILITIES.....</b>	<b>226,262</b>	<b>54,150</b>	<b>19,547</b>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	<b>26,071</b>	<b>2,108</b>	<b>1,599</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES.....</b>	<b>252,333</b>	<b>56,258</b>	<b>21,146</b>
<b>NET POSITION (DEFICITS):</b>			
Net Investment in Capital Assets.....	146,724	34,456	14,274
Restricted for:			
Transportation.....	—	—	—
Community and Economic Development.....	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	4,110	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	9,320	134
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	5,571	4,404	—
Research.....	—	—	—
Instructional Department Uses.....	—	49	—
Student and Public Services.....	—	2,984	—
Academic Support.....	—	—	—
Debt Service.....	—	151	1,145
Capital Purposes.....	33,238	4,166	—
Endowments and Quasi-Endowments.....	—	—	244
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	(69)
Unrestricted.....	(90,387)	(23,298)	(6,177)
<b>TOTAL NET POSITION (DEFICITS).....</b>	<b>\$ 99,256</b>	<b>\$ 32,232</b>	<b>\$ 9,551</b>

SOUTHERN STATE COMMUNITY COLLEGE	WASHINGTON STATE COMMUNITY COLLEGE	CINCINNATI STATE COMMUNITY COLLEGE	NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL NONMAJOR COMPONENT UNITS
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12,448
3,938	8,336	5,432	2,848	5,790	1,045,077
—	—	11,876	2,842	4,931	2,426,525
—	—	—	—	—	150,308
—	—	—	—	—	186,044
—	—	1,023	507	315	43,965
—	—	—	—	8	40,688
—	—	12	710	120	25,064
3,824	3,697	10,890	2,508	10,263	492,942
16	1	84	520	—	105,085
209	141	625	41	1,536	84,466
<u>7,987</u>	<u>12,175</u>	<u>29,942</u>	<u>9,976</u>	<u>22,963</u>	<u>4,612,612</u>
749	—	2,560	—	—	242,111
2,047	—	—	—	—	2,245,406
—	890	8,039	6,606	1,015	2,172,715
—	—	—	—	53	168,068
—	—	383	21	50	149,286
—	—	—	—	—	1,739,269
26,209	14,047	82,346	16,473	72,387	8,932,178
4,069	980	2,434	2,326	12,131	1,143,298
<u>33,074</u>	<u>15,917</u>	<u>95,762</u>	<u>25,426</u>	<u>85,636</u>	<u>16,792,331</u>
<u>41,061</u>	<u>28,092</u>	<u>125,704</u>	<u>35,402</u>	<u>108,599</u>	<u>21,404,943</u>
<u>3,906</u>	<u>2,193</u>	<u>10,502</u>	<u>3,499</u>	<u>8,619</u>	<u>883,451</u>
<u>44,967</u>	<u>30,285</u>	<u>136,206</u>	<u>38,901</u>	<u>117,218</u>	<u>22,288,394</u>
—	1,284	2,171	992	4,610	356,015
396	85	6,323	285	4,474	407,219
—	—	—	—	—	2,526
—	1,925	4,168	456	3,081	253,435
157	34	2,680	314	1,939	249,781
955	—	2,633	—	1,015	262,837
<u>1,508</u>	<u>3,328</u>	<u>17,975</u>	<u>2,047</u>	<u>15,119</u>	<u>1,531,813</u>
—	—	—	—	—	72,242
—	—	—	—	—	12,269
20,808	14,394	96,856	22,590	95,262	4,745,999
—	—	—	—	—	27,708
<u>15,525</u>	<u>—</u>	<u>36,085</u>	<u>—</u>	<u>1,212</u>	<u>7,515,148</u>
<u>36,333</u>	<u>14,394</u>	<u>132,941</u>	<u>22,590</u>	<u>96,474</u>	<u>12,373,366</u>
<u>37,841</u>	<u>17,722</u>	<u>150,916</u>	<u>24,637</u>	<u>111,593</u>	<u>13,905,179</u>
<u>4,477</u>	<u>1,804</u>	<u>11,042</u>	<u>2,890</u>	<u>14,055</u>	<u>319,059</u>
<u>42,318</u>	<u>19,526</u>	<u>161,958</u>	<u>27,527</u>	<u>125,648</u>	<u>14,224,238</u>
14,392	15,026	45,876	18,786	82,289	5,354,826
—	—	—	—	—	229,401
—	—	—	—	—	13,223
—	433	—	934	1,561	361,614
—	—	—	—	—	75,434
2,107	—	5,249	—	—	1,178,513
—	—	—	—	452	597,982
102	439	—	4,437	677	274,734
—	—	—	—	—	152,347
—	—	—	—	—	155,038
871	—	—	—	—	69,329
—	—	—	—	—	140,321
—	—	1,154	—	—	24,043
1,596	1,373	—	521	—	142,701
—	—	2,471	—	—	386,825
—	—	—	—	—	(3,911)
—	—	—	100	512	467,059
<u>(16,419)</u>	<u>(6,512)</u>	<u>(80,502)</u>	<u>(13,404)</u>	<u>(93,921)</u>	<u>(1,555,323)</u>
<u>\$ 2,649</u>	<u>\$ 10,759</u>	<u>\$ (25,752)</u>	<u>\$ 11,374</u>	<u>\$ (8,430)</u>	<u>\$ 8,064,156</u>

**STATE OF OHIO**  
**COMBINING STATEMENT OF ACTIVITIES**  
**NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**  
(dollars in thousands)

	OHIO TURNPIKE AND INFRASTRUCTURE COMMISSION (as of 12/31/15)	OHIO AIR QUALITY DEVELOPMENT AUTHORITY (as of 12/31/15)	OHIO CAPITAL FUND
<b>EXPENSES:</b>			
Transportation.....	\$ 417,091	\$ —	\$ —
Community and Economic Development.....	—	9,135	1,300
Education and General:			
Instruction and Departmental Research.....	—	—	—
Separately Budgeted Research.....	—	—	—
Public Service.....	—	—	—
Academic Support.....	—	—	—
Student Services.....	—	—	—
Institutional Support.....	—	—	—
Operation and Maintenance of Plant.....	—	—	—
Scholarships and Fellowships.....	—	—	—
Auxiliary Enterprises.....	—	—	—
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	80,579	—	7,151
Depreciation.....	69,364	2	—
Other.....	—	—	—
<b>TOTAL EXPENSES.....</b>	<b>567,034</b>	<b>9,137</b>	<b>8,451</b>
<b>PROGRAM REVENUES:</b>			
Charges for Services, Fees, Fines and Forfeitures.....	303,968	970	—
Operating Grants, Contributions and Restricted Investment Income.....	—	364	—
Capital Grants, Contributions and Restricted Investment Income.....	—	—	—
<b>TOTAL PROGRAM REVENUES.....</b>	<b>303,968</b>	<b>1,334</b>	<b>—</b>
<b>NET PROGRAM (EXPENSE) REVENUE .....</b>	<b>(263,066)</b>	<b>(7,803)</b>	<b>(8,451)</b>
<b>GENERAL REVENUES:</b>			
Unrestricted Investment Income.....	5,456	96	918
State Assistance.....	2,751	—	—
Other.....	—	79	—
<b>TOTAL GENERAL REVENUES.....</b>	<b>8,207</b>	<b>175</b>	<b>918</b>
<b>ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>GAIN (LOSS) ON EXTINGUISHMENT OF DEBT.....</b>	<b>—</b>	<b>—</b>	<b>(87)</b>
<b>CHANGE IN NET POSITION.....</b>	<b>(254,859)</b>	<b>(7,628)</b>	<b>(7,620)</b>
<b>NET POSITION (DEFICITS), JULY 1 (as restated).....</b>	<b>764,184</b>	<b>33,144</b>	<b>(55,823)</b>
<b>NET POSITION (DEFICITS), JUNE 30.....</b>	<b>\$ 509,325</b>	<b>\$ 25,516</b>	<b>\$ (63,443)</b>

<b>JOB</b>	<b>UNIVERSITY OF CINCINNATI</b>	<b>OHIO UNIVERSITY</b>	<b>MIAMI UNIVERSITY</b>	<b>UNIVERSITY OF AKRON</b>	<b>BOWLING GREEN STATE UNIVERSITY</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
882,135	—	—	—	—	—
—	324,028	263,425	186,605	157,774	125,134
—	148,526	39,476	12,642	33,322	7,416
—	67,121	30,530	4,074	7,147	4,350
—	111,460	82,061	58,944	35,213	27,048
—	60,749	55,985	27,516	12,375	16,746
—	120,595	65,705	48,904	51,715	34,108
—	48,984	50,392	32,386	22,107	19,898
—	36,804	14,427	18,725	25,132	17,844
—	111,270	82,931	112,529	47,412	70,397
—	—	—	—	—	—
56,339	44,381	24,169	23,049	18,829	8,179
495	114,192	44,810	47,930	44,326	31,407
—	2,641	11,488	7,250	1,433	25,382
<b>938,969</b>	<b>1,190,751</b>	<b>765,399</b>	<b>580,554</b>	<b>456,785</b>	<b>387,909</b>
1,052,532	847,097	329,815	510,727	255,026	238,866
—	139,892	47,836	49,132	49,426	65,655
—	7,539	2,058	6,649	697	3,956
<b>1,052,532</b>	<b>994,528</b>	<b>379,709</b>	<b>566,508</b>	<b>305,149</b>	<b>308,477</b>
<b>113,563</b>	<b>(196,223)</b>	<b>(385,690)</b>	<b>(14,046)</b>	<b>(151,636)</b>	<b>(79,432)</b>
4,497	6,867	(18,912)	(35,336)	(4,034)	4,556
—	223,711	175,265	85,233	120,922	91,807
583	—	219,291	—	36,859	6,275
<b>5,080</b>	<b>230,578</b>	<b>375,644</b>	<b>49,897</b>	<b>153,747</b>	<b>102,638</b>
—	298	12,701	9,348	9,769	5,253
—	—	—	—	—	—
<b>118,643</b>	<b>34,653</b>	<b>2,655</b>	<b>45,199</b>	<b>11,880</b>	<b>28,459</b>
280,962	1,696,630	1,107,644	1,273,508	291,411	461,743
<b>\$ 399,605</b>	<b>\$ 1,731,283</b>	<b>\$ 1,110,299</b>	<b>\$ 1,318,707</b>	<b>\$ 303,291</b>	<b>\$ 490,202</b>

(continued)

**STATE OF OHIO**  
**COMBINING STATEMENT OF ACTIVITIES**  
**NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(dollars in thousands)

(continued)

	KENT STATE UNIVERSITY	UNIVERSITY OF TOLEDO	CLEVELAND STATE UNIVERSITY
<b>EXPENSES:</b>			
Transportation.....	\$ —	\$ —	\$ —
Community and Economic Development.....	—	—	—
Education and General:			
Instruction and Departmental Research.....	243,339	202,955	105,421
Separately Budgeted Research.....	16,220	38,516	9,001
Public Service.....	15,885	9,453	6,378
Academic Support.....	65,515	40,472	28,721
Student Services.....	35,291	23,201	19,961
Institutional Support.....	78,603	70,188	42,538
Operation and Maintenance of Plant.....	46,293	38,966	33,680
Scholarships and Fellowships.....	43,144	21,865	16,022
Auxiliary Enterprises.....	94,070	64,196	36,810
Hospitals.....	—	357,296	—
Interest on Long-Term Debt.....	14,168	13,160	9,097
Depreciation.....	48,983	58,735	31,017
Other.....	—	16,664	—
<b>TOTAL EXPENSES.....</b>	<b>701,511</b>	<b>955,667</b>	<b>338,646</b>
<b>PROGRAM REVENUES:</b>			
Charges for Services, Fees, Fines and Forfeitures.....	447,596	639,402	208,442
Operating Grants, Contributions and Restricted Investment Income.....	85,596	49,463	20,054
Capital Grants, Contributions and Restricted Investment Income.....	—	400	—
<b>TOTAL PROGRAM REVENUES.....</b>	<b>533,192</b>	<b>689,265</b>	<b>228,496</b>
<b>NET PROGRAM (EXPENSE) REVENUE .....</b>	<b>(168,319)</b>	<b>(266,402)</b>	<b>(110,150)</b>
<b>GENERAL REVENUES:</b>			
Unrestricted Investment Income.....	(16,070)	(20,690)	(2,964)
State Assistance.....	153,000	138,983	80,117
Other.....	18,664	101,968	21,675
<b>TOTAL GENERAL REVENUES.....</b>	<b>155,594</b>	<b>220,261</b>	<b>98,828</b>
<b>ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>GAIN (LOSS) ON EXTINGUISHMENT OF DEBT.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>CHANGE IN NET POSITION.....</b>	<b>(12,725)</b>	<b>(46,141)</b>	<b>(11,322)</b>
<b>NET POSITION (DEFICITS), JULY 1 (as restated).....</b>	<b>607,288</b>	<b>522,378</b>	<b>307,032</b>
<b>NET POSITION (DEFICITS), JUNE 30.....</b>	<b>\$ 594,563</b>	<b>\$ 476,237</b>	<b>\$ 295,710</b>

YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY	SHAWNEE STATE UNIVERSITY	NORTHEAST OHIO MEDICAL UNIVERSITY	CENTRAL STATE UNIVERSITY	TERRA STATE COMMUNITY COLLEGE
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
64,295	145,335	19,552	19,203	9,600	5,546
1,859	49,967	—	12,723	1,096	—
5,446	21,008	2,308	4,078	2,271	1,035
14,271	45,921	3,272	8,081	5,755	867
10,301	23,992	3,751	2,152	3,189	2,013
25,310	48,516	11,746	12,675	6,546	5,021
16,512	25,077	5,488	8,414	4,678	1,321
20,133	22,221	6,776	640	2,992	167
30,804	22,829	6,426	8,699	9,090	1,341
—	—	—	—	—	—
3,956	3,232	696	8,361	1,419	189
11,069	21,491	3,527	10,474	5,668	1,318
2,090	1,595	5	465	56	367
<b>206,046</b>	<b>431,184</b>	<b>63,547</b>	<b>95,965</b>	<b>52,360</b>	<b>19,185</b>
119,339	179,865	25,303	31,281	17,589	6,245
29,342	78,942	3,328	21,659	15,035	936
2,081	4,175	—	—	—	—
<b>150,762</b>	<b>262,982</b>	<b>28,631</b>	<b>52,940</b>	<b>32,624</b>	<b>7,181</b>
<b>(55,284)</b>	<b>(168,202)</b>	<b>(34,916)</b>	<b>(43,025)</b>	<b>(19,736)</b>	<b>(12,004)</b>
(5,565)	(1,016)	(204)	554	77	47
50,353	102,502	16,725	23,483	23,866	8,066
796	27,774	13,244	12,369	192	3,354
<b>45,584</b>	<b>129,260</b>	<b>29,765</b>	<b>36,406</b>	<b>24,135</b>	<b>11,467</b>
7,559	—	—	861	—	—
—	—	—	—	—	—
<b>(2,141)</b>	<b>(38,942)</b>	<b>(5,151)</b>	<b>(5,758)</b>	<b>4,399</b>	<b>(537)</b>
282,629	257,142	72,656	89,389	73,653	13,883
<b>\$ 280,488</b>	<b>\$ 218,200</b>	<b>\$ 67,505</b>	<b>\$ 83,631</b>	<b>\$ 78,052</b>	<b>\$ 13,346</b>

(continued)

**STATE OF OHIO**  
**COMBINING STATEMENT OF ACTIVITIES**  
**NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(dollars in thousands)

(continued)

	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE	EDISON STATE COMMUNITY COLLEGE
<b>EXPENSES:</b>			
Transportation.....	\$ —	\$ —	\$ —
Community and Economic Development.....	—	—	—
Education and General:			
Instruction and Departmental Research.....	67,240	13,086	6,243
Separately Budgeted Research.....	—	—	—
Public Service.....	8,157	2,630	453
Academic Support.....	8,702	985	540
Student Services.....	15,074	3,498	1,839
Institutional Support.....	25,484	6,003	4,849
Operation and Maintenance of Plant.....	16,963	2,943	1,353
Scholarships and Fellowships.....	15,950	2,058	220
Auxiliary Enterprises.....	12,861	3,910	9
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	159	547	92
Depreciation.....	7,853	2,060	1,062
Other.....	1,763	348	—
<b>TOTAL EXPENSES.....</b>	<b>180,206</b>	<b>38,068</b>	<b>16,660</b>
<b>PROGRAM REVENUES:</b>			
Charges for Services, Fees, Fines and Forfeitures.....	108,997	11,836	4,471
Operating Grants, Contributions and Restricted Investment Income.....	5,761	13,612	721
Capital Grants, Contributions and Restricted Investment Income.....	—	99	125
<b>TOTAL PROGRAM REVENUES.....</b>	<b>114,758</b>	<b>25,547</b>	<b>5,317</b>
<b>NET PROGRAM (EXPENSE) REVENUE .....</b>	<b>(65,448)</b>	<b>(12,521)</b>	<b>(11,343)</b>
<b>GENERAL REVENUES:</b>			
Unrestricted Investment Income.....	1,193	188	27
State Assistance.....	67,258	14,073	8,654
Other.....	—	—	3,389
<b>TOTAL GENERAL REVENUES.....</b>	<b>68,451</b>	<b>14,261</b>	<b>12,070</b>
<b>ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....</b>	<b>—</b>	<b>153</b>	<b>—</b>
<b>GAIN (LOSS) ON EXTINGUISHMENT OF DEBT.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>CHANGE IN NET POSITION.....</b>	<b>3,003</b>	<b>1,893</b>	<b>727</b>
<b>NET POSITION (DEFICITS), JULY 1 (as restated).....</b>	<b>96,253</b>	<b>30,339</b>	<b>8,824</b>
<b>NET POSITION (DEFICITS), JUNE 30.....</b>	<b>\$ 99,256</b>	<b>\$ 32,232</b>	<b>\$ 9,551</b>

SOUTHERN STATE COMMUNITY COLLEGE	WASHINGTON STATE COMMUNITY COLLEGE	CINCINNATI STATE COMMUNITY COLLEGE	NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL NONMAJOR COMPONENT UNITS
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 417,091
—	—	—	—	—	892,570
7,439	4,769	31,530	14,472	36,213	2,053,204
—	—	—	—	169	370,933
758	—	4,224	120	2,124	199,550
2,377	1,210	6,519	1,022	2,821	551,777
2,000	1,340	8,101	1,651	6,302	337,027
2,923	3,142	16,364	3,954	11,911	696,800
1,539	1,342	6,173	1,540	7,245	393,294
3,545	579	924	2,140	1,030	273,338
1,791	576	3,734	1,968	1,649	725,302
—	—	—	—	—	357,296
545	—	1,358	—	48	319,703
1,319	748	4,337	1,398	5,798	569,383
—	—	550	69	44	72,210
<b>24,236</b>	<b>13,706</b>	<b>83,814</b>	<b>28,334</b>	<b>75,354</b>	<b>8,229,478</b>
7,613	6,950	25,181	11,362	27,222	5,417,695
888	1,575	21,738	4,937	3,427	709,319
—	—	121	—	—	27,900
<b>8,501</b>	<b>8,525</b>	<b>47,040</b>	<b>16,299</b>	<b>30,649</b>	<b>6,154,914</b>
<b>(15,735)</b>	<b>(5,181)</b>	<b>(36,774)</b>	<b>(12,035)</b>	<b>(44,705)</b>	<b>(2,074,564)</b>
81	55	531	52	432	(79,164)
8,735	6,941	30,789	11,347	35,281	1,479,862
5,674	—	6,655	—	15,191	494,032
<b>14,490</b>	<b>6,996</b>	<b>37,975</b>	<b>11,399</b>	<b>50,904</b>	<b>1,894,730</b>
12	—	—	—	184	46,138
—	—	—	—	—	(87)
<b>(1,233)</b>	<b>1,815</b>	<b>1,201</b>	<b>(636)</b>	<b>6,383</b>	<b>(133,783)</b>
3,882	8,944	(26,953)	12,010	(14,813)	8,197,939
<b>\$ 2,649</b>	<b>\$ 10,759</b>	<b>\$ (25,752)</b>	<b>\$ 11,374</b>	<b>\$ (8,430)</b>	<b>\$ 8,064,156</b>

**STATE OF OHIO**  
**BALANCE SHEET**  
**OHIO FACILITIES CONSTRUCTION COMMISSION**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**JUNE 30, 2016**  
(dollars in thousands)

	<b>OHIO FACILITIES CONSTRUCTION COMMISSION</b>
<b>ASSETS:</b>	
Cash Equity with Treasurer.....	\$ 273,213
Investments.....	1,501
Collateral on Lent Securities.....	24,565
Loans Receivable, Net.....	1,318
<b>TOTAL ASSETS.....</b>	<b>\$ 300,597</b>
<b>LIABILITIES:</b>	
Accounts Payable.....	\$ 1,608
Accrued Liabilities.....	128
Obligations Under Securities Lending.....	24,565
Intergovernmental Payable.....	616,471
Refund and Other Liabilities.....	1,501
<b>TOTAL LIABILITIES.....</b>	<b>644,273</b>
<b>DEFERRED INFLOWS OF RESOURCES.....</b>	<b>3,526,996</b>
<b>FUND BALANCES (DEFICITS):</b>	
Restricted for:	
Community and Economic Development.....	3,264
Unassigned	(3,873,936)
<b>TOTAL FUND BALANCES (DEFICITS).....</b>	<b>(3,870,672)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES .....</b>	<b>\$ 300,597</b>

**STATE OF OHIO**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**OHIO FACILITIES CONSTRUCTION COMMISSION**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**JUNE 30, 2016**  
*(dollars in thousands)*

**OHIO FACILITIES  
CONSTRUCTION  
COMMISSION**

**Total Fund Balances (Deficits).....** **\$ (3,870,672)**

Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:

<i>Land.....</i>	11,858
<i>Buildings and Improvements, net of \$27,792 accumulated depreciation.....</i>	32,480
<i>Machinery and Equipment, net of \$2,655 accumulated depreciation.....</i>	1,260
	<u>45,598</u>

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

*Refund and Other Liabilities-Compensated Absences.....* (274)

**Total Net Position.....** **\$ (3,825,348)**

# STATE OF OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OHIO FACILITIES CONSTRUCTION COMMISSION DISCRETELY PRESENTED COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (dollars in thousands)

	<u>OHIO FACILITIES CONSTRUCTION COMMISSION</u>
<b>REVENUES:</b>	
State Assistance.....	\$ 183,577
Investment Income.....	7,051
Other.....	36,243
<b>TOTAL REVENUES.....</b>	<b><u>226,871</u></b>
<b>EXPENDITURES:</b>	
<b>CURRENT OPERATING:</b>	
Primary, Secondary and Other Education.....	349,193
Community and Economic Development.....	33,997
<b>TOTAL EXPENDITURES.....</b>	<b><u>383,190</u></b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(156,319)</b>
<b>FUND BALANCES (DEFICITS), JULY 1 (as restated).....</b>	<b><u>(3,714,353)</u></b>
<b>FUND BALANCES (DEFICITS), JUNE 30.....</b>	<b><u><u>\$ (3,870,672)</u></u></b>

# STATE OF OHIO

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
OHIO FACILITIES CONSTRUCTION COMMISSION  
DISCRETELY PRESENTED COMPONENT UNIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(dollars in thousands)

**OHIO FACILITIES  
CONSTRUCTION  
COMMISSION**

**Net Change in Fund Balances.....** \$ (156,319)

The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were in excess/deficient over depreciation in the current period.

Depreciation Expense..... (1,733)  
Excess / (Deficiency) of Capital Outlay Over Depreciation Expense..... (1,733)

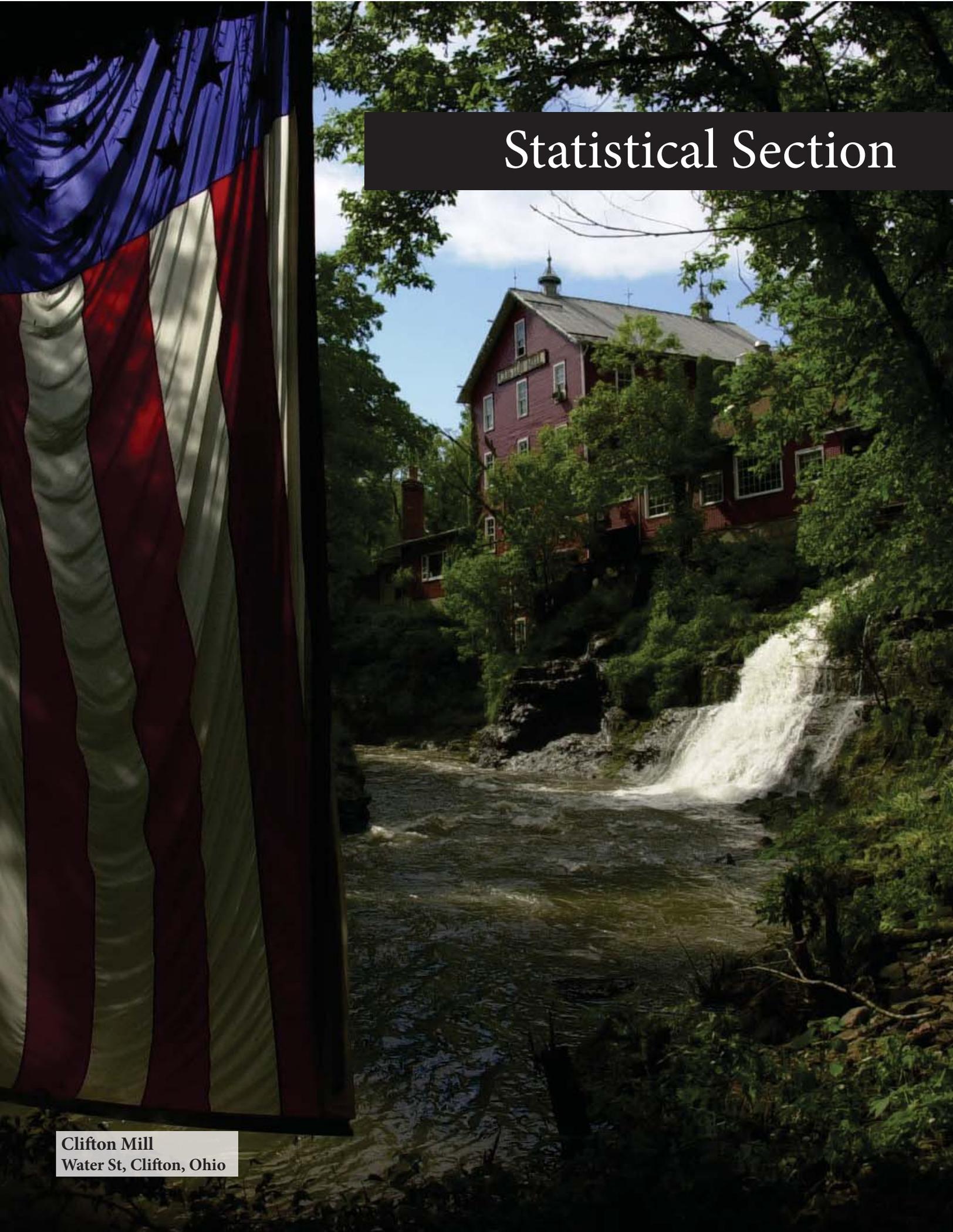
Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds. 568

Some revenues and expenses reported in the Statement of Activities are not reported as revenue and expenditures in the governmental funds. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses, liabilities, and deferred resources are reported regardless of when financial resources are available. This adjustment combines the changes in the following balances:

Decrease in Net Pension Expense..... 4,442

**Change in Net Position.....** \$ (153,042)

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# Statistical Section

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Water St, Clifton, Ohio

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## ***STATISTICAL SECTION***

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This section of the State of Ohio's Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information.

	<u>Pages</u>
<b>Financial Trends</b> .....	260-271
<p>These schedules contain trend information to assist the reader in understanding how the State's financial performance and condition have changed over time.</p>	
<b>Revenue Capacity</b> .....	272-287
<p>These schedules contain information to assist the reader in assessing the State's two most significant own-source revenues: income taxes and sales taxes.</p>	
<b>Debt Capacity</b> .....	288-296
<p>These schedules present information to assist the reader in assessing the affordability of the State's current levels of outstanding debt and its ability to issue additional debt in the future.</p>	
<b>Economic and Demographic Information</b> .....	298-301
<p>These schedules offer economic and demographic indicators to assist the reader in understanding the environment within which the State's financial activities take place.</p>	
<b>Operating Information</b> .....	302-309
<p>These schedules contain service and infrastructure data to assist the reader in understanding how the information in the State's financial report relates to the services the State provides and to the activities it performs.</p>	

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**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**STATE OF OHIO**  
**NET POSITION BY COMPONENT**  
**FOR THE LAST TEN FISCAL YEARS**  
*(accrual basis of accounting)*  
*(dollars in thousands)*

	2016	2015	2014	2013
<b>GOVERNMENTAL ACTIVITIES:</b>				
Net Investment in Capital Assets.....	\$ 23,925,328	\$ 23,396,447	\$ 22,627,911	\$ 22,489,929
Restricted for:				
Primary, Secondary and Other Education.....	148,740	110,978	137,427	236,391
Higher Education Support.....	26,255	25,974	26,320	—
Public Assistance and Medicaid.....	810,132	746,730	508,588	535,410
Health and Human Services.....	103,534	81,982	54,834	100,424
Justice and Public Protection.....	132,257	122,305	30,570	42,623
Environmental Protection and Natural Resources.....	199,490	199,409	160,607	147,955
Transportation.....	3,191,913	3,370,828	3,238,716	3,064,127
General Government.....	169,286	200,748	133,877	131,823
State and Local Highway Construction.....	—	—	—	—
Federal Programs.....	—	—	—	—
Clean Ohio Program.....	—	—	—	—
Community and Economic Development.....	329,909	243,166	164,784	250,797
Enterprise Bond Program.....	—	—	—	—
Total Restricted Net Position.....	<u>5,111,516</u>	<u>5,102,120</u>	<u>4,455,723</u>	<u>4,509,550</u>
Unrestricted.....	<u>(9,089,117)</u>	<u>(9,180,751)</u>	<u>(5,828,679)</u>	<u>(5,784,139)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES NET POSITION.....</b>	<b><u>\$ 19,947,727</u></b>	<b><u>\$ 19,317,816</u></b>	<b><u>\$ 21,254,955</u></b>	<b><u>\$ 21,215,340</u></b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Net Investment in Capital Assets.....	\$ 186,037	\$ 159,466	\$ 129,804	\$ 92,290
Restricted for:				
Workers' Compensation.....	8,596,001	9,125,985	9,334,215	6,690,414
Lottery Prizes.....	77,464	66,332	73,751	85,085
Unemployment Compensation.....	315,980	—	—	—
Ohio Building Authority.....	—	—	—	—
Tuition Trust Authority.....	74,559	89,896	73,631	39,379
Total Restricted Net Position.....	<u>9,064,004</u>	<u>9,282,213</u>	<u>9,481,597</u>	<u>6,814,878</u>
Unrestricted.....	<u>131,660</u>	<u>(163,314)</u>	<u>(670,679)</u>	<u>(1,085,302)</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION.....</b>	<b><u>\$ 9,381,701</u></b>	<b><u>\$ 9,278,365</u></b>	<b><u>\$ 8,940,722</u></b>	<b><u>\$ 5,821,866</u></b>
<b>PRIMARY GOVERNMENT:</b>				
Net Investment in Capital Assets.....	\$ 24,111,365	\$ 23,555,913	\$ 22,757,715	\$ 22,582,219
Restricted.....	14,175,520	14,384,333	13,937,320	11,324,428
Unrestricted.....	<u>(8,957,457)</u>	<u>(9,344,065)</u>	<u>(6,499,358)</u>	<u>(6,869,441)</u>
<b>TOTAL PRIMARY GOVERNMENT NET POSITION.....</b>	<b><u>\$ 29,329,428</u></b>	<b><u>\$ 28,596,181</u></b>	<b><u>\$ 30,195,677</u></b>	<b><u>\$ 27,037,206</u></b>

Source:  
Ohio Office of Budget and Management

**Notes:**

Beginning in fiscal year 2011, restricted net position categories have been revised to correspond with the categories presented for restricted fund balance.

Ohio Building Authority ceased operations December 31, 2011.

When practical, net position reported on the above table has been restated for prior period adjustments, corrections, and reclassifications. However, restatements do not include changes in reporting entity. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expense activity reported for the applicable fiscal years on the "Changes in Net Position" table may not have been determined for presentation on that table.

2012	2011	2010	2009	2008	2007
\$ 22,147,262	\$ 23,157,156	\$ 22,578,727	\$ 22,325,346	\$ 21,983,900	\$ 21,477,381
129,353	99,169	38,495	37,174	41,842	34,019
—	5,936	—	—	—	—
219,153	492,122	—	—	—	—
101,056	107,431	—	—	—	—
29,516	86,822	—	—	—	—
148,200	140,229	—	—	—	—
2,613,620	2,439,080	1,601,532	1,031,932	844,666	1,032,112
93,089	82,615	—	—	—	—
—	—	117,769	113,009	118,011	126,323
—	—	85,232	61,929	76,396	81,639
—	—	47,254	44,060	90,485	85,209
245,631	403,151	1,001,840	1,045,542	1,420,180	991,094
—	—	10,000	10,000	10,000	10,000
<u>3,579,618</u>	<u>3,856,555</u>	<u>2,902,122</u>	<u>2,343,646</u>	<u>2,601,580</u>	<u>2,360,396</u>
<u>(7,128,873)</u>	<u>(8,249,343)</u>	<u>(7,384,680)</u>	<u>(6,110,855)</u>	<u>(4,006,732)</u>	<u>(4,315,273)</u>
<u>\$ 18,598,007</u>	<u>\$ 18,764,368</u>	<u>\$ 18,096,169</u>	<u>\$ 18,558,137</u>	<u>\$ 20,578,748</u>	<u>\$ 19,522,504</u>
\$ 67,331	\$ 54,430	\$ 51,578	\$ 37,059	\$ 32,068	\$ 19,322
7,760,634	5,728,951	—	—	—	—
123,724	77,142	86,616	57,059	44,126	13,272
—	—	—	—	452,082	608,364
—	27,021	—	23,072	25,558	28,390
—	11,838	—	—	—	32,100
<u>7,884,358</u>	<u>5,844,952</u>	<u>86,616</u>	<u>80,131</u>	<u>521,766</u>	<u>682,126</u>
<u>(1,383,125)</u>	<u>(1,820,494)</u>	<u>1,966,583</u>	<u>1,789,789</u>	<u>2,582,265</u>	<u>2,425,083</u>
<u>\$ 6,568,564</u>	<u>\$ 4,078,888</u>	<u>\$ 2,104,777</u>	<u>\$ 1,906,979</u>	<u>\$ 3,136,099</u>	<u>\$ 3,126,531</u>
\$ 22,214,593	\$ 23,211,586	\$ 22,630,305	\$ 22,362,405	\$ 22,015,968	\$ 21,496,703
11,463,976	9,701,507	2,988,738	2,423,777	3,123,346	3,042,522
(8,511,998)	(10,069,837)	(5,418,097)	(4,321,066)	(1,424,467)	(1,890,190)
<u>\$ 25,166,571</u>	<u>\$ 22,843,256</u>	<u>\$ 20,200,946</u>	<u>\$ 20,465,116</u>	<u>\$ 23,714,847</u>	<u>\$ 22,649,035</u>

**STATE OF OHIO**  
**CHANGES IN NET POSITION**  
**FOR THE LAST TEN FISCAL YEARS**  
*(accrual basis of accounting)*  
*(dollars in thousands)*

	2016	2015	2014
<b>EXPENSES:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
Primary, Secondary and Other Education.....	\$ 12,728,780	\$ 12,767,328	\$ 12,287,325
Higher Education Support.....	2,603,480	2,536,850	2,474,851
Public Assistance and Medicaid.....	29,103,304	28,265,942	25,283,157
Health and Human Services.....	1,656,750	1,576,185	1,579,156
Justice and Public Protection.....	3,587,845	3,210,965	3,385,337
Environmental Protection and Natural Resources.....	586,001	507,889	419,539
Transportation.....	2,602,708	2,660,362	2,706,248
General Government.....	948,796	921,426	835,785
Community and Economic Development.....	3,353,699	3,518,678	3,448,735
Interest on Long-Term Debt (excludes interest charged as program expense).....	99,819	102,980	103,283
<b>TOTAL GOVERNMENTAL ACTIVITIES EXPENSES.....</b>	<b>57,271,182</b>	<b>56,068,605</b>	<b>52,523,416</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>			
Workers' Compensation.....	3,322,700	2,533,883	2,417,674
Lottery Commission.....	2,866,920	2,724,306	2,310,169
Unemployment Compensation.....	1,021,152	1,034,060	1,444,870
Ohio Building Authority.....	—	—	—
Tuition Trust Authority.....	67,385	71,801	72,215
Liquor Control.....	—	—	—
Office of Auditor of State.....	78,917	70,032	70,586
<b>TOTAL BUSINESS-TYPE ACTIVITIES EXPENSES.....</b>	<b>7,357,074</b>	<b>6,434,082</b>	<b>6,315,514</b>
<b>TOTAL PRIMARY GOVERNMENT EXPENSES.....</b>	<b>\$ 64,628,256</b>	<b>\$ 62,502,687</b>	<b>\$ 58,838,930</b>
<b>PROGRAM REVENUES:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
Charges for Services, Fees, Fines and Forfeitures:			
Public Assistance and Medicaid.....	\$ 1,946,102	\$ 1,438,860	\$ 1,506,096
Justice and Public Protection.....	1,103,131	1,071,484	1,030,928
General Government.....	557,775	480,796	548,649
Community and Economic Development.....	571,317	519,685	506,511
Other Activities.....	749,346	709,606	632,883
Operating Grants, Contributions and Restricted Investment Income/(Loss).....	24,721,794	23,965,473	21,454,316
Capital Grants, Contributions and Restricted Investment Income/(Loss).....	1,430,936	1,398,463	1,523,237
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>			
<b>PROGRAM REVENUES.....</b>	<b>31,080,401</b>	<b>29,584,367</b>	<b>27,202,620</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>			
Charges for Services, Fees, Fines and Forfeitures:			
Workers' Compensation.....	1,451,585	1,962,587	2,093,962
Lottery Commission.....	3,987,235	3,776,450	3,288,039
Unemployment Compensation.....	1,178,304	1,228,403	1,270,232
Liquor Control.....	—	—	—
Other Activities.....	57,035	52,811	57,531
Operating Grants, Contributions and Restricted Investment Income/(Loss).....	1,444,535	609,269	3,398,375
Capital Grants, Contributions and Restricted Investment Income/(Loss).....	—	—	—
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>			
<b>PROGRAM REVENUES.....</b>	<b>8,118,694</b>	<b>7,629,520</b>	<b>10,108,139</b>
<b>TOTAL PRIMARY GOVERNMENT</b>			
<b>PROGRAM REVENUES.....</b>	<b>\$ 39,199,095</b>	<b>\$ 37,213,887</b>	<b>\$ 37,310,759</b>

	2013	2012	2011	2010	2009	2008	2007
\$	11,461,600	\$ 12,340,848	\$ 12,126,435	\$ 12,259,233	\$ 11,888,145	\$ 11,304,014	\$ 11,467,076
	2,403,149	2,348,154	2,726,016	2,771,611	2,967,485	2,729,423	2,546,530
	21,624,298	21,206,515	20,111,691	18,828,082	17,903,102	16,003,345	15,782,074
	3,504,235	3,835,369	4,295,483	4,003,033	4,061,765	3,651,313	3,538,858
	3,136,239	3,202,970	3,184,345	3,077,704	3,251,316	3,128,087	3,102,172
	437,297	407,379	350,870	416,071	413,398	393,704	435,235
	2,657,961	2,564,702	2,186,332	2,187,406	2,171,475	2,078,732	1,998,166
	921,636	599,639	795,899	623,845	645,271	749,150	887,109
	3,510,004	3,867,888	4,479,010	4,491,643	4,265,827	4,017,838	3,789,404
	114,859	118,902	134,888	133,335	165,908	173,934	169,776
	<b>49,771,278</b>	<b>50,492,366</b>	<b>50,390,969</b>	<b>48,791,963</b>	<b>47,733,692</b>	<b>44,229,540</b>	<b>43,716,400</b>
	3,428,859	1,945,190	2,354,296	2,861,222	2,158,753	2,675,254	2,760,313
	2,100,887	2,001,671	1,911,105	1,816,213	1,774,308	1,704,848	1,696,881
	1,976,518	2,754,835	4,094,207	5,605,830	3,485,942	1,333,180	1,175,682
	—	13,010	22,076	22,492	26,837	28,117	28,188
	80,560	80,157	79,671	81,119	94,888	121,673	91,416
	310,209	543,729	507,800	489,087	479,919	460,398	444,119
	65,845	69,183	69,185	70,637	85,575	73,225	74,487
	<b>7,962,878</b>	<b>7,407,775</b>	<b>9,038,340</b>	<b>10,946,600</b>	<b>8,106,222</b>	<b>6,396,695</b>	<b>6,271,086</b>
\$	<b>57,734,156</b>	<b>57,900,141</b>	<b>59,429,309</b>	<b>59,738,563</b>	<b>55,839,914</b>	<b>50,626,235</b>	<b>49,987,486</b>
\$	1,152,467	\$ 1,289,463	\$ 1,045,698	\$ 1,302,439	\$ 966,010	\$ 1,021,341	\$ 832,275
	1,078,277	943,142	1,163,286	996,420	938,297	879,534	929,689
	418,085	543,699	344,451	686,825	594,532	697,274	458,424
	594,030	406,022	504,275	479,727	388,895	362,388	338,337
	950,819	852,501	722,459	652,449	763,620	582,208	545,050
	20,189,757	20,053,479	22,041,874	20,839,257	18,225,838	15,123,489	14,964,123
	1,695,846	1,573,765	1,465,484	1,241,422	1,198,200	1,070,309	1,286,426
	<b>26,079,281</b>	<b>25,662,071</b>	<b>27,287,527</b>	<b>26,198,539</b>	<b>23,075,392</b>	<b>19,736,543</b>	<b>19,354,324</b>
	1,504,112	1,958,593	1,950,169	2,133,439	2,378,127	2,160,649	4,288,636
	2,939,773	2,781,737	2,608,235	2,498,785	2,425,832	2,332,866	2,267,134
	1,342,217	1,674,456	1,587,385	1,304,308	1,172,554	1,174,979	1,112,423
	485,607	791,454	733,573	706,736	689,283	663,830	639,664
	60,028	73,707	74,657	76,158	81,291	83,545	78,925
	1,697,735	3,568,089	5,002,792	5,403,777	1,028,750	877,474	1,339,862
	—	—	—	—	—	—	—
	<b>8,029,472</b>	<b>10,848,036</b>	<b>11,956,811</b>	<b>12,123,203</b>	<b>7,775,837</b>	<b>7,293,343</b>	<b>9,726,644</b>
\$	<b>34,108,753</b>	<b>36,510,107</b>	<b>39,244,338</b>	<b>38,321,742</b>	<b>30,851,229</b>	<b>27,029,886</b>	<b>29,080,968</b>

(continued)

**STATE OF OHIO**  
**CHANGES IN NET POSITION**  
**FOR THE LAST TEN FISCAL YEARS**

(accrual basis of accounting)  
(dollars in thousands)  
(continued)

	2016	2015	2014
<b>NET (EXPENSE) REVENUE:</b>			
Governmental Activities.....	\$ (26,190,781)	\$ (26,484,238)	\$ (25,320,796)
Business-Type Activities.....	761,620	1,195,438	3,792,625
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSE).....</b>	<b>\$ (25,429,161)</b>	<b>\$ (25,288,800)</b>	<b>\$ (21,528,171)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
<b>TAXES:</b>			
Income.....	\$ 7,984,708	\$ 8,906,476	\$ 8,356,216
Sales.....	10,548,038	10,170,995	9,386,554
Corporate and Public Utility.....	2,737,316	2,687,540	2,682,274
Cigarette.....	1,008,677	808,270	813,056
Other.....	1,006,342	953,339	888,059
Restricted for Transportation Purposes:			
Motor Vehicle Fuel Taxes.....	1,798,483	1,827,134	1,782,437
<b>TOTAL TAXES.....</b>	<b>25,083,564</b>	<b>25,353,754</b>	<b>23,908,596</b>
Tobacco Settlement.....	341,130	284,267	362,472
Escheat Property.....	161,904	220,486	192,184
Unrestricted Investment Income.....	70,897	36,462	1,733
Federal.....	—	—	—
Other.....	1,683	275	839
Loss on Extinguishment of Debt.....	-	1,276	—
Transfers-Internal Activities.....	1,160,878	1,082,061	955,721
<b>TOTAL GOVERNMENTAL ACTIVITIES.....</b>	<b>26,820,056</b>	<b>26,978,581</b>	<b>25,421,545</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>			
Unrestricted Investment Income.....	8	5	3
Federal.....	—	—	—
Other.....	—	—	11
Gain on Extinguishment of Debt.....	502,586	402,562	281,938
Transfers-Internal Activities.....	(1,160,878)	(1,082,061)	(955,721)
<b>TOTAL BUSINESS-TYPE ACTIVITIES.....</b>	<b>(658,284)</b>	<b>(679,494)</b>	<b>(673,769)</b>
<b>TOTAL PRIMARY GOVERNMENT.....</b>	<b>\$ 26,161,772</b>	<b>\$ 26,299,087</b>	<b>\$ 24,747,776</b>
<b>CHANGE IN NET POSITION:</b>			
Governmental Activities.....	\$ 629,275	\$ 494,343	\$ 100,749
Business-Type Activities.....	103,336	515,944	3,118,856
<b>TOTAL PRIMARY GOVERNMENT.....</b>	<b>\$ 732,611</b>	<b>\$ 1,010,287</b>	<b>\$ 3,219,605</b>

Source:

Ohio Office of Budget and Management

**Notes:**

During fiscal year 2014, Ohio House Bill 59 line item restructuring resulted in increases to Public Assistance and Medicaid expenses and decreases to Health and Human Services expenses.

Ohio Building Authority ceased operations December 31, 2011.

On February 1, 2013, the State granted a 25-year franchise on its spirituous liquor system.

Activity of the Liquor Control Enterprise Fund ceased as of January 31, 2013.

Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

2013	2012	2011	2010	2009	2008	2007
\$ (23,691,997)	\$ (24,830,295)	\$ (23,103,442)	\$ (22,593,424)	\$ (24,658,300)	\$ (24,492,997)	\$ (24,362,076)
66,594	3,440,261	2,918,471	1,176,603	(330,385)	896,648	3,455,558
<b>\$ (23,625,403)</b>	<b>\$ (21,390,034)</b>	<b>\$ (20,184,971)</b>	<b>\$ (21,416,821)</b>	<b>\$ (24,988,685)</b>	<b>\$ (23,596,349)</b>	<b>\$ (20,906,518)</b>
\$ 9,826,097	\$ 9,017,760	\$ 8,815,468	\$ 7,760,084	\$ 8,228,349	\$ 9,887,502	\$ 9,630,983
8,635,076	8,304,263	7,793,045	7,295,428	7,276,288	7,863,969	7,755,604
2,560,420	2,501,140	2,462,681	2,351,084	2,443,059	1,610,629	2,615,648
828,812	843,180	855,610	886,875	924,764	950,646	986,546
993,217	708,041	699,907	647,999	648,284	1,732,034	672,598
1,774,781	1,800,473	1,759,421	1,766,204	1,743,151	1,820,336	1,835,478
<b>24,618,403</b>	<b>23,174,857</b>	<b>22,386,132</b>	<b>20,707,674</b>	<b>21,263,895</b>	<b>23,865,116</b>	<b>23,496,857</b>
336,255	333,148	334,665	336,259	366,197	362,897	361,552
167,140	153,556	101,289	160,755	117,172	185,016	31,009
25,881	3,702	2,688	(52,677)	(8,765)	250,293	206,414
—	—	—	—	—	2	—
239,435	48,078	1,323	592	134	200	383
(154,607)	—	—	—	—	—	—
1,082,887	949,952	945,551	978,327	899,385	885,842	853,171
<b>26,315,394</b>	<b>24,663,293</b>	<b>23,771,648</b>	<b>22,130,930</b>	<b>22,638,018</b>	<b>25,549,366</b>	<b>24,949,386</b>
3	3	1,184	—	—	—	—
—	—	—	—	—	—	—
—	5	—	48	321	19	372
273,851	—	—	—	—	—	—
(1,082,887)	(949,952)	(945,551)	(978,327)	(899,385)	(885,842)	(853,171)
<b>(809,033)</b>	<b>(949,944)</b>	<b>(944,367)</b>	<b>(978,279)</b>	<b>(899,064)</b>	<b>(885,823)</b>	<b>(852,799)</b>
<b>\$ 25,506,361</b>	<b>\$ 23,713,349</b>	<b>\$ 22,827,281</b>	<b>\$ 21,152,651</b>	<b>\$ 21,738,954</b>	<b>\$ 24,663,543</b>	<b>\$ 24,096,587</b>
\$ 2,623,397	\$ (167,002)	\$ 668,206	\$ (462,494)	\$ (2,020,282)	\$ 1,056,369	\$ 587,310
(742,439)	2,490,317	1,974,104	198,324	(1,229,449)	10,825	2,602,759
<b>\$ 1,880,958</b>	<b>\$ 2,323,315</b>	<b>\$ 2,642,310</b>	<b>\$ (264,170)</b>	<b>\$ (3,249,731)</b>	<b>\$ 1,067,194</b>	<b>\$ 3,190,069</b>

**STATE OF OHIO**  
**CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN FISCAL YEARS**  
*(modified accrual basis of accounting)*  
*(dollars in thousands)*

	2016	2015	2014	2013	2012
<b>REVENUES:</b>					
Income Taxes.....	\$ 7,996,349	\$ 8,906,259	\$ 8,411,694	\$ 9,811,982	\$ 9,076,284
Sales Taxes.....	10,548,038	10,170,995	9,386,554	8,643,468	8,304,705
Corporate and Public Utility Taxes.....	2,737,316	2,687,540	2,682,274	2,555,959	2,500,905
Motor Vehicle Fuel Taxes.....	1,798,483	1,827,134	1,782,437	1,774,781	1,800,473
Cigarette Taxes.....	1,008,677	808,270	813,056	828,812	843,180
Other Taxes.....	1,006,342	953,339	888,059	993,217	708,041
Licenses, Permits and Fees.....	3,498,903	3,000,470	3,058,221	3,207,414	3,002,172
Sales, Services and Charges.....	145,147	115,672	107,676	95,686	96,982
Federal Government.....	26,281,700	24,533,971	22,920,755	21,537,101	21,395,852
Tobacco Settlement.....	300,051	285,916	331,129	295,086	295,736
Escheat Property.....	161,904	220,486	208,508	175,284	151,601
Investment Income.....	113,375	62,431	21,356	38,255	30,121
Other .....	1,392,958	1,307,559	1,126,759	1,207,030	1,091,765
<b>TOTAL REVENUES.....</b>	<b>56,989,243</b>	<b>54,880,042</b>	<b>51,738,478</b>	<b>51,164,075</b>	<b>49,297,817</b>
<b>EXPENDITURES:</b>					
Current Operating:					
Primary, Secondary and					
Other Education.....	12,383,787	12,385,866	11,908,976	11,029,898	11,928,522
Higher Education Support.....	2,467,060	2,400,039	2,335,509	2,263,026	2,210,547
Public Assistance and Medicaid.....	28,937,506	28,632,189	25,302,660	21,660,378	21,211,351
Health and Human Services.....	1,560,412	1,519,151	1,586,232	3,369,506	3,723,084
Justice and Public Protection.....	3,324,692	3,195,731	3,091,789	3,062,006	3,073,862
Environmental Protection and					
Natural Resources.....	411,046	413,028	403,119	416,875	390,474
Transportation.....	2,841,556	2,835,705	2,647,937	2,637,989	2,510,742
General Government.....	875,371	782,777	794,985	821,512	525,706
Community and Economic					
Development.....	3,226,354	3,431,424	3,329,205	3,376,928	3,717,160
Capital Outlay.....	678,594	510,109	379,698	352,670	377,983
Debt service:					
Principal.....	1,199,620	1,229,971	1,177,305	1,813,180	702,345
Interest.....	802,556	729,002	732,849	72,103	805,399
<b>TOTAL EXPENDITURES.....</b>	<b>58,708,554</b>	<b>58,064,992</b>	<b>53,690,264</b>	<b>50,876,071</b>	<b>51,177,175</b>
<b>EXCESS (DEFICIENCY) OF</b>					
<b>  REVENUES OVER (UNDER)</b>					
<b>  EXPENDITURES.....</b>	<b>(1,719,311)</b>	<b>(3,184,950)</b>	<b>(1,951,786)</b>	<b>288,004</b>	<b>(1,879,358)</b>

2011	2010	2009	2008	2007
\$ 8,785,047	\$ 7,818,405	\$ 8,404,218	\$ 9,766,337	\$ 9,700,901
7,791,128	7,299,285	7,265,514	7,863,969	7,755,605
2,463,512	2,348,948	2,449,060	2,679,751	2,615,649
1,759,421	1,766,204	1,743,151	1,820,336	1,835,477
855,610	886,875	924,764	950,646	986,546
699,907	647,999	648,284	662,913	672,598
2,796,122	2,887,560	2,419,459	2,289,420	2,261,667
96,717	92,600	88,089	83,167	78,807
23,301,445	21,969,544	18,905,780	15,740,008	15,663,148
289,293	306,144	366,895	334,270	308,488
124,026	113,131	102,347	137,125	83,991
44,207	18,925	284,400	605,935	619,645
970,999	1,145,925	1,132,565	1,198,425	762,191
<u>49,977,434</u>	<u>47,301,545</u>	<u>44,734,526</u>	<u>44,132,302</u>	<u>43,344,713</u>
11,711,365	11,849,154	11,474,274	10,962,026	11,300,752
2,589,416	2,635,983	2,815,624	2,587,466	2,437,150
20,207,348	18,872,273	17,882,194	16,003,057	15,774,452
4,166,075	3,899,232	3,974,954	3,592,273	3,465,552
3,004,953	3,022,427	3,177,545	3,126,680	3,049,826
375,810	369,124	396,812	409,643	419,324
2,369,967	1,995,280	2,077,597	2,080,166	2,186,036
527,377	533,326	579,457	648,774	754,441
4,331,441	4,337,066	4,139,904	3,906,709	3,664,551
503,314	542,529	565,799	547,825	453,761
693,006	703,380	1,108,850	1,154,719	1,061,912
775,491	735,721	794,302	719,856	545,172
<u>51,255,563</u>	<u>49,495,495</u>	<u>48,987,312</u>	<u>45,739,194</u>	<u>45,112,929</u>
<u>(1,278,129)</u>	<u>(2,193,950)</u>	<u>(4,252,786)</u>	<u>(1,606,892)</u>	<u>(1,768,216)</u>

(continued)

**STATE OF OHIO**  
**CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)  
(dollars in thousands)  
(continued)

	2016	2015	2014	2013	2012
<b>OTHER FINANCING SOURCES (USES):</b>					
Bonds, Notes and COPs Issued.....	\$ 1,070,000	\$ 1,110,591	\$ 1,347,005	\$ 712,470	\$ 1,357,640
Refunding Bonds and COPs Issued.....	473,270	254,590	407,540	470,520	1,374,660
Payment to Refunded Bond and COPs					
Escrow Agents.....	(584,504)	(382,933)	(479,249)	(1,465,468)	(1,604,658)
Premiums.....	273,422	219,999	207,372	209,381	379,506
Discounts.....	—	—	—	—	—
Capital Leases.....	—	—	2,196	108	560
Transfers-in.....	3,751,704	3,673,216	3,426,036	4,448,253	2,803,070
Transfers-out.....	(2,590,826)	(2,591,155)	(2,470,315)	(3,365,366)	(1,853,118)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,393,066</b>	<b>2,284,308</b>	<b>2,440,585</b>	<b>1,009,898</b>	<b>2,457,660</b>
<b>SPECIAL ITEMS.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,463,506</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ 673,755</b>	<b>\$ (900,642)</b>	<b>\$ 488,799</b>	<b>\$ 2,761,408</b>	<b>\$ 578,302</b>
Debt Service as a Percentage of Noncapital Expenditures.....	3.5%	3.4%	3.6%	3.7%	3.0%
<b>Additional Information:</b>					
Increase (Decrease) for Changes in Inventories.....	\$ 26,495	\$ 924	\$ 14,593	\$ (21,245)	\$ 14,982

Source:

Ohio Office of Budget and Management

**Notes:**

During fiscal year 2014, Ohio House Bill 59 line item restructuring resulted in increases to Public Assistance and Medicaid expenditures and decreases to Health and Human Services expenditures.

Revenues, expenditures, and other financing sources (uses) have been restated for prior period adjustments, corrections, and reclassifications, when practical.

2011	2010	2009	2008	2007
\$ 1,332,425	\$ 1,008,029	\$ 1,000,770	\$ 6,214,699	\$ 1,482,830
544,775	1,154,210	506,480	—	259,205
(621,223)	(1,319,366)	(555,025)	—	(279,651)
123,831	162,697	74,345	24,139	87,878
—	—	(2,732)	(66,884)	—
915	708	600	1,533	18,942
3,030,096	3,497,705	3,470,851	3,663,030	3,548,419
(2,084,545)	(2,519,378)	(2,571,466)	(2,777,188)	(2,695,248)
2,326,274	1,984,605	1,923,823	7,059,329	2,422,375
-	-	-	-	-
\$ 1,048,145	\$ (209,345)	\$ (2,328,963)	\$ 5,452,437	\$ 654,159
2.9%	2.9%	3.9%	4.1%	3.6%
\$ 126	\$ (1,699)	\$ 19,833	\$ 24,571	\$ (3,216)

**STATE OF OHIO**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN FISCAL YEARS**  
*(modified accrual basis of accounting)*  
*(dollars in thousands)*

	2016	2015	2014	2013
<b>GENERAL FUND:</b>				
Nonspendable.....	\$ 45,953	\$ 49,655	\$ 69,787	\$ 59,896
Restricted.....	1,270,315	1,153,828	1,462,971	1,126,686
Committed.....	820,878	803,551	773,730	751,615
Assigned.....	2,653,290	2,585,575	2,366,979	2,042,246
Unassigned.....	863,925	411,190	1,255,489	1,259,670
<b>TOTAL GENERAL FUND.....</b>	<b>5,654,361</b>	<b>5,003,799</b>	<b>5,928,956</b>	<b>5,240,113</b>
<b>ALL OTHER GOVERNMENTAL FUNDS:</b>				
Nonspendable, reported in:				
Special Revenue Funds.....	109,665	80,141	76,987	59,902
Restricted, reported in:				
Special Revenue Funds.....	2,326,231	2,197,584	2,460,777	2,671,751
Debt Service Funds.....	4,764,200	4,869,269	4,989,278	5,087,771
Capital Projects Funds.....	528,827	672,113	474,897	387,874
Committed, reported in:				
Special Revenue Funds.....	746,685	606,055	631,086	613,984
Unassigned, reported in:				
Special Revenue Funds.....	(428)	(306)	(163)	(395)
Capital Projects Funds.....	-	-	-	(5,388)
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS.....</b>	<b>8,475,180</b>	<b>8,424,856</b>	<b>8,632,862</b>	<b>8,815,499</b>
<b>TOTAL GOVERNMENTAL FUNDS.....</b>	<b>\$ 14,129,541</b>	<b>\$ 13,428,655</b>	<b>\$ 14,561,818</b>	<b>\$ 14,055,612</b>

	2010	2009	2008	2007
<b>GENERAL FUND:</b>				
Reserved .....	\$ 634,254	\$ 560,762	\$ 744,371	\$ 687,131
Unreserved.....	(141,212)	213,054	1,857,001	1,568,395
<b>TOTAL GENERAL FUND.....</b>	<b>493,042</b>	<b>773,816</b>	<b>2,601,372</b>	<b>2,255,526</b>
<b>ALL OTHER GOVERNMENTAL FUNDS:</b>				
Reserved.....	12,975,477	11,549,682	11,237,699	5,391,969
Unreserved, reported in:				
Special Revenue Funds.....	(3,599,509)	(2,289,388)	(1,387,802)	(688,422)
Debt Service Funds.....	-	-	140	(20)
Capital Projects Funds.....	(194,099)	(148,155)	(256,324)	(240,976)
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS.....</b>	<b>9,181,869</b>	<b>9,112,139</b>	<b>9,593,713</b>	<b>4,462,551</b>
<b>TOTAL GOVERNMENTAL FUNDS.....</b>	<b>\$ 9,674,911</b>	<b>\$ 9,885,955</b>	<b>\$ 12,195,085</b>	<b>\$ 6,718,077</b>

Source:  
Ohio Office of Budget and Management

**Notes:**

As a result of implementing GASB Statement 54: *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances have been classified in new categories beginning in fiscal year 2011.

When practical, fund balances reported on the above table have been restated for prior period adjustments, corrections, and reclassifications; however, restatements do not include changes in reporting entity. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expenditure activity reported for the applicable fiscal years on the "Changes in Fund Balances for Governmental Funds" table and the "Condensed Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund" table may not have been determined for presentation on each of the two respective tables.

<u>2012</u>	<u>2011</u>
\$ 86,982	\$ 65,080
1,027,885	1,078,652
824,607	671,210
1,666,177	1,616,695
<u>(415,658)</u>	<u>(1,208,029)</u>
<b><u>3,189,993</u></b>	<b><u>2,223,608</u></b>
86,691	99,806
2,039,390	2,091,135
5,216,312	5,295,937
222,778	490,806
561,849	521,915
(547)	(25)
<u>—</u>	<u>—</u>
<b><u>8,126,473</u></b>	<b><u>8,499,574</u></b>
<b><u>\$ 11,316,466</u></b>	<b><u>\$ 10,723,182</u></b>

# STATE OF OHIO

## CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE GENERAL FUND FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)  
(dollars in thousands)

	2016	2015	2014	2013	2012
<b>REVENUES:</b>					
Income Taxes.....	\$ 7,995,959	\$ 8,895,192	\$ 8,398,840	\$ 9,798,658	\$ 9,063,827
Sales Taxes.....	10,547,926	10,166,332	9,380,762	8,637,501	8,297,544
Corporate and Public Utility Taxes .....	2,670,854	2,597,993	2,680,923	2,554,965	2,499,601
Motor Vehicle Fuel Tax.....	1,109,241	1,114,542	1,091,123	1,087,748	1,104,127
Cigarette Taxes .....	1,008,677	808,270	813,056	828,812	843,180
Other Taxes .....	691,250	648,099	661,870	747,882	670,831
Licenses, Permits and Fees .....	706,064	734,839	722,403	816,564	781,717
Sales, Services and Charges .....	85,579	76,208	68,918	59,839	64,025
Federal Government .....	11,309,010	8,942,561	8,313,226	7,225,992	7,131,978
Tobacco Settlement.....	2,953	94	38,620	-	-
Escheat Property .....	161,904	220,486	208,508	175,284	151,601
Investment Income .....	93,014	47,438	8,662	26,454	19,654
Other .....	354,151	244,296	246,632	283,339	300,150
<b>TOTAL REVENUES .....</b>	<b>36,736,582</b>	<b>34,496,350</b>	<b>32,633,543</b>	<b>32,243,038</b>	<b>30,928,235</b>
<b>EXPENDITURES:</b>					
Current Operating .....	34,842,685	33,941,965	30,970,485	29,451,874	29,972,837
Capital Outlay .....	-	-	734	42	-
Debt Service .....	-	-	-	-	-
<b>TOTAL EXPENDITURES .....</b>	<b>34,842,685</b>	<b>33,941,965</b>	<b>30,971,219</b>	<b>29,451,916</b>	<b>29,972,837</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES .....</b>					
	<b>1,893,897</b>	<b>554,385</b>	<b>1,662,324</b>	<b>2,791,122</b>	<b>955,398</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Bonds, Notes and COPs Issued.....	530,000	460,000	800,000	178,000	1,109,228
Premiums .....	56,696	48,536	28,310	7,911	60,983
Capital Leases .....	-	-	2,196	108	560
Transfers-in .....	286,624	321,156	221,697	545,356	314,048
Transfers-out .....	(2,116,780)	(2,072,234)	(2,026,789)	(2,928,231)	(1,472,254)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(1,243,460)</b>	<b>(1,242,542)</b>	<b>(974,586)</b>	<b>(2,196,856)</b>	<b>12,565</b>
<b>SPECIAL ITEMS.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,463,506</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>650,437</b>	<b>(688,157)</b>	<b>687,738</b>	<b>2,057,772</b>	<b>967,963</b>
<b>FUND BALANCES, JULY 1 (as restated).....</b>	<b>5,004,435</b>	<b>5,695,511</b>	<b>5,240,486</b>	<b>3,188,956</b>	<b>2,223,608</b>
Increase (Decrease) for Changes in Inventories .....	(511)	(3,555)	732	(6,615)	(1,578)
<b>FUND BALANCES, JUNE 30 .....</b>	<b>\$ 5,654,361</b>	<b>\$ 5,003,799</b>	<b>\$ 5,928,956</b>	<b>\$ 5,240,113</b>	<b>\$ 3,189,993</b>

**Source:**

Ohio Office of Budget and Management

**Notes:**

As a result of implementing GASB Statement 54: *Fund Balance Reporting and Governmental Fund Type Definitions*, the General Fund is reporting balances and activities previously reported within special revenue funds beginning in fiscal year 2011.

The July 1 fund balances, revenues, and expenditures have been restated for prior period adjustments, corrections, and reclassifications, when practical.

	2011	2010	2009	2008	2007
\$	8,771,965	\$ 7,172,356	\$ 7,705,081	\$ 8,955,642	\$ 8,863,302
	7,785,452	7,108,573	7,062,149	7,556,034	7,432,423
	2,462,363	549,596	814,415	1,198,202	1,583,791
	1,070,014	-	-	-	-
	855,610	886,875	924,764	950,644	986,546
	682,637	589,121	587,806	601,557	612,304
	657,629	237,690	435,849	328,260	288,648
	63,323	51,811	51,653	51,351	48,876
	8,122,729	6,753,767	6,848,974	5,626,381	5,362,256
	-	-	-	1,135	-
	124,026	113,131	102,347	137,125	83,991
	20,997	(12,331)	170,371	395,408	416,563
	297,932	498,261	455,254	582,672	252,599
	<b>30,914,677</b>	<b>23,948,850</b>	<b>25,158,663</b>	<b>26,384,411</b>	<b>25,931,299</b>
	29,837,914	23,719,349	26,290,239	25,122,530	25,129,616
	-	-	67	10	114
	-	-	-	-	14,575
	<b>29,837,914</b>	<b>23,719,349</b>	<b>26,290,306</b>	<b>25,122,540</b>	<b>25,144,305</b>
	<b>1,076,763</b>	<b>229,501</b>	<b>(1,131,643)</b>	<b>1,261,871</b>	<b>786,994</b>
	624,890	97,739	30,000	7,998	525,000
	1,200	3,560	500	-	-
	915	708	600	1,533	9,999
	477,418	373,807	446,576	496,538	346,399
	(1,574,293)	(990,195)	(1,173,439)	(1,424,672)	(1,322,012)
	<b>(469,870)</b>	<b>(514,381)</b>	<b>(695,763)</b>	<b>(918,603)</b>	<b>(440,614)</b>
	-	-	-	-	-
	<b>606,893</b>	<b>(284,880)</b>	<b>(1,827,406)</b>	<b>343,268</b>	<b>346,380</b>
	1,612,899	773,816	2,601,372	2,255,526	1,909,683
	3,816	4,106	(150)	2,578	(537)
\$	<b>2,223,608</b>	<b>\$ 493,042</b>	<b>\$ 773,816</b>	<b>\$ 2,601,372</b>	<b>\$ 2,255,526</b>

# STATE OF OHIO

## TAX REVENUES OF GOVERNMENTAL FUNDS BY MAJOR SOURCE AND EFFECTIVE STATE INCOME TAX RATE FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(dollars in millions)

INCOME TAX	2016	2015	2014	2013	2012
Personal Income Tax Revenue.....	\$7,996	\$8,906	\$8,412	\$9,812	\$9,076
Personal Income(A).....	<u>\$505,950</u>	<u>\$489,695</u>	<u>\$472,846</u>	<u>\$462,424</u>	<u>\$436,818</u>
Average Effective State Income Tax Rate.....	<u>1.58%</u>	<u>1.82%</u>	<u>1.78%</u>	<u>2.12%</u>	<u>2.08%</u>
SALES TAX	2016	2015	2014	2013	2012
State Sales Tax Revenue.....	\$10,548	\$10,171	\$9,387	\$8,643	\$8,305

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis  
Ohio Office of Budget and Management

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**Note:**

(A)-Data presented is as of December 31 of the given fiscal year.

2011	2010	2009	2008	2007
\$8,785	\$7,818	\$8,404	\$9,766	\$9,701
\$417,376	\$408,395	\$407,874	\$395,710	\$381,260
2.10%	1.91%	2.06%	2.48%	2.54%

2011	2010	2009	2008	2007
\$7,791	\$7,299	\$7,266	\$7,864	\$ 7,756

# STATE OF OHIO

## PERSONAL INCOME BY INDUSTRY, EFFECTIVE TAX RATE, EXEMPTIONS, AND INCOME TAX RATES FOR THE LAST TEN CALENDAR YEARS

### STATE INCOME TAX BY INDUSTRY

(dollars in millions)	2015	2014	2013	2012	2011
Services.....	\$ 147,288	\$ 142,532	\$ 137,541	\$ 132,344	\$ 123,939
Manufacturing.....	54,536	52,490	50,541	50,024	48,612
Government.....	56,281	54,715	53,485	53,886	49,969
Wholesale and Retail Trade.....	42,141	40,997	39,565	38,687	37,048
Finance, Insurance, and Real Estate.....	26,349	28,766	27,397	25,873	24,116
Construction.....	19,967	18,837	17,523	16,341	15,473
Transportation and Public Utilities.....	17,363	15,129	15,207	14,837	13,813
Other .....	142,025	136,229	131,587	130,432	123,848
Total Personal Income.....	<u>\$ 505,950</u>	<u>\$ 489,695</u>	<u>\$ 472,846</u>	<u>\$ 462,424</u>	<u>\$ 436,818</u>
Average Effective State Income Tax Rate.....	<u>1.58%</u>	<u>1.82%</u>	<u>1.78%</u>	<u>2.12%</u>	<u>2.08%</u>

### EXEMPTIONS BY CALENDAR YEAR

Exemptions	2015	2014	2013	2012	2011
Personal/Dependent Exemption (B):					
\$0-\$40,000.....	2,200	2,200	1,700	1,700	1,650
\$40,001-80,000.....	1,950	1,950	1,700	1,700	1,650
\$80,001 and above.....	1,700	1,700	1,700	1,700	1,650
Exemption Credit per Taxpayer, Spouse, and Dependent(A).....	20	20	20	20	20

#### Sources:

U.S. Department of Commerce, Bureau of Economic Analysis  
Ohio Office of Budget and Management  
Ohio Department of Taxation

(A) Beginning on or after January 1, 2014, the \$20 personal and dependent exemption credit is only available to taxpayers with Ohio taxable income of less than \$30,000.

(B) Beginning with the 2014 tax return, HB 483 implemented a change to the exemption amount to be claimed.

2010	2009	2008	2007	2006
\$ 118,820	\$ 115,300	\$ 112,598	\$ 107,901	\$ 102,092
47,291	43,948	54,155	55,365	55,876
49,452	49,779	47,866	45,811	44,563
35,684	35,015	36,065	35,563	34,343
22,307	21,526	22,440	22,906	22,522
14,244	14,279	14,742	15,499	15,790
13,229	13,558	14,056	13,655	13,420
116,349	114,990	105,952	99,010	92,654
<u>\$ 417,376</u>	<u>\$ 408,395</u>	<u>\$ 407,874</u>	<u>\$ 395,710</u>	<u>\$ 381,260</u>
<u>2.10%</u>	<u>1.91%</u>	<u>2.06%</u>	<u>2.48%</u>	<u>2.54%</u>

2010	2009	2008	2007	2006
1,600	1,550	1,500	1,450	1,400
1,600	1,550	1,500	1,450	1,400
1,600	1,550	1,500	1,450	1,400
20	20	20	20	20

(continued)

# STATE OF OHIO

## PERSONAL INCOME BY INDUSTRY, EFFECTIVE TAX RATE, EXEMPTIONS, AND INCOME TAX RATES FOR THE LAST TEN CALENDAR YEARS

(continued)

### INCREMENTAL TAX RATES BY CALENDAR YEAR

Ohio Income Tax Brackets (A)	2015 (B)	2014	2013	2012
Tax Bracket 1.....	0.495%	0.528%	0.537%	0.587%
Tax Bracket 2.....	0.990%	1.057%	1.074%	1.174%
Tax Bracket 3.....	1.980%	2.113%	2.148%	2.348%
Tax Bracket 4.....	2.476%	2.642%	2.686%	2.935%
Tax Bracket 5.....	2.969%	3.169%	3.222%	3.521%
Tax Bracket 6.....	3.465%	3.698%	3.760%	4.109%
Tax Bracket 7.....	3.960%	4.226%	4.296%	4.695%
Tax Bracket 8.....	4.597%	4.906%	4.988%	5.451%
Tax Bracket 9.....	4.997%	5.333%	5.421%	5.925%

### TAX BRACKETS BY CALENDAR YEAR

Ohio Income Tax Brackets (A)	2015 (B)	2014	2013	2012
Tax Bracket 1.....	\$0- \$5,200	\$0- \$5,200	\$0- \$5,200	\$0- \$5,200
Tax Bracket 2.....	5,200- 10,400	5,200- 10,400	5,200- 10,400	5,200- 10,400
Tax Bracket 3.....	10,400- 15,650	10,400- 15,650	10,400- 15,650	10,400- 15,650
Tax Bracket 4.....	15,650- 20,900	15,650- 20,900	15,650- 20,900	15,650- 20,900
Tax Bracket 5.....	20,900- 41,700	20,900- 41,700	20,900- 41,700	20,900- 41,700
Tax Bracket 6.....	41,700- 83,350	41,700- 83,350	41,700- 83,350	41,700- 83,350
Tax Bracket 7.....	83,350- 104,250	83,350- 104,250	83,350- 104,250	83,350- 104,250
Tax Bracket 8.....	104,250- 208,500	104,250- 208,500	104,250- 208,500	104,250- 208,500
Tax Bracket 9.....	208,500 & above	208,500 & above	208,500 & above	208,500 & above

Source:

Ohio Department of Taxation

Note:

(A) - Beginning in 2010, O.R.C. 5747.02 (A) directed that the Tax Commission will adjust the income brackets for inflation.

(B) - Calendar year 2015 is most recent year for which data available.

2011	2010	2009	2008	2007	2006
0.587%	0.618%	0.618%	0.618%	0.649%	0.681%
1.174%	1.236%	1.236%	1.236%	1.299%	1.361%
2.348%	2.473%	2.473%	2.473%	2.598%	2.722%
2.935%	3.091%	3.091%	3.091%	3.247%	3.403%
3.521%	3.708%	3.708%	3.708%	3.895%	4.083%
4.109%	4.327%	4.327%	4.327%	4.546%	4.764%
4.695%	4.945%	4.945%	4.945%	5.194%	5.444%
5.451%	5.741%	5.741%	5.741%	6.031%	6.320%
5.925%	6.240%	6.240%	6.240%	6.555%	6.870%

2011	2010	2009-2006
\$0- \$5,100	\$0- \$5,050	\$0 - \$5,000
5,101- 10,200	5,050- 10,100	5,001 - 10,000
10,201- 15,350	10,100- 15,150	10,001 - 15,000
15,351- 20,450	15,150- 20,200	15,001 - 20,000
20,451- 40,850	20,200- 40,350	20,001 - 40,000
40,851- 81,650	40,350- 80,700	40,001 - 80,000
81,651- 102,100	80,700- 100,900	80,001 - 100,000
102,101- 204,200	100,900- 201,800	100,001 - 200,000
204,200 & above	201,800 & above	200,001 & above

# STATE OF OHIO

## STATE INDIVIDUAL INCOME TAX RETURNS AND LIABILITY BY INCOME LEVEL FOR TAX YEAR 2014 WITH COMPARATIVES FOR TAX YEAR 2005 (NINE YEARS PRIOR)

2014 TAX YEAR (most recent information available)			
Income Level	Federal Adjusted Gross Income (in thousands)	Ohio Tax Returns	
		Number	Percentage of Total Returns
\$200,001 & Above	\$168,214,072	195,349	3.67%
\$100,001-\$200,000	76,331,084	576,525	10.83%
\$80,001-\$100,000	33,699,854	377,050	7.08%
\$40,001-\$80,000	78,492,317	1,372,129	25.77%
\$20,001-\$40,000	36,655,673	1,245,510	23.39%
\$15,001-\$20,000	6,669,446	382,298	7.18%
\$10,001-\$15,000	5,208,303	416,315	7.82%
\$5,001-\$10,000	3,028,086	402,028	7.55%
\$5,000 & Under	968,327	357,626	6.72%
	<u>\$409,267,162</u>	<u>5,324,830</u>	<u>100.00%</u>

2005 TAX YEAR			
Income Level	Federal Adjusted Gross Income (in thousands)	Ohio Tax Returns	
		Number	Percentage of Total Returns
\$200,001 & Above	\$114,117,796	115,967	2.17%
\$100,001-\$200,000	45,179,948	346,017	6.48%
\$80,001-\$100,000	36,191,686	420,913	7.88%
\$40,001-\$80,000	69,717,885	1,266,600	23.72%
\$20,001-\$40,000	41,270,799	1,405,171	26.31%
\$15,001-\$20,000	7,490,482	428,502	8.02%
\$10,001-\$15,000	5,483,743	439,075	8.22%
\$5,001-\$10,000	3,438,492	461,227	8.64%
\$5,000 & Under	1,101,507	457,382	8.56%
	<u>\$323,992,338</u>	<u>5,340,854</u>	<u>100.00%</u>

Source:

Ohio Department of Taxation

**Note:**

(A) The effective tax rate is calculated by dividing Ohio income tax receipts by federal adjusted gross income.

Ohio Income Tax Liability		
Tax Receipts (in thousands)	Percentage of Total Taxes	Effective Tax Rate (A)
\$3,085,226	38.94%	1.83%
2,062,025	26.03%	2.70%
786,431	9.93%	2.33%
1,533,008	19.35%	1.95%
412,145	5.20%	1.12%
32,005	0.40%	0.48%
12,216	0.15%	0.23%
99	0.00%	0.00%
98	0.00%	0.01%
<u>\$7,923,253</u>	<u>100.00%</u>	1.94%

Ohio Income Tax Liability		
Tax Receipts (in thousands)	Percentage of Total Taxes	Effective Tax Rate (A)
\$2,993,773	33.50%	2.62%
1,825,088	20.42%	4.04%
1,229,474	13.76%	3.40%
1,972,994	22.08%	2.83%
819,165	9.17%	1.98%
72,880	0.82%	0.97%
23,232	0.26%	0.42%
95	0.00%	0.00%
428	0.00%	0.04%
<u>\$8,937,129</u>	<u>100.00%</u>	2.76%

# STATE OF OHIO

## SALES TAX REVENUE BY TYPE, TAX REVENUES OF GOVERNMENTAL FUNDS FOR THE LAST TEN FISCAL YEARS

(cash basis of accounting)

(dollars in thousands)

	2016	2015	2014	2013
Vendors' Sales.....	\$ 9,128,017	\$ 8,816,637	\$ 8,132,482	\$ 7,485,702
Motor Vehicles and Watercraft.....	1,363,324	1,332,239	1,224,236	1,110,055
Alcoholic Beverages.....	55,005	50,285	46,087	41,683
Delinquencies and Assessments.....	90,158	60,793	62,726	63,708
Permissive Taxes:				
County Levies.....	20,848	19,221	17,163	16,046
Transit Authorities.....	4,691	4,474	4,180	4,008
Total Sales Tax Revenue.....	<u>\$ 10,662,043</u>	<u>\$ 10,283,649</u>	<u>\$ 9,486,874</u>	<u>\$ 8,721,202</u>
Base State Sales Tax Rates.....	<u>5.75%</u>	<u>5.75%</u>	<u>5.75%</u>	<u>5.75%</u>

Source:

Ohio Department of Taxation  
Ohio Office of Budget and Management

2012	2011	2010	2009	2008	2007
\$ 7,190,870	\$ 6,752,244	\$ 6,349,058	\$ 6,430,446	\$ 6,794,114	\$ 6,677,060
1,066,141	988,447	894,332	885,234	975,833	978,029
38,814	36,218	35,051	33,676	31,435	29,132
74,956	63,582	62,046	52,204	64,293	46,366
14,970	14,249	13,644	13,763	14,250	13,921
3,845	3,635	3,383	3,436	3,088	2,940
<u>\$ 8,389,596</u>	<u>\$ 7,858,375</u>	<u>\$ 7,357,514</u>	<u>\$ 7,418,759</u>	<u>\$ 7,883,013</u>	<u>\$ 7,747,448</u>
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%

# STATE OF OHIO

## WORKERS' COMPENSATION ENTERPRISE FUND ACTIVE EMPLOYERS, PREMIUM AND ASSESSMENT INCOME AND ACTUAL AVERAGE COLLECTED PREMIUM RATE FOR THE LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012
<b>Active Employers by Type</b>					
Private.....	239,331	247,829	249,602	249,085	249,668
Public (Local).....	3,796	3,807	3,815	3,794	3,801
Public (State).....	121	121	121	129	122
Self-Insured.....	1,178	1,180	1,197	1,205	1,196
Black Lung.....	31	34	36	36	35
Marine Fund.....	138	135	146	139	132
<b>Total.....</b>	<b>244,595</b>	<b>253,106</b>	<b>254,917</b>	<b>254,388</b>	<b>254,954</b>
<b>Premium &amp; Assessment Income</b> <i>(dollars in thousands)</i>					
Premium & Assessment Income.....	\$ 1,456,855	\$ 1,993,706	\$ 2,142,549	\$ 1,533,153	\$ 1,992,018
Provision for Uncollectibles.....	(17,712)	(39,532)	(56,728)	(40,764)	(47,540)
<b>Total Premium &amp; Assessment Income.....</b>	<b>\$ 1,439,143</b>	<b>\$ 1,954,174</b>	<b>\$ 2,085,821</b>	<b>\$ 1,492,389</b>	<b>\$ 1,944,478</b>
<b>Average Published Rate</b> per \$100 of Payroll:					
Private Employers.....	\$1.07	\$1.17	\$1.30	\$1.43	\$1.43
Public Employers-Taxing Districts.....	1.03	1.12	1.23	1.24	1.31

Sources:

Ohio Bureau of Workers' Compensation Year-End Statistics Report  
Ohio Bureau of Workers' Compensation Actuarial Report

**Note:**

In June 2007, House Bill 100 passed granting BWC the authority to assess employers in future periods for amounts needed to fund the Disabled Worker's Relief Fund. The net impact of this change was a \$1.9 billion increase in assessment income during fiscal year 2007.

2011	2010	2009	2008	2007
250,432	251,009	257,012	264,870	270,499
3,802	3,790	3,791	3,810	3,783
125	124	124	125	126
1,203	1,202	1,188	1,174	1,139
39	37	38	39	37
120	106	98	92	95
<u>255,721</u>	<u>256,268</u>	<u>262,251</u>	<u>270,110</u>	<u>275,679</u>

\$ 1,983,255	\$ 2,148,280	\$ 2,469,550	\$ 2,235,092	\$ 4,329,362
<u>(48,075)</u>	<u>(29,859)</u>	<u>(108,620)</u>	<u>(96,690)</u>	<u>(58,429)</u>
<u>\$ 1,935,180</u>	<u>\$ 2,118,421</u>	<u>\$ 2,360,930</u>	<u>\$ 2,138,402</u>	<u>\$ 4,270,933</u>

\$1.49	\$1.49	\$1.55	\$1.76	\$1.85
1.38	1.46	1.76	1.85	1.84

**STATE OF OHIO**  
**LOTTERY COMMISSION ENTERPRISE FUND**  
**TICKET SALES BY MAJOR GAME TYPE**  
**FOR THE LAST TEN FISCAL YEARS**  
*(dollars in millions)*

	2016	2015	2014	2013	2012
Online Games:					
Pick 3.....	\$ 343.0	\$ 338.0	\$ 339.0	\$ 345.2	\$ 357.4
Pick 4.....	200.3	192.8	185.8	189.8	207.9
Pick 5 (H).....	36.4	33.3	27.9	28.0	-
Rolling Cash 5.....	60.3	62.6	63.4	61.5	63.8
Super Lotto/Classic Lotto(A).....	-	-	-	-	-
Classic Lotto(A)/Kicker(G).....	35.8	31.0	54.1	41.5	42.3
Raffle(B).....	-	7.0	1.0	9.1	10.0
Kicker(G).....	-	4.7	6.0	5.1	0.9
Mega Millions/Megaplier(G).....	102.2	113.3	133.4	102.8	179.3
EZPLAY(C).....	115.2	99.8	84.8	68.0	46.5
Ten-OH!(D)(H).....	-	-	-	0.8	8.3
Keno(E).....	365.9	329.5	298.1	251.5	209.8
Power Ball/Power Play(F).....	193.5	105.0	122.8	166.6	105.3
EZPLAY TAP(I).....	31.5	24.0	-	-	-
EZPLAY QUICKENO(J).....	0.7	-	-	-	-
Lucky for Life(J).....	14.1	-	-	-	-
Total Online Games.....	1,498.9	1,341.0	1,316.3	1,269.9	1,231.5
Instant Games.....	1,560.7	1,551.0	1,426.8	1,428.0	1,507.5
Total Ticket Sales.....	<u>\$ 3,059.6</u>	<u>\$ 2,892.0</u>	<u>\$ 2,743.1</u>	<u>\$ 2,697.9</u>	<u>\$ 2,739.0</u>

Source:  
Ohio Lottery Commission

**Notes:**

- (A) - In January 2007, the Classic Lotto game replaced the Super Lotto game.
- (B) - Raffle to Riches was a new game started in 2007.
- (C) - In April 2008, the new EZ Play game was introduced.
- (D) - In August 2007, the game Ten-OH! was introduced.
- (E) - In 2009, the Keno game was introduced.
- (F) - In fiscal year 2010, the Power Ball / Power Play was introduced.
- (G) - In fiscal year 2011, the Kicker was retired and the Megaplier was added.  
Kicker was reintroduced in 2012 as an add-on to Classic Lotto.
- (H) - August 2012, the Ten-Oh game was replaced by Pick 5.
- (I) - In fiscal year 2015, the EZPLAY TAP game was introduced.
- (J) - In fiscal year 2016, the EZPLAY QUICKENO and Lucky for Life was introduced.

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	364.4	\$ 366.7	\$ 382.5	\$ 387.1	\$ 370.9
	209.0	201.3	205.9	198.8	183.0
	-	-	-	-	-
	62.4	67.1	67.2	70.5	72.9
	-	-	-	-	21.8
	42.7	42.8	43.9	41.2	21.8
	10.0	9.1	9.3	10.0	17.8
	10.3	24.1	21.4	21.4	21.3
	165.0	215.8	193.0	201.0	196.1
	30.9	30.4	34.3	12.3	-
	9.2	9.7	11.0	18.0	-
	157.9	120.6	99.8	-	-
	76.4	23.6	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	<u>1,138.2</u>	<u>1,111.2</u>	<u>1,068.3</u>	<u>960.3</u>	<u>905.6</u>
	<u>1,462.8</u>	<u>1,379.0</u>	<u>1,349.4</u>	<u>1,364.8</u>	<u>1,353.8</u>
<u>\$</u>	<u>2,601.0</u>	<u>\$ 2,490.2</u>	<u>\$ 2,417.7</u>	<u>\$ 2,325.1</u>	<u>\$ 2,259.4</u>

**STATE OF OHIO**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**FOR THE LAST TEN FISCAL YEARS**

(dollars in thousands)

As of June 30,	Governmental Activities				
	General Obligation Bonds	Revenue Bonds and Notes	Special Obligation Bonds	Certificates of Participation	Capital Leases
2016	\$ 9,283,156	\$ 6,261,882	\$ 1,930,592	\$ 194,899	\$ 8,806
2015	9,149,055	6,409,774	1,906,844	231,837	2,072
2014	9,366,348	6,355,222	1,836,136	173,603	3,055
2013	8,812,499	6,486,884	1,925,252	198,266	2,294
2012	8,888,085	7,129,786	2,090,889	156,664	4,199
2011	7,872,276	7,156,025	2,260,853	179,935	6,530
2010	7,343,289	6,891,331	2,338,094	200,428	8,624
2009	7,138,051	6,646,593	2,427,556	216,537	9,929
2008	7,310,376	6,413,182	2,585,319	187,336	9,804
2007	7,583,266	811,910	2,966,105	122,182	18,737

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis

Ohio Office of Budget and Management

**Note:**

Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

(dollars in thousands)

Business-Type Activities

Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
\$ -	\$ 10,077	\$ 17,689,412	3.50%	1,523
-	13,094	17,712,676	3.62%	1,528
-	15,357	17,749,721	3.75%	1,534
15,422	33,009	17,473,626	3.78%	1,514
31,633	45,289	18,346,545	4.21%	1,589
47,889	58,007	17,581,515	4.21%	1,524
64,200	66,757	16,912,723	4.12%	1,465
80,657	3	16,519,326	4.05%	1,438
97,286	12	16,603,315	4.20%	1,448
115,740	22	11,617,962	3.05%	1,012

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**STATE OF OHIO**  
**RATIOS OF GENERAL AND SPECIAL OBLIGATION BONDED DEBT OUTSTANDING**  
**FOR THE LAST TEN FISCAL YEARS**

As of June 30,	Bonded Debt (dollars in thousands)					
	General Obligation Bonds	Special Obligation Bonds	Less Amount Restricted for Bond Repayment	Net Bonded Debt	Percentage of Personal Income	Per Capita Net Bonded Debt
2016	\$9,283,156	\$1,930,592	\$2,604	\$11,211,144	2.22%	965
2015	9,149,055	1,906,844	656	11,055,243	2.26%	954
2014	9,366,348	1,836,136	13,556	11,188,928	2.37%	967
2013	8,812,499	1,925,252	4,856	10,732,895	2.32%	930
2012	8,888,085	2,090,889	34,923	10,944,051	2.51%	948
2011	7,872,276	2,260,853	16,857	10,116,272	2.42%	877
2010	7,343,289	2,338,094	1,124	9,680,259	2.36%	839
2009	7,138,051	2,427,556	931	9,564,676	2.35%	833
2008	7,310,376	2,585,319	8,954	9,886,741	2.50%	862
2007	7,583,266	2,966,105	11,680	10,537,691	2.76%	918

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis  
Ohio Office of Budget and Management

**Note:**

This table includes general and special obligation bonds for which debt service payments have been made from the following combining funds in the Debt Service and Capital Projects Funds. Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

**Debt Service Fund:**

- Coal Research/Development General Obligations
- Local Infrastructure Improvements General Obligations
- State Projects General Obligations
- Highway Capital Improvements General Obligations
- Higher Education Capital Facilities General Obligations
- Common Schools Capital Facilities General Obligations
- Conservation Projects General Obligations
- Third Frontier Research/Development General Obligations
- Persian Gulf Conflict Compensation General Obligation
- Job Ready Site Development General Obligations
- School Building Program Special Obligation
- Lease Rental Special Obligations\*

**Capital Projects Fund:**

- Mental Health/Developmental Disabilities Facilities Improvements
- Parks and Recreation Improvements
- Adult Correctional Building Improvements
- Administrative Service Building Improvements
- Youth Services Building Improvements
- Ohio Parks and Natural Resources
- Transportation Building Improvements

\* - As of fiscal year 2012, Lease Rental Special Obligations encompasses Chapter 154 Special Obligations, Higher Education Facilities Special Obligations, Mental Health Facilities Special Obligations, Parks and Recreation Facilities Special Obligations, and Ohio Building Authority Special Obligations.

# STATE OF OHIO

## ANNUAL LIMITATION ON DEBT SERVICE EXPENDITURES (BUDGETARY BASIS) FOR THE LAST TEN FISCAL YEARS

(dollars in thousands)

	2016	2015	2014	2013
Debt Service Expenditures.....	\$ 1,314,513	\$ 1,278,259	\$ 1,237,701	\$ 1,204,776
General Revenue Fund (GRF) Revenues and Transfers from the Lottery Enterprise Fund.....	\$ 34,997,700	\$ 32,463,100	\$ 30,137,140	\$ 30,362,815
Calculation of Annual 5% Debt Service Cap.....	\$ 1,749,885	\$ 1,623,155	\$ 1,506,857	\$ 1,518,141
Amount Under the Debt Service Expenditure Cap.....	\$ 435,372	\$ 344,896	\$ 269,156	\$ 313,365
Ratio of Debt Service Expenditures to Total GRF Revenues and Lottery Transfers.....	3.76%	3.94%	4.11%	3.97%

### Limitations on Debt

A 1999 amendment to the Ohio Constitution provides an annual debt service "cap" on general obligation bonds and other direct obligations payable from the General Revenue Fund (GRF) or net state lottery proceeds. Generally, such bonds may not be issued if the future fiscal year debt service on the new bonds and previously issued bonds exceeds five percent of total estimated GRF revenues plus net state lottery proceeds during the fiscal year of issuance. Application of the cap may be waived in a particular instance by a three-fifths vote of each house of the General Assembly and may be changed by future constitutional amendments. Direct obligations of the State include, for example, special obligation bonds issued by the Ohio Building Authority and the Treasurer of State that are paid from GRF appropriations, but exclude bonds such as highway bonds that are paid from highway user receipts.

Source:

Ohio Office of Budget and Management

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### Note:

(A) Debt Service Expenditures reflect the restructuring of net debt service payments into later fiscal years.

(B) Revenues and Transfers from the Lottery enterprise Fund excludes federal funds from the American Recovery Act of 2009.

	<u>2012(A)</u>	<u>2011(A)(B)</u>	<u>2010(A)(B)</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	692,776	\$ 755,023	\$ 710,284	\$ 1,075,938	\$ 1,231,640	\$ 1,216,382
\$	27,956,513	\$ 26,777,100	\$ 24,108,466	\$ 27,386,792	\$ 27,331,442	\$ 26,447,719
\$	1,397,826	\$ 1,338,855	\$ 1,205,423	\$ 1,369,340	\$ 1,366,572	\$ 1,322,386
\$	705,050	\$ 583,832	\$ 495,139	\$ 293,402	\$ 134,932	\$ 106,004
	2.48%	2.82%	2.95%	3.93%	4.51%	4.60%

**STATE OF OHIO**  
**REVENUE BOND AND NOTE COVERAGE**  
**FOR THE LAST TEN FISCAL YEARS**  
*(dollars in thousands)*

**Buckeye Tobacco Settlement Financing Authority Revenue Bonds**

Buckeye Tobacco Settlement Financing Authority Revenue Bonds Fund				Debt Service Requirements			
Fiscal Year	Gross Revenues (A)	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2016	\$299,239	N/A	\$299,239	\$35,000	\$294,359	\$329,359	0.91
2015	286,914	N/A	286,914	26,640	295,691	322,331	0.89
2014	293,573	N/A	293,573	23,995	296,892	320,887	0.91
2013	296,261	N/A	296,261	12,320	285,700	298,020	0.99
2012	295,259	N/A	295,259	20,295	274,874	295,169	1.00
2011	291,908	N/A	291,908	23,760	275,967	299,727	0.97
2010	305,096	N/A	305,096	28,695	277,323	306,018	1.00
2009	374,674	N/A	374,674	98,585	282,012	380,597	0.98
2008	348,028	N/A	348,028	33,285	167,255	200,540	1.74

**Infrastructure Bank Revenue Bonds**  
**Issuer: Treasurer of State**

Highway Operating Fund				Debt Service Requirements			
Fiscal Year	Gross Revenues (B)	Direct Operating Expenses	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2016	\$176,933	N/A	\$176,933	\$144,405	\$35,414	\$179,819	0.98
2015	170,368	N/A	170,368	200,801	38,699	239,500	0.71
2014	167,653	N/A	167,653	136,415	41,511	177,926	0.94
2013	160,339	N/A	160,339	123,685	44,357	168,042	0.95
2012	152,561	N/A	152,561	123,235	50,338	173,573	0.88
2011	147,045	N/A	147,045	114,095	40,395	154,490	0.95
2010	145,094	N/A	145,094	111,080	36,632	147,712	0.98
2009	150,609	N/A	150,609	123,240	34,716	157,956	0.95
2008	119,077	N/A	119,077	104,960	23,092	128,052	0.93
2007	92,167	N/A	92,167	80,520	18,876	99,396	0.93

(continued)

**Notes:**

- (A) The Buckeye Tobacco Settlement Financing Authority revenue bonds were first issued in fiscal year 2008. Gross revenues consist of tobacco settlement receipts (TSRs) and investment income.
- (B) The gross revenue for Infrastructure Bank Revenue Bonds includes GARVEE receipts, which stands for Grant Anticipation Revenue Vehicles, and other revenue. GARVEE receipts are capital market borrowings repaid by federal transportation funds deposited in the State's Highway Operating Fund.

**STATE OF OHIO**  
**REVENUE BOND AND NOTE COVERAGE**  
**FOR THE LAST TEN FISCAL YEARS**  
*(dollars in thousands)*  
*(continued)*

**Economic Development and Revitalization Project Revenue Bonds and Notes**  
**Issuer: Treasurer of State**

Fiscal Year	Liquor Control Enterprise Fund			Debt Service Requirements			
	Gross Liquor Revenues	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2013 (C)	\$485,607	\$310,209	\$175,398	\$26,440	\$15,168	\$41,608	4.22
2012 (D)	791,454	543,375	248,079	119,625	31,613	151,238	1.64
2011	733,573	507,417	226,156	24,710	31,682	56,392	4.01
2010	706,736	488,730	218,006	21,940	25,447	47,387	4.60
2009	689,283	479,412	209,871	21,470	23,853	45,323	4.63
2008	663,830	459,638	204,192	16,480	23,094	39,574	5.16
2007	639,664	443,708	195,956	15,445	23,810	39,255	4.99

**Ohio Building Authority Revenue Bonds**

Fiscal Year	Ohio Building Authority Enterprise Fund			Debt Service Requirements			
	Gross Revenues (E)	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2008 (F)	\$27,527	\$28,078	(\$551)	\$2,686	\$30	\$2,716	N/A
2007	27,581	27,923	(342)	4,653	149	4,802	N/A

(continued)

**Notes (continued):**

- (C) On February 1, 2013, the State granted a 25-year franchise on its spirituous liquor system. Activity of the Liquor Control Enterprise Fund ceased as of January 31, 2013. The final debt service payments on the Economic Development and Revitalization Project Revenue Bonds and Notes were made during fiscal year 2013.
- (D) Fiscal year 2012 debt service requirements includes payments for Bond Anticipation Notes (BANS), the term of which is no longer than one year.
- (E) Gross revenues consist of operating revenues and investment income.
- (F) The final debt service payments on the Ohio Building Authority Revenue Bonds were made during fiscal year 2008.

**STATE OF OHIO**  
**REVENUE BOND AND NOTE COVERAGE**  
**FOR THE LAST TEN FISCAL YEARS**  
*(dollars in thousands)*  
*(continued)*

**Bureau of Workers' Compensation Revenue Bonds**  
**Issuer: Ohio Building Authority**

Fiscal Year	Workers' Compensation Enterprise Fund			Debt Service Requirements			
	Gross Revenues (E)	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2014 (G)	\$5,107,570	\$2,408,977	\$2,698,593	\$15,200	\$751	\$15,951	169.18
2013 (H)	2,404,966	3,419,204	(1,014,238)	15,915	1,543	17,458	N/A
2012	4,002,237	1,934,524	2,067,713	15,890	2,326	18,216	113.51
2011	4,314,528	2,343,117	1,971,411	15,865	3,110	18,975	103.90
2010 (I)	4,183,060	2,849,661	1,333,399	15,930	3,866	19,796	67.36
2009	2,183,392	2,145,947	37,445	16,005	4,596	20,601	1.82
2008	2,880,519	2,663,456	217,063	15,055	5,291	20,346	10.67
2007 (J)	5,200,066	2,749,217	2,450,849	14,150	5,901	20,051	122.23

Source:  
Ohio Office of Budget and Management

**Notes (continued):**

- (E) Gross revenues consist of operating revenues and investment income.
- (G) The final debt service payments on the Bureau of Workers' Compensation Revenue Bonds were made during fiscal year 2014.
- (H) During fiscal year 2013, the Bureau of Workers' Compensation (BWC) adjusted its premium rates and recorded a premium rebate.
- (I) Investment income for fiscal year 2010 increased by approximately \$2 billion as a result of the implementation of a strategy to diversify fixed and equity investments, a comprehensive update to BWC's investment policy, and the selection of investment managers to execute its passive investment strategy.
- (J) In June 2007, House Bill 100 passed granting BWC the authority to assess employers in future periods for amounts needed to fund the Disabled Worker's Relief Fund. The net impact of this change was a \$1.9 billion increase in operating revenues during fiscal year 2007.

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**STATE OF OHIO**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**FOR THE LAST TEN CALENDAR YEARS**

Calendar Year	Population (in thousands)				Per Capita Personal Income		
	U.S.	Change from Prior Period	Ohio	Change from Prior Period	U.S.	Ohio	Ohio as a Percentage of U.S.
2015	321,419	2,562	11,613	19	\$48,112	\$43,566	90.6%
2014	318,857	2,728	11,594	23	46,049	42,236	91.7%
2013	316,129	2,215	11,571	27	44,543	40,865	91.7%
2012	313,914	2,322	11,544	(1)	42,693	40,057	93.8%
2011	311,592	2,242	11,545	9	41,663	37,791	90.7%
2010	309,350	2,343	11,536	(7)	39,945	36,180	90.6%
2009	307,007	2,947	11,543	57	39,138	35,381	90.4%
2008	304,060	2,439	11,486	19	39,751	35,511	89.3%
2007	301,621	2,223	11,467	(11)	38,611	34,874	90.3%
2006	299,398	2,988	11,478	14	36,276	33,338	91.9%

Sources:

- U.S. Department of Commerce, Bureau of Economic Analysis for Population, Income, and Employment
- Ohio Department of Job and Family Services for unemployment rates
- Ohio Department of Education for school enrollment
- Ohio Department of Public Safety for motor vehicle registrations

Civilian Labor Force

*(in thousands)*

<u>Ohioans Employed</u>	<u>Ohio's Unemployment Rate</u>	<u>Public School Enrollment in Ohio (in thousands)</u>	<u>Motor Vehicles Registered in Ohio (in thousands)</u>
6,886	4.9%	1,784	13,039
6,753	5.7%	1,799	11,443
6,663	7.4%	1,845	11,998
6,617	7.2%	1,850	11,840
6,521	8.6%	1,860	11,788
6,454	10.1%	1,872	12,027
6,469	10.2%	1,893	11,792
6,819	6.6%	1,882	11,945
6,829	5.6%	1,890	12,022
6,894	5.5%	1,835	12,128

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**STATE OF OHIO**  
**PRINCIPAL EMPLOYERS**  
**FOR CALENDAR YEARS 2015 AND 2006**

Employer	2015			2006		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
United States Government	76,607	1	1.13%	76,787	1	1.14%
State of Ohio	48,400	2	0.72%	58,570	2	0.87%
Wal-Mart Stores	46,975	3	0.70%	50,000	3	0.74%
Cleveland Clinic	41,400	4	0.61%	34,800	4	0.52%
Kroger Company	40,250	5	0.60%	34,130	5	0.51%
Mercy Health	31,200	6	0.46%			
The Ohio State University	29,950	7	0.44%	24,400	7	0.36%
University Hospitals Health System	25,000	8	0.37%	25,000	6	0.37%
JP Morgan Chase & Co	21,000	9	0.31%			
Giant Eagle	20,000	10	0.30%			
Catholic Healthcare Partners				23,000	8	0.34%
General Motors Corporation				19,300	9	0.29%
General Electric Company				17,000	10	0.25%

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis  
Ohio Department Services Agency, Office of Strategic Research  
State of Ohio Comprehensive Annual Report for Fiscal Year 2015 and 2006

# STATE OF OHIO

## FULL-TIME AND PART-TIME PERMANENT STATE EMPLOYEES DURING THE MONTH OF JUNE BY FUNCTION/PROGRAM FOR THE LAST TEN FISCAL YEARS

Function/Program	2016	2015	2014	2013
Primary, Secondary and Other Education.....	1,014	950	971	971
Higher Education Support.....	72	71	73	70
Public Assistance and Medicaid.....	2,202	2,259	2,638	2,621
Health and Human Services.....	8,303	8,128	8,290	8,301
Justice and Public Protection.....	20,194	20,114	19,827	19,974
Environmental Protection and Natural Resources.....	2,606	2,651	2,700	2,712
Transportation.....	4,873	4,884	4,913	4,964
General Government.....	4,705	4,739	4,826	4,839
Community and Economic Development.....	870	853	870	860
Workers' Compensation.....	1,778	1,784	1,842	1,847
Lottery Commission.....	378	376	355	335
Unemployment Compensation.....	744	786	524	587
Other.....	818	805	806	799
Total.....	<u>48,557</u>	<u>48,400</u>	<u>48,635</u>	<u>48,880</u>

Source:

Ohio Department of Administrative Services  
Ohio Department of Job and Family Services

Number of Employees

2012	2011	2010	2009	2008	2007
970	1,034	1,045	1,122	1,174	1,207
70	77	76	92	93	98
2,769	2,811	2,880	2,772	3,108	3,314
8,604	9,018	9,401	9,671	10,312	10,549
20,196	21,477	21,906	22,465	23,410	23,682
2,745	2,796	2,900	3,004	3,058	3,086
5,218	5,507	5,562	5,549	5,624	5,711
4,984	5,183	5,305	5,214	5,338	5,294
820	852	902	924	902	914
1,882	2,019	2,231	2,335	2,382	2,549
326	330	353	346	339	329
611	599	622	554	552	535
818	896	922	959	981	958
<u>50,013</u>	<u>52,599</u>	<u>54,105</u>	<u>55,007</u>	<u>57,273</u>	<u>58,226</u>

**STATE OF OHIO**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**FOR THE LAST TEN FISCAL YEARS**

Function/Program	2016	2015	2014	2013	2012
<i>Primary, Secondary and Other Education</i>					
Ohio Department of Education:					
Fall Student Enrollment (Public Schools).....	1,784,397	1,799,107	1,845,441	1,850,281	1,859,821
Public School Districts (A).....	611	612	612	612	612
Community School Districts (A).....	372	382	393	369	341
Vocational School Districts.....	49	49	49	49	49
High School Graduation Rate (by School year).....	(B)	83.0%	82.2%	82.2%	81.3%
<i>Higher Education Support</i>					
Ohio Department of Higher Education (K):					
Student Enrollment at State-Assisted Institutions.....	492,555	498,276	510,794	521,368	539,058
State-Assisted Institutions.....	37	37	37	37	37
Ohio Instructional Grant Recipients (C)(D).....	—	—	—	—	—
Ohio College Opportunity Grant Recipients (C).....	76,171	80,344	86,435	94,479	98,751
Student Choice Grant Program Recipients (D).....	—	—	—	—	—
<i>Public Assistance and Medicaid</i>					
Ohio Department of Job and Family Services:					
Individuals with Medicaid Coverage (I).....	—	—	—	2,382,381	2,213,104
Individuals Receiving Cash Assistance (OWF).....	108,262	114,913	124,033	140,368	181,934
Individuals on Medicaid Waiver (I).....	—	—	—	10,941	13,410
Ohio Department of Medicaid:					
Individuals with Medicaid Coverage (I).....	3,024,213	2,960,279	2,509,360	—	—
Individuals on Medicaid Waiver (I).....	5,630	6,896	10,715	—	—
Ohio Department of Aging:					
Individuals on PASSPORT Waiver.....	23,106	21,492	38,771	38,379	42,060
Ohio Department of Developmental Disabilities:					
Individuals on DDD Waiver.....	36,627	35,119	34,411	29,066	28,077
<i>Health and Human Services</i>					
Ohio Department of Aging:					
Clients Served-PASSPORT (J).....	28,064	27,513	43,593	42,521	42,060
Clients Served-Congregate Meals (G).....	46,473	47,225	47,384	48,541	50,347
Clients Served-Home Delivered Meals.....	38,130	37,441	35,298	35,960	36,056
Clients Served-Transportation Provided.....	20,818	20,058	20,095	20,273	21,702
Ohio Department of Health:					
Average Monthly Caseload-Women, Infants, & Children.....	237,987	246,142	252,253	267,011	277,379
Ohio Department of Mental Health & Addiction Services:					
Clients Served (Addiction Services) (H).....	112,777	97,673	94,685	104,058	99,605
Facilities' Admissions.....	6,933	7,282	7,761	7,089	6,756
Facilities' Average Daily Residence Population.....	1,028	1,027	1,021	1,013	1,008
Individuals Served-Community Facilities(F).....	417,963	—	—	—	—
Ohio Department of Developmental Disabilities:					
Individuals Served-Community Facilities(F).....	94,056	514,579	546,041	466,634	451,907
Facilities' Average Daily Residence Population.....	806	926	942	1,000	1,184
<i>Justice and Public Protection</i>					
Ohio Department of Public Safety:					
Crashes Investigated.....	66,027	68,967	70,170	63,599	64,519
Total Arrests.....	642,268	606,888	603,094	576,700	554,794
Ohio Department of Rehabilitation and Correction:					
Inmate Population.....	51,001	50,407	50,420	50,153	49,774
<i>Environmental Protection and Natural Resources</i>					
Ohio Department of Natural Resources:					
Licenses and Registrations (E).....	2,346,769	2,345,788	2,426,968	2,387,225	2,506,036

2011	2010	2009	2008	2007
1,872,370	1,895,768	1,881,631	1,890,154	1,835,188
612	612	612	612	611
295	310	318	312	309
49	49	49	49	49
79.7%	84.3%	83.0%	84.6%	86.9%
543,468	522,913	478,376	465,856	457,322
37	37	37	37	37
—	—	51,138	63,601	83,942
78,334	66,779	77,481	52,130	25,567
—	—	58,562	58,499	59,400
2,151,760	2,035,693	1,878,345	1,761,529	1,736,971
224,647	227,657	187,878	170,570	169,135
13,146	12,897	12,102	12,029	11,606
—	—	—	—	—
—	—	—	—	—
41,443	38,185	36,273	35,872	33,943
26,416	24,023	21,429	18,264	16,533
41,443	38,188	36,273	35,751	33,943
63,453	60,264	67,653	66,132	65,366
39,037	44,735	47,036	46,432	44,607
20,144	27,413	29,665	30,798	29,800
283,997	301,587	301,684	289,593	279,735
103,763	107,547	109,069	106,129	106,733
5,753	5,756	6,084	6,111	6,424
977	989	1,011	1,036	1,053
—	—	—	—	—
446,939	429,132	412,341	354,004	343,955
1,228	1,335	1,462	1,517	1,603
69,113	68,222	68,861	68,974	67,850
508,418	497,915	556,635	582,282	555,587
50,561	50,807	50,919	50,191	49,199
2,434,183	2,520,192	2,592,488	2,452,929	2,481,574

(continued)

**STATE OF OHIO**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**FOR THE LAST TEN FISCAL YEARS**  
(continued)

Function/Program	2016	2015	2014	2013	2012
<i>Transportation</i>					
Ohio Department of Transportation:					
Pavement Resurfacing (in miles):					
Two-Lane.....	3,347	2,843	2,362	2,296	2,683
Four-Lane.....	1,018	1,048	892	624	1,098
Interstate.....	1,147	680	1,024	1,589	1,417
<i>Workers' Compensation</i>					
Ohio Bureau of Workers' Compensation:					
Claims Filed.....	99,082	104,997	108,549	108,090	112,613
Open Claims.....	752,312	791,638	858,773	958,625	1,070,056
<i>Lottery</i>					
Ohio Lottery Commission:					
Prize Awards Paid (in billions).....	\$ 1.93	\$ 1.88	\$ 1.70	\$ 1.67	\$ 1.68
Bonuses and Commissions Paid (in millions).....	\$ 188.6	\$ 179.2	\$ 169.9	\$ 166.9	\$ 172.0
Transfers to					
Lottery Profits Education Fund (in millions).....	\$ 784.1	\$ 990.0	\$ 904.3	\$ 803.1	\$ 771.0
<i>Unemployment Compensation</i>					
Ohio Department of Job and Family Services:					
Initial Claims.....	440,484	472,813	548,361	629,525	635,733
Continuing Claims.....	3,400,000	3,647,400	4,492,364	4,942,305	5,388,767

Sources: Various state agencies, as noted above.

**Notes:**

- (A) The number of school districts include only those with enrollment.
- (B) Data for the year indicated was not readily available.
- (C) In fiscal year 2007, the Ohio Instructional Grant began to be phased out and was replaced by the Ohio College Opportunity Grant.
- (D) The Ohio Instructional Grant and Student Choice Grant were eliminated at the end of fiscal year 2009.
- (E) Data includes hunting licenses, fishing licenses, permits, and boating licenses.
- (F) Prior to fiscal year 2016, the clients served by both the Department of Mental Health & Addiction Services and Department of Developmental Disabilities were reported as one total.
- (G) Department of Aging began using a new reporting system in fiscal year 2012, resulting in lower count for Congregate Meals served.
- (H) Beginning in fiscal year 2014, the Department of Mental Health and the Department of Alcohol & Drug Addiction Services merged to form the Department of Mental Health & Addiction Services (MHAS).
- (I) In fiscal year 2014 the Ohio Department of Medicaid was formed and the Medicaid and Medicaid Waiver operations were transferred to the new agency from the Ohio Department of Job and Family Services.
- (J) In fiscal year 2015 a number of clients transferred from the PASSPORT program to the MyCare Ohio program.
- (K) In fiscal year 2016, the Ohio Board of Regents was renamed the Ohio Department of Higher Education.

2011	2010	2009	2008	2007
2,237	3,551	2,673	2,521	1,673
942	1,220	1,076	871	506
703	897	921	1,302	428
116,378	116,042	132,549	159,611	171,692
1,129,873	1,221,302	1,321,214	1,415,491	1,540,543
\$ 1.60	\$ 1.51	\$ 1.50	\$ 1.40	\$ 1.34
\$ 161.3	\$ 153.4	\$ 150.1	\$ 143.9	\$ 140.0
\$ 738.8	\$ 728.6	\$ 702.3	\$ 672.2	\$ 669.3
717,775	877,640	1,184,136	685,090	591,614
6,784,230	9,682,672	10,168,422	5,604,605	4,709,523

**STATE OF OHIO**  
**CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM**  
**FOR THE LAST TEN FISCAL YEARS**

Function/Program	2016	2015	2014	2013	2012
<i>Primary, Secondary and Other Education</i>					
Historical Sites Owned by the State.....	32	33	34	35	35
Historical Sites Jointly Owned by the State and the Ohio Historical Society.....	12	11	9	8	8
<i>Health and Human Services</i>					
Developmental Disabilities Institutions.....	10	10	10	10	10
Mental Health Institutions.....	6	6	6	6	6
<i>Justice and Public Protection</i>					
Rehabilitation and Correction Institutions.....	25	25	25	26	26
Youth Services Institutions.....	3	3	3	4	4
State Highway Patrol Structures.....	75	75	76	76	77
Number of Readiness Centers (B).....	48	49	48	51	50
<i>Environmental Protection and Natural Resources</i>					
Number of State Parks.....	74	74	74	74	74
Area of State Parks, Natural & Wildlife Lands (in acres).....	333,525	333,196	332,903	332,754	332,106
Area of State Forest Lands (in acres).....	199,344	204,247	204,054	203,736	203,078
<i>Transportation</i>					
Buildings.....	809	818	828	830	830
Number of Rest Stops.....	91	96	96	96	116
Licensed Vehicles.....	4,247	4,029	4,428	4,475	4,604
Infrastructure Assets(A):					
Pavement (in lane-miles):					
Priority Subsystem.....	13,748	13,737	13,650	13,499	13,109
General Subsystem.....	29,470	29,461	29,512	29,591	29,918
Bridges:					
Number of Bridges.....	14,266	14,229	14,236	14,223	14,182
Deck Area (in thousand square feet).....	106,580	106,206	106,474	105,690	105,309
<i>General Government</i>					
State Office Buildings.....	5	5	5	5	5
<i>Community and Economic Development</i>					
Permanent Agricultural Easement Land (in acres).....	62,942	56,761	54,214	52,452	47,424

Sources:

- Ohio Department of Developmental Disabilities
- Ohio Department of Mental Health and Addiction Services
- Ohio Department of Rehabilitation and Correction
- Ohio Department of Youth Services
- Ohio Department of Natural Resources
- Ohio Department of Transportation
- Ohio Department of Agriculture
- Ohio Department of Administrative Services
- Ohio Department of Public Safety
- Ohio Historical Society
- Ohio Adjutant General's Department

**Notes:**

- (A) The Priority Subsystem includes the interstate highways, freeways, and multi-lane portions of the National Highway System. The General Subsystem consists of two-lane routes outside of cities.
- (B) Three buildings were previously classified as armories/readiness centers.  
In 2013 changes in federal regulation have changed the classifications of the three buildings.

2011	2010	2009	2008	2007
35	35	35	35	35
8	8	8	8	8
10	10	10	10	10
9	9	9	9	9
29	29	30	30	30
4	5	6	8	8
81	79	79	79	86
50	50	52	53	58
74	74	74	74	74
327,906	324,421	323,835	323,133	315,381
191,155	191,143	191,144	191,144	191,142
825	830	827	816	822
109	110	116	116	114
4,530	4,524	4,482	4,579	4,739
13,059	12,932	12,826	12,718	12,655
29,932	29,959	29,991	30,063	30,118
14,234	14,253	14,230	14,242	12,793
105,721	105,413	104,852	104,084	84,447
5	5	5	5	5
40,726	36,124	31,694	29,168	24,012



Prepared by  
Ohio's Office of Budget and Management  
State Accounting and Reporting



Cincinnati Steam Powered Paddle Boat  
BB Riverboats



# Dave Yost • Auditor of State

STATE OF OHIO

FRANKLIN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 28, 2017