STATE OF OHIO

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

OHIO AUDITOR OF STATE
KEITH FABER

March 7, 2019

Portions of the attached audit report were completed prior to the commencement of my term of office on January 14, 2019. Those portions completed prior to that date contain the signature of my predecessor.

Keith Faber
Auditor of State
Columbus, Ohio

This page intentionally left blank.

STATE OF OHIO

SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	Page
Executive Summary	i

INDEPENDENT AUDITOR'S REPORTS ON COMPLIANCE AND INTERNAL CONTROLS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*	1
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	3

SUPPLEMENTARY SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

Supplementary Schedule of Expenditures of Federal Awards Summarized by Federal Agency (Prepared by Management)..	9
Supplementary Schedule of Expenditures of Federal Awards by Federal Agency and Federal Program (Prepared by Management)..	10
Notes to the Supplementary Schedule of Expenditures of Federal Awards (Prepared by Management)..	19

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	25
Findings Reported in Accordance with GAGAS	25
Findings & Questioned Costs for Federal Awards	26
Other – Findings for Recovery	26
Major Federal Programs	31
Summary of Findings and Questioned Costs	35
Summary of Questioned Costs by Federal Agency and Program	38
Schedule of Findings and Questioned Costs by State Agency	
Ohio Department of Developmental Disabilities (DMR)	39
Ohio Development Services Agency (DEV)	41
Ohio Department of Education (EDU)	43

STATE OF OHIO

SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

Page

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (cont.)

Schedule of Findings and Questioned Costs by State Agency (cont.)

Ohio Department of Job and Family Services (JFS) 54
Ohio Department of Medicaid (MCD) 69
Ohio Department of Mental Health and Addiction Services (DMH) 88
Ohio Department of Natural Resources (DNR) 90
Opportunities for Ohioans with Disabilities (RSC) 101
Ohio Department of Transportation (DOT) 106

SUPPLEMENTAL INFORMATION

Corrective Action Plan (Prepared by Management) 111

Summary Schedule of Prior Audit Findings (Prepared by Management) 133

ATTACHMENTS

State of Ohio *Comprehensive Annual Financial Report*

NOTE:

The State of Ohio *Comprehensive Annual Financial Report* for fiscal year ended June 30, 2018, 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
2018 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, 2018. 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, 2018, following auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The objective of our audit was to express our opinion concerning whether the financial statements present fairly, in all material respects, the respective financial position of the State of Ohio, and cash flows thereof and the respective budgetary comparisons, in accordance with accounting principles generally accepted in the United States of America. We issued unmodified opinions on the 10 opinion units. Our opinion letter, dated December 21, 2018, was provided to the Ohio Office of Budget and Management who released it, along with the CAFR, under separate cover.

In addition to our opinions on the basic financial statements, we issued an Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards,* dated December 21, 2018. There was one noncompliance citation/material weakness, but no significant deficiencies required to be reported in this letter for the fiscal year ended June 30, 2018.

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, 2018 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 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 338 federal programs from 23 Federal agencies with total federal expenditures of $27.8 billion in FY 2018.

The Schedule is used for identifying Type A and Type B programs. For FY 2018, Type A federal programs for the State of Ohio were those programs with annual federal expenditures exceeding $41.6 million. There were 27 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 ¼ 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. However, Uniform Guidance allowed "smoothing" during the first three years of implementation to alleviate spikes in major programs in the third year, which we utilized in FY 2017 (year two of three). We did not utilize smoothing in FY 2018, which was the last year this option was available. The State of Ohio Single Audit included the testing of 24 Type A programs and two high-risk Type B programs as major programs in FY 2018.

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

The State's colleges and universities' federal financial assistance, which was approximately $3.3 billion in FY 2018, is excluded from the State's Schedule although their financial activities are included in the State's financial statements (Discretely Presented Component Units). The State's colleges and universities included in the State's reporting entity are subject to separate audits under the Uniform Guidance.

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

SUMMARY OF FINDINGS AND QUESTIONED COSTS

The FY 2018 Schedule of Findings and Questioned Costs contains 38 findings; one finding related to the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*, 34 findings related to the *Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance,* of which 15 were repeated from the FY 2017 State of Ohio Single Audit; and three other items related to findings for recovery (which have no impact on our GAGAS or Federal Compliance and Controls reports).

The 34 federal findings, beginning on page 39, relate to the federal programs at nine state agencies. Of these federal findings, many of which were rated as more than one type, seven resulted in questioned costs (some also included noncompliance and/or control deficiencies), 23 were noncompliance (some also included control deficiencies), 30 were identified as material weaknesses, and three were significant deficiencies. Of the seven findings with questioned costs, six questioned amounts totaling $222,078. In addition, an amount could not be determined for one questioned costs finding.

The schedule below identifies the number of reportable items included in the State of Ohio Single Audit, by state agency, for fiscal years 2013 through 2018.

State Agency	2018	2017	2016	2015	2014	2013
Ohio Department. of Job & Family Services Note 1	6	9	7	12	9	16
Ohio Department of Medicaid Note 1	9	6	4	3	8	Note 1
Ohio Department of Education	6	5	5	10	5	1
Ohio Development Services Agency Note 2	1	1	0	1	2	4
Ohio Department of Developmental Disabilities	1	0	0	1	2	1
Ohio Department of Mental Health & Addiction Services Note 3	1	5	2	1	3	3
Opportunities for Ohioans with Disabilities Note 4	3	2	N/A	N/A	0	1
Ohio Department of Natural Resources	6	N/A	N/A	N/A	N/A	N/A
Ohio Department of Public Safety	N/A	N/A	N/A	N/A	2	2
Ohio Office of Budget and Management	0	1	1	2	1	1
Ohio Department of Transportation	2	3	2	1	1	1
Ohio Environmental Protection Agency	N/A	N/A	0	1	2	2
Other Findings / State Agencies	0	1	0	2	0	1
Total	**35**	**33**	**21**	**34**	**35**	**33**

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.

N/A – no major programs tested for this agency and fiscal year.

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.

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2018, 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 21, 2018. 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%	36%
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.	91%	92%
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%	87%

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 2018-001 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

State*'s Response to Findings*

The State's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and / or corrective action plan. We did not subject the State's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited the State of Ohio's (the State) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the State of Ohio's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the State's major federal programs.

The State of Ohio's basic financial statements include the operations of State Colleges and Universities, which expended $3,308,275,206 in federal awards which is not included in the State of Ohio's Schedule of Expenditures of Federal Awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of State Colleges and Universities because the component units engaged other auditors to audit their Federal award programs in accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

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

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

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov

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 35 and 36, 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	2018-005	Ohio Department of Education	Special Tests & Provisions – Accountability for USDA-Donated Foods
10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	2018-006	Ohio Department of Education	Reporting
10.558	Child and Adult Care Food Program	2018-006	Ohio Department of Education	Reporting
15.605/15.611	Fish & Wildlife Cluster	2018-025	Ohio Department of Natural Resources	Procurement, Suspension & Debarment
15.605/15.611	Fish & Wildlife Cluster	2018-026	Ohio Department of Natural Resources	Equipment & Real Property Management
17.258/17.259/ 17.278	WIOA Cluster	2018-013	Ohio Department of Job & Family Services	Reporting
17.258/17.259/ 17.278	WIOA Cluster	2018-014	Ohio Department of Job & Family Services	Cash Management
84.010	Title I, Grants to Local Educational Agencies	2018-004	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)	2018-004	Ohio Department of Education	Special Tests & Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools
84.367	Supporting Effective Instruction State Grants	2018-004	Ohio Department of Education	Special Tests & Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools

CFDA #	Program (or Cluster) Name	Finding #	State Agency	Compliance Requirement
93.563	Child Support Enforcement	2018-013	Ohio Department of Job & Family Services	Reporting
93.568	Low-Income Home Energy Assistance	2018-003	Ohio Development Services Agency	Cash Management
93.658	Foster Care Title IV-E	2018-013	Ohio Department of Job & Family Services	Reporting
93.667	Social Services Block Grant	2018-013	Ohio Department of Job & Family Services	Reporting
93.775/93.777/ 93.778	Medicaid Cluster	2018-022	Ohio Department of Medicaid	Special Tests & Provisions – ADP Risk Analysis and System Security Review
93.767	Children's Health Insurance Plan (CHIP)	2018-022	Ohio Department of Medicaid	Special Tests & Provisions – ADP Risk Analysis and System Security Review
93.791	Money Follows the Person Rebalancing Demonstration	2018-022	Ohio Department of Medicaid	Special Tests & Provisions – ADP Risk Analysis and System Security Review

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

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Major Federal Programs Listed in the Table* section above, the State of Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect the Child Nutrition Cluster, Child and Adult Care Food Program, Fish & Wildlife Cluster, WIOA Cluster, Title I Grants to Local Educational Agencies, Special Education Cluster (IDEA), Supporting Effective Instruction State Grants, Child Support Enforcement, Low-Income Home Energy Assistance, Foster Care Title IV-E, Social Services Block Grant, Medicaid Cluster, Children's Health Insurance Plan (CHIP), and Money Follows the Person Rebalancing Demonstration major federal programs for the year ended June 30, 2018.

Unmodified Opinion on the Other Major Federal Programs

In our opinion, the State of Ohio complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

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 35 and 36, 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 Developmental Disabilities	2018-002
Ohio Department of Education	2018-007 and 2018-008
Ohio Department of Job & Family Services	2018-010 through 2018-015
Ohio Department of Medicaid	2018-016 through 2018-021 and 2018-023
Ohio Department of Natural Resources	2018-027
Opportunities for Ohioans with Disabilities	2018-031 and 2018-032
Ohio Department of Transportation	2018-034

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

Report on Internal Control over Compliance

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

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

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

We consider the deficiencies in internal control over compliance listed in the table below, identified in the summary of findings and questioned costs on pages 35 and 36, and described in the accompanying schedule of findings and questioned costs to be material weaknesses.

State Agency	Material Weakness Finding Numbers
Ohio Development Services Agency	2018-003
Ohio Department of Education	2018-004 through 2018-007 and 2018-009
Ohio Department of Job & Family Services	2018-011 through 2018-015
Ohio Department of Medicaid	2018-016 through 2018-023
Ohio Department of Mental Health & Addiction Services	2018-024
Ohio Department of Natural Resources	2018-025 through 2018-030
Opportunities for Ohioans with Disabilities	2018-032 and 2018-033
Ohio Department of Transportation	2018-034 and 2018-035

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 35 and 36, and described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

State Agency	Significant Deficiency Finding Numbers
Ohio Department of Education	2018-008
Ohio Department of Job & Family Services	2018-010 and 2018-014

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

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

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

We have also audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Ohio, as of and for the year ended June 30, 2018, 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 21, 2018. 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 21, 2018. 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.

Keith Faber
Auditor of State

Columbus, Ohio

February 25, 2019

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, 2018

FEDERAL AGENCY	Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Agriculture	$ 3,106,318,027	$ 796,516,647
U.S. Department of Commerce	7,856,887	5,043,931
U.S. Department of Defense	40,399,617	392,702
U.S. Department of Housing and Urban Development	63,113,684	58,175,859
U.S. Department of the Interior	52,366,844	9,195,230
U.S. Department of Justice	106,873,267	94,389,607
U.S. Department of Labor	1,135,665,700	73,449,081
U.S. Department of Transportation	1,477,780,022	255,486,563
U.S. Department of Treasury	116,836	-
U.S. Equal Employment Opportunity Commission	1,739,466	-
General Services Administration	40,272	-
National Endowment for the Arts	990,938	-
Institute of Museum and Library Services	5,161,663	2,703,874
U.S. Small Business Administration	4,784,618	4,013,476
U.S. Department of Veterans Affairs	32,924,496	-
U.S. Environmental Protection Agency	143,066,477	100,643,107
U.S. Department of Energy	15,203,443	13,485,616
U.S. Department of Education	1,352,472,246	1,192,714,589
U.S. Election Assistance Commission	14,264	-
U.S. Department of Health and Human Services	20,131,234,265	1,202,382,405
Corporation for National and Community Service	6,866,387	6,052,369
Social Security Administration	72,144,414	-
U.S. Department of Homeland Security	24,200,547	14,489,482
Total Expenditures	$ 27,781,334,380	$ 3,829,134,538

STATE OF OHIO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY AND FEDERAL PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE			Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Agriculture				
SNAP Cluster:				
10.551		Supplemental Nutrition Assistance Program	$ 2,113,026,561	$ -
10.561		State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	111,050,645	80,901,790
		Total SNAP Cluster	*2,224,077,206*	*80,901,790*
Child Nutrition Cluster:				
10.553		School Breakfast Program	126,615,528	126,256,780
10.555	(c)	National School Lunch Program	53,705,167	53,705,167
10.555		National School Lunch Program	367,284,793	366,641,979
10.556		Special Milk Program for Children	318,154	318,154
10.559		Summer Food Service Program for Children	13,107,197	12,885,675
		Total Child Nutrition Cluster	*561,030,839*	*559,807,755*
Food Distribution Cluster:				
10.565		Commodity Supplemental Food Program	1,483,411	-
10.568		Emergency Food Assistance Program (Administrative Costs)	2,300,022	-
		Total Food Distribution Cluster	*3,783,433*	-
Forest Service Schools and Roads Cluster:				
10.665		Schools and Roads - Grants to States	233,102	233,102
		Total Forest Service Schools and Roads Cluster	*233,102*	*233,102*
10.025		Plant and Animal Disease, Pest Control, and Animal Care	206,233	-
10.117		Biofuel Infrastructure Partnership	54,750	54,750
10.170		Specialty Crop Block Grant Program - Farm Bill	44,252	44,252
10.475		Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	4,383,304	-
10.479		Food Safety Cooperative Agreements	110,034	-
10.557		WIC Special Supplemental Nutrition Program for Women, Infants, and Children	198,637,073	53,152,629
10.558		Child and Adult Care Food Program	95,184,631	95,079,141
10.560		State Administrative Expenses for Child Nutrition	7,238,035	-
10.572		WIC Farmers' Market Nutrition Program (FMNP)	378,370	-
10.574		Team Nutrition Grants	351,064	338,101
10.576		Senior Farmers Market Nutrition Program	1,538,010	1,534,046
10.579		Child Nutrition Discretionary Grants Limited Availability	851,409	844,020
10.582		Fresh Fruit and Vegetable Program	3,737,620	3,737,620
10.664	(d)	Cooperative Forestry Assistance	3,461,531	438,670
10.676		Forest Legacy Program	16,607	-
10.680		Forest Health Protection	120,740	1,723
10.683		National Fish and Wildlife Foundation	824	-
10.902		Soil and Water Conservation	321,952	-
10.912		Environmental Quality Incentives Program	207,783	-
10.931		Agricultural Conservation Easement Program	349,225	349,048
		Total U.S. Department of Agriculture	**3,106,318,027**	**796,516,647**
U.S. Department of Commerce				
11.407		Interjurisdictional Fisheries Act of 1986	10,148	-
11.419		Coastal Zone Management Administration Awards	2,280,583	1,063,682
11.420		Coastal Zone Management Estuarine Research Reserves	526,146	-
11.549		State and Local Implementation Grant Program	734,761	-
11.611		Manufacturing Extension Partnership	3,980,249	3,980,249
11.619		Arrangements for Interdisciplinary Research Infrastructure	325,000	-
		Total U.S. Department of Commerce	**7,856,887**	**5,043,931**
U.S. Department of Defense				
12.002		Procurement Technical Assistance For Business Firms	629,744	392,702
12.113		State Memorandum of Agreement Program for the Reimbursement of Technical Services	488,687	-
12.401		National Guard Military Operations and Maintenance (O&M) Projects	38,998,664	-
12.620		Troops to Teachers Grant Program	124,490	-
12.UNKNOWN	(c)	1033 Excess Military Property Program	128,708	-
12.UNKNOWN		FUSRAP Oversight: Diamond Magnesium Site and Luckey Beryllium Site	29,324	-
		Total U.S. Department of Defense	**40,399,617**	**392,702**
U.S. Department of Housing and Urban Development				
14.228		Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	39,260,707	37,910,786
14.231		Emergency Solutions Grant Program	5,673,058	5,550,996
14.239		Home Investment Partnerships Program	13,836,416	13,043,786
14.241		Housing Opportunities for Persons with AIDS	1,320,657	1,305,615

STATE OF OHIO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY AND FEDERAL PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE			Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development (Continued)				
14.261		Homeless Management Information Systems Technical Assistance	4,423	-
14.267		Continuum of Care Program	412,155	364,676
14.275		Housing Trust Fund	141,135	-
14.401		Fair Housing Assistance Program State and Local	1,306,451	-
14.900		Lead-Based Paint Hazard Control in Privately-Owned Housing	1,158,682	-
		Total U.S. Department of Housing and Urban Development	**63,113,684**	**58,175,859**
U.S. Department of the Interior				
Fish and Wildlife Cluster:				
15.605	(a)	Sport Fish Restoration	1,313,250	1,313,250
15.605		Sport Fish Restoration	7,545,102	653,120
15.611		Wildlife Restoration and Basic Hunter Education	24,460,631	4,755,069
		Total Fish and Wildlife Cluster	*33,318,983*	*6,721,439*
15.250		Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	1,722,514	-
15.252		Abandoned Mine Land Reclamation (AMLR)	10,635,724	-
15.255		Science and Technology Projects Related to Coal Mining and Reclamation	77,886	-
15.433		Flood Control Act Lands	131,625	131,625
15.437		Minerals Leasing Act	2,183	-
15.438		National Forest Acquired Lands	1,779,788	1,779,788
15.608		Fish and Wildlife Management Assistance	235,565	-
15.615		Cooperative Endangered Species Conservation Fund	3,539	-
15.616		Clean Vessel Act	32,636	32,636
15.622		Sportfishing and Boating Safety Act	337,316	337,316
15.634		State Wildlife Grants	1,198,289	192,426
15.658		Natural Resource Damage Assessment, Restoration and Implementation	10,352	-
15.662		Great Lakes Restoration	384,591	-
15.808	(a)	U.S. Geological Survey Research and Data Collection	70,797	-
15.810	(a)	National Cooperative Geologic Mapping	39,860	-
15.814		National Geological and Geophysical Data Preservation	620	-
15.916		Outdoor Recreation Acquisition, Development and Planning	2,384,576	-
		Total U.S. Department of the Interior	**52,366,844**	**9,195,230**
U.S. Department of Justice				
16.017		Sexual Assault Services Formula Program	695,313	695,313
16.2016-104		Domestic Cannabis Eradication/Suppression Program	101	-
16.2017-104		Domestic Cannabis Eradication/Suppression Program	266,000	-
16.2018-102		Domestic Cannabis Eradication/Suppression Program	7,153	-
16.320		Services for Trafficking Victims	42,803	-
16.321		Antiterrorism Emergency Reserve	103,541	-
16.523		Juvenile Accountability Block Grants	21,550	-
16.540		Juvenile Justice and Delinquency Prevention	1,274,447	1,005,560
16.550	(a)	State Justice Statistics Program for Statistical Analysis Centers	25,274	-
16.550		State Justice Statistics Program for Statistical Analysis Centers	13,258	-
16.554		National Criminal History Improvement Program (NCHIP)	500,314	-
16.575		Crime Victim Assistance	84,414,071	83,172,062
16.576		Crime Victim Compensation	4,249,000	-
16.582		Crime Victim Assistance/Discretionary Grants	496,206	440,645
16.585		Drug Court Discretionary Grant Program	248,511	40,422
16.588	(a)	Violence Against Women Formula Grants	9,979	-
16.588		Violence Against Women Formula Grants	4,659,770	4,236,389
16.593	(a)	Residential Substance Abuse Treatment for State Prisoners	142	-
16.593		Residential Substance Abuse Treatment for State Prisoners	290,190	263,148
16.606		State Criminal Alien Assistance Program	291,671	-
16.609	(a)	Project Safe Neighborhoods	30,077	30,077
16.609		Project Safe Neighborhoods	150,829	129,632
16.710		Public Safety Partnership and Community Policing Grants	63,196	-
16.735		PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities	69,739	-
16.738	(a)	Edward Byrne Memorial Justice Assistance Grant Program	149,845	85,365
16.738		Edward Byrne Memorial Justice Assistance Grant Program	4,055,662	3,570,003
16.741		DNA Backlog Reduction Program	736,131	-
16.742		Paul Coverdell Forensic Sciences Improvement Grant Program	249,267	142,747
16.745	(a)	Criminal and Juvenile Justice and Mental Health Collaboration Program	4,799	4,799
16.745		Criminal and Juvenile Justice and Mental Health Collaboration Program	91,178	91,178
16.750		Support for Adam Walsh Act Implementation Grant Program	32,474	-

STATE OF OHIO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY AND FEDERAL PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE			Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Justice (Continued)				
16.751	(a)	Edward Byrne Memorial Competitive Grant Program	142,563	142,563
16.751		Edward Byrne Memorial Competitive Grant Program	82,520	15,840
16.754	(a)	Harold Rogers Prescription Drug Monitoring Program	4,761	-
16.754		Harold Rogers Prescription Drug Monitoring Program	332,873	20,383
16.812		Second Chance Act Reentry Initiative	226,330	190,757
16.816		John R. Justice Prosecutors and Defenders Incentive Act	50,814	-
16.827		Justice Reinvestment Initiative	343,878	296
16.828		Swift, Certain, and Fair (SCF) Sanctions program: Replicating the Concepts behind Project HOPE	254,637	112,428
16.922		Equitable Sharing Program	2,192,400	-
		Total U.S. Department of Justice	**106,873,267**	**94,389,607**
U.S. Department of Labor				
Employment Service Cluster:				
17.207		Employment Service/Wagner-Peyser Funded Activities	19,957,606	2,035,041
17.801		Disabled Veterans' Outreach Program (DVOP)	6,279,681	-
17.804		Local Veterans' Employment Representative Program	237,690	50,000
		Total Employment Service Cluster	*26,474,977*	*2,085,041*
WIOA Cluster:				
17.258		WIOA Adult Program	24,008,476	20,879,832
17.259		WIOA Youth Activities	27,650,570	24,430,971
17.278		WIOA Dislocated Worker Formula Grants	27,803,214	20,363,760
		Total WIOA Cluster	*79,462,260*	*65,674,563*
17.002		Labor Force Statistics	2,532,446	-
17.005		Compensation and Working Conditions	132,393	-
17.201		Registered Apprenticeship	411,655	-
17.225		Unemployment Insurance	1,002,566,179	-
17.225		ARRA -- Unemployment Insurance	25,054	-
		Total Unemployment Insurance	1,002,591,233	-
17.235		Senior Community Service Employment Program	3,540,745	3,506,725
17.245		Trade Adjustment Assistance	13,748,807	197,558
17.271		Work Opportunity Tax Credit Program (WOTC)	883,465	-
17.273		Temporary Labor Certification for Foreign Workers	322,359	-
17.277		WIOA National Dislocated Worker Grants / WIA National Emergency Grants	1,673,299	1,363,150
17.283		Workforce Innovation Fund	1,462,541	622,044
17.285		Apprenticeship USA Grants	535,461	-
17.504		Consultation Agreements	1,630,654	-
17.600		Mine Health and Safety Grants	263,405	-
		Total U.S. Department of Labor	**1,135,665,700**	**73,449,081**
U.S. Department of Transportation				
Highway Planning and Construction Cluster: (b)				
20.205	(a)	Highway Planning and Construction	4,754,708	-
20.205		Highway Planning and Construction	1,400,253,408	237,444,271
		Total Highway Planning and Construction	1,405,008,116	237,444,271
20.219		Recreational Trails Program	1,528,818	-
23.003		Appalachian Development Highway System	25,563,519	-
		Total Highway Planning and Construction Cluster	*1,432,100,453*	*237,444,271*
Federal Transit Cluster:				
20.500		Federal Transit Capital Investment Grants	1,031,617	1,031,617
20.507		Federal Transit Formula Grants	112,116	-
		Total Federal Transit Cluster	*1,143,733*	*1,031,617*
Transit Services Programs Cluster:				
20.513		Enhanced Mobility of Seniors and Individuals with Disabilities	5,921,123	4,379,107
		Total Transit Services Programs Cluster	*5,921,123*	*4,379,107*
Highway Safety Cluster:				
20.600		State and Community Highway Safety	7,181,573	3,718,906
20.610		State Traffic Safety Information System Improvement Grants	64,925	-
20.616		National Priority Safety Programs	9,046,972	3,048,912
		Total Highway Safety Cluster	*16,293,470*	*6,767,818*
20.106		Airport Improvement Program	650	-
20.200		Highway Research and Development Program	221,384	221,384

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation (Continued)			
20.215	Highway Training and Education	125,670	-
20.218	Motor Carrier Safety Assistance	9,341,144	-
20.232	Commercial Driver's License Program Implementation Grant	1,295,609	-
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	137,114	-
20.301	Railroad Safety	36,184	-
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	3,930,952	-
20.509	Formula Grants for Rural Areas	3,429,286	3,154,943
20.514	Public Transportation Research, Technical Assistance, and Training	67,562	67,562
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	445,302	-
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	893,664	793,647
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	152,076	-
20.700	Pipeline Safety Program State Base Grant	377,829	-
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	365,922	125,319
20.933	National Infrastructure Investments	1,500,895	1,500,895
	Total U.S. Department of Transportation	**1,477,780,022**	**255,486,563**
U.S. Department of Treasury			
21.016	Equitable Sharing	116,836	-
	Total U.S. Department of Treasury	**116,836**	-
U.S. Equal Employment Opportunity Commission			
30.EEO45017C0075	Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	1,739,466	-
	Total U.S. Equal Employment Opportunity Commission	**1,739,466**	-
General Services Administration			
39.003 (c)	Donation of Federal Surplus Personal Property	40,272	-
	Total General Services Administration	**40,272**	-
National Endowment for the Arts			
45.025	Promotion of the Arts Partnership Agreements	990,938	-
	Total National Endowment for the Arts	**990,938**	-
Institute of Museum and Library Services			
45.310	Grants to States	5,137,571	2,703,874
45.312	National Leadership Grants	24,092	-
	Total Institute of Museum and Library Services	**5,161,663**	**2,703,874**
U.S. Small Business Administration			
59.037	Small Business Development Centers	4,057,431	3,286,289
59.061	State Trade Expansion	727,187	727,187
	Total U.S. Small Business Administration	**4,784,618**	**4,013,476**
U.S. Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	1,070,229	-
64.014	Veterans State Domiciliary Care	2,688,416	-
64.015	Veterans State Nursing Home Care	27,945,554	-
64.V101 (223C) P-5546	State Approving Agency	802,849	-
64.VA250-14-S-0096	VA-DVS Pharmacy Option 1	417,448	-
	Total U.S. Department of Veterans Affairs	**32,924,496**	-
U.S. Environmental Protection Agency			
Clean Water State Revolving Fund Cluster:			
66.458	Capitalization Grants for Clean Water State Revolving Funds	74,728,209	71,738,000
	Total Clean Water State Revolving Fund Cluster	*74,728,209*	*71,738,000*
Drinking Water State Revolving Fund Cluster:			
66.468	Capitalization Grants for Drinking Water State Revolving Funds	23,856,847	21,067,391
	Total Drinking Water State Revolving Fund Cluster	*23,856,847*	*21,067,391*
66.001	Air Pollution Control Program Support	4,479,266	1,517,573
66.032	State Indoor Radon Grants	303,417	127,000
66.034 (c)	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	320,082	-

STATE OF OHIO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY AND FEDERAL PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE			Total Expenditures	Amount Provided to Subrecipients
U.S. Environmental Protection Agency (Continued)				
66.034		Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	856,975	579,301
66.040		State Clean Diesel Grant Program	42,320	42,320
66.202		Congressionally Mandated Projects		
66.204	(c)	Multipurpose Grants to States and Tribes	63,665	-
66.204		Multipurpose Grants to States and Tribes	372,584	-
66.419		Water Pollution Control State, Interstate, and Tribal Program Support	6,409,244	2,730
66.432		State Public Water System Supervision	2,560,944	-
66.433		State Underground Water Source Protection	284,388	-
66.454		Water Quality Management Planning	763,626	278,683
66.460		Nonpoint Source Implementation Grants	4,273,747	2,023,926
66.461		Regional Wetland Program Development Grants	109,962	-
66.469		Great Lakes Program	4,145,986	3,127,730
66.472		Beach Monitoring and Notification Program Implementation Grants	204,918	138,453
66.605		Performance Partnership Grants	41,489	-
66.608		Environmental Information Exchange Network Grant Program and Related Assistance	65,695	-
66.700		Consolidated Pesticide Enforcement Cooperative Agreements	9,011,690	-
66.707		TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	361,077	-
66.801		Hazardous Waste Management State Program Support	5,260,098	-
66.802		Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	626,987	-
66.804		Underground Storage Tank Prevention, Detection and Compliance Program	829,356	-
66.805		Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,886,773	-
66.809		Superfund State and Indian Tribe Core Program Cooperative Agreements	49,953	-
66.817		State and Tribal Response Program Grants	995,658	-
66.818		Brownfields Assessment and Cleanup Cooperative Agreements	161,521	-
		Total U.S. Environmental Protection Agency	**143,066,477**	**100,643,107**
U.S. Department of Energy				
81.041		State Energy Program	1,081,541	870,773
81.042		Weatherization Assistance for Low-Income Persons	13,516,449	12,467,331
81.104		Environmental Remediation and Waste Processing and Disposal	345,182	71,188
81.136		Long-Term Surveillance and Maintenance	108,683	-
81.UNKNOWN		Petroleum Violation Escrow Funds	151,588	76,324
		Total U.S. Department of Energy	**15,203,443**	**13,485,616**
U.S. Department of Education				
Special Education Cluster (IDEA):				
84.027		Special Education Grants to States	441,215,661	424,463,172
84.173		Special Education Preschool Grants	11,550,134	10,616,678
		Total Special Education Cluster (IDEA)	*452,765,795*	*435,079,850*
84.002	(a)	Adult Education - Basic Grants to States	1,574,088	1,574,088
84.002		Adult Education - Basic Grants to States	14,046,390	13,494,877
84.010		Title I Grants to Local Educational Agencies	545,216,710	537,538,785
84.011		Migrant Education State Grant Program	2,481,135	2,481,135
84.013		Title I State Agency Program for Neglected and Delinquent Children and Youth	896,320	-
84.048		Career and Technical Education -- Basic Grants to States	41,342,120	35,856,311
84.126		Rehabilitation Services Vocational Rehabilitation Grants to States	104,726,857	-
84.144		Migrant Education Coordination Program	26,763	26,763
84.177		Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	1,532,566	-
84.181		Special Education-Grants for Infants and Families	13,419,392	11,940,018
84.184		School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	203,946	200,190
84.187		Supported Employment Services for Individuals with the Most Significant Disabilities	695,480	-
84.196		Education for Homeless Children and Youth	2,147,696	2,073,082
84.206		Javits Gifted and Talented Students Education	174,848	174,848
84.282		Charter Schools	638,271	627,271
84.287		Twenty-First Century Community Learning Centers	41,811,505	40,568,121
84.323		Special Education - State Personnel Development	301,250	301,242

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Education (Continued)			
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	98,840	1,900
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	2,549,894	1,282,065
84.358	Rural Education	3,348,129	3,297,713
84.365	English Language Acquisition State Grants	10,289,081	10,072,099
84.366	Mathematics and Science Partnerships	4,531,599	4,466,061
84.367	Supporting Effective Instruction State Grants (formely Improving Teacher Quality State Grants)	75,547,007	73,127,290
84.369	Grants for State Assessments and Related Activities	12,749,668	-
84.371	Striving Readers/Comprehensive Literacy Development	448,486	254,188
84.377	School Improvement Grants	11,650,351	11,052,359
84.424	Student Support and Academic Enrichment Program	7,258,059	7,224,333
	Total U.S. Department of Education	**1,352,472,246**	**1,192,714,589**
U.S. Election Assistance Commission			
90.401	Help America Vote Act Requirements Payments	14,264	-
	Total U.S. Election Assistance Commission	**14,264**	**-**
U.S. Department of Health and Human Services			
Aging Cluster:			
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	15,007,289	14,267,778
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	22,284,669	21,236,897
93.053	Nutrition Services Incentive Program	2,958,176	2,958,176
	Total Aging Cluster	*40,250,134*	*38,462,851*
Health Center Program Cluster:			
93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	*50,335*	-
	Total Health Center Program Cluster	*50,335*	-
Maternal, Infant, and Early Childhood Home Visiting Cluster:			
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	5,136,046	3,889,269
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	5,832,087	3,800,440
	Total Maternal, Infant, and Early Childhood Home Visiting Cluster	*10,968,133*	*7,689,709*
TANF Cluster:			
93.558	Temporary Assistance for Needy Families	622,846,414	222,074,930
	Total TANF Cluster	*622,846,414*	*222,074,930*
CCDF Cluster:			
93.575	Child Care and Development Block Grant	117,650,414	18,277,825
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	114,333,674	-
	Total CCDF Cluster	*231,984,088*	*18,277,825*
Medicaid Cluster:			
93.775	State Medicaid Fraud Control Units	8,942,711	-
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	26,801,351	-
93.778	Medical Assistance Program	17,266,312,724	206,455,009
	Total Medicaid Cluster	*17,302,056,786*	*206,455,009*
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	186,795	186,795
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	563,124	153,160
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	781,891	765,945
93.051	Alzheimer's Disease Demonstration Grants to States	194,875	185,888
93.052	National Family Caregiver Support, Title III, Part E	5,342,264	5,069,404
93.069	Public Health Emergency Preparedness	179,331	-
93.070	Environmental Public Health and Emergency Response	489,550	114,149
93.071	Medicare Enrollment Assistance Program	1,012,082	505,078
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance	451,946	64,538
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	25,649,116	18,204,108

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE			Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Health and Human Services (Continued)				
93.079		Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	38,015	-
93.086		Healthy Marriage Promotion and Responsible Fatherhood Grants	1,538,890	-
93.092		Affordable Care Act (ACA) Personal Responsibility Education Program	1,732,823	485,470
93.103		Food and Drug Administration Research	572,359	-
93.104		Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	467,723	277,197
93.110		Maternal and Child Health Federal Consolidated Programs	94,868	-
93.116		Project Grants and Cooperative Agreements for Tuberculosis Control Programs	898,179	467,602
93.127		Emergency Medical Services for Children	121,520	-
93.130		Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	167,809	-
93.136		Injury Prevention and Control Research and State and Community Based Programs	4,842,735	2,009,044
93.150		Projects for Assistance in Transition from Homelessness (PATH)	1,929,639	1,879,093
93.165		Grants to State for Loan Repayment Program	357,295	-
93.217		Family Planning Services	4,412,625	3,626,065
93.235		Affordable Care Act (ACA) Abstinence Education Program	3,066,601	2,993,176
93.240		State Capacity Building	497,409	-
93.241		State Rural Hospital Flexibility Program	686,278	26,312
93.243		Substance Abuse and Mental Health Services Projects of Regional and National Significance	13,722,092	12,247,458
93.251		Universal Newborn Hearing Screening	258,754	-
93.262		Occupational Safety and Health Program	150,347	-
93.268	(c)	Immunization Cooperative Agreements	133,665,591	-
93.268		Immunization Cooperative Agreements	2,345,502	-
93.270		Viral Hepatitis Prevention and Control	184,429	-
93.283		Centers for Disease Control and Prevention Investigations and Technical Assistance	1,412,084	24,300
93.301		Small Rural Hospital Improvement Grant Program	241,013	142,123
93.305		National State Based Tobacco Control Programs	1,225,657	250,000
93.314		Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	135,420	-
93.322		CSELS Partnership: Strengthening Public Health Laboratories	20,523	-
93.323		Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	3,001,056	41,786
93.324		State Health Insurance Assistance Program	1,649,044	-
93.336		Behavioral Risk Factor Surveillance System	22,278	-
93.369		ACL Independent Living State Grants	4,021,264	-
93.424	(d)	NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	35,248	23,500
93.448		Food Safety and Security Monitoring Project	535,357	-
93.506		ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	308,381	19,844
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	686,013	-
93.539		PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	3,335,107	1,420,805
93.556		Promoting Safe and Stable Families	11,505,216	7,015,107
93.563		Child Support Enforcement	137,732,350	136,049,263
93.564		Child Support Enforcement Research	440,232	421,064
93.566		Refugee and Entrant Assistance State/Replacement Designee Administered Programs	5,142,468	184,955
93.568		Low-Income Home Energy Assistance	125,723,707	120,024,047
93.569		Community Services Block Grant	36,060,536	34,652,165
93.576		Refugee and Entrant Assistance Discretionary Grants	310,478	-
93.584		Refugee and Entrant Assistance Targeted Assistance Grants	919,880	80,741
93.586		State Court Improvement Program	530,295	-
93.590		Community-Based Child Abuse Prevention Grants	675,901	-
93.597		Grants to States for Access and Visitation Programs	243,900	-
93.598	(a)	Services to Victims of a Severe Form of Trafficking	3,702	-
93.598		Services to Victims of a Severe Form of Trafficking	84,937	80,162
93.599		Chafee Education and Training Vouchers Program (ETV)	1,056,144	-
93.600		Head Start	169,683	13,566
93.624		ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	17,135,560	1,281,244

STATE OF OHIO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY AND FEDERAL PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL AGENCY/CFDA NUMBER	PROGRAM TITLE	Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Health and Human Services (Continued)			
93.630	Developmental Disabilities Basic Support and Advocacy Grants	2,608,992	1,106,892
93.634	ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid	686,508	422,781
93.643	Children's Justice Grants to States	299,151	-
93.645	Stephanie Tubbs Jones Child Welfare Services Program	11,384,150	6,719,398
93.658	Foster Care Title IV-E	230,308,509	39,312,552
93.659	Adoption Assistance	172,605,014	81,688,143
93.667	Social Services Block Grant	118,650,053	102,865,530
93.669	Child Abuse and Neglect State Grants	661,491	-
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	2,918,419	2,790,429
93.674	Chafee Foster Care Independence Program	3,611,601	3,230,497
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by the Prevention and Public Health Fund (PPHF)	218,563	-
93.735	State Public Health Approaches for Ensuring Quitline Capacity Funded in part by Prevention and Public Health Funds (PPHF)	618,000	-
93.745	PPHF: Health Care Surveillance/Health Statistics Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	260,869	-
93.747	Elder Abuse Prevention Interventions Program	374,649	-
93.752	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	3,401,942	1,795,409
93.753	Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	368,915	10,396
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	4,633,008	2,515,225
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	6,746,863	3,582,088
93.767	Children's Health Insurance Program	564,357,486	4,903,140
93.773	Medicare Hospital Insurance	15,277,310	-
93.774	Medicare Supplementary Medical Insurance	472,494	-
93.788	Opioid STR	17,929,714	15,229,728
93.791	Money Follows the Person Rebalancing Demonstration	67,693,377	-
93.810	Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	512,821	143,379
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	323,731	-
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	436,507	75,250
93.913	Grants to States for Operation of State Offices of Rural Health	223,405	95,825
93.917	HIV Care Formula Grants	23,000,584	3,214,845
93.940	HIV Prevention Activities Health Department Based	5,820,885	3,903,205
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	376,803	-
93.945	Assistance Programs for Chronic Disease Prevention and Control	557,472	30,000
93.958	Block Grants for Community Mental Health Services	16,461,184	15,015,754
93.959	Block Grants for Prevention and Treatment of Substance Abuse	64,735,176	61,287,211
93.965	Coal Miners Respiratory Impairment Treatment Clinics and Services	43,769	43,769
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants	2,913,806	967,826
93.994	Maternal and Child Health Services Block Grant to the States	20,547,846	7,487,655
93.HHSF223201210079C	Mammography Quality Standard Act Inspection	71,417	-
	Total U.S. Department of Health and Human Services	**20,131,234,265**	**1,202,382,405**
Corporation for National and Community Service			
94.003	State Commissions	360,823	19,956
94.006	AmeriCorps	6,253,289	6,032,413
94.009	Training and Technical Assistance	252,275	-
	Total Corporation for National and Community Service	**6,866,387**	**6,052,369**
Social Security Administration			
Disability Insurance/SSI Cluster:			
96.001	Social Security Disability Insurance	72,144,414	-
	Total Disability Insurance/SSI Cluster	*72,144,414*	-
	Total Social Security Administration	**72,144,414**	-

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE		Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Homeland Security			
97.008	Non-Profit Security Program	24,347	24,347
97.012	Boating Safety Financial Assistance	4,185,056	959,397
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	44,939	-
97.029	Flood Mitigation Assistance	955,908	889,758
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	243,581	25,223
97.039	Hazard Mitigation Grant	848,771	837,135
97.041	National Dam Safety Program	138,097	-
97.042	Emergency Management Performance Grants	9,825,295	6,084,297
97.043	State Fire Training Systems Grants	20,000	-
97.044	Assistance to Firefighters Grant	434,783	-
97.045	Cooperating Technical Partners	54,607	-
97.047	Pre-Disaster Mitigation	1,152,283	1,066,953
97.056	Port Security Grant Program	190,379	-
97.067	Homeland Security Grant Program	5,838,217	4,602,372
97.091	Homeland Security Biowatch Program	244,284	-
	Total U.S. Department of Homeland Security	**24,200,547**	**14,489,482**
	TOTAL EXPENDITURES	**$ 27,781,334,380**	**$ 3,829,134,538**

(a) These programs are a part of the Research and Development Cluster, as defined by OMB Uniform Guidance. See Note 3 to the Supplementary Schedule of Expenditures of Federal Awards.

(b) This cluster encompasses the U.S. Department of Transportation's federal programs CFDA# 20.205 and CFDA# 20.219 and the U.S. Appalachian Regional Commission's federal program CFDA# 23.003. In accordance with OMB Uniform Guidance, CFDA# 23.003 has been included as part of the U.S. Department of Transportation's programs and excluded from the U.S. Appalachian Regional Commission's programs.

(c) These programs receive non-cash assistance, as defined by OMB Uniform Guidance. See Note 2 to the Supplementary Schedule Awards of Expenditures of Federal Awards.

(d) These programs receive assistance from non-federal entities. The table below represents the amounts expended with funding received from the non-federal entities.

CFDA Number		Program Title	Pass-Through Entity	Pass-through Entity Identifying Number	Expenditures	Amount Provided to Subrecipients
10.664	*	Cooperative Forestry Assistance	Slow the Spread Foundation	17-01-08	$ 453,079	$ -
93.424		NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	National Association of Chronic Disease Directors	105-1500-5	35,248	23,500

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

1. Federal Financial Assistance

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

2. Catalog of Federal Domestic Assistance

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

3. Cluster of Programs

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

B. Reporting Entity

The Supplementary Schedules include all federal programs the State of Ohio has administered for the fiscal year ended June 30, 2018. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- the component unit is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

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

Discretely Presented Component Units:

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

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

Other Discretely Presented Component Units:
Ohio Air Quality Development Authority – N/A
Jobs Ohio – N/A
Ohio Turnpike and Infrastructure Commission – N/A

C. Basis of Accounting

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

1. Direct Costs

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

2. Indirect Costs

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

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 does not apply the 10% *de minimus* indirect cost rate for any of its programs.

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

NOTE 2 NON-CASH FEDERAL ASSISTANCE PROGRAMS

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

- *National School Lunch Program (CFDA# 10.555)*
  A portion of the federal assistance for this program represents the value of food the State distributes to subrecipients during the fiscal year. The U.S. Department of Agriculture assigns the prices at which the State values donated food commodities. The Supplementary Schedules include food commodity distributions of $53,705,167. The outstanding inventory balance for food commodities as of June 30, 2018, was $15,718,258.

- *1033 Excess Military Property (CFDA# 12.UNKNOWN)*
  Federal assistance for this program represents the fair market value of donated federal surplus personal property the State distributes to subrecipients during the fiscal year. The State calculates fair value at 22.47 percent of the property's original costs, in conformity with guidelines the U.S. General Services Administration establishes in conjunction with the U.S. Department of Defense. The Supplementary Schedules include surplus property distributions of $128,708.

- *Donation of Federal Surplus Personal Property (CFDA# 39.003)*
  Federal assistance for this program represents the fair market value of federal surplus personal property the State distributes to subrecipients during the fiscal year. The State calculates fair value at 22.47 percent of the property's original acquisition costs, in conformity with guidelines the U.S. General Services Administration establishes. The Supplementary Schedules include surplus property distributions of $40,272.

- *Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act (CFDA# 66.034)*
  A portion of the federal assistance for this program represents the value of in-kind assistance the State used during the fiscal year. The U.S. Environmental Protection Agency determines the cost of the in-kind services and supplies provided to the State. The in-kind services and supplies are for specialized lab analysis of particulate matter in air sampling filters, the auditing of the air sampling monitors, and the supplying of filters for air monitors. The Supplementary Schedules include in-kind assistance, as of June 30, 2018, in the amount of $320,082.

- *Multipurpose Grants to States and Tribes (CFDA# 66.204)*
  A portion of the federal assistance for this program represents the value of in-kind assistance the State used during the fiscal year. The U.S. Environmental Protection Agency determines the cost of the in-kind services and supplies provided to the State. The in-kind services and supplies are for specialized lab analysis of particulate matter in air sampling filters, the supplying of the air filters and for shipping charges. The Supplementary Schedules include in-kind assistance, as of June 30, 2018, in the amount of $63,665.

NOTE 2 NON-CASH FEDERAL ASSISTANCE PROGRAMS (Continued)

- *Immunization Cooperative Agreements (CFDA# 93.268)*
  A portion of the federal assistance for this program represents the value of immunizations distributed, in lieu of cash, directly to the State and/or on behalf of the State to vaccinating providers. The U.S. Department of Health and Human Services determined the value of vaccines received during fiscal year 2018 to be $133,665,591 which is included in the Supplementary Schedules. The outstanding inventory balance for immunizations as of June 30, 2018, was $21,757,672.

NOTE 3 RESEARCH AND DEVELOPMENT CLUSTER

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

CFDA #	Federal Program Title	Amount	Amount Provided to Subrecipients
15.605	Sport Fish Restoration	$ 1,313,250	$ 1,313,250
15.808	U.S. Geological Survey Research and Data Collection	70,797	-
15.810	National Cooperative Geologic Mapping	39,860	-
16.550	State Justice Statistics Program for Statistical Analysis Centers	25,274	-
16.588	Violence Against Women Formula Grants	9,979	-
16.593	Residential Substance Abuse Treatment for State Prisoners	142	-
16.609	Project Safe Neighborhoods	30,077	30,077
16.738	Edward Byrne Memorial Justice Assistance Grant Program	149,845	85,365
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	4,799	4,799
16.751	Edward Byrne Memorial Competitive Grant Program	142,563	142,563
16.754	Harold Rogers Prescription Drug Monitoring Program	4,761	-
20.205	Highway Planning and Construction	4,754,708	-
84.002	Adult Education - Basic Grants to States	1,574,088	1,574,088
93.598	Services to Victims of a Severe Form of Trafficking	3,702	-
	Total Research and Development Cluster	**$ 8,123,845**	**$ 3,150,142**

NOTE 4 TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2018, the State made allowable transfers of approximately $64.2 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 $622.8 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 2018 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families.................	$687,016,818
Social Services Block Grant.......................................	(64,170,404)
Total Temporary Assistance for Needy Families........	$622,846,414

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

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

CFDA #	Federal Program Title	Amount	Amount Provided to Subrecipients
17.225	ARRA -- Unemployment Insurance..	$ 25,054	$ -
	Total ARRA Grants..	**$ 25,054**	**$ -**

[THIS PAGE LEFT BLANK INTENTIONALLY]

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)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified and Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	See pages 31 through 34
(d)(1)(viii)	Dollar Threshold: Type A/Type B Programs	A: >$41,672,002 B: >$10,418,000
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

Finding Number	2018-001
State Agency	Ohio Department of Medicaid
State Agency Number	MCD-01

<u>NONCOMPLIANCE AND MATERIAL WEAKNESS</u>

Finding Number 2018-020, MEDICAID/CHIP – DRUG REBATE MONITORING, detailed on page 78, describes noncompliance and weaknesses in the Ohio Department of Medicaid's (MCD) process for monitoring the third party administrator (TPA) contracted to perform the processing and collection of rebates due to the State of Ohio from drug manufacturers as required by federal Medicaid Cluster and Children's Health Insurance Program (CHIP) program rules and regulations. We believe this finding also represents material noncompliance and a material weakness under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Officials' Response

The response for this finding is the same as the Corrective Action Plan included for Finding Number 2018-020, referenced above.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

The findings and questioned costs are summarized by state agency and type on pages 35 and 36.

The questioned costs are summarized by federal agency, program, and amount on page 38.

The findings and questioned costs are detailed by state agency on pages 39 through 109.

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 111 through 132.

4. OTHER – FINDINGS FOR RECOVERY

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

1. FINDING FOR RECOVERY – PAYROLL OVERPAYMENT

Finding Number	2018-036
State Agency	Ohio Department of Education
State Agency Number	EDU-07

Ohio Rev. Code Chapter 124 contains laws related to state employment. The Ohio Department of Education (Department) requires state employees complete a timesheet for the hours worked and attest to the accuracy of those reported hours. The Department maintains a Human Resources Policies and Procedures Manual, which contains Policy 301.0, *Standards of Employee Conduct*, which states in section VI.B.5:

> Employees shall not have a direct or indirect financial interest or other interest that conflicts or appears to conflict with one's government duties and responsibilities. For more information regarding conflicts of interest or outside employment, see ODE Policy 203.0 – Ethics and Chapters 102 (the Ohio Ethics Law) and 2921 of the Ohio Revised Code.

During the audit period, Stacy N. Ludwig was engaged in a secondary employment activity while working as an employee of the Ohio Department of Education. In the secondary employment, Ms. Ludwig was an Independent Beauty Guide who used social media to market cosmetics and skin-care products for LimeLiight (later LimeLife) by Alcone to earn commissions. During February 2018, the internet browsing history of the computer issued to Ms. Ludwig by the Department indicated she regularly visited Facebook, Twitter, YouTube, LimeLight by Alcone, and other websites related to her secondary employment at the same time she claimed to perform work for the Ohio Department of Education. The time Ms. Ludwig spent on these websites totaled to approximately 47 hours for February 2018. In addition to the wages the Department paid Ms. Ludwig for this time, she also received employer paid benefits made on her behalf. Employer paid benefits consisted of premiums for health, vision, dental, and life insurance, as well as retirement payments to the Ohio Public Employees Retirement System. These payments resulted in an overpayment to Ms. Ludwig for work not performed for the Department and are summarized below.

Description	Amount
Wages	$1,353
Employer Paid Benefits	643
Total	$1,996

1. FINDING FOR RECOVERY – PAYROLL OVERPAYMENT (Continued)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public property converted or misappropriated is hereby issued against Stacy N. Ludwig in the amount of $1,996, and in favor of the Ohio Department of Education, the General Revenue Fund, in the amount of $1,996.

We recommend the Department take the necessary steps to recover the overpayment of payroll costs paid to Stacy N. Ludwig. We also recommend the Department periodically remind employees, through training, e-mails, and other methods, about reporting outside employment and what activities state employees are permitted to perform by state law. Management should periodically monitor these on-going procedures to determine they are occurring as intended.

2. FINDING FOR RECOVERY – PAYROLL OVERPAYMENT

Finding Number	2018-037
State Agency	Ohio Department of Education
State Agency Number	EDU-08

Ohio Rev. Code Chapter 124 contains laws related to state employment. The Ohio Department of Education (Department) requires state employees complete a timesheet for the hours worked and attest to the accuracy of those reported hours. The Department maintains a Human Resources Policies and Procedures Manual, which contains Policy 301.0, *Standards of Employee Conduct*, which states in section VI.B.5:

> Employees shall not have a direct or indirect financial interest or other interest that conflicts or appears to conflict with one's government duties and responsibilities. For more information regarding conflicts of interest or outside employment, see ODE Policy 203.0 – Ethics and Chapters 102 (the Ohio Ethics Law) and 2921 of the Ohio Revised Code.

During the audit period, Jennifer E. Ross operated a consulting business, R.O.S.S. Consulting, while working as an employee of the Ohio Department of Education. As part of her consulting business, Ms. Ross contracted with and provided to the Columbus City School District the same or similar services she performed for the Department. Several of the invoices Ms. Ross presented to the Columbus City School District for services performed for the District between April 18, 2016 and August 8, 2017 indicated the services were performed at the same time she claimed to perform work for the Department. The specific days where overlap occurred, based on her employee timesheet and the consulting invoices, were April 4, 2016, July 19, 2016, August 13, 2016, July 13, 2017, August 2, 2017, and August 8, 2017. In addition to the wages the Ohio Department of Education paid to Ms. Ross for this time, she also received payment from the Department for travel costs and employer paid benefits made on her behalf. Employer paid benefits consisted of premiums for health, vision, dental and life insurance, as well as retirement payments to the Ohio Public Employees Retirement System. These payments resulted in an overpayment to Ms. Ross for work not performed for the Department and are summarized below.

Description	Amount
Wages	$848
Travel	50
Employer Paid Benefits	320
Total	$1,218

2. FINDING FOR RECOVERY – PAYROLL OVERPAYMENT (Continued)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public property converted or misappropriated is hereby issued against Jennifer E. Ross in the amount of $1,218, and in favor of the Ohio Department of Education, the Consolidated Use Administrative (3Z30) Fund, in the amount of $1,218.

We recommend the Department take the necessary steps to recover the overpayment of payroll costs paid to Jennifer E. Ross. We also recommend the Department periodically remind employees, through training, e-mails and other methods, about reporting outside employment and what activities state employees are permitted to perform by state law. Management should periodically monitor these on-going procedures to determine they are occurring as intended.

3. FINDING FOR RECOVERY / FINDING FOR RECOVERY – REPAID UNDER AUDIT / FINDING FOR RECOVERY – RESOLVED UNDER AUDIT – PAYROLL OVERPAYMENTS

Finding Number	2018-038
State Agency	Ohio Department of Mental Health and Addiction Services
State Agency Number	DMH-02

Ohio Rev. Code Chapter 124 contains laws related to state employment. To help comply with the law and related state payroll administrative policies, the Ohio Department of Mental Health and Addiction Services (Department) implemented internal policies. Section C.9 of Department Policy HR-34, *Hospital Work Schedules, Timekeeping, Overtime and Compensatory Time*, states:

> 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. Employee and supervisor approval of the time record will be required on the timesheet before submission to the section timekeeper and shall be accompanied by any approved compensatory/overtime requests and/or requests for leave.

It is management's responsibility to design and implement a system of internal controls to reasonably ensure payroll transactions are indicative of employee time worked, leave taken, and overtime/compensatory time accrued and adhere to administrative rules or policies. To be effective, the performance of an internal control must be sufficiently documented to provide assurance the control is in place and functioning as intended. It is also management's responsibility to monitor these control procedures to verify they are operating effectively.

During state fiscal year (SFY) 2018, approximately 95% of the Department's payroll expenditures were processed through an electronic time clock system at the Department's six regional psychiatric hospitals (RPHs). The time clock system interfaced with Kronos (internal time-keeping system) and populated the hours worked into individual timesheets for each employee. The Kronos timesheets were then interfaced with the Ohio Administrative Knowledge System's (OAKS) Human Capital Management (HCM) module for processing and payment. The Department installed a new version of the Kronos system in May 2016 and continued in SFY 2018 to identify and resolve problems associated with the upgrade. There were two problems in particular which contributed to the payroll overpayments described below. First, Kronos added de minimus amounts (time an employee clocked into the system before or after a shift) as extra time worked, which had to be manually backed out of OAKS. Second, Kronos attributed the day worked to the day when the shift ended, which was a problem when an employee started a shift on the last day of a pay period but ended it on the first day of the next pay period. In addition, because of the round-the-clock operations of the RPHs, their employees were required to work many different schedules with unique characteristics and requirements, which increased the complexity of payroll processing. The Department had controls in place

3. FINDING FOR RECOVERY / FINDING FOR RECOVERY – REPAID UNDER AUDIT / FINDING FOR RECOVERY – RESOLVED UNDER AUDIT – PAYROLL OVERPAYMENTS (Continued)

for employees at the RPHs and central office to review, adjust if needed, and approve the payroll transactions. However, the established controls at the RPHs did not always operate consistently and effectively. We identified required adjustments that supervisors should have corrected prior to approving the employee's timesheet and leave requests. We also identified instances where the RPH timekeepers incorrectly adjusted some employees' timesheets after the interface with OAKS. These are some of the factors that resulted in the following employees being overpaid for the pay periods listed below.

Employee	Pay Period Ending	Hours Overpaid	Fund	FFR Unpaid/Unresolved	FFR Repaid	FFR Resolved	PPE Date Repaid / Resolved
Braxter, Anthony L	Mar 3, 2018	3.0	GRF		$50		Feb 16, 2019
Cardoso, Kevin	Jul 22, 2017	1.5	GRF		$39		Feb 2, 2019
Chappell, Anthony	Sep 30, 2017	8.0	GRF			$138	Feb 16, 2019
Coleman, Devvon M	Aug 19, 2017	0.1	GRF		$1		Feb 16, 2019
Collins, Carolyn M	Jan 20, 2018	0.1	GRF		$3		Feb 16, 2019
Connolly, Erin	Aug 19, 2017	2.5	GRF	$87			
Conway, Kelly I	Jan 6, 2018	4.0	GRF			$118	Feb 16, 2019
Craycraft, Pamela L	Nov 25, 2017	0.8	GRF		$18		Feb 16, 2019
Crum-Louden, Sheila R	Jan 6, 2018	4.0	GRF		$172		Dec 22, 2018
Davis, Felicia M	Sep 16, 2017	4.0	GRF		$85		Dec 22, 2018
Davis, Lionel G	Jun 9, 2018	31.9	GRF			$431	Feb 16, 2019
Fugate, David W	Jun 9, 2018	8.0	GRF	$171			
Gladen, Tracy L	Sep 16, 2017	2.0	GRF		$101		Dec 22, 2018
Golian, Patricia S	Jul 8, 2017	7.6	GRF			$157	Mar 2, 2019
Green, Alaina	Nov 25, 2017	0.1	GRF	$2			
Guy, Frank D	Jul 22, 2017	2.7	GRF			$79	Feb 16, 2019
Gyebi ,Albert	Feb 17, 2018	0.4	GRF		$17		Feb 16, 2019
Hale, Dana M	Jan 6, 2018	4.0	GRF			$143	Mar 2, 2019
Harris, Sharron J	Nov 11, 2017	10.0	GRF			$286	Feb 16, 2019
Hauser, Laura E	Oct 14, 2017	2.0	GRF		$27		Dec 22, 2018
Hodge, Derrick T	Apr 4, 2018	0.5	GRF		$12		Feb 16, 2019
Hollins, Vashon L	July22, 2017	0.5	GRF		$17		Feb 16, 2019
Horvath, Michael F	Jul 8, 2017	8.0	GRF			$235	Feb 16, 2019
Humphrey, Amanda L	Jan 20, 2018	0.5	GRF		$12		Feb 16, 2019
Jenkins, Raymond L	Jun 23, 2018	1.5	GRF		$31		Feb 16, 2019
Johnson, Brian R	Oct 14, 2017	8.0	GRF		$201		Dec 22, 2018
Johnson, Darius A	Aug 5, 2017	0.4	1510		$7		Mar 2, 2019
Johnson, Santoria L	Jul 8, 2017	21.7	GRF			$794	Feb 16, 2019
Karns, Rebecca Marie	Jul 22, 2017	0.2	GRF		$18		Feb 16, 2019
Kennedy, James F	Jul 8, 2017; Jun 9, 2018	10.5	GRF			$391	Mar 2, 2019
Krueger, Trisha N	Jan 20, 2018	4.0	GRF			$123	Mar 2, 2019
Kuba, Tina V	Apr 14, 2018	0.4	GRF		$21		Dec 22, 2019
Lavender, Teresa L	Sep 16, 2017	8.0	GRF			$139	Mar 16, 2019
Legalley, Kellee N	Sep 30, 2017	12.0	GRF			$392	Mar 2, 2019
Lehman, Cindy D	Oct 28, 2017	0.2	GRF		$3		Mar 2, 2019
Lenoir, Felicia A	Jan 20, 2018	8.0	GRF		$339		Dec 22, 2018
Lewis, Ashlay	Jan 20, 2018	6.1	GRF		$107		Dec 22, 2018
Lewis, Debra E	Jul 22, 2017	0.1	GRF		$3		Feb 16, 2019
Mathis Sr, Walter F	Jan 20, 2018	0.4	GRF		$7		Feb 16, 2019
Mcvey, Trisha Leigh	Sep 30, 2017	0.1	GRF 6320		$2		Feb 16, 2019
Mercer, Hallie May	Sep 2, 2017	3.5	1510		$58		Feb 16, 2019
Merritt, Terrie A	Jan 20, 2018	0.2	GRF		$3		Feb 16, 2019

3. FINDING FOR RECOVERY / FINDING FOR RECOVERY – REPAID UNDER AUDIT / FINDING FOR RECOVERY – RESOLVED UNDER AUDIT – PAYROLL OVERPAYMENTS (Continued)

Employee	Pay Period Ending	Hours Overpaid	Fund	FFR Unpaid/Unresolved	FFR Repaid	FFR Resolved	PPE Date Repaid / Resolved
Miller, Frank	Sep 2, 2017; Sep 30, 2017	1.0	GRF		$18		Feb 16, 2019
Miller, Robert Joseph	Mar 31, 2018	0.2	GRF		$5		Feb 16, 2019
Miller, William G	Sep 16, 2017	2.6	GRF			$257	Feb 16, 2019
Mockbee, Tiffany Addel	Oct 14, 2017	22.0	GRF			$381	Mar 2, 2019
Neely, Michelle L	Jan 6, 2018	4.0	GRF			$151	Mar 2, 2019
Perry, Akhenaton A	Dec 23, 2017; May 12, 2018	2.9	GRF			$66	Mar 2, 2019
Phillips, Jeffrey L	Jul 8, 2017	4.0	GRF		$36		Feb 16, 2019
Potokar, Thomas D	Sep 16, 2017	2.0	GRF			$99	Mar 2, 2019
Reid-Baker, Zantheria L	Apr 14, 2018	0.1	GRF		$3		Feb 16, 2019
Sandhu, Charanjit	Jan 6, 2018	0.5	GRF		$9		Feb 16, 2019
Savageau, Andrew C	Jul 8, 2017	0.6	GRF		$58		Dec 22, 2017
Scott, Michael L	Oct 14, 2017	0.6	GRF		$10		Dec 22, 2018
Simmermon, Caryn L	Dec 9, 2017	8.0	GRF			$147	Mar 2, 2019
Soehner, David F	Nov 11, 2017	0.5	GRF		$50		Dec 22, 2018
Stewart, Kisha N	Dec 23, 2017	1.7	GRF		$51		Mar 2, 2019
Talbott, Takila N	May 26, 2018	16.1	GRF			$282	Mar 2, 2019
Walsh, Renata L	Jan 20, 2018	1.7	GRF			$71	Mar 2, 2019
Yagersz, Alexis A	Mar 3, 2018	0.1	GRF		$4		Feb 16, 2019
Totals				$260	$1,598	$4,880	

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28:

- A finding for recovery repaid under audit for public monies illegally expended is hereby issued against the 36 employees listed in the "FFR Repaid" column above in the total amount of $1,598 in favor of the Ohio Department of Mental Health and Addiction Services, and the funds listed. These amounts were repaid through payroll deductions on the dates listed.

- A finding for recovery resolved under audit for public monies illegally expended is hereby issued against the 21 employees listed in the "FFR Resolved" column above in the total amount of $4,880 in favor of the Ohio Department of Mental Health and Addiction Services, and the funds listed. Each of these employees signed a repayment agreement requiring a set amount be deducted for future bi-weekly payrolls until the amount is paid in full. The agreements were effective on the dates listed.

- A finding for recovery for public monies illegally expended is hereby issued against the three employees listed in the "FFR Unpaid/Unresolved" column above in the total amount of $260 in favor of the Ohio Department of Mental Health and Addiction Services, and the funds listed.

We recommend the Department take the necessary steps to recover these overpayments of payroll costs to employees. We also recommend the Department evaluate and strengthen existing controls to help ensure payroll is processed accurately for the hours employees work and/or leave time taken. This would include making any necessary updates/programming adjustments to the Kronos Timekeeping system. Management should communicate these procedures to the payroll processing staff, provide training to the employees responsible for identifying/correcting necessary adjustments, and stress the importance of diligently performing thorough reviews and processing payroll accurately. In addition, we recommend management periodically monitor and evaluate the policies and control procedures to ensure they are operating effectively and as intended.

STATE OF OHIO
JULY 1, 2017 THROUGH JUNE 30, 2018
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MAJOR FEDERAL PROGRAMS

CFDA #	Program Name / State Agency	Disbursements	Percent of Total
U.S. Department of Agriculture			
SNAP Cluster			
10.551 / 10.561			
	Ohio Department of Job & Family Services	$ 2,223,336,588	
	Other Agencies (Not Tested as a Major Program)	$ 740,618	
	Total SNAP Cluster	$ 2,224,077,206	8.34%
Child Nutrition Cluster			
10.553 / 10.555 / 10.556 / 10.559			
	Ohio Department of Education	$ 560,029,277	
	Other Agencies (Not Tested as a Major Program)	$ 1,001,562	
	Total Child Nutrition Cluster	$ 561,030,839	2.10%
10.557	WIC Special Supplemental Nutrition for Women, Infants, and Children		
	Ohio Department of Health	$ 198,637,073	
	Total CFDA # 10.557	$ 198,637,073	0.74%
10.558	Child and Adult Care Food Program		
	Ohio Department of Education	$ 95,184,631	
	Total CFDA # 10.558	$ 95,184,631	0.36%
U.S. Department of the Interior			
Fish and Wildlife Cluster			
15.605/611			
	Ohio Department of Natural Resources	$ 33,318,983	
	Total Fish and Wildlife Cluster	$ 33,318,983	0.12%
U.S. Department of Labor			
Employment Services Cluster			
17.207 / 17.801 / 17.804			
	Ohio Department of Job & Family Services	$ 26,474,977	
	Total Employment Services Cluster	$ 26,474,977	0.10%
17.225	Unemployment Insurance		
	Ohio Department of Job & Family Services	$ 1,002,591,233	
	Total CFDA # 17.225	$ 1,002,591,233	3.76%
WIOA Cluster			
17.258 / 17.259 / 17.278			
	Ohio Department of Job & Family Services	$ 78,727,456	
	Other Agencies (Not Tested as a Major Program)	$ 734,804	
	Total WIOA Cluster	$ 79,462,260	0.30%

STATE OF OHIO
JULY 1, 2017 THROUGH JUNE 30, 2018
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MAJOR FEDERAL PROGRAMS

CFDA #	Program Name / State Agency		Disbursements	Percent of Total
U.S. Department of Transportation				
Highway Planning and Construction Cluster				
20.205 / 20.219 / 23.003				
	Ohio Department of Transportation	$	1,430,571,635	
	Other Agencies (Not Tested as a Major Program)	$	1,528,818	
	Total Highway Planning and Construction Cluster	$	1,432,100,453	5.37%
U.S. Department of Education				
84.010	Title I Grants to Local Educational Agencies			
	Ohio Department of Education	$	545,216,710	
	Total CFDA # 84.010	$	545,216,710	2.04%
Special Education Cluster (IDEA)				
84.027 / 84.173				
	Ohio Department of Education	$	452,110,429	
	Other Agencies (Not Tested as a Major Program)	$	655,366	
	Total Special Education Cluster (IDEA)	$	452,765,795	1.70%
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States			
	Opportunities for Ohioans with Disabilities	$	104,726,857	
	Total CFDA # 84.126	$	104,726,857	0.39%
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)			
	Ohio Department of Education	$	74,105,366	
	Other Agencies (Not Tested as a Major Program)	$	1,441,641	
	Total CFDA #84.367	$	75,547,007	0.28%
U.S. Department of Health and Human Services				
93.268	Immunization Cooperative Agreements (non-Cash Award)			
	Ohio Department of Health	$	133,665,591	
	Total CFDA #93.268	$	133,665,591	0.50%
TANF Cluster				
93.558				
	Ohio Department of Job & Family Services	$	622,846,414	
	Total TANF Cluster	$	622,846,414	2.33%
93.563	Child Support Enforcement			
	Ohio Department of Job & Family Services	$	137,732,350	
	Total CFDA # 93.563	$	137,732,350	0.52%

MAJOR FEDERAL PROGRAMS

CFDA #	Program Name / State Agency		Disbursements	Percent of Total
U.S. Department of Health and Human Services (continued)				
93.568	Low-Income Home Energy Assistance			
	Ohio Development Services Agency	$	125,378,340	
	Other Agencies (Not Tested as a Major Program)	$	345,367	
	Total CFDA # 93.568	$	125,723,707	0.47%
CCDF Cluster				
93.575 / 93.596				
	Ohio Department of Job & Family Services	$	231,984,088	
	Total CCDF Cluster	$	231,984,088	0.87%
93.658	Foster Care Title IV-E			
	Ohio Department of Job & Family Services	$	227,986,343	
	Other Agencies (Not Tested as a Major Program)	$	2,322,166	
	Total CFDA # 93.658	$	230,308,509	0.86%
93.659	Adoption Assistance			
	Ohio Department of Job & Family Services	$	172,605,014	
	Total CFDA # 93.659	$	172,605,014	0.65%
93.667	Social Services Block Grant			
	Ohio Department of Job & Family Services	$	103,931,673	
	Ohio Department of Mental Health and Addiction Services	$	6,473,921	
	Ohio Department of Developmental Disabilities	$	8,244,459	
	Total CFDA # 93.667	$	118,650,053	0.44%
93.767	Children's Health Insurance Program			
	Ohio Department of Medicaid	$	561,892,150	
	Other Agencies (Not Tested as a Major Program)	$	2,465,336	
	Total CFDA # 93.767	$	564,357,486	2.12%
Medicaid Cluster				
93.775 / 93.777 / 93.778				
	Ohio Department of Medicaid	$	15,632,246,817	
	Ohio Department of Developmental Disabilities	$	1,624,737,466	
	Other Agencies (Not Tested as a Major Program)	$	45,072,503	
	Total Medicaid Cluster	$	17,302,056,786	64.86%
93.791	Money Follows the Person Rebalancing Demonstration			
	Ohio Department of Medicaid	$	37,762,135	
	Ohio Department of Developmental Disabilities	$	29,931,242	
	Total CFDA # 93.791	$	67,693,377	0.25%
93.959	Block Grants for Prevention and Treatment of Substance Abuse			
	Ohio Department of Mental Health and Addiction Services	$	64,735,176	
	Total CFDA # 93.959	$	64,735,176	0.24%

MAJOR FEDERAL PROGRAMS

CFDA #	Program Name / State Agency	Disbursements	Percent of Total
Social Security Administration			
Disability Insurance/SSI Cluster			
96.001			
	Opportunities for Ohioans with Disabilities	$ 72,144,414	
	Total Disability/SSI Cluster	$ 72,144,414	0.27%
Total Major Federal Programs		$ 26,675,636,989	96.02%
Other Federal Programs		$ 1,105,697,391	3.98%
Total Federal Awards Expenditures		**$ 27,781,334,380**	**100.00%**

STATE OF OHIO
JULY 1, 2017 THROUGH JUNE 30, 2018
SUMMARY OF FINDINGS AND QUESTIONED COSTS

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

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
Ohio Department of Developmental Disabilities (DMR)			
1. Medicaid Cluster - Payroll Overpayment	2018-002	Questioned Costs	39
Ohio Development Services Agency (DEV)			
1. HEAP - Cash Management	2018-003	Noncompliance/ Material Weakness	41
Ohio Department of Education (EDU)			
1. Timely Allocations to Charter Schools - Various Programs	2018-004	Noncompliance/ Material Weakness	43
2. Child Nutrition Cluster - Inventory/Federal Schedule and Note	2018-005	Noncompliance/ Material Weakness	45
3. CNC and CACFP - Reporting	2018-006	Noncompliance/ Material Weakness	47
4. CACFP - Sponsor Reviews	2018-007	Noncompliance/ Material Weakness	49
5. Special Education Cluster - Maintenance of Effort	2018-008	Noncompliance/ Significant Deficiency	50
6. Cash Management Monitoring - Various Programs	2018-009	Material Weakness	52
Ohio Department of Job & Family Services (JFS)			
1. Adoption Assistance - Lack of Supporting Documentation	2018-010	Questioned Costs/ Noncompliance/ Significant Deficiency	54
2. IT - IEVS Alerts (SNAP and TANF)	2018-011	Noncompliance/ Material Weakness	56
3. CCDF Cluster - Family Child Care Provider Home Applications	2018-012	Noncompliance/ Material Weakness	59
4. Federal Reporting - Various Programs	2018-013	Noncompliance/ Material Weakness	61
5. Cash Management - Various Programs	2018-014	Noncompliance/ Material Weakness/ Significant Deficiency	65
6. SNAP Cluster - Reporting	2018-015	Noncompliance/ Material Weakness	68
Ohio Department of Medicaid (MCD)			
1. IT - Provider Licenses not Updated in MITS	2018-016	Questioned Costs/ Material Weakness	69
2. Medicaid/CHIP - Ineligible Recipients	2018-017	Questioned Costs/ Noncompliance/ Material Weakness	71
3. MFP - Ineligible Recipients	2018-018	Questioned Costs/ Noncompliance/ Material Weakness	73
4. MFP - Payment Processing SOC 1 Audit and Ineligible Recipient	2018-019	Questioned Costs/ Material Weakness	75
5. Medicaid/CHIP - Drug Rebate Monitoring	2018-020	Noncompliance/ Material Weakness	78

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
Ohio Department of Medicaid (MCD) (Cont.)			
6. Lack of IEVS Monitoring	2018-021	Noncompliance/ Material Weakness	80
7. IT - Lack of Internal Testing of IT Security Systems	2018-022	Noncompliance/ Material Weakness	83
8. Medicaid/CHIP - Managed Care Provider Panel Reports	2018-023	Noncompliance/ Material Weakness	85
Ohio Department of Mental Health & Addiction Services (DMH)			
1. SABG - Payroll	2018-024	Material Weakness	88
Ohio Department of Natural Resources (DNR)			
1. Fish and Wildlife Cluster - Suspension & Debarment	2018-025	Noncompliance/ Material Weakness	90
2. Fish and Wildlife Cluster - Real Property Management	2018-026	Noncompliance/ Material Weakness	92
3. Fish and Wildlife Cluster - Subrecipient Monitoring	2018-027	Noncompliance/ Material Weakness	94
4. IT - Lack of a SOC1 Audit for Service Organizations	2018-028	Material Weakness	96
5. Fish and Wildlife Cluster - Reconciliations	2018-029	Material Weakness	97
6. Fish and Wildlife Cluster - Coding/Federal Schedule	2018-030	Material Weakness	99
Opportunities for Ohioans with Disabilities (RSC)			
1. Various Programs - Remaining Cash Balance	2018-031	Questioned Costs	101
2. VR and SSDI - Suspension & Debarment	2018-032	Noncompliance/ Material Weakness	103
3. VR and SSDI - Reconciliations	2018-033	Material Weakness	104
Ohio Department of Transportation (DOT)			
1. Highway Planning & Construction Cluster - Subrecipient Monitoring	2018-034	Noncompliance/ Material Weakness	106
2. Highway Planning and Construction Cluster - Wage Rate Requirements	2018-035	Material Weakness	108

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/COMMENT	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
Ohio Department of Medicaid (MCD)			
1. Medicaid/CHIP - Drug Rebate Monitoring	2018-001	Noncompliance/ Material Weakness	25

STATE OF OHIO
JULY 1, 2017 THROUGH JUNE 30, 2018
SUMMARY OF FINDINGS AND QUESTIONED COSTS

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

AGENCY/COMMENTS	FINDING NUMBER	TYPE OF FINDING	PAGE REFERENCE
Ohio Department of Education (EDU)			
1. Finding for Recovery - Payroll Overpayment	2018-036	FFR	26
2. Finding for Recovery - Payroll Overpayment	2018-037	FFR	27
Ohio Department of Mental Health and Addiction Services (DMH)			
1. Finding for Recovery/Finding for Recovery - Repaid Under Audit/Finding for Recovery - Resolved Under Audit - Payroll Overpayments	2018-038	FFR	28

STATE OF OHIO
JULY 1, 2017 THROUGH JUNE 30, 2018
SUMMARY OF QUESTIONED COSTS BY FEDERAL AGENCY AND PROGRAM

FEDERAL AGENCY/CFDA NUMBER/PROGRAM TITLE	PAGE NUMBER(S)	QUESTIONED COSTS
U.S. DEPARTMENT OF EDUCATION		
84.177 – Independent Living Services for Older Individuals Who are Blind	101**	$13,901
84.187 – Supported Employment Services for Individuals with the Most Significant Disabilities	101**	$13,901
Total U.S. Department of Education		**$ 27,802**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.659 – Adoption Assistance	54	$ 10,707
93.767 – Children's Health Insurance Program	69*, 71	$ 31,657
93.775 / 93.777 / 93.778 – Medicaid Cluster	39, 69*, 71	$ 99,006
93.791 – Money Follows the Person Rebalancing Demonstration	69*, 73, 75	$ 52,906
Total U.S. Department of Health and Human Services		**$ 194,276**
TOTAL QUESTIONED COSTS – STATE OF OHIO		**$ 222,078**

Note: * Finding number 2018-016 on page 69 reported questioned costs for which the amounts could not be determined.

** Finding number 2018-031 on page 101 reported questioned costs for payments made for non-federal purposes, but could not be tied to a specific program(s). Based on the accounting techniques used by the agency, there were various federal programs from the U.S. Department of Education and U.S. Department of Health & Human Services associated with the fund over the years (none of which were major programs). Since CFDA #s 84.177 and 84.187 are currently being accounted for within the fund, we questioned the payments to be split equally among the two programs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES

1. MEDICAID CLUSTER – PAYROLL OVERPAYMENT

Finding Number	2018-002		
State Agency/Number	DMR-01		
CFDA Number and Title/ Federal Award Identification Number/ Year	93.775/93.777/93.778 – Medicaid Cluster	1705-OH5MAP / 2017 1805-OH5MAP / 2018	
Federal Agency	Department of Health & Human Services		
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles		
Repeat Finding from Prior Audit?	No	*Finding Number (if repeat)*	N/A

<u>QUESTIONED COSTS</u> $52

45 C.F.R. Part 75 § 106 gives regulatory effect to the Department of Health and Human Services for 2 C.F.R. Part 200 § 400, which establishes requirements over cost principles for federal awards to non-federal entities. 2 C.F.R Part 200 §403 states, in part:

> Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:
>
> . . .
>
> (c) Be consistent with policies, regulations, and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
>
> . . .

Additionally, 2 CFR Part 200 § 413(b) describes direct costs allocable to federal awards and states, in part:

> . . .
>
> ...Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs...and other items of expense incurred for the Federal award...

During state fiscal year 2018, the Department disbursed approximately $47.3 million in payroll costs related to the Medicaid Cluster. Department employees involved in the Medicaid Cluster are eligible to have their compensation, including overtime, reimbursed with federal funds under the program. State and Departmental policy dictates a bargaining unit employee, when utilizing sick leave, is not considered to be in active pay status for the purposes of payment of overtime. Therefore, the employee's overtime is to be paid at their regular rate of pay to the extent they used sick leave. For one of 25 (4%) employees selected for testing, the employee worked overtime and utilized sick leave in the same week. However, for the 0.7 hours of overtime worked by the employee, the Department improperly made two payments to the employee; one at their regular rate of pay and one at an overtime rate of one and one-half times their regular rate of pay. The payment made at the overtime rate, totaling $52, was made in error and is unallowable per federal requirements. As a result, we will question costs of $52 (projected to an amount greater than $25,000).

1. MEDICAID CLUSTER – PAYROLL OVERPAYMENT (Continued)

Without proper control procedures in place to provide reasonable assurance the Department adheres to federal and state requirements for personnel costs paid for with federal funds, the Department cannot reasonably be assured program expenditures are proper and accurate. Unallowable personnel costs used for federal activities could result in reductions in funding and/or repayment of those costs. Based on discussion with management, it appears the overpayment was made as a result of human error when an employee incorrectly applied a payroll adjustment to eliminate the overtime pay from the employee's time sheet before processing.

We recommend management strengthen and reinforce existing procedures over the review, approval, and processing of employee compensation to help ensure payments are proper and accurate. These procedures should include a supervisory review of adjustments made to employee timesheets or payroll payments prior to processing. Management should periodically monitor and evaluate these procedures to ensure they are operating effectively and as intended. We further recommend the Department ensure the next request for federal reimbursement be appropriately adjusted to reduce the draw amount by the federal match portion of the payroll overpayment.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEVELOPMENT SERVICES AGENCY

1. HEAP – CASH MANAGEMENT

Finding Number	2018-003		
State Agency/Number	DEV-01		
CFDA Number and Title/ Federal Award Identification Number/ Year	93.568 – Low-Income Home Energy Assistance	2017G99201 / 2017	
		2018G99201 / 2018	
Federal Agency	Department of Health and Human Services		
Compliance Requirement	Cash Management		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-003

<u>NONCOMPLIANCE AND MATERIAL WEAKNESS</u>

31 C.F.R. Part 205 §11 states, in part:

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

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

> . . . The State shall request funds such that they are deposited in a State account not more than 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. . .

In addition, 45 C.F.R. Part 75 §§ 302 and 305 give regulatory effect to the Department of Health and Human Services for 2 C.F.R. Part 200 §302(b)(6) which requires states to have written procedures to implement the requirements of 2 C.F.R. Part 200 §305. 2 C.F.R. Part 200 §305(a) indicates for states, payments are governed by Treasury-State CMIA agreements and default procedures codified at 31 C.F.R. Part 205 "Rules and Procedures for Efficient Federal-State Funds Transfers" and TFM 4A-2000 Overall Disbursing Rules for All Federal Agencies.

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

1. HEAP – CASH MANAGEMENT (Continued)

During state fiscal year 2018, the Agency drew down approximately $125 million in federal funding for the HEAP program. The Agency utilizes the CMIA Agreement, as well as internal policies and procedures as a guide for completing federal draws; however, these policies and procedures do not specifically address the timeliness of the disbursement/draw process as required by 2 C.F.R. Part 200 §302(b)(6). The Agency compiles a worksheet of all payment requests for administrative and program costs associated with providing HEAP assistance in order to determine the amount of federal funds to be drawn. This evaluation includes year-to-date disbursements, year-to-date revenues, and any refunds received and/or pending. However, this process appears more appropriate for a reimbursement type program and does not comply with the Modified Pre-Issuance Methodology required for the HEAP program by the CMIA Agreement. As noted above, the Agency's internal control policies do not contain procedures which allow specific draws to be tied to subsequent disbursements. The agency attempted to tie disbursements to the 15 draws selected for testing, but for three of those 15 draws (20%), the identified disbursements still were not made within the time limits established by the CMIA Agreement.

Without procedures in place which allow for ensuring timely disbursement of funds in accordance with federal requirements and the CMIA Agreement, interest penalties may be incurred by the State of Ohio. This could also subject the Agency to sanctions or other penalties by the federal grantor agency. Based on our discussions with management, these errors likely occurred due to the nature of the Agency's draw process as described above. The Agency determines the federal draw amount based on program costs already approved and expended. Therefore, the Agency cannot trace federal draw amounts to disbursements made subsequently and the timeliness of these disbursements cannot be accurately identified/tested.

We recommend the Agency reinforce and strengthen its existing controls to provide reasonable assurance that all requests for federal funds are drawn down consistent with the Agency's immediate cash needs and disbursed timely in accordance with the guidelines set forth in the CMIA Agreement. This should include evaluating and analyzing the current process to identify any possible efficiencies, as well as ensuring that resources are sufficient and job duties are properly aligned to handle the volume of transactions processed. We also recommend the Agency update its written policies and procedures for the cash management process to provide a methodology which allows for disbursements to be tied to related federal draws to help ensure compliance with 2 C.F.R. Part 200 §302(b)(6). These policies and procedures should be formally approved and adopted by management, provided to all employees, and monitored periodically by management to ensure the procedures are operating as intended and updated as necessary.

1. TIMELY ALLOCATIONS TO CHARTER SCHOOLS – VARIOUS PROGRAMS

Finding Number	2018-004		
State Agency/Number	EDU-01		
CFDA Number and Title/ Federal Award Identification Number/ Year	84.010 – Title I Grants to Local Educational Agencies		S010A160035 / 2016 S010A170035 / 2017
	84.027/84.173 – Special Education Cluster (IDEA)		H027A160111-16A / 2016 H027A160111-17A / 2017
	84.367 – Supporting Effective Instructions State Grant		S367A160034 / 2016 S367A170034 / 2017
Federal Agency	Department of Education		
Compliance Requirement	Special Tests and Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-004

<u>NONCOMPLIANCE AND MATERIAL WEAKNESS</u>

34 C.F.R. Part 76, Subpart H, requires that SEAs (state educational agencies) take measures to ensure each charter school in the state receives the funds for which it is eligible under a covered program during its first year of operation and during subsequent years in which the charter school expands its enrollment. Specifically, 34 C.F.R. Part 76 § 793(a) states:

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

In addition, 34 C.F.R. Part 76 § 796 states:

> (a) An SEA that allocates more or fewer funds to a charter school LEA than the amount for which the charter school LEA is eligible, based on actual enrollment or eligibility data when the charter school LEA opens or significantly expands its enrollment, must make appropriate adjustments to the amount of funds allocated to the charter school LEA as well as to other LEAs under the applicable program.
>
> (b) Any adjustments to allocations to charter school LEAs under this subpart must be based on actual enrollment or other eligibility data for the charter school LEA on or after the date the charter school LEA first opens or significantly expands its enrollment, even if allocations or adjustments to allocations to other LEAs in the State are based on enrollment or eligibility data from a prior year.

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

During state fiscal year (SFY) 2018, the Department expended approximately $545.2 million in Title I Grants to LEAs funds, of which approximately $537.5 million were subsidy payments to LEAs; $452.1 million in Special Education Grants to States funds, of which approximately $435.1 million were subsidy payments to LEAs; and $74.1 million in Supporting Effective Instructions State Grant funds, of which

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

approximately $71.8 million were subsidy payments to LEAs. In addition, during SFY 2018, nine new charter schools (called community schools in Ohio) opened and three community schools significantly expanded by adding two or more grade levels during the school year.

The Department had controls in place during SFY 2018 for allocating funding to new and significantly expanded community schools for all three federal programs. The controls consisted of either making an initial estimated allocation and then adjusting it when the LEA reported actual data or making only one allocation based on the actual data. However, the controls were not designed to ensure the Department made the amounts due to each LEA available within five months of the LEA's start or expansion date. Once the allocations are made, the community schools must submit an application and obtain all necessary approvals at the community school and Department level in order to have access to the new or additional funding, which can take several days or weeks. As a result, one of three (33.3%) new and significantly expanded community schools selected for testing was not provided the required new funding in a timely manner as required by 34 C.F.R. Part 76 § 793(a). The LEA started operations on August 14, 2017, and was due the Title I Grants to LEAs, Special Education Grants to States, and Supporting Effective Instruction State Grants funds by January 14, 2018, but the new funding was not allocated until January 19, 2018, and the community school did not have access to the funds until 38 days beyond the required timeframe.

If controls do not exist or are not applied consistently, then program objectives may not be achieved. If community schools do not receive all funding they are eligible for in a timely manner, they may not be able to provide services at the appropriate level to the detriment of the students impacted for the Special Education Grants to States, Title I Grants to LEAs, and Supporting Effective Instructions State Grant programs. In addition, this could subject the Department to sanctions or other penalties for these programs. Based on discussion with management and review of various documents, the issue was caused by the amount of time necessary for the Department to obtain the necessary data from EMIS and verify accurate poverty data was submitted by the charter school during school year 2017-2018.

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

2. CHILD NUTRITION CLUSTER – INVENTORY/FEDERAL SCHEDULE AND NOTE

Finding Number	2018-005		
State Agency/Number	EDU-02		
CFDA Number and Title/ Federal Award Identification Number/ Year	10.553/10.555/10.556/10.559 – Child Nutrition Cluster		17152OH062N1099 / 2017
Federal Agency	Department of Agriculture		
Compliance Requirement	Special Tests and Provisions – Accountability for USDA-Donated Foods		
Repeat Finding from Prior Audit?	No	*Finding Number (if repeat)*	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS

7 C.F.R. Part 250 contains rules and regulations for entities that receive donated foods from the United States Department of Agriculture (USDA) for use in child nutrition programs, including the Child Nutrition Cluster (CNC). Specifically, 7 C.F.R. Part 250 § 19(a) requires that Distributing agencies, recipient agencies, processors, and other entities must maintain accurate and complete records with respect to the receipt, distribution, and inventory of USDA-donated foods and warns that failure to maintain required records must be considered prima facie evidence of improper distribution or loss of donated foods and may result in a claim against such party for the loss or misuse of donated foods per 7 C.F.R. Part 250 § 16. In addition, 2 C.F.R. Part 400 § 1 gives regulatory effect to the USDA for the Uniform Guidance contained in 2 C.F.R. Part 200. Specifically, 2 C.F.R. Part 200 § 510 requires the auditee prepare a Schedule of Expenditures of Federal Awards (Schedule) for the period covered by the auditee's financial statements which must include the total federal awards expended. This includes the Distributing agency reporting the distribution of the donated foods to schools as required by 7 C.F.R. Part 250 § 18.

It is management's responsibility to implement control procedures to reasonably ensure compliance with these requirements. It is also management's responsibility to implement an adequate system of internal controls to monitor the accuracy and completeness of accounting and inventory records pertaining to federal programs. Sound internal controls also require a review of the Department's Schedule and Attachments be performed and documented in some manner, prior to submission to the Office of Budget and Management (OBM), to verify the information reported is accurate and complete.

As the pass-through entity of the CNC federal program for the State of Ohio, the Department distributed USDA-donated goods to various local schools throughout the year. The Department contracted with two storage facilities to house these goods during the fiscal year and also contracted with a company to perform physical inventory counts of the donated goods in the facilities at year-end. The value of the year-end donated goods inventory was $15.7 million dollars, or approximately 2.8% of the reported total program expenditures. The Department's procedures require it receive monthly reports from the storage facilities and reconcile the reports to the Commodities Allocation Tracking System (CATS). However, for three of five (60%) reconciliations selected for testing, no reconciliation was performed due to a CATS issue that began in December 2017 and is still ongoing. During a data upload, the data in the inventory module in CATS was corrupted and could not be relied upon for the remainder of the fiscal year.

In addition, at year-end, the Department reconciles the amount of goods verified during the physical inventory counts to CATS. Part of the reconciliation process involves the Department making adjustments in CATS for noted differences and billing the facilities for any shortfalls. The physical

2. CHILD NUTRITION CLUSTER – INVENTORY/FEDERAL SCHEDULE AND NOTE (Continued)

inventory counts indicated there were 297 commodities in total at the two facilities. However, 272 of the 297 commodities contained variances, of which 100 (33.7%) contained large variances of ten or more items. The Department compared the amounts for commodities between CATS and the physical count and then manually updated CATS with the amounts on the physical count sheets, but did not provide explanations for the variances for 99 of the 100 commodities. Due to the number and extent of the noted year-end variances and the CATS issue, it appears the Department did not maintain accurate and complete records during the fiscal year as required by 7 C.F.R. Part 250 § 19(a).

Furthermore, during SFY 2018, OBM provided State agencies that received federal funds a reporting package containing a template of the Schedule and its attachments, as well as detailed instructions for completing the reporting package and making adjustments to the award amounts. The Department's reporting package also included a form and instructions for providing information about donated food commodities from the National School Lunch Program, part of the CNC, for inclusion in the Schedule's Note 2, Non-Cash Federal Assistance Programs. To provide the information for Note 2, the Department utilized CATS, year-end inventory counts, reports from its pre-processors, and the USDA commodity tracking system (WBSCM). Management reviewed the Schedule and Note for accuracy and approval before forwarding them to OBM. However, when asked by the auditor for support for the reported non-cash award amount provided for Note 2, the Department realized it had not included the USDA Department of Defense Fresh Fruit and Vegetable Program distribution amount to schools. As a result, the Department reported $46,430,328 in non-cash federal assistance for the CNC although the actual distributions were $53,705,167, or an understatement of $7,274,839 (13.6%), to OBM for inclusion in the Schedule and Note 2 for the CNC program. Once these errors were brought to OBM's attention, the State's Schedule and Note 2 were adjusted prior to submission to the Federal government.

If the Department does not maintain accurate and complete records of the donated goods, it is not complying with 7 C.F.R. Part 250 § 19(a). This could subject the Department to repayment for the value of the misplaced food to the USDA or replacement of the goods in kind, or other sanctions and penalties. This could also prevent schools from placing orders for available goods and lead to misuse or abuse of donated goods to the detriment of those who benefit from the program. By not accurately identifying and reporting non-cash federal expenditures, there is an increased risk that not only program activity but also the State of Ohio's Schedule and footnotes may be materially misstated. This could lead to users of the Schedule and footnotes making decisions based on inaccurate program activity or information.

Based on discussion with management and review of support documents, the Department did not have the resources to maintain accurate and complete inventory records after the CATS system failure. For the non-cash award, the Department had updated its process to encompass more of the federal distributions and more accurately report the amount; however, it overlooked the Fruit and Vegetable Program until meeting with the auditor.

We recommend the Department evaluate and strengthen its existing policies, procedures, and CATS system to ensure it updates and maintains complete and accurate inventory records and also to reasonably ensure the accuracy and completeness of the non-cash expenditures reported to OBM for inclusion on the State's Schedule and Notes. Management should periodically perform and review inventory reconciliations to ensure accuracy, completeness, and proper and timely resolution of variances or reconciling items noted. In addition, management should review and monitor the compilation of information submitted to OBM to ensure it is complete and accurate. The Department should formally document and communicate these policies and procedures to all employees involved in the process and re-evaluate and update the procedures on a regular basis to address any necessary changes.

3. CNC AND CACFP – REPORTING

Finding Number	2018-006		
State Agency/Number	EDU-03		
CFDA Number and Title/ Federal Award Identification Number/ Year	10.553/10.555/10.556/10.559 – Child Nutrition Cluster		17152OH062N1099 / 2017
	10.558 – Child and Adult Care Food Program		17152OH062N2020 / 2017
Federal Agency	Department of Agriculture		
Compliance Requirement	Reporting		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-007

<u>NONCOMPLIANCE AND MATERIAL WEAKNESS</u>

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 C.F.R. Part 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."
>
> 7 C.F.R. Part 226 § 7(d) requires a final FNS-44, *Report of the Child and Adult Care Food Program,* report be submitted "for each month no 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."

Instructions for both reports define "Estimated" as "Projection of the number of meals that were served and are expected to be approved for reimbursement for which claims have not been received or approved by the reporting due date." In addition, Parts A - Day Care Homes (reported monthly) and B - Participation (reported quarterly) of the FNS-44 report instructions state "Estimates for missing data should be included on the 30-Day report."

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

During 2018, the Department disbursed approximately $506.1 million in subsidy expenditures for the CNC and approximately $95.1 million in subsidy expenditures for the CACFP. The Department had controls in place during the fiscal year for reviewing and submitting the required reports. When preparing reports for submission to the U. S. Department of Agriculture via the Food Program Reporting System (FPRS), the Management Analyst generates the support documents in the Claims Reimbursement and Reporting System (CRRS), which aggregates estimated and actual reporting data, including meals served and

3. CNC AND CACFP – REPORTING (Continued)

number of sponsors and sites. The Management Analyst enters the data into FPRS and checks it for validity. The Fiscal Manager then reviews the data to ensure its accuracy and completeness before certifying the report in FPRS. However, these controls did not prevent or detect the following errors on the reports:

- The Department included actual data with no estimates in the Day Care Homes (Part A) and Participation (Part B) sections of the 30-day FNS-44 reports. As a result, four of seven (57.1%) FNS-44 reports selected for testing (August 2017 30-day report, April 2018 30-day report, September 2017 90-day report, and March 2018 90-day report) contained variances of 10% or more on the 30-day report and the 90-day report. All of these amounts were significantly understated on the 30-day report.

- For one of six (16.7%) FNS-418 reports selected for testing (July 2017 closeout report), the Line 33 (Average Daily Attendance of Sponsors Reported on Line 30) reported amounts did not agree to the supporting documentation in the CRRS detail report. The reported amounts varied between 2% and 28% from those shown on the CRRS detail report; four of the six columns, which consisted of the different sponsor types, contained variances of 10% or more.

Without ensuring the accuracy of amounts reported on the FNS-418 reports and including estimated data for Parts A and B of the FNS-44 reports, the Department cannot be reasonably assured reports are accurate and complete. Any noncompliance could result in repayment, reduction, or elimination of federal funding or sanctions imposed by the federal grantor agency. Based on discussions with management and review of supporting documentation, it appears these conditions were the result of a CRRS system issue in reporting Average Daily Attendance of Sponsors on the FNS-418 report and inadequate estimating techniques for the 30-day FNS-44 reports. In addition, the Department interpreted the phrase “missing data” as not having received data from any sponsor by the report due date. If it received data from at least one sponsor, the Department called this incomplete data rather than missing data, and did not include the estimated amounts submitted by the sponsors in CRRS.

We recommend the Department evaluate and reinforce its procedures to provide reasonable assurance the FNS-418 and FNS-44 reports submitted in FPRS are accurate and complete. We also recommend the Department develop an accurate and effective estimating technique for the 30-day reports so the information contained therein is more useful. Furthermore, we recommend the Department contact the federal awarding agency to obtain its definition for “missing data”. Lastly, we recommend the Department establish procedures to periodically monitor its compliance with the report submission requirements and initiate necessary actions to resolve any noncompliance that results.

4. CACFP – SPONSOR REVIEWS

Finding Number	2018-007		
State Agency/Number	EDU-04		
CFDA Number and Title/ Federal Award Identification Number/ Year	10.558 – Child and Adult Care Food Program		17152OH062N2020 / 2017
Federal Agency	Department of Agriculture		
Compliance Requirement	Subrecipient Monitoring		
Repeat Finding from Prior Audit?	No	*Finding Number (if repeat)*	N/A

<u>NONCOMPLIANCE AND MATERIAL WEAKNESS</u>

As part of administering the Child and Adult Care Food Program (CACFP), 7 C.F.R. Part 226 § 6 requires the Department provide technical and supervisory assistance to institutions and facilities to facilitate effective program operations; monitor progress toward achieving program goals; ensure compliance with all requirements of the program; and maintain documentation of supervisory assistance activities, including reviews conducted, corrective actions prescribed, and follow-up efforts.

Specifically, 7 C.F.R. Part 226 § 6(m)(6) prescribes the frequency and number of required institution reviews and states, in part:

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

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

During state fiscal year (SFY) 2018, the Department completed reviews of 339 sponsors that participated in the Child and Adult Care Food Program. Education Program Specialists are responsible for visiting these institutions, performing the required reviews, and completing various documents within the Claims Reimbursement Reporting System (CRRS) to evidence what they reviewed and the results. In addition, the Department maintains a CRRS tracking module that lists all participants of the program and when they were reviewed or are scheduled for review. However, the Department's controls did not prevent noncompliance with the review requirements. As a result, for two of 40 (5%) reviews selected for testing (all sponsors with between 1 and 100 facilities), the Department performed the reviews five and four years after the previous review, which is not within the required three-year period.

Not properly monitoring sponsor reviews could result in noncompliance with federal regulations. Noncompliance with the review requirements could subject the Department to sanctions or other penalties and a repayment of part of the grant award amount. Based on discussions with management and review of support documents, the reviews were not completed timely due to system changes (upgrade from CRRS.asp to CRRS.net) and staffing changes. The Department did not identify the missed reviews during the system upgrade; however, through a subsequent internal analysis, it discovered the missed reviews and targeted the sponsors for review once identified.

4. CACFP – SPONSOR REVIEWS (Continued)

We recommend the Department evaluate its existing sponsor review control procedures and update them as necessary to reasonably ensure all reviews are performed within the timeframes prescribed in 7 C.F.R Part 226 § 6(m)(6). We also recommend the Department establish procedures to periodically monitor its compliance with the review requirements and initiate necessary actions to resolve any noncompliance that results.

5. SPECIAL EDUCATION CLUSTER – MAINTENANCE OF EFFORT

Finding Number	2018-008		
State Agency/Number	EDU-05		
CFDA Number and Title/ Federal Award Identification Number/ Year	84.027/84.173 – Special Education Cluster (IDEA)		H027A160111-16A / 2016 H027A170111-17A / 2017
Federal Agency	Department of Education		
Compliance Requirement	Matching, Level of Effort, and Earmarking; Subrecipient Monitoring		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-005

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

34 C.F.R. Part 300 § 203 established maintenance of effort (MOE) compliance standard requirements for Part B of the Individuals with Disabilities Education Act (IDEA). 34 C.F.R. Part 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 (part of 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 C.F.R. Part 300 § 203(b)(2).

During state fiscal year (SFY) 2018, the Department's Office for Exceptional Children (OEC) monitored LEA compliance with MOE requirements for the IDEA, Part B program through data uploaded from EMIS (Education Management Information System) into the CCIP (Continuous Comprehensive Improvement Plan) system's MOE Application module. EMIS is the statewide data collection system by which LEAs

5. SPECIAL EDUCATION CLUSTER – MAINTENANCE OF EFFORT (Continued)

are required to report data, including all LEA expenditures and Average Daily Membership, to the Department. County Departments of Developmental Disabilities do not utilize EMIS, so the Department loads School Finance data showing the amount of State disbursements and student count for the fiscal year. The Department then obtains documentation from the County Departments of Developmental Disabilities supporting the amount of state and local expenditures during the fiscal year. The Department's Information Technology Office (ITO) notifies OEC when EMIS is closed and the data is available for entry into the MOE Application module.

Using this data, OEC determines whether LEAs met the MOE requirement. The Education Program Specialist contacts and investigates only those LEAs that do not meet the MOE requirement for additional information and support to help with the MOE determination. However, for one of 25 (4%) calculations tested, OEC did not perform an accurate MOE determination for the IDEA, Part B program using one of the four acceptable methods under 34 C.F.R. Part 300 § 203(b)(2) by which an LEA could comply with the MOE requirement. The County Board of Developmental Disabilities submitted an expense report for SFY 2017, the first year it was required; however, it did not submit an expense report for SFY 2016. Therefore, the SFY 2016 MOE comparison amount was state-level funding only, which is not one of the four acceptable methods identified above. The Department concluded this LEA met the MOE when it may not have.

Not using complete and accurate data in the MOE comparisons may result in the Department determining that LEAs met the MOE requirement when they did not. This could result in LEAs receiving the full allocation of federal funds instead of a reduced amount. Noncompliance on the part of the LEA or the Department could result in federal funds being reduced, taken away, or other sanctions imposed by the federal grantor agency. Based on discussions with management and review of supporting documentation, these conditions were the result of a previous misunderstanding of Federal requirements. Management is now aware of these requirements and indicated they have put actions in place to remedy the issue going forward. Due to the timing of the management actions, not all SFY 2016/2017 comparisons could be corrected.

We recommend the Department evaluate its current control procedures and processes over determining whether LEAs met the MOE requirement for the Special Education Cluster and update them as necessary to reasonably ensure MOE determinations are made based on the most accurate data. We recommend the Department ensure future MOE determinations use all four of the acceptable methods under 34 C.F.R. Part 300 § 203(b)(2), specifically for the County Boards of Developmental Disabilities. We also recommend the Department establish procedures to periodically monitor its compliance with the related controls and MOE requirements, and initiate necessary actions to resolve any noncompliance that results.

6. CASH MANAGEMENT MONITORING – VARIOUS PROGRAMS

<table>
<tr><td>Finding Number</td><td colspan="3">2018-009</td></tr>
<tr><td>State Agency/Number</td><td colspan="3">EDU-06</td></tr>
<tr><td rowspan="5">CFDA Number and Title/ Federal Award Identification Number/ Year</td><td colspan="2">10.553/10.555/10.556/10.559 – Child Nutrition Cluster</td><td>17152OH062N1099 / 2017</td></tr>
<tr><td colspan="2">10.558 – Child and Adult Care Food Program</td><td>17152OH062N2020 / 2017</td></tr>
<tr><td colspan="2">84.010 – Title I Grants to Local Educational Agencies</td><td>S010A160035 / 2016
S010A170035 / 2017</td></tr>
<tr><td colspan="2">84.027/84.173 – Special Education Cluster (IDEA)</td><td>H027A160111-16A / 2016
H027A170111-17A / 2017</td></tr>
<tr><td colspan="2">84.367 – Supporting Effective Instructions State Grant</td><td>S367A160034 / 2016
S367A170034 / 2017</td></tr>
<tr><td>Federal Agency</td><td colspan="3">Department of Agriculture
Department of Education</td></tr>
<tr><td>Compliance Requirement</td><td colspan="3">Cash Management</td></tr>
<tr><td>Repeat Finding from Prior Audit?</td><td>No</td><td>Finding Number (if repeat)</td><td>N/A</td></tr>
</table>

<u>MATERIAL WEAKNESS</u>

2 C.F.R. § 400.1 and 2 C.F.R. § 3474.1 gives regulatory effect to the Department of Agriculture and the Department of Education, respectively, for 2 C.F.R. § 200.303(a) which requires recipients of federal awards establish and maintain effective internal controls over federal awards that provide reasonable assurance they are in compliance with laws, regulations, and the provisions of the grant agreement. It is management's responsibility to design, implement, and monitor these controls to reasonably ensure compliance with the applicable requirements. Strong controls typically include periodic reconciliations of the entity's internal records to the accounting system and/or external sources to ensure financial transactions have been processed accurately and timely. To be effective, these reconciliation procedures must be adequately documented, performed regularly and timely, and include appropriate follow-up to address all significant reconciling items.

During state fiscal year (SFY) 2018, the Department drew down approximately $1.67 billion for the following federal programs: Child Nutrition Cluster; Child and Adult Care Food Program; Title I Grants to Local Educational Agencies; Special Education Cluster (IDEA); and, Supporting Effective Instruction State Grants. The Department had control procedures in place over the cash management process, including a monthly reconciliation for each program between the relevant federal draw system and the Ohio Administrative Knowledge System (OAKS), the State's accounting system. These reconciliations were to be completed as part of the Federal Fund/Grant Monitoring Checklist by the 15^{th} of the succeeding month per the Department's internal policy. However, 11 of the 19 (57.9%) checklists tested were completed more than 15 days after the end of the month. The checklists were completed between one and six months late.

Without consistently performing periodic and cumulative reconciliations of supporting documents to OAKS of information entered (input) and processed (output), coding errors, adjustments, and/or OAKS system issues could occur and not be detected in a timely manner. In addition, without proper monitoring of internal control procedures by management, the risk is increased that internal control procedures are not being completed as intended by management. Based on discussions with management and review of various documents, it appears the delay was due to reduced staffing.

6. CASH MANAGEMENT MONITORING – VARIOUS PROGRAMS (Continued)

We recommend the Department evaluate its current control procedures over cash management and update them as necessary to reasonably ensure compliance with the applicable requirements. We also recommend the Department reconcile revenue transactions of the federal programs to OAKS in a timely manner. Management should evaluate current staff resources and increase or reallocate them as necessary to ensure the monitoring checklists/reconciliations are completed timely to be effective. In addition, management should periodically monitor these activities to help ensure the procedures are performed timely and functioning as intended.

1. ADOPTION ASSISTANCE – LACK OF SUPPORTING DOCUMENTATION

Finding Number	2018-010		
State Agency/Number	JFS-01		
CFDA Number and Title/ Federal Award Identification Number/ Year	93.659 – Adoption Assistance		1801OHADPT
Federal Agency	Department of Health & Human Services		
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles Eligibility		
Repeat Finding from Prior Audit?	No	*Finding Number (if repeat)*	N/A

QUESTIONED COSTS, NONCOMPLIANCE, AND SIGNIFICANT DEFICIENCY $10,707

42 U.S.C. § 673(a) states in part:

…

(1)(B) Under any adoption assistance agreement entered into by a State with parents who adopt a child with special needs, the State:

(i) shall make payments of nonrecurring adoption expenses incurred by or on behalf of such parents in connection with the adoption of such child, directly through the State agency or through another public or nonprofit private agency, in amounts determined under paragraph (3), and

(ii) in any case where the child meets the requirements of paragraph (2), may make adoption assistance payments to such parents, directly through the State agency or through another public or nonprofit private agency, in amounts so determined.

…

(4)(A) Notwithstanding any other provision of this section, a payment may not be made pursuant to this section to parents or relative guardians with respect to a child—

(i) who has attained—

(I) 18 years of age, or such greater age as the State may elect under section 675(8)(B)(iii) of this title; or

(II) 21 years of age, if the State determines that the child has a mental or physical handicap which warrants the continuation of assistance;

(ii) who has not attained 18 years of age, if the State determines that the parents or relative guardians, as the case may be, are no longer legally responsible for the support of the child; or

(iii) if the State determines that the child is no longer receiving any support from the parents or relative guardians, as the case may be.

1. ADOPTION ASSISTANCE – LACK OF SUPPORTING DOCUMENTATION (Continued)

> (B) Parents or relative guardians who have been receiving adoption assistance payments or kinship guardianship assistance payments under this section shall keep the State or local agency administering the program under this section informed of circumstances which would, pursuant to this subsection, make them ineligible for the payments, or eligible for the payments in a different amount.

Ohio Rev. Code § 5101.141 (B)(1) states, in part:

> …the department of job and family services shall act as the single state agency to administer federal payments for foster care and adoption assistance made pursuant to Title IV-E. The director of job and family services shall adopt rules to implement this authority. . .

Ohio Admin. Code § 5101:2-49-10 (A) states, in part:

> The public children services agency (PCSA) responsible for the Title IV-E adoption assistance (AA) agreement shall provide the adoptive parent(s) with the JFS 01451B "Title IV-E Adoption Assistance annual assurance of legal responsibility, school attendance and eligibility for continued Medicaid coverage " (rev. 1/2014) annually or whenever there is a significant change in the family situation.

When administering federal grant awards for the Department, management of each subrecipient County PCSA 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 Statewide Automated Child Welfare Information System (SACWIS) to ensure appropriate eligibility determinations. It is management's responsibility to design and implement internal controls to reasonably ensure compliance with federal and state laws and regulations.

The Department distributed approximately $89.1 million in Adoption Assistance state subsidy payments during state fiscal year 2018. The Department performs eligibility determinations for new Adoption Assistance applications through SACWIS based on information obtained by and input into the system at the County PCSAs. Once approved, the Department processes the Adoption Assistance payments using the SACWIS system. Annually, the County PCSAs are responsible for sending each adoptive family a Form 1451B "Title IV-E Adoption Assistance Annual Assurance of Legal Responsibility, School Attendance, and Eligibility for Continued Medicaid Coverage" (i.e. Form 1451B) to obtain information used by the County PCSA to determine if they are still eligible to receive Adoption Assistance benefits. The County PCSAs then input this information into the SACWIS system and send an Eligibility Redetermination Letter to the adoptive family. However, for two of the 60 (3.3%) payments (totaling $893) selected for testing at the six largest County PCSAs, neither the required Form 1451B nor the Eligibility Redetermination Letter sent by the County PCSA (Cuyahoga) could be located. Therefore, we were unable to verify the recipient's eligibility in accordance with program rules and regulations. As a result, we will question costs for the amounts paid to these two recipients for the period in which there was missing eligibility redetermination documentation, totaling $10,707 (projected to an amount greater than $25,000).

Failure to have proper controls in place to determine continuing eligibly could result in payments being sent to recipients who are no longer eligible. This could result in additional questioned costs, a 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 SACWIS, the Department may not be able to fully support or ensure payments were made only to, or on behalf of, eligible recipients, or ensure the Department complied with all federal rules and regulations.

1. ADOPTION ASSISTANCE – LACK OF SUPPORTING DOCUMENTATION (Continued)

Based on discussion with management, it appears the County PCSA used their own tracking system to identify which eligibility redeterminations were due and another system to communicate with the tracking system in order to automatically generate the Form 1451Bs to be sent to the adoptive families. However, the system that generated the forms was flawed during the audit period and did not always generate every required Form 1451B that was due for a particular month. The County PCSA tried to manually keep up with the redeterminations, but in many cases, the forms were not mailed out.

We recommend the Department work with the County PCSAs to ensure they have current policies and procedures to reasonably ensure the required eligibility documentation (i.e., Form 1451B, Eligibility Redetermination Letter, etc.) is obtained and on file. The Department should communicate to County PCSA management and staff the importance of utilizing the SACWIS system to process and track the applications and redeterminations for eligibility for Adoption Assistance. 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. Lastly, the Department should investigate the recipients specifically identified in this comment to ensure any necessary repayments or additional actions are taken.

2. IT – IEVS ALERTS (SNAP AND TANF)

Finding Number	2018-011		
State Agency/Number	JFS-02		
CFDA Number and Title/ Federal Award Identification Number/ Year	10.551/10.561 – SNAP Cluster		16162OH102S8069 / 2016 16162OH102S8026 / 2016 172OH102S8026 / 2017 172OH102S8069 / 2017 182OH102S8026 / 2018 182OH102S8069 / 2018
	93.558 – TANF Cluster		1601OHTANF / 2016 1701OHTANF / 2017 1801OHTANF / 2018
Federal Agency	Department of Agriculture Department of Health and Human Services		
Compliance Requirement	Eligibility, Special Tests and Provisions – Income Eligibility Verification System		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-010

<u>NONCOMPLIANCE AND MATERIAL WEAKNESS</u>

7 C.F.R. Part 272 § 8(c)(2), states the following regarding the Supplemental Nutrition Assistance Program (SNAP) Cluster:

> State agencies must initiate and pursue the actions on recipient households specified in paragraph (c)(1) of this section so that the actions are completed within 45 days of receipt of the information items. Actions may be completed later than 45 days from the receipt of information if:
>
> (A) The only reason that the actions cannot be completed is the nonreceipt of verification requested from collateral contacts; and

2. IT – IEVS ALERTS (SNAP AND TANF) (Continued)

(B) The actions are completed as specified in § 273.12 of this chapter when verification from a collateral contact is received or in conjunction with the next case action when such verification is not received, whichever is earlier.

State agencies must use appropriate procedures to monitor the timeliness requirements in paragraph (c)(2) of this section.

45 C.F.R. Part 205 § 56(a)(1)(iv) states the following regarding the Temporary Assistance for Needy Families (TANF) Cluster:

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

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

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

The Department has implemented the Income and Eligibility Verification System (IEVS) which compares income, as reported by the recipients, to information maintained by outside sources for the SNAP Cluster and TANF Cluster programs with total expenditures of approximately $2.3 billion and $892.6 million, respectively, in state fiscal year (SFY) 2018. 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 SFY 2018 audit, six 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 six counties (Cuyahoga, Franklin, Hamilton, Lucas, Montgomery, and Summit) represented approximately 51% of the nearly 1.08 million IEVS high-priority alerts issued in SFY 2018. However, the following errors were noted impacting compliance:

- 45 of 60 (75%) unique alerts selected for testing at these six counties had at least one error impacting compliance. The following errors were identified for the 45 unique alerts:
    - 19 of 40 (47.5%) SNAP alerts selected for testing were delinquent. These alerts were resolved from 7 days beyond the due date to 112 days beyond the due date.
    - Eight of 20 (40%) TANF alerts selected for testing were delinquent. These alerts were resolved from 2 days beyond the due date to 115 days beyond the due date.
    - Nine of 39 (23.1%) SNAP resolved matches selected for testing did not have adequate verification support information to validate the completeness and accuracy of the resolution.
    - Three of 16 (18.8%) TANF resolved matches selected for testing did not have adequate verification support information to validate the completeness and accuracy of the resolution.

    No additional recipient benefits appeared to be issued as a result of the above errors.

2. IT – IEVS ALERTS (SNAP AND TANF) (Continued)

- 28 of 60 (46.7%) 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.

- 10 of 60 (16.7%) alerts did not have adequate information retained by the case worker to verify the alert was resolved accurately.

- Two of 19 (10.5%) alerts tested from the Beneficiary and Earning Exchange Record (BEER) information generated by the Social Security Administration (SSA) contained Federal Tax Information.

- Five of 60 (8.3%) alerts did not have adequate documentation by the caseworker to show the information obtained from the data match was properly considered in determining recipient's eligibility for other program benefits.

In addition, the following two items relate to the conversion to the State's new eligibility system which resulted in noncompliance, as described below:

- The Department previously had a waiver from the federal grantor agency to extend the SNAP alert due date from 45 days to 90 days. In SFY 2018, the due date for the resolution of SNAP alerts returned to 45 days to align with the Code of Federal Regulations. However, programming in the legacy application, Client Registry Information System Enhanced (CRIS-E), was not updated to reflect the change and to accurately calculate the correct due dates for SNAP alerts.

- The Ohio Department of Administrative Services (DAS) administers the Integrated Eligibility (IE) system, also known as Ohio Benefits. In November 2017, Ohio Benefits began intake/processing of "new" applications for SNAP and TANF cash assistance for five pilot counties and in February 2018, all existing SNAP and TANF cash assistance cases for these counties were converted from the legacy CRIS-E system into Ohio Benefits. As new and converted recipients entered the Ohio Benefits system, the IEVS process was run against these recipients and SNAP and TANF alerts were generated. However, because the IEVS filtering logic was not properly programmed into the Ohio Benefits system, counties encountered a large increase in the volume of IEVS alerts as compared to the volume generated by the previous eligibility system, CRIS-E. As a result, County caseworkers struggled to identify and work legitimate SNAP and TANF IEVS alerts by the due dates in the Ohio Benefits system.

Not programming the CRIS-E system to calculate the correct SNAP due dates in accordance with the Code of Federal Regulations, not programming the Ohio Benefits system to properly filter IEVS alerts, and not completing the IEVS alerts within the established timeframe 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.

Based on discussions with management, it appears the alerts were not completed timely due to staff constraints and the assignment of incorrect result codes were due to human error. In addition, the Department made a business decision and determined it would not be cost effective to change the alert

2. IT – IEVS ALERTS (SNAP AND TANF) (Continued)

due date from 90 to 45 days based on the implementation of the new eligibility system. Lastly, it does not appear the IEVS filtering logic was properly communicated to the Ohio Benefits contractor when IEVS was initially implemented.

We recommend the Department take steps to ensure the SNAP alert due dates and the IEVS filtering logic are properly programmed in the Ohio Benefits system that the Department and counties rely upon to ensure SNAP and TANF IEVS alerts can be worked within the established due dates in the Code of Federal Regulations. Additionally, 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*. Furthermore, we recommend the Department develop an alert processing guide for the alerts issued by the Ohio Benefits system to ensure they are worked properly and in the proper timeframes. These procedures must include periodic and timely reviews by the County IEVS Coordinator or other supervisory personnel (through the eligibility system) 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 its 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 – FAMILY CHILD CARE PROVIDER HOME APPLICATIONS

Finding Number	2018-012		
State Agency/Number	JFS-03		
CFDA Number and Title/ Federal Award Identification Number/ Year	93.575/93.596 – CCDF Cluster	1601OHCCDF / 2016 1701OHCCDF / 2017 1801OHCCDF / 2018	
Federal Agency	Department of Health and Human Services		
Compliance Requirement	Special Tests and Provisions – Health & Safety Requirements		
Repeat Finding from Prior Audit?	No	*Finding Number (if repeat)*	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS

45 CFR 98.41 (a) - Health and safety requirements, states "Each Lead Agency [primary grantee] shall certify that there are in effect, within the State (or other area served by the Lead Agency), under State, local or tribal law, requirements (appropriate to provider setting and age of children served) that are designed, implemented, and enforced to protect the health and safety of children. Such requirements must be applicable to child care providers of services for which assistance is provided under this part."

3. CCDF CLUSTER – FAMILY CHILD CARE PROVIDER HOME APPLICATIONS (Continued)

The Department has incorporated its laws and procedures for administering the licensure of Family Child Care (FCC) Provider Homes (Type A and Type B home providers) within Ohio Administrative Code (OAC) 5101:2 which contains numerous requirements a provider must adhere to. The OAC defines Type A Homes as the permanent residence of the provider in which child care is provided for seven to twelve children at one time. 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) (effective prior to January 1, 2017) states, in part:

> . . .
>
> The CDJFS [county departments of job and family services]:
>
> > (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.
> >
> > . . .

OAC 5101:2-13-02(M) (effective January 1, 2017) states, in part:

> . . .
>
> The county agency shall:
>
> > (1) Recommend the application for approval or denial to the ODJFS within ninety days of receiving a completed application.
> >
> > . . .

When administering federal grant awards for the Department, management of each CDJFS is responsible for ensuring the approval or denial recommendations for FCC Provider Home licensure applications are made timely to comply with the applicable OAC. Department management is responsible for monitoring CDJFS activities to help ensure they are in compliance with federal and state requirements.

During state fiscal year 2018, the Department provided approximately $265 million in CCDF Cluster benefits to recipients based on information provided by the 88 CDJFS. CDJFS personnel ensure the Family Child Care Provider Home application is complete and includes all necessary documentation and then recommend the application for approval or denial to the Department. However, for eight of 19 (42.1%) Family Child Care Provider Home applications selected for testing, the CDJFS did not make a recommendation for approval/denial within the required number of days upon receipt of the application (Cuyahoga, Franklin, Lucas, and Summit). The recommendations ranged from 22 to 142 days late.

By not ensuring the CDJFS have proper procedures in place to ensure timely recommendations are made for the approval/denial of Family Child Care Provider Home applications, in accordance with the respective OAC, the Department increases the risk that eligibility determinations will be delayed to the detriment of the program benefit recipients. In addition, by not complying with federal requirements, the Department risks federal funding being reduced, taken away, or other sanctions imposed by the federal grantor agency. Based on discussions with management, it appears the implementation of the new eligibility system, an influx of applicants due to policy changes, and some CDJFS staff not being current on time frames outlined in policy led to the delays.

3. CCDF CLUSTER – FAMILY CHILD CARE PROVIDER HOME APPLICATIONS (Continued)

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 Family Child Care Provider Home applicants are made timely. We also recommend CDJFS management ensures staff is properly trained on current policies and procedures in relation to application recommendations. The Department's 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.

4. FEDERAL REPORTING – VARIOUS PROGRAMS

Finding Number	2018-013		
State Agency/Number	JFS-04		
CFDA Number and Title/ Federal Award Identification Number/ Year	17.225 – Unemployment Insurance		UI-31311-18-55-A-39
	17.258/17.259/17.278 – WIOA Cluster		AA283361655A39 AA267991555A39
	93.563 – Child Support Enforcement		1804OHCSES
	93.658 – Foster Care Title IV-E		1801OHFOST
	93.667 – Social Services Block Grant		1701OHSOSR
Federal Agency	Department of Labor Department of Health and Human Services		
Compliance Requirement	Reporting		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-013

<u>NONCOMPLIANCE AND MATERIAL WEAKNESS</u>

45 C.F.R. Part 75 § 302 contains the Department of Health and Human Services uniform administrative requirements for grants to state and local governments relating to financial administration and standards for financial management systems. The Department of Labor implemented similar uniform administrative requirements in 29 C.F.R. Part 97 § 20. Specifically, 45 C.F.R. Part 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 Part 75, §§ 361, 362, 363, 364, and 365):

. . .

4. 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 Part 75 §§ .341 and .342…

(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

UI Reports Handbook No. 401 contains instructions for completing and submitting various reports for the Unemployment Insurance (UI) program. Included in the handbook is the ETA 227 report, described in section IV-2 of the Handbook, which states:

> The ETA 227 report provides information on overpayments of intrastate and interstate claims under the regular state unemployment insurance (UI) program, and under Federal UI programs including the Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex- Service members (UCX) programs, established under Chapter 85, Title 5, U.S. Code. This report includes claims for regular, state additional (both are reported in the columns indicated as UI), and the permanent federal-state Extended Benefits (EB) programs.

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

During state fiscal year 2018, the Department reported approximately $28 million in overpayments as part of the ETA 227 Overpayment Detection and Recovery Activities. The Department uses the Report Validation tool provided by the U.S. Department of Labor to ensure all critical totals are within 2% of the final submission figures. The Report Validation tool automatically compares set data fields from the OJI (Ohio Job Insurance) computer system to the submitted ETA 227 report amounts. However, four of the four quarterly reports tested (100%) did not materially trace and agree to support. Specifically, the accounts receivable for the four quarters was misstated by a total of $197,676.

The Department's Bureau of Grants Management and Federal Reporting Services (the Bureau) is responsible for the preparation of various federal financial expenditure reports, including the quarterly Foster Care CB-496, Child Support Enforcement OCSE-396A, WIOA Cluster ETA-9130 reports and the annual SSBG Title XX Preliminary Post Expenditure Report. The Bureau runs reports from various computer systems, transfers this information to the applicable federal reports, and submits them for a two-level review process prior to submitting them to the federal grantor agency. However, the Bureau's review of federal reports was not adequate and/or operating effectively, which resulted in some reports being subsequently corrected. In addition, the following errors were identified in the reports tested during state fiscal year 2018:

- For the two (100%) Foster Care CB-496 quarterly reports selected for testing:
    - Within the September 2017 quarterly report, the Bureau incorrectly transferred the amounts reported in the County Claimed column of the August 2017 SACWIS Expenditure Report instead of the amounts reported in the Reimbursed column for both the current quarter data and the prior quarter adjustment data. As a result, the following errors occurred:

4. FEDERAL REPORTING – VARIOUS PROGRAMS (Continued)

- The In-Placement Administrative Costs-Provider, Current Quarter Claims (Column A, Line 7) was overstated by $6,073,040 which resulted in the Current Quarter Claims Fed Share (Column B, Line 7) being overstated by $3,036,520.
- The In-Placement Administrative Costs-Provider, Prior Quarter Adjustments (Column C, Line 7) was overstated by $173,171 which resulted in Prior Quarter Adjustments Fed Share (Column D, Line 7) being overstated by $86,585.

o Within the December 2017 quarterly report, the Department did not perform timely research to determine if $643,163 in direct expenditures could be claimed. Consequently, these expenditures were not included in the December 2017 quarterly report when the expenditures were incurred or in the report for the next quarter ending March 2018. As a result, the In-Placement Administrative Costs-Agency Management, Current Quarter Claims (Column A, Line 8) was understated by $643,163 which resulted in Current Quarter Claims Fed Share (Column B, Line 8) being understated by $321,581. The Bureau did enter the increasing adjustment and make the corrections two quarters after they were incurred within the June 2018 quarterly report.

- For the Annual SSBG Title XX Preliminary Post Expenditure Report tested (100%), the following errors were noted:

o The Department transferred the incorrect amounts from the supporting documentation to the report. The Bureau had identified these errors, however, they were unable to perform the correction prior to the end of the audit period. As a result, the following line items were incorrect:

- Day Care-Adults (Line 6) for SSBG Allocation was overstated by $8,599, which resulted in the Expenditures of All Other State, Federal and Local Funds being overstated by $4,338.
- Education and Training Services (Line 7) for SSBG Allocation was overstated by $68,371, which resulted in the Expenditures of All Other State, Federal and Local Funds being overstated by $34,490.
- Employment Services (Line 8) for SSBG Allocation was understated by $76,969, which resulted in the Expenditures of All Other State, Federal and Local Funds being understated by $38,827.
- Family Planning Services (Line 9) for SSBG Allocation was overstated by $1, which resulted in the Expenditures of All Other State, Federal and Local Funds being overstated by $61,388.
- Foster Care Services-Adults (Line 10) for SSBG Allocation was understated by $121,689, which resulted in the Expenditures of All Other State, Federal and Local Funds being understated by $61,387.
- Foster Care Services-Children (Line 11) for SSBG Allocation was overstated by $1, and the Department did not claim the correct amount for Housing Services (Line 15) for SSBG Allocation resulting in an understatement of $14,948. These errors ultimately did not affect the Expenditures of All Other State, Federal and Local Funds total.

o Eleven of the 28,910 recipients reported as Recreation Services (Line 23) should have been reported as Protective Services-Children (Line 22).

4. FEDERAL REPORTING – VARIOUS PROGRAMS (Continued)

- For one of two (50%) Child Support Enforcement OCSE-396A reports selected for testing:

  - A quarterly adjustment of $86,766 was made for an error noted in the state fiscal year 2016 audit. However, the adjustment should have been made for $224,692, resulting in Administrative Costs: Regular being understated by $137,926. The Bureau did not recognize that this partial adjustment had been made and, in March 2017, made a correcting adjustment for $224,692; however, they incorrectly entered this as a decreasing adjustment instead of as an increasing adjustment, resulting in a net understatement of $362,618 for Administrative Costs: Regular. In March 2018, the Bureau made an increasing adjustment in the amount of $362,618; however, the Bureau did not take into account any other adjustments made between June 30, 2017 and March 31, 2018. In September 2017, the Bureau had entered an increasing adjustment of $449,184, this only resulted in overstating the Administrative Costs: Regular by $88,766. So, when the Bureau entered the $362,618 adjustment in March 2018, it resulted in a final overstatement amount of $449,184.

- Three of the 12 (25%) WIOA ETA-9130 quarterly reports selected for testing had errors that were the result of technological and entry errors:

  - In two of the September 2017 reports tested, the report had the following errors:
    - In the September 2017 quarterly report for the Statewide Adult AA283365S0 grant:
      - The Cash Receipts (Line 10.a) was understated by $3,412,346 because no value was included on this line.
      - The Cash Disbursements (Line 10.b) was understated by $3,412,346 because no value was included on this line.

    - In the September 2017 quarterly report for the Statewide Adult AA267991E0 grant:
      - The Cash Receipts (Line 10.a) was understated by $1,632,880.
      - The Cash Disbursements (Line 10.b) was understated by $1,632,880.

  - In the December 2017 quarterly report for the Local Dislocated Worker AA267991G0 grant, the Expenditure of Dislocated Worker Funds on the Adult Program (Line 11.c) was overstated by $3,000. The Bureau incorrectly reported a prior period accrual adjustment as $200,107 when it should have been reported as $203,107. As a result, the Expenditure of Dislocated Worker Funds on the Adult Program (Line 11.c) was incorrectly reported as $5,301,326 instead of $5,298,326. There was a prior period accrual in the amount of $203,107 that should have been backed out. However, the Bureau only reduced the Expenditure of Dislocated Worker Funds on the Adult Program by $200,107.

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

4. FEDERAL REPORTING – VARIOUS PROGRAMS (Continued)

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, any reviews of the eligibility of expenditures occur in a timely manner, address any remaining technology issues which could lead to misstatements, and that all identified corrections are properly made to the next submitted report . The Department should ensure all reports (and any necessary corrections to reports) are reviewed and approved by the appropriate level of management.

5. CASH MANAGEMENT – VARIOUS PROGRAMS

Finding Number	2018-014		
State Agency/Number	JFS-05		
CFDA Number and Title/ Federal Award Identification Number/ Year	10.551/10.561 – SNAP Cluster		182OH102S2514
	17.207/17.801/17.804 – Employment Services Cluster		DV314371855539
	17.225 – Unemployment Insurance		UI313111855A39
	17.258/17.259/17.278 – WIOA Cluster		AA307421755A39
	93.563 – Child Support Enforcement		1804OHCSES
	93.558 – TANF Cluster		1801OHTANF
	93.658 Foster Care – Title IV-E		1801OHFOST
Federal Agency	Department of Agriculture Department of Labor Department of Health and Human Services		
Compliance Requirement	Cash Management		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-014

<u>NONCOMPLIANCE AND MATERIAL WEAKNESS – WIOA CLUSTER</u>

<u>NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY – SNAP CLUSTER, EMPLOYMENT SERVICES CLUSTER, UNEMPLOYMENT INSURANCE, CHILD SUPPORT ENFORCEMENT, TANF CLUSTER, AND FOSTER CARE – TITLE IV-E</u>

U.S. Treasury regulations, 31 C.F.R. Part 205, which implemented the Cash Management Improvement Act of 1990 (CMIA), require state recipients enter into agreements that prescribe specific methods of drawing down federal funds (funding techniques) for selected large programs. The Department's Supplemental Nutrition Assistance Program (SNAP) Cluster, Unemployment Insurance, Child Support Enforcement, Temporary Assistance for Needy Families (TANF) Cluster, and Foster Care – Title IV-E programs are covered by such an agreement. The state fiscal year (SFY) 2018 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.

5. CASH MANAGEMENT – VARIOUS PROGRAMS (Continued)

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

> The State of Ohio's accounting system requires funding to be available prior to initiating a disbursement. In addition, disbursements take two business days to produce a payment. Given this fact pattern, Ohio state agencies are typically unable to meet the three business day requirement and a five business day requirement is necessary for agency compliance with this agreement. The State shall request funds such that they are deposited in a State account not more than 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 Employment Services Cluster (ES) and the Workforce Innovation and Opportunity Act (WIOA) Cluster were not included in the SFY 2018 CMIA Agreement; therefore, 31 C.F.R. Part 205 § 33(a) sets guidelines which state the following:

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

The Department draws federal funds for the ES Cluster and WIOA Cluster 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.

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

During the SFY 2018, the Department drew down approximately $1.3 billion for the major federal programs listed above and applied the same drawdown process to each of them. The Department has partnered with the Office of Budget and Management (OBM)'s Office of Shared Services (OSS) to process transactions. OSS enters the information for these transactions into OAKS, after which the Department and OBM review and approve them. The Department then draws down the funds to pay these expenditures. Generally, a Fiscal Specialist in the Federal Cash Draw Unit of the Bureau of Cash and Cost Reporting Services calculates the amount of funds to be drawn based on the Department's cash needs (payroll, administrative costs, county advances, etc.) and the current cash on hand. In addition, the Cash Management Section Supervisor reviews and investigates any discrepancies on the Summary Tracking Report, which lists the grant activities (award amounts, revenue draws, expenditures, and remaining balances) for the federal programs monthly. This document provides a mechanism for the Department to monitor its draws with expenditures on a cumulative basis although it does not match up specific draws and expenditures. However, the Department's controls did not prevent noncompliance with the cash management requirements. Similar immaterial errors were also noted and are included in the Department's management letter

- Of 25 disbursements tested from 25 draws, the Department did not disburse three WIOA Cluster payments (12%) within five business days of the receipt of the federal funds, as required by 31 C.F.R. Part 205 § 33(a). The Department disbursed the funds between five and seven days after the required disbursement date.

5. CASH MANAGEMENT – VARIOUS PROGRAMS (Continued)

- Of 25 disbursements tested from 25 draws, the Department did not disburse one Foster Care – Title IV-E 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 ten days after the required disbursement date.

- Of 25 disbursements tested from 25 draws, the Department did not disburse one Employment Services Cluster payment (4%) within five business days of the receipt of the federal funds, as required by 31 C.F.R. Part 205 § 33(a). The Department disbursed the funds six days after the required disbursement date.

- Of 25 disbursements tested from 25 draws, the Department did not disburse one TANF 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 five days after the required disbursement date.

- Of 25 disbursements tested from 25 draws, the Department did not disburse one Unemployment Insurance 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 five days after the required disbursement date.

- Of 25 disbursements tested from 25 draws, the Department did not disburse one Child Support Enforcement 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 25 draws, the Department did not disburse one SNAP 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.

Not having effective controls over the timely disbursement of federal funds could lead to the Department not limiting draws to immediate cash needs and not expending funds timely. This could result in noncompliance with the CMIA Agreement and 31 C.F.R. Part 205 § 33(a). These conditions could subject the Department to sanctions or other penalties and a repayment of part of the grant award amounts. In addition, noncompliance could subject the Department to paying interest charges on these draws. Based on discussions with management and review of supporting documents, the errors were due to vouchers being incorrectly coded as due in 30 by OSS, denied by OBM due to missing dates of service or budget errors, or delayed for payment by OBM.

We recommend the Department evaluate its existing Cash Management control procedures and update them as necessary to reasonably ensure all federal draw requests are disbursed timely and are drawn only for immediate cash needs, based on the funding technique established for each federal program in the CMIA Agreement or in accordance with 31 C.F.R. Part 205 § 33(a). If delays in the disbursements are caused by external factors, we recommend the Department communicate with other entities to develop reasonable solutions and follow established protocols, including reinforcing the time period in which their payments should be paid upon approval. The Department should train the personnel involved in entering the transactions into OAKS to improve the accuracy of the information and the timeliness of the payment. We also recommend the Department establish procedures to periodically monitor its compliance with the cash management requirements and initiate necessary actions to resolve any noncompliance that results.

6. SNAP CLUSTER – REPORTING

Finding Number	2018-015		
State Agency/Number	JFS-06		
CFDA Number and Title/ Federal Award Identification Number/ Year	10.551/10.561 – SNAP Cluster	172OH102S6018 / 2017 182OH102S6018 / 2018	
Federal Agency	Department of Agriculture		
Compliance Requirement	Reporting		
Repeat Finding from Prior Audit?	No	*Finding Number (if repeat)*	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS

7 CFR 274.4(c)(1) states, in part:

> Form FNS-46 [Food and Nutrition Services], Issuance Reconciliation Report, shall be submitted by each State agency operating an issuance system…
>
> . . .
>
> (ii) The report shall be received by FNS no later than 90 days following the end of the report month.

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.

During state fiscal year 2018, the Department had expenditures of approximately $2.3 billion in SNAP Cluster benefits to recipients. The FNS-46 report accounts for benefits issued during a report month for the State of Ohio, as well as the Cuyahoga County SSI (Supplemental Security Income) Cash-Out program. The Department utilizes the daily SNAP benefit issuances reconciliations contained within the CRIS-E (Client Registry Information System – Enhanced) and Ohio Benefits (implemented November 2017 for certain pilot county departments of job and family services) systems to create the FNS-46 report. The FNS-46 report is then reviewed by the EBT Project Manager prior to electronic submission to FNS. However one of three (33.3%) FNS-46 reports selected for testing was not submitted within ninety days of the end of the report month. The report was submitted 13 days late.

Untimely submission of reports could result in repayment, reduction, or elimination of federal funding or sanctions imposed by the federal grantor agency. Based on discussions with management, it appears the report was submitted late due to production issues that occurred with the implementation, pilot, and testing of the new eligibility system, Ohio Benefits.

We recommend the Department evaluate and reinforce its procedures to provide reasonable assurance the FNS-46 reports are submitted timely to the federal government. In addition, we recommend the Department establish procedures to periodically monitor its compliance with the report submission requirements and initiate necessary actions to resolve any noncompliance that results.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MEDICAID

1. IT – PROVIDER LICENSES NOT UPDATED IN MITS

<table>
<tr><td>Finding Number</td><td colspan="3">2018-016</td></tr>
<tr><td>State Agency/Number</td><td colspan="3">MCD-02</td></tr>
<tr><td rowspan="3">CFDA Number and Title/ Federal Award Identification Number/ Year</td><td colspan="2">93.767 – Children’s Health Insurance Program</td><td>1705OH5021 / 2017
1805OH5021 / 2018</td></tr>
<tr><td colspan="2">93.775/93.777/93.778 – Medicaid Cluster</td><td>1705OH5MAP / 2017
1805OH5MAP / 2018</td></tr>
<tr><td colspan="2">93.791 – Money Follows the Person Rebalancing Demonstration</td><td>1LICMS331360 / 2014 - 2020</td></tr>
<tr><td>Federal Agency</td><td colspan="3">Department of Health and Human Services</td></tr>
<tr><td>Compliance Requirement</td><td colspan="3">Special Tests and Provisions – Provider Eligibility</td></tr>
<tr><td>Repeat Finding from Prior Audit?</td><td>Yes</td><td>Finding Number (if repeat)</td><td>2017-018</td></tr>
</table>

<u>QUESTIONED COSTS AND MATERIAL WEAKNESS</u> 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 Cluster program (42 C.F.R. Part 431 § 107) and the providers must make certain disclosures to the State (42 C.F.R. Part 455, subpart B, §§100 through 106).

42 C.F.R. Part 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 (SFY) 2018, the total disbursements, which the Department must ensure comply with the requirements above, were approximately $20.7 billion for the Medicaid Cluster, $555.3 million for Children’s Health Insurance Program (CHIP), and $9.7 million for Money Follows the Person (MFP). 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. During the audit period, the Department had a variety of processes in place to help ensure providers were eligible to provide medical services, including: new provider enrollment; provider revalidation (required every five years); identifying and terminating providers with disciplinary action taken by the licensing boards; and automated checks against exclusion databases over the entire provider master file (i.e. System for Award Management, List of Excluded Individuals/Entities, Social Security Death Masterfile).

The Department also had an automated process in place to update the provider license panel in MITS on a monthly basis from data files received from the state licensing boards. However, for the first ten months of the fiscal year, only the Ohio Medical Board license data was sent and updated in MITS. Beginning in May 2018, the update included all provider licensing boards. A License Exception Report is generated by MITS when the system either is unable to update the license information or when the matching criteria is

1. IT – PROVIDER LICENSES NOT UPDATED IN MITS (Continued)

unable to make a 100% match. However, the Department has not developed procedures to evaluate and follow up on the various exception types reported, nor was there any evidence the Department completed a review of the exception reports.

Instead, the Department relied on the monthly process of identifying provider licenses that expired in the prior month. From the report generated through this query, the Department manually verified the provider's license with the appropriate licensing board for all identified out of state providers and for a sample of in-state providers. However, for the first seven months of the fiscal year, the monthly manual process only included the provider types of Dentist, Independent Social Worker, Registered Nurse, Licensed Practical Nurse, Psychologist, Nurse Midwife, Nurse Practitioner, and Certified Registered Nurse Anesthetist. Also, because the monthly process only included providers whose license expired in the month of review and only a sample of in-state expired providers were reviewed, there remains an undetermined number of providers with an expired license date who have not been subject to review. In addition, the Department did not have procedures for identifying potential improper payments to providers who were subsequently terminated as a result of the above processes. Because we could not identify all providers with expired licenses or the resulting claims paid to these providers, we will question payments of an undetermined amount. The 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 and documented procedures to identify potential improper payments for terminated 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, when the computer query was created for the monthly expired provider license report, the developer failed to include all license types by accident. The error was discovered during SFY18 (January 2018) and the coding was updated to include all license types. Also, the Ohio Medical Board was the only board included in the automated process for 10 months of SFY18. Prior to the full license interface going live in MITS, Bureau of Network Management staff continued to monitor licensed providers through the manual expired license process. Due to limited staff resources, and a special focus on prioritizing provider enrollment of provider types related to the Ohio Behavioral Health Redesign initiative, the Bureau of Network Management completed reviews and MITS updates based on a percentage of licenses that expired in each month.

We recommend the Department document procedures to ensure License Exception Reports generated from the automated licensing information update process are reviewed and documented to ensure the license of all medical providers are properly validated and to help prevent payments to ineligible providers. In addition, we recommend the Department continue the monthly provider expired license review process of identifying, verifying, and updating the provider licensing information in MITS. To help ensure all providers are reviewed and updated in the system, the query used to generate the monthly report should not be limited to providers with licenses expiring in a given month. The Department should also require reviewers to document the outcome of reviewing every provider included on the provider expired license monthly reports and determine if any improper payments were issued.

2. MEDICAID / CHIP – INELIGIBLE RECIPIENTS

Finding Number	2018-017		
State Agency/Number	MCD-03		
CFDA Number and Title/ Federal Award Identification Number/ Year	93.767 – Children's Health Insurance Program		1705OH5021 / 2017 1805OH5021 / 2018
	93.775/93.777/93.778 – Medicaid Cluster		1705OH5MAP / 2017 1805OH5MAP / 2018
Federal Agency	Department of Health and Human Services		
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-019

QUESTIONED COSTS, NONCOMPLIANCE, AND MATERIAL WEAKNESS (CHIP) $31,657

QUESTIONED COSTS AND MATERIAL WEAKNESS (MEDICAID CLUSTER) $98,954

42 C.F.R. §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 U.S.C. §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 2018, the Department disbursed approximately $22.3 billion in Medicaid funds and $557.1 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 Benefits System to determine initial eligibility and/or perform eligibility redeterminations on an annual basis or when prompted through an Income Eligibility Verification

2. MEDICAID / CHIP – INELIGIBLE RECIPIENTS (Continued)

System alert. The Ohio Benefits system is 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 system uploads the eligibility information to the Medicaid Information Technology System (MITS) to determine allowability of the payment.

At the request of the auditors, the Department's Bureau of Program Integrity completed manual eligibility redeterminations for 88 Medicaid and 74 CHIP recipients and identified several instances in which the original determination by Ohio Benefits was not accurate. Four of 88 (4.5%) Medicaid recipients tested and 10 of 74 (13.5%) CHIP recipients tested were not eligible to receive benefits on the date services were performed. Since Ohio Benefits is the State's official eligibility determination system, we will question costs for all claims paid for services provided for these individuals during the time they were ineligible, totaling $130,611 ($98,954 for Medicaid and $31,657 for CHIP).

Without proper controls for processing and entering recipient information into Ohio Benefits, including determining if the recipient maintains existing benefits, there is an increased risk that medical claims paid on behalf of the Medicaid and CHIP recipients will be inaccurate or unallowable. Additionally, without an effective process in place to ensure eligibility is being redetermined timely when required, there is an increased risk that a recipient's benefit amount has changed or they are ineligible to receive benefits. 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 discussions with management, assistance group income and/or resources exceeded eligibility limits for several recipients and eligibility redeterminations were not completed timely. In addition, one recipient was not a resident of Ohio and marked ineligible in Ohio Benefits, but MITS indicated they were still eligible and processed claims for payment.

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 eligibility determination, verify the recipient information entered into Ohio Benefits by the CDJFS, and ensure redeterminations are completed timely. In addition, the Department should investigate the reason MITS paid claims for the recipient who lived out of state and was marked ineligible in Ohio Benefits. 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 Ohio Benefits to help ensure proper and complete information is being collected, entered, and verified prior to an individual's eligibility determination being made.

3. MFP – INELIGIBLE RECIPIENTS

Finding Number	2018-018		
State Agency/Number	MCD-04		
CFDA Number and Title/ Federal Award Identification Number/ Year	93.791 – Money Follows the Person Rebalancing Demonstration	1LICMS331360 / 2014-2020	
Federal Agency	Department of Health and Human Services		
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-020

QUESTIONED COSTS, NONCOMPLIANCE AND MATERIAL WEAKNESS $52,625

42 U.S.C. Part 1396a – Money Follows the Person Rebalancing Demonstration (MFP), states in part:

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

. . .

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

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

(i) resides (and has resided, for a period of not less than 90 consecutive days) 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 ... 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.

. . .

(5) Qualified HCB Program – The term ‘qualified HCB program’ means a program providing home and community-based long-term care services operating under Medicaid, whether or not operating under waiver authority.

. . .

(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

3. MFP – INELIGIBLE RECIPIENTS (Continued)

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).

(c) State Application

. . .

(2) Operation in Connection With Qualified HCB Program to Assure Continuity of Services – The State will conduct the MFP demonstration project for eligible individuals in conjunction with the operation of a qualified HCB program that is in operation (or approved) in the State for such individuals in a manner that assures continuity of Medicaid coverage for such individuals so long as such individuals continue to be eligible for medical assistance.

It is management's responsibility to have control procedures in place to provide reasonable assurance only individuals who meet all of the eligibility criteria are able to receive benefits.

During state fiscal year 2018, the Department disbursed approximately $9.6 million in MFP program 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.

Monthly, the Department compares the enrollment and disenrollment dates in the HOME Choice Database to MITS to ensure the systems agree and benefits are only provided to eligible recipients. However, this procedure was not operating effectively during the audit period and, as a result the following errors occurred:

- For three of 80 (3.8%) MFP recipients selected for testing, the Miscellaneous Eligibility Indicator in MITS was not properly updated and incorrectly identified the recipients as eligible to receive HOME Choice services while the HOME Choice Database properly indicated they were ineligible. As a result, MITS reimbursed unallowable claims for one of the individuals.
- For one of 40 (2.5%) MFP recipients selected for testing, the recipient's disenrollment date within MITS and Home Choice was incorrectly updated allowing the recipient to receive payments beyond the 365 day limit.
- One of 75 (1.3%) MFP recipients selected for testing was not eligible to receive benefits on the date services were provided, as indicated in both MITS and the Home Choice Database; however,

3. MFP – INELIGIBLE RECIPIENTS (Continued)

they still received payment. At the time of payment, the Miscellaneous Eligibility Indicator in MITS incorrectly identified the recipient as being eligible and the payment was processed. It was subsequently updated by the CLA to properly show the recipient was ineligible but was not updated in a timely manner to prevent the payment.

Therefore, we will question the costs for all claims paid for services provided to these individuals during the time they were ineligible, totaling $52,625.

Without effective controls to ensure recipient information entered within MITS and the HOME Choice Database is accurate and benefit payments are stopped at the appropriate time, there is an increased risk that medical claims paid on behalf of the MFP 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 discussion with management, the MFP Eligibility Indicator was not updated correctly or timely in MITS due to human oversight. In addition, sometimes MITS does not allow the Miscellaneous Eligibility Indicator to be end-dated.

We recommend the Department evaluate and seek reimbursement for all claims that were incorrectly paid. We further recommend the Department evaluate and strengthen the periodic monitoring procedures over the dates in MITS and the HOME Choice Database to ensure the process is working as management intended. The Department should also implement procedures to regularly evaluate randomly selected MFP payments to verify the recipient's eligibility for the MFP program. Any problems noted should be promptly corrected to reduce the risk of benefit payments being made on behalf of ineligible individuals, including MITS not always allowing the Miscellaneous Eligibility Indicator to be end-dated.

4. MFP – PAYMENT PROCESSING SOC 1 AUDIT AND INELIGIBLE RECIPIENT

Finding Number	2018-019		
State Agency/Number	MCD-05		
CFDA Number and Title/ Federal Award Identification Number/ Year	93.791 – Money Follows the Person Rebalancing Demonstration	1LICMS331360 / 2014-2020	
Federal Agency	Department of Health and Human Services		
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility		
Repeat Finding from Prior Audit?	No	*Finding Number (if repeat)*	N/A

<u>QUESTIONED COSTS AND MATERIAL WEAKNESS</u> $281

42 U.S.C. Part 1396a – Money Follows the Person Rebalancing Demonstration (MFP), states in part:

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

. . .

4. MFP – PAYMENT PROCESSING SOC 1 AUDIT AND INELIGIBLE RECIPIENT (Continued)

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

(A) who, immediately before beginning participation in the MFP demonstration project—
(i) resides (and has resided, for a period of not less than 90 consecutive days) 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 ... 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.

. . .

(5) Qualified HCB Program – The term ‘qualified HCB program’ means a program providing home and community-based long-term care services operating under Medicaid, whether or not operating under waiver authority.

. . .

(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).

(c) State Application

. . .

(2) Operation in Connection With Qualified HCB Program to Assure Continuity of Services – The State will conduct the MFP demonstration project for eligible individuals in conjunction with the operation of a qualified HCB program that is in operation (or approved) in the State for such individuals in a manner that assures continuity of Medicaid coverage for such individuals so long as such individuals continue to be eligible for medical assistance.

2 C.F.R. Part 200 § 303(a) requires recipients to maintain internal controls over federal programs that provide reasonable assurance they are in compliance with laws, regulations, and the provisions of contracts or grant agreements. It is management’s responsibility to monitor these control procedures to verify they are designed and operating in a manner consistent with federal regulations and program objectives. Furthermore, sound internal control procedures require management to monitor and oversee operations of contractors responsible for carrying out federal requirements to provide reasonable assurance procedures performed by the contractor are functioning as intended and in compliance with federal regulations and contractual obligations.

4. MFP – PAYMENT PROCESSING SOC 1 AUDIT AND INELIGIBLE RECIPIENT (Continued)

During state fiscal year (SFY) 2018, the Department disbursed approximately $21.6 million in MFP program funds to a third party administrator (TPA) contracted to perform the processing and payment of claims on behalf of the Department for the MFP program. In accordance with the contract, the TPA will collect, process, and verify that invoices for goods and serves are allowable and in accordance with Ohio Admin. Code sections applicable for the program. However, during the audit period the Department only performed limited monitoring controls over the TPA by reviewing a monthly summary of claims paid by the TPA. Furthermore, the contract with the TPA did not require the TPA to obtain a SOC 1 (Service Organization Controls) audit, which would evaluate the operating effectiveness of the TPA's controls and allow the Department to ensure it had sufficient controls in place over any complementary user entity controls identified in the report. Additionally, when the contract with the TPA was initialized in 2013, the Department completed a Readiness Review to determine if the TPA had written policies and procedures and internal controls in place for the scope of the work required for the MFP program; however, no follow-up review has been completed since that time.

In addition, one of 40 (2.5%) MFP recipients selected for testing, for whom the TPA processed and paid the claim, was not eligible to receive benefits on the date services were provided. Therefore, we will question costs for all MFP claims paid for services provided to the individual during the time they were ineligible, totaling $281 (projected to an amount greater than $25,000).

Without adequate monitoring controls, management cannot be reasonably assured the TPA has proper controls in place, is complying with applicable laws and regulations and contract requirements, or is meeting management's goals and objectives. This increases the risk that claims paid on behalf of the 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 discussions with management, it appears the Department relied on the TPA to process payments and was unaware of the need for further monitoring beyond its current procedures. Additionally, management was unaware the identified recipient was no longer eligible for the program.

We recommend the Department strengthen current monitoring controls procedures over the TPA, which should include, but not be limited to:

- Evaluating if a SOC 1 audit should be required of the TPA in future contracts to ensure the TPA has controls in place and operating effectively over the MFP payment process.
- If a SOC 1 audit is performed, obtain and review the report on a timely basis and promptly follow up on any control deficiencies identified.
- If a SOC 1 audit is determined to not be needed, ensure the TPA has policies and procedures in place to provide reasonable assurance the Department's objectives and compliance requirements are being met. On a periodic basic, the Department should continue to evaluate and review the TPA's policies and procedures in place to ensure the Department's objectives and compliance requirements are still being satisfied.

Additionally, 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 MFP payments to verify the recipient's eligibility for the program. Any problems noted should be promptly corrected to reduce the risk of benefit payments made on behalf of ineligible individuals.

5. MEDICAID/CHIP – DRUG REBATE MONITORING

<table>
<tr><td>Finding Number</td><td colspan="3">2018-020</td></tr>
<tr><td>State Agency/Number</td><td colspan="3">MCD-06</td></tr>
<tr><td rowspan="2">CFDA Number and Title/ Federal Award Identification Number/ Year</td><td colspan="2">93.767 – Children’s Health Insurance Program</td><td>1705OH5021 / 2017
1805OH5021 / 2018</td></tr>
<tr><td colspan="2">93.775/93.777/93.778 – Medicaid Cluster</td><td>1705OH5MAP / 2017
1805OH5MAP / 2018</td></tr>
<tr><td>Federal Agency</td><td colspan="3">Department of Health and Human Services</td></tr>
<tr><td>Compliance Requirement</td><td colspan="3">Allowable Costs/Cost Principles</td></tr>
<tr><td>Repeat Finding from Prior Audit?</td><td>Yes</td><td>Finding Number (if repeat)</td><td>2017-023</td></tr>
</table>

NONCOMPLIANCE AND MATERIAL WEAKNESS

Section 1927 of the Social Security Act (42 USC 1396r-8) allows States to receive rebates for drug purchases the same as other payers receive. Drug manufacturers are required to provide a listing to the Center for Medicaid Services (CMS) of all covered outpatient drugs and, on a quarterly basis, are required to provide their average manufacturer’s price and their best prices for each covered outpatient drug. Based on this data, CMS calculates a unit rebate amount for each drug, which it then provides to States. No later than 60 days after the end of the quarter, the State Medicaid agency must provide drug utilization data to manufacturers. Manufacturers have 30 days after receiving the invoice to pay rebate on the units. To allow time for postage, manufacturers are expected to pay within 38 days of the invoice postmark date. Interest accrues after this date.

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

During state fiscal year (SFY) 2018, the Department received drug rebates totaling approximately $1.8 billion which were recorded in the General and Job, Family, and Other Human Services opinion units on the State of Ohio’s financial statements. The Department contracts with a third party administrator (TPA) to perform the processing and collection of these rebates. However:

- Although the Department received and reviewed a SOC 1 (System and Organization Controls) report over the TPA for the period April 1, 2017 through December 31, 2017, it did not address or have sufficient controls in place over the complementary user entity controls identified in the SOC 1 report.

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

- The Department did not reconcile the drug rebate revenue received to the TPA reports indicating the amount of revenue that should have been posted.
- Although the contract required the TPA to provide many electronic reports to the Department, it did not appear the Department was utilizing the reports to monitor the TPA or drug rebate activity.
- The Department did not include a requirement in the contract for the TPA to have an independent public accounting firm perform agreed-upon procedures (AUP) testing to verify completeness of the State of Ohio's drug rebate revenue, in that rebate revenue and interest was properly collected from all applicable manufacturers and that revenue was received timely, as had been previously required in TPA contracts. Without the AUP engagement in place, the Department did not have procedures in place during the audit period to ensure the requirements of Section 1927 of the Social Security Act over drug rebates were being met.

Without adequate monitoring controls, management cannot be reasonably assured the TPA is complying with applicable laws and regulations and contract requirements, as well as meeting management's goals and objectives. Not properly ensuring completeness of drug rebate revenue and interest due to the Department is properly received could lead to lost drug rebate revenue to the detriment of the recipients of the Medicaid and CHIP programs. Furthermore, if drug rebate revenue is not properly reported, the risk is increased that the State of Ohio's financial statements may be materially misstated and those using the statements could be relying on inaccurate information. Based on discussions with management, it appears that personnel transitions led to the control weaknesses noted, as well as the omission of the requirement for an AUP engagement over the TPA from the contract. Management indicated a vendor has been secured to perform an AUP engagement over the TPA in SFY 2019 which should address all the deficiencies noted above.

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

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

Additionally, the Department should ensure drug rebate revenue is complete and that compliance requirements are being satisfied either through the Department's own procedures or through an AUP engagement of the TPA. Management should monitor these procedures or the AUP report to ensure the compliance requirements of the drug rebate program are being met and if not, implement additional procedures or revise the requirements of the AUP engagement as necessary. Lastly, management should periodically monitor and update internal procedures to ensure management's objectives are being met.

6. LACK OF IEVS MONITORING

<table>
<tr><td>Finding Number</td><td colspan="3">2018-021</td></tr>
<tr><td>State Agency/Number</td><td colspan="3">MCD-07</td></tr>
<tr><td rowspan="3">CFDA Number and Title/ Federal Award Identification Number/ Year</td><td colspan="2">93.767 – Children’s Health Insurance Program</td><td>1705OH5021 / 2017
1805OH5021 / 2018</td></tr>
<tr><td colspan="2">93.775/93.777/93.778 – Medicaid Cluster</td><td>1705OH5MAP / 2017
1805OH5MAP / 2018</td></tr>
<tr><td colspan="2">93.791 – Money Follows the Person Rebalancing Demonstration</td><td>1LICMS331360 / 2014-2020</td></tr>
<tr><td>Federal Agency</td><td colspan="3">Department of Health and Human Services</td></tr>
<tr><td>Compliance Requirement</td><td colspan="3">Eligibility</td></tr>
<tr><td>Repeat Finding from Prior Audit?</td><td>Yes</td><td>Finding Number (if repeat)</td><td>2017-022</td></tr>
</table>

<u>NONCOMPLIANCE AND MATERIAL WEAKNESS</u>

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

(a) Except where the law requires other procedures. . . the agency may accept attestation of information needed to determine the eligibility of an individual for Medicaid . . . without requiring further information (including documentation) from the individual.

(b) The agency must request and use information relevant to verifying an individual's eligibility for Medicaid in accordance with § 435.948. . .

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

(a) *General requirements.* Except where law requires other procedures. . . the State may accept attestation of information needed to determine the eligibility of an individual for CHIP. . . without requiring further information (including documentation) from the individual.

(b) *Status as a citizen, national or a non-citizen.* (1) Except for newborns identified in § 435.406(a)(1)(iii)(E) of this chapter, who are exempt from any requirement to verify citizenship, the agency must—

. . .

(ii) Provide a reasonable opportunity period to verify such status in accordance with § 435.956(a)(5) and (b) of this chapter and provide benefits during such reasonable opportunity period to individuals determined to be otherwise eligible for CHIP.

6. LACK OF IEVS MONITORING (Continued)

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

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

. . .

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

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

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

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

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

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

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

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

. . .

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

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

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

In order to comply with 42 C.F.R. § 435.945 and 42 U.S.C. § 320b-7, the State of Ohio codified specific rules related to its Income Eligibility Verification System (IEVS) in the Ohio Administrative Code (OAC).

6. LACK OF IEVS MONITORING (Continued)

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

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

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

. . .

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

. . .

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

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

During state fiscal year 2018, the Department disbursed approximately $22.3 billion, $557.1 million, and $33 million on behalf of eligible recipients for the Medicaid Cluster, CHIP, and MFP programs, respectively. The Ohio Benefits (OB) system determines eligibility for the Medicaid Cluster and CHIP programs. One of several factors in determining eligibility for the MFP program is based upon the recipient’s eligibility for the Medicaid Cluster program. The OB system also includes the IEVS functionality which compares reported recipient income to income information maintained by outside data sources (i.e. SSA, IRS, etc.). Income information that does not agree to the OB amount is communicated as an IEVS alert via the OB Worker Portal and forwarded to the appropriate county for investigation. However, the Department did not have controls or procedures in place to review and monitor the IEVS alerts generated and processed by the Ohio Benefits system to ensure they were being completed by the counties in accordance with the requirements and timeframes established in 42 C.F.R. § 435.945, 42 U.S.C. § 320b–7, and OAC § 5160:1-1-04. Furthermore, an OB report showed 1,298,214 of the 3,123,889 (41.6%) IEVS alerts sent to the counties during the audit period were not cleared within 45 days as required. The alerts were cleared between one and 502 days beyond the 45-day requirement.

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

6. LACK OF IEVS MONITORING (Continued)

We recommend the Department design and implement appropriate control procedures for monitoring IEVS alerts generated and processed in the Ohio Benefits system to help ensure the counties are completing them properly and timely. These monitoring procedures should be performed frequently, include appropriate follow up with the counties if alerts are not being completed properly and timely, and be documented in some manner. Management should periodically review this documentation to ensure the control procedures are being performed timely and as intended.

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

Finding Number	2018-022		
State Agency/Number	MCD-08		
CFDA Number and Title/ Federal Award Identification Number/ Year	93.767 – Children's Health Insurance Program		1705OH5021 / 2017 1805OH5021 / 2018
	93.775/93.777/93.778 – Medicaid Cluster		1705OH5MAP / 2017 1805OH5MAP / 2018
	93.791 – Money Follows the Person Rebalancing Demonstration		1LICMS331360 / 2014 - 2020
Federal Agency	Department of Health and Human Services		
Compliance Requirement	Special Tests and Provisions - ADP Risk Analysis and System Security Review		
Repeat Finding from Prior Audit?	No	*Finding Number (if repeat)*	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS

To help meet the conditions under which the Department of Health and Human Services will approve federal financial participation with various programs, 45 C.F.R. Part 95 § 621 (f)(2)(iii) requires states to perform risk analyses to ensure appropriate safeguards are incorporated into new and existing systems on a periodic basis and whenever significant system changes occur. Also, 45 C.F.R. Part 95 § 621 (f)(3) requires states to review the Automatic Data Processing (ADP) system security of installations involved in the administration of the Department of Health and Human Services programs on a biennial basis. At a minimum, the reviews are to include the evaluation of physical and data security, operating procedures, and personnel practices. It is management's responsibility to design and implement control procedures to ensure compliance with federal rules and regulations.

During state fiscal year (SFY) 2018, the Department placed significant reliance on a number of complex information systems, including the Medicaid Information Technology System (MITS), which is an automated application to determine if the services provided to eligible recipients were by an eligible provider and allowable prior to payment. The Department disbursed approximately $20.7 billion in Medicaid Cluster funds, $555.3 million in Children's Health Insurance Program (CHIP) funds, and $9.7 million in Money Follows the Person (MFP) funds. However, although a System and Organization Controls (SOC 1) audit of the physical and environmental IT controls of the MITS processing environment was conducted during SFY18, the Department did not conduct security reviews within the current or previous fiscal year to satisfy the minimum requirements codified within 45 C.F.R. Part 95 § 621. In addition, the Department lacked a schedule or process to ensure the required reviews were conducted during the required timeframes.

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

Based on discussions with management, the Department did not have an external audit or evaluation of MITS because the Department did not consider the system to be a high priority when it evaluated the priority of systems and processes with the Ohio Office of Budget and Management's Office of Internal Audit (OIA). The Department works with OIA to create a heat map of the highest priority systems/processes for potential review by OIA on behalf of the Department.

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

We recommend the Department complete an independent evaluation over systems the Department administers on behalf of the Department of Health and Human Services in accordance with 45 C.F.R. Part 95 § 621 program guidelines within the next fiscal year. This testing must include appropriate risk assessments, general control testing, and testing of automated application controls for these systems, including transaction testing of critical operations and functions to help provide assurance all components of the systems are operating as designed, payments and eligibility determinations are accurate, and all financial and other reports are produced with integrity.

We also recommend the Department develop and implement a schedule that would allow all critical systems to be reviewed on a regular basis. This schedule should incorporate the requirements of 45 C.F.R. Part 95 § 621 to evaluate physical and data security, operating procedures, and personnel practices on a biennial basis for the applicable programs. The Department should ensure appropriate and timely corrective action is taken to address all risk areas and/or control weaknesses identified as part of this testing. Reports of the biennial ADP system security reviews, should be maintained together with pertinent supporting documentation. Management should periodically monitor these reviews to ensure they are being completed in accordance with the timeframes and parameters prescribed in the C.F.R.

8. MEDICAID / CHIP – MANAGED CARE PROVIDER PANEL REPORTS

Finding Number	2018-023		
State Agency/Number	MCD-09		
CFDA Number and Title/ Federal Award Identification Number/ Year	93.767 – Children's Health Insurance Program		1705OH5021 / 2017 1805OH5021 / 2018
	93.775/93.777/93.778 – Medicaid Cluster		1705OH5MAP / 2017 1805OH5MAP / 2018
Federal Agency	Department of Health and Human Services		
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles		
Repeat Finding from Prior Audit?	No	*Finding Number (if repeat)*	N/A

<u>NONCOMPLIANCE AND MATERIAL WEAKNESS</u>

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

(a) Basic rule. Each State must ensure that all services covered under the State plan are available and accessible to enrollees of MCOs, PIHPs, and PAHPs in a timely manner…

(b) Delivery network. The State must ensure, through its contracts, that each MCO, PIHP and PAHP, consistent with the scope of its contracted services, meets the following requirements:

(1) Maintains and monitors a network of appropriate providers that is supported by written agreements and is sufficient to provide adequate access to all services covered under the contract for all enrollees...

…

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

(A) If the MCP fails to fulfill its duties and obligations under 42 C.F.R. Part 438 ... or the MCP provider agreement, ODM will provide timely written notification to the MCP identifying the violations or deficiencies, and may impose corrective actions or any of the following sanctions in addition to or instead of any actions or sanctions specified in the provider agreement:

…

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

…

(g) Imposition of financial sanctions.

…

8. MEDICAID / CHIP – MANAGED CARE PROVIDER PANEL REPORTS (Continued)

Furthermore, OAC §5160-58-01.1 states MyCare Ohio plans must comply with all of the requirements applicable to managed care plans in the following rules:…..(7) Rule 5160-26-10 of the Administrative Code. During state fiscal year 2018, the Department disbursed approximately $15.1 billion in Medicaid Cluster and Children's Health Insurance Program (CHIP) capitation payments to the Managed Care Plans and MyCare Ohio Plans (the Plans) which administer the managed care program throughout the state. The Department enters into a new contract with the Plans at the beginning of each state fiscal year which outlines the responsibilities of the Department and the Plans. The agreement requires the Plans to provide or arrange for the delivery of all medically necessary, Medicaid-covered health services, as well as ensure compliance with federally defined provider panel access standards as outlined in the agreement and as required by 42 C.F.R. § 438.206. The agreement also specifies the minimum number of providers for each provider type in each county or region of the state that each Plan must maintain. Additionally, the agreement states the Department may assess a $1,000 nonrefundable financial sanction, at least quarterly, for any deficiencies in the Plan's provider network for each category, for each county/zip code.

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

The Managed Care Provider Network (MCPN) developed by Automated Health Systems (AHS), the Managed Care Enrollment Contractor, is a database used to track the Plans' provider networks. After the Plan agreements are signed, the MCPN database is updated with the required number of providers by type per the agreement. Prior to subcontracting with a Plan, each provider must enroll with the Department and is then entered into the MCPN database. Quarterly, the Department generates a Provider Panel Report from the MCPN database, which shows the number of providers for each provider type by county and/or region, and utilizes it to determine if the Plans are compliant with the requirements outlined in the agreements. If deficient, a non-compliance notice is sent to the Plan along with any fine assessed. However, the controls were not operating effectively and as a result, four of six (66.7%) Provider Panel Reports selected for testing included information that did not match the requirements listed in the agreements. Due to an administrative error, 15 counties' requirements were misaligned in the Plan agreement, causing 51 provider network standards to be listed inaccurately. This led to 216 instances where the minimum provider type requirement included on these four reports did not match the agreement, 69 of which should have resulted in the issuance of a non-compliance notice for the Plans and possible assessment of a $1,000 nonrefundable sanction for each instance, totaling $69,000.

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

8. MEDICAID / CHIP – MANAGED CARE PROVIDER PANEL REPORTS (Continued)

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

1. SABG – PAYROLL

Finding Number	2018-024		
State Agency/Number	DMH-01		
CFDA Number and Title/ Federal Award Identification Number/ Year	93.959 – Block Grants for Prevention and Treatment of Substance Abuse		2B08TI010041-17 / 2017
Federal Agency	Department of Health and Human Services		
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-026

<u>MATERIAL WEAKNESS</u>

45 C.F.R. Part 96 contains the implementing regulations for the Block Grants for Prevention and Treatment of Substance Abuse (SABG) program, as well as general administrative requirements for SABG. Specifically, 45 C.F.R. Part 96 § 30 (a) contains fiscal and administrative requirements and states, in part:

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

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

> Timekeeping accountability: It is the duty of every employee of the Department to accurately and truthfully report and receive compensation for hours worked. Additionally, it is the duty of an employee's direct supervisor to verify that the hours reported reconcile with the employee's schedule, including approved leave usage.
>
> The employee will enter time worked in his/her MHAS timekeeping record. The timekeeping record and any approved compensatory/overtime requests and/or requests for leave will be reviewed by the section timekeeper before final approval of the timekeeping record by the employee's supervisor.

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 2018, the Department disbursed approximately $3.2 million in payroll costs from the SABG program. These payroll costs were for Central Office employees who enter their time worked, as well as leave and overtime/compensatory time (OT/CT) requests, directly into Kronos, the Department's timekeeping system. Each employee's supervisor is to review and approve/disapprove leave and OT/CT requests and the employee's timesheets. To help ensure timesheets are approved timely, beginning in January 2018, management implemented a control procedure where an employee from the Payroll Division queries Kronos to identify unapproved timesheets after the end of each pay period and notifies the

1. SABG – PAYROLL (Continued)

supervisor that the timesheet requires approval. The Kronos timesheets are then interfaced with the Ohio Administrative Knowledge System's (OAKS) Human Capital Management (HCM) module for processing. However, five of 60 (8.3%) timesheets tested did not contain the supervisor's approval. Each of these errors occurred prior to the Department implementing the procedures in January 2018.

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 is not proper. Based on discussions with management and review of supporting documentation, the time sheets were not properly approved because the supervisor was not available on the day they were required to be approved.

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

1. FISH AND WILDLIFE CLUSTER – SUSPENSION AND DEBARMENT

<table>
<tr><td>Finding Number</td><td colspan="3">2018-025</td></tr>
<tr><td>State Agency/Number</td><td colspan="3">DNR-01</td></tr>
<tr><td>CFDA Number and Title/ Federal Award Identification Number/ Year</td><td colspan="2">15.605/15.611 – Fish and Wildlife Cluster</td><td>F11AF00634 / 2016
F14AF01153 / 2014
F14AF01335 / 2017
F15AF00519 / 2015
F15AF01110 / 2015
F16AF00497 / 2016
F17AF00467 / 2017
F17AF00469 / 2017
F17AF01310 / 2018</td></tr>
<tr><td>Federal Agency</td><td colspan="3">Department of the Interior</td></tr>
<tr><td>Compliance Requirement</td><td colspan="3">Procurement and Suspension and Debarment</td></tr>
<tr><td>Repeat Finding from Prior Audit?</td><td>No</td><td>Finding Number (if repeat)</td><td>N/A</td></tr>
</table>

NONCOMPLIANCE AND MATERIAL WEAKNESS

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

> When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:
> (a) Checking SAM Exclusions; or
> (b) Collecting a certification from that person; or
> (c) Adding a clause or condition to the covered transaction with that person.

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

During state fiscal year 2018, the Department entered into two covered procurement transactions totaling $71,152 and 320 covered nonprocurement transactions totaling $10.6 million for the Fish and Wildlife Cluster. The Department's process to ensure these entities were not suspended or debarred prior to entering a contract involving federal funds was to search the Ohio Auditor of State's Unresolved Finding for Recovery database and include a clause in the nonprocurement contracts intended to address suspension and debarment. However, the Finding for Recovery database relates only to entities prohibited from being awarded a contract with the State of Ohio. It does not satisfy the requirements of 2 C.F.R. §180, which prohibit a transaction with an entity excluded from participating in a transaction with the federal government. In addition, the clause included within nonprocurement contracts did not fully satisfy the requirements of 2 C.F.R. §180. As a result, none of the non-payroll transactions were properly evaluated to verify the vendor

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

was not suspended, debarred, or otherwise excluded before entering into the covered transactions. We subsequently selected 26 of these covered transactions and determined at the time of our search that none of the 26 vendors were suspended or debarred and were eligible to receive federal funds; so no costs will be questioned for these payments.

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

We recommend the Department re-evaluate their contract process, including contract templates, and implement policies and procedures to ensure they do not enter into transactions with entities who are suspended, debarred, or otherwise excluded. These policies and procedures should require the Department verify by one of the three prescribed methods that all vendors are not suspended, debarred, or otherwise excluded from receiving federal funds before entering into the transaction and should be documented in some manner. The documentation should be maintained by the Department to verify the required check occurred prior to approving any covered transaction. We also recommend the Department evaluate all the remaining vendors utilized for covered transactions during state fiscal year 2018 to verify they were not suspended, debarred, or otherwise excluded. In addition, management should periodically re-evaluate their contract templates and policies and procedures to reasonably ensure the information is current, accurate, and properly addresses the federal requirements.

2. FISH AND WILDLIFE CLUSTER – REAL PROPERTY MANAGEMENT

Finding Number	2018-026		
State Agency/Number	DNR-02		
CFDA Number and Title/ Federal Award Identification Number/ Year	15.605/15.611 – Fish and Wildlife Cluster		F11AF00634 / 2016 F14AF01153 / 2014 F14AF01335 / 2017 F15AF00519 / 2015 F15AF01110 / 2015 F16AF00497 / 2016 F17AF00467 / 2017 F17AF00469 / 2017 F17AF01310 / 2018
Federal Agency	Department of the Interior		
Compliance Requirement	Equipment and Real Property Management		
Repeat Finding from Prior Audit?	No	*Finding Number (if repeat)*	N/A

NONCOMPLIANCE AND MATERIAL WEAKNESS

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

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

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

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

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

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

As of June 30, 2018, the State's Asset Management System (AMS) reported the Department had $25.8 million in buildings and $59.1 million in land recorded as assets on hand in the purchased with Fish and Wildlife Cluster federal funds. Purchases of land or buildings go through the Department's Office of Real Estate and Land Management (REALM). The Division of Engineering and REALM work with the Division of Wildlife to ensure the purchase is allowable per the grant agreement and the Division of Engineering enters the payment information related to the purchase into the state's accounting system, Ohio Administrative Knowledge System (OAKS). The Office of Budget and Finance (OBF) is then responsible for entering the asset information into AMS. However, these AMS updates are not done within the five business days required by the Department's internal policy and are not considered prompt in accordance with the State's Handbook policies. For buildings, the OBF Inventory Specialist updates the AMS annually based on a report from the Division of Engineering detailing buildings purchased during the year. For land, the OBF Inventory Control Specialist updates the AMS semi-annually from an OAKS Business Intelligence expenditure report (by account code) and the related voucher and invoice. Additionally, for 30 of 60 (50%) non-equipment inventory assets (i.e. land, buildings, etc.) selected for testing, no documentation was provided to support the Department's ownership and valuation of the assets in AMS, or the documentation did not match the Department's valuation in AMS.

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

We recommend the Department review and improve its internal controls over asset reporting. Procedures should be updated to ensure they align with the regulations and Departmental policies, and it is clear who should be maintaining the related supporting documentation. The Department should stress the importance of promptly updating asset information and maintaining proper documentation to support the Department's inventory listing. We also recommend management implement periodic monitoring procedures to ensure the established controls are operating effectively and as intended. In addition, we recommend the Department work with the Ohio Office of Budget and Management (the preparer of the State's financial statements) and DAS to determine how to proceed with assets currently being reported on the AMS with no documentation on file to support the valuation.

3. FISH AND WILDLIFE CLUSTER – SUBRECIPIENT MONITORING

<table>
<tr><td>Finding Number</td><td colspan="3">2018-027</td></tr>
<tr><td>State Agency/Number</td><td colspan="3">DNR-03</td></tr>
<tr><td>CFDA Number and Title/ Federal Award Identification Number/ Year</td><td colspan="2">15.605/15.611 – Fish and Wildlife Cluster</td><td>F11AF00634 / 2016
F14AF01153 / 2014
F14AF01335 / 2017
F15AF00519 / 2015
F15AF01110 / 2015
F16AF00497 / 2016
F17AF00467 / 2017
F17AF00469 / 2017
F17AF01310 / 2018</td></tr>
<tr><td>Federal Agency</td><td colspan="3">Department of the Interior</td></tr>
<tr><td>Compliance Requirement</td><td colspan="3">Subrecipient Monitoring</td></tr>
<tr><td>Repeat Finding from Prior Audit?</td><td>No</td><td>Finding Number (if repeat)</td><td>N/A</td></tr>
</table>

<u>NONCOMPLIANCE AND MATERIAL WEAKNESS</u>

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

All pass-through entities must:

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

(1) Federal Award Identification.

. . .

(ii) Subrecipient's Unique Identity Number;

(iii) Federal Award Identification Number (FAIN);

. . .

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

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

During state fiscal year 2018, the Department entered into 320 grant agreement contracts with subrecipients for the Fish and Wildlife Cluster totaling approximately $10.6 million for both single and multi-year periods. These agreements outlined the requirements the subrecipients were expected to adhere to and disclosed some required subaward information. However, there were no policies or control procedures in place to ensure all subaward information required per the C.F.R. were included.

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

Therefore, for all 25 grant agreements selected for testing, the Department did not include certain aspects of the award information required per 2 C.F.R. § 200.331(a), as follows:

- 25 subawards did not include the CFDA name and number of the awarded funds.
- 24 subawards did not include the subrecipient's Unique Identity Number.
- Five subawards did not include the FAIN.

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

We recommend the Department implement policies and procedures to reasonably ensure required subaward information per 2 C.F.R. § 200.331(a) is communicated to all subrecipients. These policies and procedures should include a standard contract template which contains all the required information, and can be customized by the Department to fit the circumstances related to each subrecipient. The Department should consider making amendments to any previous subaward agreements to properly identify the required information and monitor future subaward agreements to ensure all required information is identified in a consistent manner and the appropriate terms and conditions are included.

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

Finding Number	2018-028		
State Agency/Number	DNR-04		
CFDA Number and Title/ Federal Award Identification Number/ Year	15.605/15.611 – Fish and Wildlife Cluster		F11AF00634 / 2016 F14AF01153 / 2014 F14AF01335 / 2017 F15AF00519 / 2015 F15AF01110 / 2015 F16AF00497 / 2016 F17AF00467 / 2017 F17AF00469 / 2017 F17AF01310 / 2018
Federal Agency	Department of the Interior		
Compliance Requirement	Reporting		
Repeat Finding from Prior Audit?	No	*Finding Number (if repeat)*	N/A

<u>MATERIAL WEAKNESS</u>

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

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

During state fiscal year (SFY) 2018, the Department used the web-based Ohio Wildlife Licensing System (OWLS) to process sales of approximately $35.9 million in hunting and fishing licenses and permits. A portion of these sales must be reported to the federal government annually. The Department contracted with a vendor (service organization) to host this system, which required they provide backups, technical assistance, security monitoring, system enhancements, and system updates for the OWLS application. The service organization, in turn, contracted with another vendor (sub-service organization) to house their application and to maintain and oversee the hardware. The Department also relied on the service organization's disaster recovery plan. The Department's contract with the service organization

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

contained a provision requiring it to obtain a SOC 1 Type 2 audit annually; however, a SOC 1, Type 2 audit of the service organization was not completed for the audit period. Although a SOC 1 Type 2 was not completed, a SOC 1 Type 2 audit was completed for the sub-service organization covering the first four months of SFY 18, but only for physical security controls.

Without a SOC 1 Type 2 audit of the service organization, the Department may not have sufficient information to reasonably ensure controls are in place, designed properly, and operating effectively to help ensure the integrity of the controls for the data processed, maintained, and reported by the OWLS web application and the service organization. This could also result in inaccurate data being reported annually to the federal grantor agency. The Department indicated it was the vendor’s opinion not to have a SOC 1 Type 2 audit completed because their contracted sub-service organization had one completed.

We recommend the Department take steps to ensure a SOC 1 Type 2 audit is completed annually of the service organization for the OWLS web application and its processing environment to provide a description of the system, results of the OWLS internal control testing of operating effectiveness, and an opinion of the overall processing environment. In addition, the Department should review the Complementary User Entity Controls resulting from the SOC 1 audit to ensure those controls are in place and operating effectively.

5. FISH AND WILDLIFE CLUSTER – RECONCILIATIONS

Finding Number	2018-029		
State Agency/Number	DNR-05		
CFDA Number and Title/ Federal Award Identification Number/ Year	15.605/15.611 – Fish and Wildlife Cluster	F11AF00634 / 2016 F14AF01153 / 2014 F14AF01335 / 2017 F15AF00519 / 2015 F15AF01110 / 2015 F16AF00497 / 2016 F17AF00467 / 2017 F17AF00469 / 2017 F17AF01310 / 2018	
Federal Agency	Department of the Interior		
Compliance Requirement	Activities Allowed / Unallowed		
Repeat Finding from Prior Audit?	No	*Finding Number (if repeat)*	N/A

<u>MATERIAL WEAKNESS</u>

2 C.F.R. § 1402.100 gives regulatory effect to the Department of Interior for 2 C.F.R. § 200.303 (a), which requires recipient of federal awards to “Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statues, regulations, and the terms and conditions of the Federal award.” It is management's responsibility to implement an adequate system of internal controls to monitor the accuracy and completeness of accounting records pertaining to federal expenditures, including periodic reconciliations of their accounts and records to the State's accounting system, Ohio Administrative Knowledge System (OAKS). Such reconciliations must be performed timely, be thoroughly documented, and include the appropriate follow-up for all significant reconciling items.

5. FISH AND WILDLIFE CLUSTER – RECONCILIATIONS (Continued)

During the state fiscal year 2018, the Fish and Wildlife Division processed approximately $24.6 million in non-payroll expenditures for the Fish and Wildlife Cluster to conserve and improve fish and wildlife resources and their habitats for sustainable use and appreciation by the public. The Department reviews all invoices received for accuracy and completeness and approves them for processing. The majority of invoices are then sent to the State's Office of Shared Services (OSS) to be processed and input into OAKS, creating a voucher. The Department creates the voucher for invoices retained in-house. The Department must then review each voucher and approve the payment in OAKS. However, the Department did not have a policy in place requiring, nor did they perform, periodic reconciliations between the Department's internal records and OAKS after expenditures were processed either by OSS or the Department to verify the accuracy and completeness of transactions posted to their accounts.

Without performing regular reconciliations between the Department's internal records and OAKS, there is an increased risk amounts recorded in the State's accounting system may be incorrectly classified or recorded to this grant during processing and go undetected by management. Based on discussion with management, the number and geographic location of the Department's districts has increased the difficulty of establishing an overall uniform reconciliation policy over non-payroll expenditures.

We recommend the Department develop and implement policies establishing reconciliation procedures over non-payroll expenditures transactions processed via OAKS. These procedures should indicate how often the procedure needs to be performed and require follow-up on all significant variances identified. As with any internal control procedure, the performance should be documented in some manner, such as by signature or initials and date. Adequate documentation should be maintained to evidence the performance of the reconciliation and the actions taken to resolve any variances noted. Management should periodically monitor these procedures to verify they are operating effectively and as management intended.

6. FISH AND WILDLIFE CLUSTER – CODING/FEDERAL SCHEDULE

<table>
<tr><td>Finding Number</td><td colspan="3">2018-030</td></tr>
<tr><td>State Agency/Number</td><td colspan="3">DNR-06</td></tr>
<tr><td>CFDA Number and Title/ Federal Award Identification Number/ Year</td><td colspan="2">15.605/15.611 – Fish and Wildlife Cluster</td><td>F11AF00634 / 2016
F14AF01153 / 2014
F14AF01335 / 2017
F15AF00519 / 2015
F15AF01110 / 2015
F16AF00497 / 2016
F17AF00467 / 2017
F17AF00469 / 2017
F17AF01310 / 2018</td></tr>
<tr><td>Federal Agency</td><td colspan="3">Department of the Interior</td></tr>
<tr><td>Compliance Requirement</td><td colspan="3">Matching, Level of Effort, and Earmarking</td></tr>
<tr><td>Repeat Finding from Prior Audit?</td><td>No</td><td>Finding Number (if repeat)</td><td>N/A</td></tr>
</table>

<u>MATERIAL WEAKNESS</u>

2 C.F.R. § 1402.100 gives regulatory effect to the Department of Interior for 2 C.F.R. § 200. 2 CFR § 200.303 (a) requires recipients of federal awards to "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award." 2 C.F.R. § 200.306 (b)(1) requires a non-Federal entity's shared costs or matching funds be verifiable from the entity's records. Finally, 2 CFR § 200.510 requires that auditees prepare a Schedule of Expenditures of Federal Awards (Schedule) that provides total federal awards received for each federal program, along with the corresponding CFDA number or other identifying information. It is management's responsibility to implement an adequate system of internal controls to monitor the accuracy and completeness of accounting records pertaining to federal expenditures. Sound internal controls also require a review of the Department's Schedule and Attachments be performed and documented in some manner, prior to submission to the Office of Budget and Management, to verify the information reported is accurate and complete.

During state fiscal year 2018, the Department expended approximately $33.3 million in federal funds for the Fish and Wildlife Cluster to conserve and improve fish and wildlife resources and their habitats for sustainable use and appreciation by the public. The Department coded all expenditures for the Fish and Wildlife Cluster to a federal grant code within the State's accounting system, Ohio Administrative Knowledge System (OAKS), regardless of whether the expenditure was to be reimbursed with federal funds or constituted the matching portion by the Department or another entity. Although the state matching requirement stated within the Federal award was met, information needed to determine the amount of federal vs. state expenditures associated with these transactions was not readily available and the Department was not able to properly identify the federal activities for inclusion in the State's Schedule of Expenditures of Federal Awards. To obtain the Schedule information needed, the Office of Budget and Management (OBM) provided each state agency that received federal funds a reporting package containing a template of the Department's Schedule to be used and instructions for completing the reporting package. The Department prepared their Schedule and Attachments based on OAKS data and information provided

6. FISH AND WILDLIFE CLUSTER – CODING/FEDERAL SCHEDULE (Continued)

by Division of Wildlife personnel. Management reviewed the draft documents to reasonably ensure completeness and accuracy prior to submission to OBM. However, management's review did not detect a material misstatement for the Fish and Wildlife Cluster associated with the coding process, including inappropriately reducing the federal expenditure amount by the amount of matching funds provided by subrecipients, which resulted in the Cluster being understated by $3,412,643. This also resulted in the "Amount Provided to Subrecipients" within the Department's Schedule to be understated by $3,372,019. Once these errors were brought to management's attention, they updated the Schedule and resubmitted it to OBM who adjusted the State's overall Schedule prior to submission to the Federal government.

By not having an effective coding structure in place to accurately identify and report federal expenditures, there is an increased risk that any process, report, or decision related to the Fish and Wildlife Cluster which relies on OAKS information, including matching allocations and the State of Ohio's Schedule of Expenditures of Federal Awards, may be inaccurate and/or incomplete. This, in turn, may result in a reduction in program funds and/or fines and penalties from the federal grantor agency.

Based on discussion with management, it appears the understatements were a result of not including all cash basis expenditures of the program and the coding process which did not allow the Department to clearly distinguish the federal portion of expenditures for the program, including when matching funds were provided by certain designated subrecipients.

We recommend the Department review and evaluate its current process for coding expenditures related to the Fish and Wildlife Cluster and in compiling the Schedule and Attachments to help ensure the state and federal share of these expenditures is clear; and the information utilized by management and amounts reported to OBM are complete and accurate. In addition, management should strengthen their reviews and monitor the compilation of the Schedule and Attachments to help ensure the amounts reported are accurate, properly reported, and indicative of actual federal expenditures for the program.

1. VARIOUS PROGRAMS – REMAINING CASH BALANCE

<table>
<tr><td>Finding Number</td><td colspan="3">2018-031</td></tr>
<tr><td>State Agency/Number</td><td colspan="3">RSC-01</td></tr>
<tr><td rowspan="2">CFDA Number and Title/ Federal Award Identification Number/ Year</td><td colspan="2">84.177 – Independent Living Services for Older Individuals Who are Blind</td><td>H177B170035 – 2017
H177B180035 – 2018</td></tr>
<tr><td colspan="2">84.187 – Supported Employment Services for Individuals with the Most Significant Disabilities</td><td>H187A160053 – 2016
H187A170053 – 2017
H187A180053 – 2018
H187B180053 – 2018</td></tr>
<tr><td>Federal Agency</td><td colspan="3">Department of Education</td></tr>
<tr><td>Compliance Requirement</td><td colspan="3">Allowable Costs/Cost Principles, Cash Management, Period of Performance</td></tr>
<tr><td>Repeat Finding from Prior Audit?</td><td>No</td><td>Finding Number (if repeat)</td><td>N/A</td></tr>
</table>

<u>QUESTIONED COSTS</u> $27,802

By 2 C.F.R. Part 300 § 1 and 2 C.F.R. Part 3474 § 1, the Department of Health and Human Services (HHS) and the Department of Education (ED), respectively, have adopted and given regulatory effect to 2 C.F.R. Part 200. 2 C.F.R. Part 200 § 400 states, "The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award." In addition, 2 C.F.R. Part 200 § 403 contains general criteria that must be met in order that costs are allowed and allocable to a federal award. One of these is the cost must be "necessary and reasonable for the performance of the Federal award . . .". 2 C.F.R. Part 225, Appendix A § A.2.(2) contained similar wording about a grant recipient's responsibility for older, pre-Uniform Guidance awards subject to Office of Management and Budget Circular A-87. Furthermore, 2 C.F.R. Part 200 § 77 states, in part, "*Period of performance* means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award."

U.S. Treasury regulations, 31 C.F.R. Part 205, which implemented the Cash Management Improvement Act of 1990 (CMIA), require state recipients enter into agreements that prescribe specific methods of drawing down federal funds (funding techniques) for selected large programs. Programs not covered by a Treasury-State Agreement are subject to procedures prescribed within 31 C.F.R. Part 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 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. . . .

It is management's responsibility to ensure controls are established to reasonably ensure revenue and expenditures comply with applicable requirements, and federal funding is used for allowed purposes within the permitted period. Furthermore, controls should include periodically reconciling the entity's internal records to the existing accounting system and/or external sources in order to determine if financial

1. VARIOUS PROGRAMS – REMAINING CASH BALANCE (Continued)

transactions have been processed accurately and timely. To be effective, these reconciliation procedures must be adequately documented, performed regularly and timely, and include appropriate follow-up to address all significant reconciling items.

In state fiscal year (SFY) 2018, the Agency used Fund 3L40 within the State's accounting system, Ohio Administrative Knowledge System (OAKS), to record transactions for two federal programs; namely, Supported Employment Services for Individuals with the Most Significant Disabilities (CFDA 84.187) and Independent Living Services for Older Individuals Who are Blind (CFDA 84.177). Historically, the Agency also used the fund to record transactions for multiple federal programs awarded by both HHS and ED. During SFY 2015, the Agency identified various federal grants that shared Fund 3L40 were underdrawn when compared to expenditures listed in OAKS. The Agency reconciled the then-active grants between the federal draw systems and OAKS and drew down federal funds to agree the systems. However, after repeated attempts, the Agency was not able to associate the specific program or award for the total cash balance, which was $859,191 at June 30, 2018, and included a carry-over of approximately $126,000 from 2007, before OAKS existed. During SFY 2018, the Agency spent $27,802 of the remaining balance in Fund 3L40 on non-federal activities, which were not used as matching amounts of any federal program. After reviewing all revenue deposits into Fund 3L40 since OAKS was implemented, we verified 99% of the revenue listed on the Agency's reconciliation, and noted 95% was derived from ED and HHS, while the rest was from miscellaneous sources such as refunds of prior year expenditures. It appears all sources were from federal funding based on the program code recorded in OAKS, as well as this fund being designed to record only federal transactions. Thus, we will question the expenditures for $27,802, to be split equally among the Supported Employment Services for Individuals with the Most Significant Disabilities and Independent Living Services for Older Individuals Who are Blind programs.

By not maintaining appropriate accounting and management over the federal funds, using federal funds for non-federal purposes, retaining excessive federal funds after the prescribed time, and not obligating federal funds within the stated period, the Agency risks not complying with federal requirements. This could result in disallowed costs or the Agency being required to repay those funds to the federal government. Noncompliance with federal requirements could also subject the Agency to fines, sanctions, and/or reduction/termination of future federal funding. Based on discussions with management and review of documentation, the cash balance might have resulted by inconsistent coding of revenue and expenditure transactions that could predate OAKS. In addition, management indicated they decided to spend down the remaining cash balance after discussing the matter with the Ohio Office of Budget and Management and including a plan in its FY 18/19 budget to liquidate the unidentified balance.

We recommend the Agency evaluate its existing policies and procedures related to accounting for the receipt and use of federal funds and update them as necessary to provide reasonable assurance they track federal revenues and expenditures by federal program. We also recommend the Agency contact the federal awarding agencies to inquire about how to handle the remaining cash balance. In the meantime, the Agency should continue to reconcile between OAKS and the federal systems to identify any unknown sources of the cash balance in Fund 3L40. Management should periodically monitor established controls to help ensure the procedures are functioning as intended.

2. VR AND SSDI – SUSPENSION AND DEBARMENT

Finding Number	2018-032		
State Agency/Number	RSC-02		
CFDA Number and Title/ Federal Award Identification Number/ Year	84.126 – Vocational Rehabilitation Grants to States 96.001 – Disability Insurance/SSI Cluster		H126A170052-17A/2017 H126A180052-18D/2018 1704OHDI00/2017 1804OHDI00/2018
Federal Agency	Department of Education Social Security Administration		
Compliance Requirement	Procurement and Suspension and Debarment		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-029

<u>NONCOMPLIANCE AND MATERIAL WEAKNESS</u>

By 2 C.F.R. Part 3485 § 12 and 2 C.F.R. Part 2336 § 10, the Department of Education and the Social Security Administration, respectively, adopted and gave regulatory effect to 2 C.F.R Part 180, which provides government-wide suspension and debarment requirements for covered transactions. Specifically, 2 C.F.R. Part 180 § 200 indicates that covered transactions include both procurement and nonprocurement transactions. Procurement transactions are contracts for goods or services expected to equal or exceed $25,000, while nonprocurement transactions include grants and cooperative agreements regardless of the amount. Before entering into a covered transaction with an entity at a lower tier, the state must verify the entity is not suspended, debarred, or otherwise excluded from entering into the transaction. This verification may be accomplished by checking the System for Award Management (SAM) Exclusions website, obtaining a certification about not being suspended or debarred from the entity, or adding a clause or condition to the covered transactions with that entity.

During state fiscal year (SFY) 2018, the Agency disbursed approximately $105 million in Vocational Rehabilitation Grants to States (VR) and $72 million in Disability Insurance / SSI Cluster (SSDI) federal funds, which included $4.4 million and $3.1 million, respectively, for procurement transactions. The Agency includes a debarment clause within contracts it prepares and enters into with vendors, but does not address the suspension requirement. However, the Agency mostly uses contracts prepared and executed by the Ohio Department of Administrative Services (DAS) for procurement purchases. Although DAS includes a debarment clause within many types of vendor contracts, they do not include the suspension requirement. Furthermore, real estate contracts executed by DAS do not include a suspension or debarment clause. As the primary recipient of federal funds the Agency is responsible for ensuring compliance with program requirements; however, it did not have procedures in place to verify vendors contracted through DAS real estate contracts are not suspended or debarred before entering into the contract. As a result, one of eight (12.5%) SSDI non-payroll transactions selected for testing where the vendor met the conditions of being checked for suspension and debarment, was a DAS real estate contract and the Agency did not use one of the three methods listed in 2 C.F.R. Part 180 to verify the vendor was not suspended or debarred before entering into the covered transactions. We subsequently completed a search and determined that this vendor was not suspended or debarred and was eligible to receive federal funds at the time of our search; so, no costs will be questioned for payments made to this vendor. Although no real estate contracts from the VR program were selected for testing, the Agency used the same DAS real estate contract shell for both programs. In SFY 2018, the Agency had 17 active real estate contracts under the VR program that met the conditions that required the Agency comply with the suspension and debarment requirement.

2. VR AND SSDI – SUSPENSION AND DEBARMENT (Continued)

By not verifying whether vendors are suspended or debarred in advance of entering into the contract and disbursing VR and SSDI funds, the Agency risks providing federal funds to entities that are not allowed to participate in and receive funds from federal programs. This could result in disallowed costs or the Agency being required to repay those funds to the federal government. Noncompliance with federal requirements could also subject the Agency to fines, sanctions, and/or reduction/termination of future federal funding. Based upon discussion with management and review of documentation, after a similar finding was issued during the prior audit, the Agency requested that DAS update its contracts by including a debarment clause. However, the Agency was not aware the DAS real estate contracts were not updated.

We recommend the Agency evaluate its existing policies and procedures related to suspension and debarment verification and update them as necessary to provide reasonable assurance it does not enter into contracts with entities that are suspended or debarred. These policies and procedures should require the Agency verify, by one of the three prescribed methods, that all vendors receiving federal funds from the Agency are not suspended or debarred from receiving federal funds before entering into the contracts. These policies should extend to all potential vendors, including those covered by vendor term contracts entered into by DAS. This verification should be reevaluated on a periodic basis to reasonably ensure the information is current and accurate and should be documented in some manner. Acceptable documentation may be a clause within the contract or other separate document containing a certification about suspension and debarment signed by the vendors, or the Agency retaining evidence (in paper or electronic format) it checked the SAM website prior to disbursing any funds.

3. VR AND SSDI – RECONCILIATIONS

Finding Number	2018-033		
State Agency/Number	RSC-03		
CFDA Number and Title/ Federal Award Identification Number/ Year	84.126 – Vocational Rehabilitation Grants to States		H126A170052-17A/2017 H126A180052-18D/2018
	96.001 –- Disability Insurance/SSI Cluster		1704OHDI00/2017 1804OHDI00/2018
Federal Agency	Department of Education Social Security Administration		
Compliance Requirement	Activities Allowed or Unallowed, Allowable Costs/Cost Principles		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-030

MATERIAL WEAKNESS

2 C.F.R. Part 2300 § 10 and 2 C.F.R. Part 3474 § 1, gives regulatory effect to the Social Security Administration and Department of Education, respectively, for 2 C.F.R. Part 200 § 303(a), which requires recipients of federal awards establish and maintain internal controls over federal programs that provide reasonable assurance they are in compliance with laws, regulations, and the provisions of the grant agreement. It is management's responsibility to design, implement, and monitor these controls to reasonably ensure compliance with the applicable requirements. These controls must include maintaining appropriate supporting documentation for all transactions and performing timely reconciliation procedures between different sources of data to help ensure processed transactions are accurate and complete.

3. VR AND SSDI – RECONCILIATIONS (Continued)

During state fiscal year 2018, the Agency disbursed approximately $105 million in Vocational Rehabilitation Grants to States (VR) funds, which included approximately $40 million in payments to vendors and providers and $5.8 million for supplies and maintenance expenditures. The Agency also disbursed approximately $72 million in Disability Insurance / SSI Cluster (SSDI) funds, which included approximately $19.6 million for medical examination requests and consultative examinations completed by third party vendors and $3.6 million for supplies and maintenance expenditures. Monthly, the Agency performs a review of supplies and maintenance expenditures and a reconciliation of subsidy expenditures processed by the Agency's internal systems, CATS (Case Authorization Tracking System) and Aware, described below.

The Agency reviews a sample of the previous month's supplies and maintenance expenditures processed through the State's accounting system, Ohio Administrative Knowledge System (OAKS), to ensure compliance with rules and regulations, including the required number of quotes was obtained, and transactions were recorded accurately for account and amount. Once completed, the results are provided to the manager for final review and approval of any adjustments or corrections needed. However, for all three months selected for testing (100%), the Agency did not perform a review (two) or did not maintain evidence the review was completed (one).

The Agency utilizes the CATS and Aware systems for tracking and approving payments to vendors and providers for the SSDI and VR programs, respectively. Both systems interface with OAKS for payment of approved vouchers. The day after payment is made, the Agency populates CATS and Aware with OAKS voucher information (warrant number and payment date) and reconciles each system to OAKS to ensure the payment amount to vendors agreed. However, the reconciliations were not cumulative in nature until the Agency changed the procedure in February 2018. In addition, the Agency did not perform one of the three (33%) monthly reconciliations selected for testing timely; the January 2018 reconciliation was not completed until May 2018, when it performed monthly reconciliations on a cumulative basis from July 2017 forward.

Without consistent and timely expenditure reviews and reconciliations, and maintaining documentation of such, management has limited assurance that financial transactions in OAKS and internal records are recorded accurately, completely, and timely. This could lead to Agency management making operational decisions that it would not have otherwise made, if complete and accurate data was available. There is also an increased risk that expenditures could be made for activities not allowed by program rules and regulations and not be detected timely. Based on discussions with management and review of supporting documentation, it appears that management prioritized performing other activities over the monthly supplies and maintenance reviews and the time needed to implement the new cumulative reconciliation process.

We recommend the Agency timely perform the periodic reviews of supplies and maintenance expenditures and reconciliations of the subsidy expenditures, and maintain evidence of such, according to an approved records retention policy. We also recommend management communicate the established controls to affected employees and remind them of the importance of consistently performing the internal controls, as well as maintaining appropriate documentation of the performance of the controls and the actions taken to resolve variances/errors noted in individual transactions.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OHIO DEPARTMENT OF TRANSPORTATION

1. HIGHWAY PLANNING & CONSTRUCTION CLUSTER – SUBRECIPIENT MONITORING

Finding Number	2018-034		
State Agency/Number	DOT-01		
CFDA Number and Title/ Federal Award Identification Number/ Year	20.205/20.219/23.003 – Highway Planning & Construction Cluster	Numerous – applies to thousands of FAINs representing each construction project/phase during the year.	
Federal Agency	Department of Transportation		
Compliance Requirement	Subrecipient Monitoring		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-032

<u>NONCOMPLIANCE AND MATERIAL WEAKNESS</u>

2 C.F.R. Part 1201 § 1 gives regulatory effect to the Department of Transportation for 2 C.F.R. Part 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 C.F.R. Part 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 programs it administers within the time requirements outlined by the C.F.R. Management must also ensure subrecipients are taking appropriate and timely action to resolve any deficiencies noted within their audit report. Furthermore, federal regulations require pass-through entities to maintain internal controls over federal programs that provide reasonable assurance they are in compliance with laws and regulations. In addition, sound internal control procedures require management to monitor these control procedures to verify they are designed and operating in a manner consistent with federal regulations and program objectives. To be effective, the performance of internal controls must be evidenced in some manner to document the control is in place and functioning as intended.

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

During state fiscal year (SFY) 2018, the Department disbursed approximately $237.4 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 status of each LPA desk review is tracked via an excel spreadsheet. However, no management review is conducted over the desk review unless a Single Audit finding is identified.

In addition, the Department searches the Federal Audit Clearinghouse (FAC) website to identify subrecipient audit reports. Six audit reports for Department subrecipients were issued during SFY 2018 which contained findings related to the HP&CC program. However, for one of these six (16.7%) audit reports, the Department did not issue a management decision within six months of the report being accepted by the FAC, as required by 2 C.F.R. Part 200 § 521(c) and (d). The Department did not identify this LPA audit report in its search of the FAC website; therefore, no management decision had been reached at the time of our audit.

Failure to adequately monitor subrecipients and the status of compliance issues noted during their audit increases the risk that subrecipients may not properly utilize federal funds or adhere to program requirements, potentially jeopardizing federal funding. In addition, without appropriate management oversight over the review of subrecipient audit reports, there is an increased risk that all applicable audit findings may not be addressed appropriately. Noncompliance by the Department could cause federal funding to be reduced, taken away, or sanctions imposed by the federal grantor agency. Based on discussions with management, current staffing levels continued to be strained under the current review workload and there was reduced time available for management to perform reviews over subrecipient audit reports.

We recommend the Department continue to adhere to policies and procedures regarding subrecipient monitoring and consider implementing a process for management reviews of desk reviews completed by interns or temporary employees, which do not include a single audit finding. In addition, the Department should evaluate current staffing levels to ensure all responsibilities can be met. The Department should also continue to utilize the Federal Audit Clearinghouse as a tool to identify subrecipient audit reports with deficiencies and issue a management decision in accordance with the timeline set forth in 2 C.F.R. Part 200 § 521(c) and (d). Additionally, management should ensure timely and appropriate corrective action has been taken by subrecipients to address the findings. Procedures performed by the Department should be adequately documented to provide management reasonable assurance they have been performed. Management should periodically monitor these procedures to ensure they are operating as intended.

2. HIGHWAY PLANNING AND CONSTRUCTION CLUSTER – WAGE RATE REQUIREMENTS

Finding Number	2018-035		
State Agency/Number	DOT-02		
CFDA Number and Title/ Federal Award Identification Number/ Year	20.205/20.219/23.003 – Highway Planning & Construction Cluster		Numerous – applies to thousands of FAINs representing each construction project/phase during the year.
Federal Agency	Department of Transportation		
Compliance Requirement	Special Tests and Provisions – Wage Rate Requirements		
Repeat Finding from Prior Audit?	Yes	*Finding Number (if repeat)*	2017-033

MATERIAL WEAKNESS

As required by 40 U.S.C. §§ 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.

During state fiscal year (SFY) 2018, there were 1,311 active construction projects, including 576 new contracts 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. However, for seven of 60 (11.7%) projects selected for testing, there was no Prevailing Wage Interview Form on file to evidence a site visit was completed.

In addition, the Department's procedures require the district Contractor Compliance Officer (CCO) to perform a detailed review over a minimum of 30% of the weekly certified payrolls submitted via the Civil Rights and Labor (CRL) system or Sharepoint to ensure compliance with Wage Rate Requirements. However, the Department does not have monitoring procedures in place to ensure the district CCOs are complying with the internal policy. As a result, four of 12 (33.3%) Districts reviewed, there was no evidence maintained to indicate the CCO properly completed a review of the minimum certified payrolls during the audit period.

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.

2. HIGHWAY PLANNING AND CONSTRUCTION CLUSTER – WAGE RATE REQUIREMENTS (Continued)

Based on our discussions with management, the missing site visit documents were the result of staff shortages and turnover. Also the Department continued to focus on training new personnel and refining wage rate procedures during SFY 2018; updated procedures over site visits and payroll reviews were implemented in October 2018. In addition, the Department relies on the biennial Technical Process Reviews performed by an independent consultant for each district to identify weaknesses and areas of concern.

We recommend the Department continue to strengthen and reinforce its policies and procedures regarding Wage Rate Requirement site visits and certified payroll reviews. The Department should ensure districts maintain site visit documentation in a readily accessible and organized manner so others can obtain it when necessary. Management should implement monitoring procedures to ensure compliance with the Departments policies and procedures regarding Wage Rate Requirements. Additionally, management should consider developing a consistent method to document the review of certified payroll records within the CRL system and ensure management has access to all required documentation so monitoring duties can be performed timely and effectively. Furthermore, Management should periodically monitor the procedures in place for Wage Rate Requirements to ensure they are operating effectively and as intended.

[THIS PAGE LEFT BLANK INTENTIONALLY]

SUPPLEMENTAL INFORMATION

Management's
Corrective Action Plans

State of Ohio

Finding Number: 2018-001
State Agency: Ohio Department of Medicaid
Finding Description: Medicaid/CHIP – Drug Rebate Monitoring

See corrective action plan below for finding number 2018-020.

Finding Number: 2018-002
State Agency: Ohio Department of Developmental Disabilities
Finding Description: Medicaid Cluster – Payroll Overpayment

Corrective Action Plan:

DODD 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 overtime moved and approved by supervisors on timesheets result in no negative (non-interfacing) values prior to final payroll processing.
2. The employee's payroll was adjusted in PPE 1/19/19 (check date 2/1/19) to repay the $52.62 overtime paid in error.

Anticipated Completion Date for Corrective Action:

January 2019

Contact Person Responsible for Corrective Action:

Antoinette Harkness, Deputy Director, Human Resources, Ohio Department of Developmental Disabilities
30 East Broad Street, 18th Floor, Columbus, Ohio 43215
Phone: (614) 466-3139, E-Mail: Antoinette.Harkness@dodd.ohio.gov

Finding Number: 2018-003
State Agency: Ohio Development Services Agency
Finding Description: HEAP – Cash Management

Corrective Action Plan:

Although the volume of transactions made by Development Services Agency (DSA) that did not meet the Cash Management Improvement Act was low, DSA will review the internal automated system impacting this process in order to make improvements.

Anticipated Completion Date for Corrective Action:

July 2019

Contact Person Responsible for Corrective Action:

Kenyatta Chandler, Chief Financial Officer, Ohio Development Services Agency
77 South High Street, Columbus, OH 43215
Phone: 614-995-4030, E-Mail: Kenyatta.Chandler@development.ohio.gov

Finding Number: 2018-004
State Agency: Ohio Department of Education
Finding Description: Timely Allocations to Charter Schools – Various Programs

Corrective Action Plan:

Until the point in time when EMIS data is fully operational for federal funding purposes, the Office of Federal Programs will compress the amount of time that the Federal Low Income County System (FLICS) application is open for data verification from the applicable community schools. The typical three-week window that FLICS is open will be compressed to two weeks. This should provide OFP the additional days in January to get funds reallocated and keep the office in compliance.

Anticipated Completion Date for Corrective Action:

December 2019

Contact Person Responsible for Corrective Action:

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

Finding Number: 2018-005
State Agency: Ohio Department of Education
Finding Description: Child Nutrition Cluster – Inventory/Federal Schedule and Note

Corrective Action Plan:

The Department will continue to work with its software vendor to correct the reconciliation process in CATS. In addition, the Department will develop a process for completing manual reconciliations outside of the CATS system. This process will be implemented immediately once developed and will also serve as a backup procedure after the CATS reconciliation function is restored.

Additionally, the Department will update its procedure for reporting of non-cash awards to accurately capture all programs and sources of distributions.

Anticipated Completion Date for Corrective Action:

July 2019

Contact Person Responsible for Corrective Action:

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

Finding Number: 2018-006
State Agency: Ohio Department of Education
Finding Description: CNC and CACFP - Reporting

Corrective Action Plan:

The Department will open an inquiry with our software vendor for the part of the finding related to the FNS-44 report. The software vendor provides similar reporting services for approximately 25 other states, and all states' reports are produced using similar methodology. If the vendor identifies an error in the reporting methodology, the Department will instruct the vendor to correct the reporting calculations accordingly.

The Department opened an inquiry with our software vendor immediately upon notification of the discrepancies in the FNS-418 reports. The underlying issue has been identified and corrected. The backup documentation now properly supports the information reported in the FNS-418.

Anticipated Completion Date for Corrective Action:

- September 2019 – for the FNS-44 report corrective action, if necessary.
- February 2019 – for the completion of the FNS-418 report corrective action.

Contact Person Responsible for Corrective Action:

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

Finding Number: 2018-007
State Agency: Ohio Department of Education
Finding Description: CACFP – Sponsor Reviews

Corrective Action Plan:

In the current CRRS.net system, a new review is automatically created when an existing review is closed. For example, if a 2017-2018 sponsor review is closed, a new review for year 2020-2021 is automatically created.

At this time, we do not believe further corrective action is necessary.

Anticipated Completion Date for Corrective Action:

Completed in June 2018

Contact Person Responsible for Corrective Action:

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

Finding Number: 2018-008
State Agency: Ohio Department of Education
Finding Description: Special Education Cluster – Maintenance of Effort

Corrective Action Plan:

As part of the corrective action committed to the U.S. Department of Education (ED) Office of Special Education Programs, the Office for Exceptional Children (OEC) implemented financial reporting for County Boards of Developmental Disabilities, effective July 2018. This provides the opportunity for the DDs to meet any of the four methods for compliance with 34 C.F.R. § 300.203(b). In addition to this process enhancement, OEC revised written policies and procedures for making IDEA Part B MOE determinations. The IDEA MOE System Guide for Dept Staff, and the IDEA MOE System Instructions document MOE determination processes.

Anticipated Completion Date for Corrective Action:

Implemented July 2018

Contact Person Responsible for Corrective Action:

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

Finding Number: 2018-009
State Agency: Ohio Department of Education
Finding Description: Cash Management Monitoring – Various Programs

Corrective Action Plan:

To support timely reviews, the Department will create an annual risk assessment process to establish appropriate schedules for monthly line-item reviews. This will ensure reviews of higher-risk funds are completed timely.

Anticipated Completion Date for Corrective Action:

February 2019

Contact Person Responsible for Corrective Action:

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

Finding Number: 2018-010
State Agency: Ohio Department of Jobs and Family Services
Finding Description: Adoption Assistance – Lack of Supporting Documentation

Corrective Action Plan:

Ohio Department of Job and Family Services (ODJFS) OFC will work with the County PCSAs to ensure they have current policies and procedures in place to reasonably ensure the required physical eligibility documentation (i.e., Form 1451B, Eligibility Redetermination Letter, etc.) is obtained and on file for all adoption assistance children.

In addition, Department management will work with the county to ensure the questioned cases were in fact eligible during the audit period.

Anticipated Completion Date for Corrective Action:

May 2019

Contact Person Responsible for Corrective Action:

Alicia Allen, OFC Fiscal Operations Bureau Chief
4020 East 5th Avenue, Columbus, Ohio 43219
Phone: (614) 752-0267, E-mail: Alicia.Allen@jfs.ohio.gov

Finding Number: 2018-011
State Agency: Ohio Department of Job and Family Services
Finding Description: IT – IEVS Alerts (SNAP and TANF)

Corrective Action Plan:

ODJFS acknowledges the deficiencies with IEVS alerts being generated in the new eligibility system, Ohio Benefits. The Department is developing several enhancements regarding the filtering of IEVS alerts that will ultimately result in a drastic reduction of irrelevant IEVS alerts generated to county agencies. Only those alerts that are deemed appropriate and relevant will be forwarded for county agency review. The IEVS enhancement project is projected to be rolled out in phases throughout CY19.

After the enhancements are implemented to improve the generation of IEVS alerts, the Department will train county agency staff on the correct processing of IEVS alerts. In the meantime, all county agency staff have been reminded of the importance of continuing to work as many IEVS alerts as possible using approved methods. Verification procedures for information unknown to the agency and the coding of IEVS alerts remained unchanged.

The Department is currently working on an updated version of the IEVS Alert Processing Instruction Guide. IEVS training sessions will be scheduled after most enhancements are implemented. The updated training material will focus on three (3) key areas: 1) Timeliness, 2) Proper Coding, and 3) Proper Verifications, and will recommend random supervisory reviews by the county supervisor or IEVS Coordinator. Training sessions will be tailored to address various county sizes and internal structures. The procedure for monitoring will be updated to include the requirement that counties be timely at least 80% each month and each year based on a rolling 12-month period.

The Department conducts periodic IEVS reviews in the county agencies depending on the size of the agency's public assistance caseload. Large counties are reviewed once a year; medium counties are reviewed once every two years; and, small counties are reviewed once every three years. Each county agency is to designate a knowledgeable worker or supervisor as the IEVS Coordinator for the agency who is to ensure IEVS workers receive training and is to conduct random reviews of IEVS alerts each month to ensure compliance with timeliness, coding and verification requirements.

Anticipated Completion Date for Corrective Action:

- The Ohio Benefits eligibility system correctly displays the due date for each IEVS alert received for 45 days from receipt. This was completed for all IEVS alerts in August 2018.
- Some IEVS filtering enhancements are projected to be in place no later than June 2019, other enhancements will be implemented in CY19.
- The Ohio Administrative Code was updated requiring all SNAP IEVS Alerts be completed in 45 days, effective August 2017. Counties were immediately notified.
- Counties are in the process of designating new IEVS Coordinators who will receive training from ODJFS about how to properly conduct random reviews monthly. The new IEVS Coordinators are to be identified by March 2019 and will receive coordinator training no later than June 2019.
- The IEVS Alert Processing Guide will be updated to include new procedures for handling IEVS alerts after enhancements are integrated into Ohio Benefits. Enhancements are expected to be integrated in CY19 and the new IEVS Processing Guide will be completed by December 2019.
- Starting in CY18, the Bureau of Program Integrity Fraud Control Unit began a new statewide review of all county agencies which includes the processing of IEVS Alerts. These reviews are done on a triennial review schedule. The review concentrates on the three (3) key areas of 1) Timely Completion, 2) Proper Coding and 3) Proper Verifications and verifies that the county IEVS Coordinator conducts monthly random reviews of the processing of IEVS alerts.
- The Department held a statewide videoconference training session in March 2018 covering the three key areas identified and the importance of random monthly supervisory reviews. Additional statewide videoconferences will be scheduled as new enhancements are implemented in Ohio Benefits.

Contact Person Responsible for Corrective Action:

Chris Dickens, Fraud Control Unit Chief, ODJFS

30 East Broad Street, 37th Floor, Columbus, Ohio 43216

Phone: (614) 387-5499, E-mail: Chris.Dickens@jfs.ohio.gov

Finding Number: 2018-012
State Agency: Ohio Department of Job and Family Services
Finding Description: CCDF Cluster – Family Child Care Provider Home Applications

Corrective Action Plan:

ODJFS will continue to provide technical assistance and training to all county agencies regarding the deadlines to submit initial applications for approval. ODJFS will provide targeted technical assistance for identified county agencies based on the finding, as well as, continue to conduct annual on-site county monitoring visits, monthly reviews of current county work, 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 February 2019 monthly video conference with county agencies. ODJFS will conduct targeted technical assistance by contacting each county to discuss in detail the findings and their planned corrective action plan. This will be completed by June 2019.

Contact Person Responsible for Corrective Action:

Jeffery Van Deusen, Bureau Chief, Child Care Licensing and Monitoring, ODJFS
4020 East Fifth Avenue, Columbus, Ohio 43219
Phone: (614) 752-0581, E-Mail: Jeffery.VanDeusen@jfs.ohio.gov

Finding Number: 2018-013
State Agency: Ohio Department of Job and Family Services
Finding Description: Federal Reporting – Various Programs

Corrective Action Plan:

- The Bureau of Fiscal Planning & Operations will place an emphasis on the Federal Reporting Section to include more direct oversight and a procedure review of each federal report.
- Each federal report that was cited in the audit will be reviewed for cause and additional staff training will be provided to the group.
- A federal reporting checklist will be created for items that need to be reviewed by the unit supervisor and then a differing list to be used by the section chief.
- Any known adjustments will be processed in the FFR system before the end of the quarter opposed to waiting until the end of the quarter to process new expenditures and prior quarter adjustments.
- Where audit reviews are concerned, the department will not make any adjustments to the federal reports until the audit/review is complete to avoid making duplicate and/or overlapping adjustments.
- The FFR Steering Committee will continue FFR integration and focus on any reports that are still being prepared outside of the FFR system. (Foster Care, Title XX & WIOA).

Anticipated Completion Date for Corrective Action:

- Implementation of work team other actions – July 2019
- FFR Implementation for Foster Care, Title XX, and WIOA – October 2019

Contact Person Responsible for Corrective Action:

Lawrence Parson, Senior Financial Manager, ODJFS
30 East Broad Street, Columbus, Ohio 43215
Phone: (614) 728-8904, E-Mail: Lawrence.Parson@jfs.ohio.gov

Finding Number: 2018-014
State Agency: Ohio Department of Job and Family Services
Finding Description: Cash Management – Various Programs

Corrective Action Plan:

Our current Bureau of Accounting process to ensure CMIA compliance is as follows:

1) The daily Voucher Error report is reviewed which includes budget errors that need to be resolved. BOA works directly with Budget staff to resolve the issues. If the issues cannot be resolved with the time frame of the CMIA agreement, the voucher is deleted in OAKs by OSS or BOA and is not re-entered until the budget issue has been resolved.

2) The daily Unpaid voucher report is reviewed which includes all vouchers that have not been paid in OAKS. Research is done for each voucher to determine the reason the voucher has not been paid. If there is an issue and the voucher cannot be paid within the time frame of the CMIA agreement, the voucher is deleted in OAKS by OSS or BOA and is not re-entered until the issue has been resolved.

3) The Unpaid Voucher Listing report generated by Grants Management – upon receipt of this report, BOA reviews the report which includes research to determine the issue as to why the voucher has not been paid. This information is communicated on the report from the Grants Management supervisors, which states any issues and the status of the voucher. If the issue cannot be resolved within the CMIA agreement time-frame, the voucher is deleted in OAKs by OSS or BOA and is not re-entered until the issue has been resolved.

Anticipated Completion Date for Corrective Action:

March 2019

Contact Person Responsible for Corrective Action:

Yvonne Gore, Bureau Chief, Ohio Department of Job and Family Services

30 East Broad Street, 37th Floor, Columbus, Ohio 43215

Phone: (614) 466-9596, E-Mail: Yvonne.Gore@jfs.ohio.gov

Finding Number: 2018-015
State Agency: Ohio Department of Job and Family Services
Finding Description: SNAP Cluster – Reporting

Corrective Action Plan:

The FNS-46 is an item on the monthly duties assigned to the business analysts to complete each month for the prior month. This ensures the report is completed within 30 days, rather than 90 days. It also provides additional time if any other priorities arise.

Anticipated Completion Date for Corrective Action:

January 2019

Contact Person Responsible for Corrective Action:

Betsy Suver, EBT/EPC Section Chief, Ohio Department of Job and Family Services
4020 East Fifth Avenue, Columbus, Ohio 43219
Phone: (614) 387-8302, E-Mail: Betsy.Suver@jfs.ohio.gov

Finding Number: 2018-016
State Agency: Ohio Department of Medicaid
Finding Description: IT – Provider Licenses Not Updated in MITS

Corrective Action Plan:

As of May 2018, Ohio Department of Medicaid (ODM) implemented a full license interface with the Department of Administrative Services (DAS) e-license data for all the licensing boards that cover individual providers. All licenses are verified on a schedule which results in a monthly verification of each provider's license status. The information is updated in the MITS provider record, and evidence of this can be found on the verification panel.

Any instances where a provider has lost their license (suspension, revocation, retirement etc.), the system (MITS) takes automatic action and terminates the provider agreement. These terminations are sent monthly to ODM Network Management staff e-mail box.

In cases where the system is not able to make a "decision" because the verification does not match the established criteria, ODM Network Management will review these weekly, address the exception and take the appropriate action. ODM will maintain documentation of the review process and action taken on a spreadsheet or other tracking mechanism. This will be implemented by May 1, 2019.

Anticipated Completion Date for Corrective Action:

The corrective action plan has largely been implemented with the establishment of the MITS and DAS e-license interface; all provider license information is verified and updated monthly. ODM will implement enhanced documentation and a tracking process for review and actions taken on the weekly "exceptions report" by May 2019.

Contact Person Responsible for Corrective Action:

Bibi Manev, Medicaid Health Systems Administrator III, Ohio Department of Medicaid
50 West Town Street, Suite 400, Columbus, Ohio 43215
Phone: (614) 752-3573, E-Mail: Biljana.Manev@medicaid.ohio.gov

Finding Number: 2018-017
State Agency: Ohio Department of Medicaid
Finding Description: Medicaid/CHIP – Ineligible Recipients

Corrective Action Plan:

- ODM will conduct increased trainings targeting county caseworkers which focus on proper policies and procedures. Topics addressed will include errors identified in the 2018 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 2018 Single Audit findings.
- ODM will be including 10A decreasing adjustments on the January-March 2019 CHIP and Medicaid reports for the quarter in which the claims were paid. The total computable amount will be $130,611 ($98,954 for Medicaid and $31,657 for CHIP) and the applicable federal share will be calculated. If the Ohio Department of Medicaid determines that the individuals were eligible for Medicaid, increasing adjustments for the correct prior period will be completed in a report subsequent to the January-March 2019 period.

Anticipated Completion Date for Corrective Action:

The Ohio Department of Medicaid will provide on-going training throughout 2019:

- Monthly statewide video conferences are scheduled for the following dates in 2019: February 6, 2019; March 6, 2019; April 3, 2019; June 5, 2019; August 7, 2019; September 4, 2019; October 2, 2019; November 6, 2019 and December 5, 2019.
- In-person training is tentatively scheduled for the following dates in 2019: January 22, 2019; February 26, 2019; March 19, 2019; April 16, 2019; May 9 & 10, 2019; May 21, 2019; June 18, 2019; July 23, 2019; August 20, 2019; September 17, 2019; October 22, 2019 and December 3, 2019.
- Quarterly training for new county caseworkers via webinar is scheduled for February 2019; May 2019; August 2019 and October 2019.
- Monthly newsletters letters focusing on Medicaid eligibility are scheduled to be published through 2019. These newsletters are available to all county staff who determine eligibility for Medicaid.

Contact Person Responsible for Corrective Action:

Roberta Schwamberger, Medicaid Health Systems Administrator II, Ohio Department of Medicaid

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

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

Finding Number: 2018-018
State Agency: Ohio Department of Medicaid
Finding Description: MFP – Ineligible Recipients

Corrective Action Plan:

- HOME Choice intake workers input the end dates for the MFP spans of individuals completing the program. Because of four input errors detected by the audit, the process going forward will be: one intake worker ends the MFP span in the data base from the daily 365-day report and the other worker, will quality check the dates.
- The MFP Information Manager runs a report monthly to identify Medicaid eligibility span changes. Updates are made to the data base as required within five days. This effort, which began in February 2018, will continue to ensure eligibly accuracy and MFP span accuracy until December 31, 2019 when the last MFP grant enrollees participation period ends.
- Evaluate the necessity of reimbursement of the claims incorrectly paid.
- ODM will include 10A decreasing adjustments on our January-March 2019 MFP reports for the quarter in which the claims were paid. The total computable amount will be $52,625 and the applicable federal share will be calculated. If the Ohio Department of Medicaid determines that the individuals were eligible for Medicaid, increasing adjustments for the correct prior period will be completed in a report subsequent to the January-March 2019 period.

Anticipated Completion Date for Corrective Action:

- The quality check process of 365-day MFP span end dates will begin in February 2019.
- The two other ongoing quality cross checks will be completed monthly.

Contact Person Responsible for Corrective Action:

Carol Schenck, MFP Program Director, Ohio Department of Medicaid

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

Phone: (614) 387-7755, E-Mail: Carol.Schenck@medicaid.ohio.gov

Finding Number: 2018-019
State Agency: Ohio Department of Medicaid
Finding Description: MFP – Payment Processing SOC 1 and Ineligible Recipient

Corrective Action Plan:

- A SOC 1 audit is not necessary as the TPA contract will end in February 2020. After July 31, 2019, the volume of goods and service invoices and the usage of demonstration and supplemental services will decrease significantly due to the ending of the MFP grant. Instead, the TPA will be required to update the Readiness Review conducted in 2013 and provide to the MFP program. The MFP program will review and assure the policies and procedures remain in place to assure compliance.
- TPA processed and paid the claim, for services for an individual whose Medicaid eligibility lapsed and was not eligible to receive benefits on the date services were provided. These funds will be recouped.
- The MFP Information Manager runs a report monthly to identify Medicaid eligibility span changes. Updates are made to the data base as required within five days. This effort will continue to ensure eligibly accuracy until December 31, 2019 when the last MFP grant enrollees participation period ends.

- ODM will include 10A decreasing adjustments on our January-March 2019 MFP reports for the quarter in which the claims were paid. The total computable amount will be $281 and the applicable federal share will be calculated. If the Ohio Department of Medicaid determines that the individual was eligible for Medicaid, increasing adjustments for the correct prior period will be completed in a report subsequent to the January-March 2019 period.

Anticipated Completion Date for Corrective Action:

- The TPA will update the Readiness Review in 30 business days and MFP program will review for compliance within two weeks of its submission.
- Recoupment will be completed by February 2019.
- Continue monthly Medicaid eligibility monitoring.

Contact Person Responsible for Corrective Action:

Carol Schenck, MFP Program Director, Ohio Department of Medicaid
50 West Town Street, Suite 400, Columbus, Ohio 43215
Phone: (614) 387-7755, E-Mail: Carol.Schenck@medicaid.ohio.gov

Finding Number: 2018-020
State Agency: Ohio Department of Medicaid
Finding Description: Medicaid/CHIP – Drug Rebate Monitoring

Corrective Action Plan:

ODM has determined an Agreed Upon Procedures (AUP) amendment needs to be executed for the Change Healthcare (PBM) contract. Once the amendment is executed, the AUP testing will be completed. Additionally, ODM pharmacy staff will continue to monitor drug rebate revenue during the quarterly rebate meetings with the TPA, including review of available electronic reports. In conjunction with ODM Program Integrity, ODM pharmacy staff will review the SOC-1 report in a timely matter and any material weaknesses will be addressed.

Anticipated Completion Date for Corrective Action:

March 2019 (pending amendment execution) – It is our plan that the process review and any changes be completed by March 2019 and any new process and controls applied during the next state fiscal year.

Contact Person Responsible for Corrective Action:

Tracey Archibald, Policy Staff, Ohio Department of Medicaid
50 West Town Street, Suite 400, Columbus, Ohio 43215
Phone: (614) 752-3522, E-Mail: Tracey.Archibald@medicaid.ohio.gov

Finding Number: 2018-021
State Agency: Ohio Department of Medicaid
Finding Description: Lack of IEVS Monitoring

Corrective Action Plan:

Income Eligibility Verification System (IEVS) information and reporting in Ohio Benefits (OB) has been implemented and changes made to improve the quality of the data. ODM has reviewed the new IEVS reports in OB to ensure they are accurate with an eye towards ensuring the reports were accurate and then using the reports to establish improved controls over IEVS monitoring. After completing this analysis, ODM has assigned its MEQC team to monitor the IEVS data. Thus ODM, as part of the MEQC review process, will have reviewers check IEVS and see if the county took action. In addition to that, ODM has access to reports from Ohio benefits that shows the use of IEVS data by the counties and their timeliness in responding to IEVS issues. The MEQC staff will run periodic reports from OB to monitor more frequently the clearing of IEVS issues by the county. This monitoring function will include informing the counties when they have an issue that needs to be addressed and when they have failed to timely rectify the issue.

Anticipated Completion Date for Corrective Action:

May 2019 – training on reports for the MEQC team will be completed in March 2019. The full implementation of the review process will be complete by May 2019.

Contact Person Responsible for Corrective Action:

Meghan Duvall, Director of Program Integrity, Ohio Department of Medicaid

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

Phone: (614) 752-3834, E-Mail: Meghan.Duvall@medicaid.ohio.gov

Finding Number: 2018-022
State Agency: Ohio Department of Medicaid
Finding Description: IT – Lack of Internal Testing of IT Security Systems

Corrective Action Plan:

The Ohio Department of Medicaid will engage Ohio Budget and Management (OBM), Office of Internal Audit (OIA) in the data security evaluation of MITS in State Fiscal Year 2020 that meets the criteria laid out in 45 CFR § 95.621 - ADP reviews. This will be conducted based on the availability of OBM-OIA's calendar.

Anticipated Completion Date for Corrective Action:

No later than June 2020

Contact Person Responsible for Corrective Action:

Candi Layman, Chief, MITS and Systems Operations, Ohio Department of Medicaid

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

Phone: (614) 752-2914, E-Mail: Candi.Layman@medicaid.ohio.gov

Finding Number: 2018-023
State Agency: Ohio Department of Medicaid
Finding Description: Medicaid/CHIP – Managed Care Provider Panel Reports

Corrective Action Plan:

The Ohio Department of Medicaid, Office of Managed Care, Network Management and Operations team have implemented the following changes to address the findings in which the Provider Agreement, Managed Care reports, and compliance notices did not match:

- Internal Quarterly audits will be completed to assure the provider agreement, reports and compliance actions are aligned. The audit will be completed by a Network Management and Operations team member that did not issue the quarterly non-compliance notice.
- When changes are implemented with the provider agreement, there will be a requirement that two team members review to assure that the reports reflect the PA changes.

Anticipated Completion Date for Corrective Action:

April 2019 or prior to the quarterly compliance action being issued, whichever comes first.

Contact Person Responsible for Corrective Action:

Jessica Nienberg, Health Systems Administrator II, Ohio Department of Medicaid

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

Phone: (614) 752-4700, E-Mail: Jessica.Nienberg@medicaid.ohio.gov

Finding Number: 2018-024
State Agency: Ohio Department of Mental Health and Addiction Services
Finding Description: SABG – Payroll

Corrective Action Plan:

To help ensure timesheets are approved timely, beginning in January 2018, management implemented the following control procedure: Payroll section staff queries Kronos to identify unapproved timesheets after the end of each pay period and notifies the supervisor that the timesheet requires approval. The Kronos timesheets are then interfaced with the Ohio Administrative Knowledge System's (OAKS) Human Capital Management (HCM) module for processing.

Anticipated Completion Date for Corrective Action:

The corrective action is complete. The five errors identified during the audit occurred prior to the implementation of the corrective procedures in January 2018.

Contact Person Responsible for Corrective Action:

Rosaland Gatewood-Tye, Assistant Chief Financial Officer, Ohio MHAS

30 East Broad Street, 11th Floor, Columbus, Ohio 43215

Phone: (614) 644-9142, E-Mail: Rosaland.Gatewood.Tye@mha.ohio.gov

Finding Number: 2018-025
State Agency: Ohio Department of Natural Resources
Finding Description: Fish and Wildlife Cluster – Suspension and Debarment

Corrective Action Plan:

The Division will update its policies and procedures to include a review of debarment or suspension for each procurement or non-procurement transaction as required under 2 CFR 180. This review will include a review of each entity via the System for Award Management (SAM) web site (www.sam.gov) by the Federal Aid Section. The information obtained from SAM will be appended to the routed contract prior to execution by the Division or Department.

In addition, the Division will review and update the suspension/debarment clause in non-procurement agreements to ensure it satisfies the requirements of 2 CFR 180. Any updates will be made to the procurement and non-procurement contract templates for use across the agency.

Anticipated Completion Date for Corrective Action:

April 2019

Contact Person Responsible for Corrective Action:

Kelley Moseley, Executive Business Administrator, Ohio Department of Natural Resources

Division of Wildlife, 2045 Morse Road, Building G-2, Columbus, Ohio 43229

Phone: (614) 265-7024, E-Mail: Kelley.Moseley@dnr.state.oh.us

Finding Number: 2018-026
State Agency: Ohio Department of Natural Resources
Finding Description: Fish and Wildlife Cluster – Real Property Management

Corrective Action Plan:

The Division of Wildlife (DOW) will work with the Office of Real Estate (RE), Office of Budget and Finance (OBF), and Division of Engineering (DOE) to reconcile land and building records and add supporting data. Meetings among DOW, RE, OBF and DOE staff will be scheduled to identify division point of contacts and work flow to develop a policy/procedure document.

DOW will work with RE to determine the value of existing OAKS asset records. Methods to valuate assets include research of ODNR acquisition records, research of appropriate county office data, and finally, work with ODNR appraiser to establish an estimate for the value field for those assets that have no supporting documentation.

The Department will establish a greater line of communication among all Divisions/Offices involved with the lands and building record keeping through regular meetings. Key examples of this would be Division of Engineering to DOW when new construction is completed, as well as, DOW to OBF when buildings are salvaged/removed.

Anticipated Completion Date for Corrective Action:

We expect to have meetings and policies/procedures drafted by October 2019. Valuation of assets will likely not be complete until December 2019.

Contact Person Responsible for Corrective Action:

Kelley Moseley, Executive Business Administrator, Ohio Department of Natural Resources
Division of Wildlife, 2045 Morse Road, Building G-2, Columbus, Ohio 43229
Phone: (614) 265-7024, E-Mail: Kelley.Moseley@dnr.state.oh.us

Finding Number: 2018-027
State Agency: Ohio Department of Natural Resources
Finding Description: Fish and Wildlife Cluster – Subrecipient Monitoring

Corrective Action Plan:

The Department will update its existing template for a subgrant agreement to include all award information required per 2CFR 200.331(a), when available, and include:

a) Subrecipient's Unique Identity Number (DUNS);
b) Federal Award Identification Number (FAIN): when not available, the Department will a Division specific award identification number that is unique to the funding source and will be linked to the corresponding FAIN once issued;
c) CFDA Number and Name and the dollar amount made available under each Federal Award and CFDA number at the time of disbursement.

The Department will also ensure that all subgrant agreements will be reviewed by the Division's Federal Aid section for these federal requirements prior to execution by the Division and Department.

Anticipated Completion Date for Corrective Action:

February 2019

Contact Person Responsible for Corrective Action:

Kelley Moseley, Executive Business Administrator, Ohio Department of Natural Resources
Division of Wildlife, 2045 Morse Road, Building G-2, Columbus, Ohio 43229
Phone: (614) 265-7024, E-Mail: Kelley.Moseley@dnr.state.oh.us

Finding Number: 2018-028
State Agency: Ohio Department of Natural Resources
Finding Description: IT – Lack of a SOC 1 Audit for Service Organizations

Corrective Action Plan:

The Ohio Department of Natural Resources (ODNR), Division of Wildlife will work with ODNR, Office of Information Technology, Department of Administrative Services, Office of Information Technology, the Auditor of State, and the service organization to establish the steps to be taken to initiate an annual SOC 1 audit of the service organization.

Anticipated Completion Date for Corrective Action:

The ODNR, Division of Wildlife will have a final plan and move forward with a SOC 1 by May 2019.

Contact Person Responsible for Corrective Action:

Kelley Moseley, Executive Business Administrator, Ohio Department of Natural Resources
Division of Wildlife, 2045 Morse Road, Building G-2, Columbus, Ohio 43229
Phone: (614) 265-7024, E-Mail: Kelley.Moseley@dnr.state.oh.us

Finding Number: 2018-029
State Agency: Ohio Department of Natural Resources
Finding Description: Fish and Wildlife Cluster - Reconciliations

Corrective Action Plan:

The Division of Wildlife will develop a policy requiring periodic reconciliations of Division records to the State's Accounting System (OAKS). In conjunction with the ODNR offices of External Audit and Budget and Finance, appropriate scope, sample size, frequency and documentation standards will be established. After establishment of this new process, statewide implementation and enforcement will be in place.

Anticipated Completion Date for Corrective Action:

May 2019

Contact Person Responsible for Corrective Action:

Kelley Moseley, Executive Business Administrator, Ohio Department of Natural Resources
Division of Wildlife, 2045 Morse Road, Building G-2, Columbus, Ohio 43229
Phone: (614) 265-7024, E-Mail: Kelley.Moseley@dnr.state.oh.us

Finding Number: 2018-030
State Agency: Ohio Department of Natural Resources
Finding Description: Fish and Wildlife Cluster – Coding/Federal Schedule

Corrective Action Plan:

The Federal Aid Group will draft an internal direction document outlining the process for development of the SEFA including the updated grant drawdown process which includes a SEFA worksheet with each drawdown performed. These worksheets mirror required information and data necessary to develop the annual SEFA, and they reconcile non-personnel expense data found in OAKS GL-0028 report. At the end of the fiscal year, the Federal Aid Section will compile the SEFA worksheets and review their composite in order to ensure the Division has accurately detailed federal disbursements under each grant during that fiscal year.

Anticipated Completion Date for Corrective Action:

March 2019

Contact Person Responsible for Corrective Action:

Kelley Moseley, Executive Business Administrator, Ohio Department of Natural Resources
Division of Wildlife, 2045 Morse Road, Building G-2, Columbus, Ohio 43229
Phone: (614) 265-7024, E-Mail: Kelley.Moseley@dnr.state.oh.us

Finding Number: 2018-031
State Agency: Opportunities for Ohioans with Disabilities
Finding Description: Various ED and HHS Programs – Remaining Cash Balance

Corrective Action Plan:

Opportunities for Ohioans with Disabilities (OOD) has put into place processes that track the receipt and use of federal funds to endure revenues match expenditures. There is a process at the front end that identifies the amount of funds that need to be drawn to support pending expenditures and a process at the back end to ensure that draws from the federal system are deposited into the correct fund and that revenues reconcile with expenditures by grant and funding year. OOD will reach out to the U.S. Department of Education (ED) and the U.S. Department of Health and Human Services (HHS) to inquire on how to handle the cash balance and is seeking appropriation in the upcoming budget bill so that the excess funds may be returned to the federal government should OOD be advised to do so.

Anticipated Completion Date for Corrective Action:

OOD will contact ED and HHS in February 2019. The process that tracks the receipt and use of federal funds is currently in place.

Contact Person Responsible for Corrective Action:

Maria Seaman, Acting Chief Financial Officer, Opportunities for Ohioans with Disabilities
150 East Campus View Blvd., Columbus, Ohio 43235
Phone: (614) 438-1750, E-Mail: Maria.Seaman@ood.ohio.gov

Finding Number: 2018-032
State Agency: Opportunities for Ohioans with Disabilities
Finding Description: VR and SSDI – Suspension and Debarment

Corrective Action Plan:

OOD is working with the Department of Administrative Services (DAS) to have the required suspension and debarment clause added to the standard terms and conditions.

Until that is accomplished, on an annual basis OOD Fiscal staff will review the list of lease vendors in the System for Award Management (SAM) to ensure the entity is not on the suspension and debarment list prior to entering into a real estate contract for leased space or creating a Purchase Order (PO). The absence of the entity within the SAM will indicate that it is acceptable for the agency to proceed with the real estate contract.

The SAM review will be documented and results will be shared with the OOD Facilities Manager who oversees the lease process. If an entity is suspended or debarred, the agency will contact DAS for advisement on how to proceed.

Anticipated Completion Date for Corrective Action:

OOD reviewed all SFY 2019 leases in February 2019 and can attest that no lessor that the agency pays is suspended or debarred. OOD will continue to review SAM annually prior to the beginning of the State Fiscal Year and prior to lease contracts being executed.

Contact Person Responsible for Corrective Action:

Mike DeNoble, Facilities Manager, Opportunities for Ohioans with Disabilities
150 East Campus View Blvd., Columbus, Ohio 43235
Phone: (614) 438-1221, E-Mail: Michael.DeNoble@ood.ohio.gov

Finding Number: 2018-033
State Agency: Opportunities for Ohioans with Disabilities
Finding Description: VR and SSDI – Reconciliations

Corrective Action Plan:

OOD has revised the reconciliation process so that it is cumulative in nature and ensures all subsidy payments reconcile with the OAKS system. This revised process was implemented in February 2018. Once the new process was established, OOD staff went back and reconciled the entire fiscal year starting with July 2017. This cumulative reconciliation occurs on a monthly basis and the results are provided to the OOD Budget Manager for review and signature for approval.

Previously OOD's administrative expenditure process review consisted of a 95% confidence level sample of the month's expenditures. OBM's Office of Internal Audit (OIA) auditors reviewed OOD's purchasing processes and issued a summary in July 2018. In their review and audit they found OOD's monthly review process to be inefficient and recommended a risk-based methodology including a standard sample size for review with the ability to expand the sample if many errors were detected.

OOD revised the process to review 10% of all purchases, not to exceed 20 purchases per month. OOD has completed a monthly review since July 2018. This review includes follow-up with purchasers when needed and documented supervisory oversight of completion of the review.

Anticipated Completion Date for Corrective Action:

The revised cumulative reconciliation process with supervisory approval has been in place since February 2018 and continues monthly. The revised administrative expenditure review process has been in place since July 2018 and has documented supervisory approval and oversight.

Contact Person Responsible for Corrective Action:

Pamela Laing, Finance Manager, Opportunities for Ohioans with Disabilities
150 East Campus View Blvd., Columbus, Ohio 43235
Phone: (614) 438-1249, E-Mail: Pamela.Laing@ood.ohio.gov

Finding Number: 2018-034
State Agency: Ohio Department of Transportation
Finding Description: Highway Planning & Construction Cluster – Subrecipient Monitoring

Corrective Action Plan:

During SFY'18, a complete overhaul of the desk inspection process for reviewing LPA audit reports was conducted. Pursuant to the Government Accountability Office (GAO) standards for implementing an effective internal control system, management balanced the allocation of its resources commensurate with the areas of greatest risk to achieve the Department's objectives. The revamped procedures centered on a risk-based, tiered approach which established essentially management's review of all LPA audit reports at the front-end of the process, rather than at the back-end of the process as in prior years. With these procedural changes and in assessing risk, management initiated its review by making the determination whether an LPA audit report would be a lower tier review. If it was, then management assigned that work to interns to augment the Department's overall LPA monitoring coverage.

When implementing the new risk-based, tiered approach to performing desk inspections, search of the Federal Audit Clearinghouse (FAC) for CY'16 and CY'17 LPA audit reports was utilized as a reasonable and uniform launching point for beginning the new process. This search methodology did not capture successfully the rare anomaly resulting from the late issuance of one CY'15 LPA audit report which was not submitted to the FAC until 14 months after the September 30, 2016 reporting deadline.

Although it may yield duplicative efforts with maintaining the risk-based, tiered approach to performing management's review of LPA audit reports, the desk inspection process will be modified to incorporate, and document management's review of lower tier assignments performed by interns. Additionally, the procedures employed for searching the FAC for LPA audit reports that reveal a Single Audit finding related to the CFDA 20.205 Program will be revised immediately to expand the date range of the search criteria. Furthermore, follow-up on the identified CY'15 LPA audit report Single Audit finding will be performed to ensure a management decision is issued. We will continue to ensure our LPA subrecipients have their respective corrective action plans documented and implemented in a timely manner to appropriately remedy findings for Federal awards related to the CFDA 20.205 Program. The procedural modifications will be reflected in our process narrative and monitored periodically by management to ensure they are working as designed.

Anticipated Completion Date for Corrective Action:

March 2019

Contact Person Responsible for Corrective Action:

Gregory T. Stephens, External Audit Manager, Ohio Department of Transportation
1980 West Broad Street, 4th Floor, Columbus, Ohio 43223
Phone: (614) 644-5761, E-Mail: Gregory.Stephens@dot.ohio.gov

Finding Number: 2018-035
State Agency: Ohio Department of Transportation
Finding Description: Highway Planning and Construction Cluster – Wage Rate Requirements

Corrective Action Plan:

ODOT intends to update Policy 26-002 to reflect the current practices of the CCOs relative to conducting prevailing wage interviews, number of certified payrolls audited, and etcetera. In updating these policies and procedures, ODOT will ensure that monitoring requirements are both efficient/effective and meet the requirements set forth in the Davis Bacon Act & Related Acts along with the ORC 4115. In addition to updating Policy 26-002, ODOT is in the process of finalizing a Standard Operating Procedures manual for contractor compliance, which will further outline the specific steps a CCO must take to ensure the new policy requirements are met and that proper tracking and oversight is attained.

ODOT anticipates a draft update of Policy 26-002 will be available in March 2019. ODOT anticipates that an updated Policy 26-002 will become effective in April/May of 2019. ODOT also plans to have the Standard Operating Procedures manual completed and effective concurrent with the policy effective date (i.e., April/May 2019).

Regarding oversight, it should be noted that ODOT has already implemented standard tracking requirements for the CCOs to document which payrolls have been audited. The CCOs are now uniformly entering this data into ODOT's Civil Rights and Labor System, and ODOT is now generating a monthly report to identify which districts are currently meeting the audit requirement.

ODOT also intends to develop a plan to ensure that proper coverage of CCO duties is attained in the event a CCO is out on leave. This was a source of the issue for half of the Districts that did not meet the minimum 30% of audited payrolls.

Anticipated Completion Date for Corrective Action:

May 2019

Contact Person Responsible for Corrective Action:

Deborah Green, Administrator, Office of Small and Disadvantaged Business Enterprise, Ohio Department of Transportation

1980 West Broad Street, 2nd Floor, Columbus, Ohio 43223

Phone: (614) 466-7699, E-Mail: Deborah.Green@dot.ohio.gov

Management's Summary Schedule of Prior Audit Findings

State of Ohio

2015 Audit Findings with Questioned Costs

Ohio Department of Education

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

Questioned Costs: Undetermined Amount

****

The audit finding is no longer valid and does not require further action because two years have passed since the fiscal year 2015 Single Audit was submitted to the Federal Audit Clearinghouse and the U.S. Department of Education has not issued a management decision and is not currently engaged with the Ohio Department of Education on the finding.

Ohio Department of Job and Family Services

2015-018 / SNAP Cluster – Ineligible Recipients

Questioned Costs: $31,476

****

The audit finding is no longer valid and does not require further action because two years have passed since the fiscal year 2015 Single Audit was submitted to the Federal Audit Clearinghouse and the U.S. Department of Agriculture has not issued a management decision and is not currently engaged with the Ohio Department of Job and Family Services on the finding.

2015-020 / CCDF Cluster – Copayment/Benefit Amounts

Questioned Costs: $5,860

****

The audit finding is no longer valid and does not require further action because two years have passed since the fiscal year 2015 Single Audit was submitted to the Federal Audit Clearinghouse and the U.S. Department of Health and Human Services has not issued a management decision and is not currently engaged with the Ohio Department of Job and Family Services on the finding.

Ohio Department of Medicaid

2015-029 / Medicaid/CHIP – Ineligible Recipients

Questioned Costs: $30,344

****

The audit finding is no longer valid and does not require further action because two years have passed since the fiscal year 2015 Single Audit was submitted to the Federal Audit Clearinghouse and the U.S. Department of Health and Human Services has not issued a management decision and is not currently engaged with the Ohio Department of Medicaid on the finding.

2016 Audit Findings with Questioned Costs

Ohio Department of Education

2016-002 / Special Education Cluster – Misallocations to Local Educational Agencies

Questioned Costs: Undetermined Amount

Status: Partially Corrected

Finding first reported in fiscal year 2015.

****

The control deficiency and noncompliance have been partially corrected (see below for 2017-004); the questioned cost resolution is pending. No final federal determination letter pertaining to the fiscal year 2016 questioned costs has been received to close the finding.

Ohio Department of Job and Family Services

2016-007 / SNAP Cluster and TANF Cluster – Eligibility Documentation

Questioned Costs: $50

Status: Partially Corrected

Finding first reported in fiscal year 2006.

****

The control deficiency and noncompliance have been fully corrected (see below for 2017-009); the questioned cost resolution is pending. No final federal determination letter pertaining to the fiscal year 2016 questioned costs has been received to close the finding.

Ohio Department of Medicaid

2016-014 / Medicaid/CHIP – Ineligible Recipients

Questioned Costs: $128,651

Status: Partially Corrected

Finding first reported in fiscal year 2010.

****

The control deficiency has not been corrected (see below for 2017-019); the questioned cost portion is closed. In May 2017, the Ohio Department of Medicaid (ODM) processed a mass claims adjustment in MITS pertaining to the 2016 questioned costs and the federal cash was returned to the Federal agency at that time.

Ohio Department of Medicaid (Continued)

2016-015 / MFP – Ineligible Recipients – Home Choice/MITS Variances

Questioned Costs: $86,011

Status: Partially Corrected

Finding first reported in fiscal year 2010.

****

The control deficiency has not been corrected (see below for 2017-020); the questioned cost portion is closed. In May 2017, the Ohio Department of Medicaid (ODM) processed a mass claims adjustment in MITS pertaining to the 2016 questioned costs and the federal cash was returned to the Federal agency at that time.

2016-016 / IT – Provider Licenses Not Updated in MITS

Questioned Costs: Undetermined Amount

Status: Partially Corrected

Finding first reported in fiscal year 2016.

****

The control deficiency has been partially corrected (see below for 2017-018); the questioned cost portion is closed.

2017 Audit Findings

Ohio Department of Rehabilitation and Correction

2017-001 / FFR – Payroll Overpayment

****

Finding number 2017-001 is a finding for recovery and not part of the Independent Auditor's Reports on compliance and internal controls as listed in the table of contents; a summary schedule of prior audit findings is not required.

Ohio Office of Budget and Management

2017-002 / Federal Schedule – Unemployment Insurance

Status: Fully Corrected

Ohio Development Services Agency

2017-003 / HEAP – Cash Management

Status: Not Corrected

Finding first reported in fiscal year 2017.

****

Based on this finding from the previous audit, Ohio Development Services Agency (ODSA) has been in contact with both the Auditor of State (AOS) and the Office of Budget and Management (OBM) to resolve this issue. Discussions have taken place between these parties and the Cash Management Improvement Agreement (CMIA) has been updated for fiscal year 2019. Since the changes to the CMIA agreement will not be implemented until fiscal year 2019, this resulted in the repeat finding.

Ohio Department of Education

2017-004 / Timely Allocations to Charter Schools – Various Programs

Status: Partially Corrected

Finding first reported in fiscal year 2015.

****

As noted in the corrective action plan, the Ohio Department of Education (EDU) developed a process that sponsors can use to notify EDU of community schools that are expected to significantly expand. Sponsors consider the significant expansion definition when determining which schools may qualify. There were two notification windows during fiscal year 2018. For the 18-19 school year, EDU created a pilot around changing the data verification process to use data directly from our student information system, Education Management Information System (EMIS), instead of downloading that data into another system used for the specific purpose of redistributing poverty for federal allocations, Federal Low Income County System (FLICS). EDU anticipates having the pilot ready for new and significantly expanded schools to use in November 2018. EDU indicated the implementation of the new pilot is ongoing which resulted in the repeat finding.

2017-005 / Special Education Cluster – Maintenance of Effort

Status: Partially Corrected

Finding first reported in fiscal year 2015.

****

EDU modified its IDEA Maintenance of Effort (MOE) system to better account for local only expenditures. EDU met with County Boards of Developmental Disabilities (DDs) personnel as part of the process to determine the best approach to inform and make tools available for all subrecipients to calculate MOE. EDU modified its procedures and will provide guidance to DDs on how to calculate MOE. The draft guidance was forwarded to EDU's Office of Special Education Programs on July 1, 2018. The implementation of the new procedures is ongoing which resulted in the repeat finding.

2017-006 / Special Education Cluster – Subrecipient Monitoring

Status: Fully Corrected

Ohio Department of Education (Continued)

2017-007 / CNC and CACFP – Reporting

Status: Partially Corrected

Finding first reported in fiscal year 2015.

****

EDU worked with the software vendor to address discrepancies in the reports and issues where the system was overwriting FNS reports. The office is on track to validate and resolve any FNS-44 discrepancies by September 2018. The update to the system software is ongoing which resulted in the repeat finding.

2017-008 / Child Nutrition Cluster – Administrative Reviews

Status: Fully Corrected

Ohio Department of Job and Family Services

2017-009 / SNAP Cluster and TANF Cluster – Eligibility Documentation

Questioned Costs: $1,431

Status: Partially Corrected

Finding first reported in fiscal year 2006.

****

The control deficiency and noncompliance have been fully corrected; the questioned cost resolution is pending. No final federal determination letter pertaining to the fiscal year 2017 questioned costs has been received.

2017-010 / IT – IEVS Due Dates, Result Code, and Verification Documentation Errors

Status: Not Corrected

Finding first reported in fiscal year 1997.

****

OAC 5101:4-7-09 was updated and effective August 1, 2017 to align state regulation with federal regulation and complete alerts within 45 days rather than the 90 days under waiver. All county agencies were notified of the change during a statewide video conference in June 2017. The Ohio Department of Job and Family Services (ODJFS) will continue to update and provide materials and training. The Fraud Control Unit (FCU) continues to monitor the counties and the IEVS alert processing during reviews. ODJFS indicated that the filtering logic for alert priority was not initially built in to the system by the contractor which resulted in the repeat finding.

2017-011 / CCDF Cluster – Type A - Family Child Care Provider

Status: Fully Corrected

Ohio Department of Job and Family Services (Continued)

2017-012 / CCDF Cluster – Type B Home Inspections

Status: Fully Corrected

2017-013 / Federal Reporting – Various Programs

Status: Partially Corrected

Finding first reported in fiscal year 2014.

****

ODJFS will continue to utilize a layered supervisory review process and to use SharePoint for federal report review and documentation. Additionally, the Department has made significant progress in updating the single source reporting system and expects to increase its accuracy in reporting. ODJFS indicated that technical issues with the new system and transfer of information resulted in the repeat finding.

2017-014 / CCDF Cluster – Cash Management

Status: Not Corrected

Finding first reported in fiscal year 2013.

****

Starting in fiscal year 2018, the draw and voucher process changed due to the Ohio Department of Medicaid's (ODM) role in depositing funds into the Medicaid fund. ODJFS maintains a large number of cost pools that use Medicaid funding and these vouchers will not clear until ODM completes its draw process. Voucher processing at ODJFS is heavily influenced by ODM and Ohio Shared Services procedures. ODJFS indicated that the change in the voucher process and heavy influence of other state agencies in the draw process resulted in the repeat finding.

2017-015 / Federal Schedule – Unemployment Insurance

Status: Fully Corrected

2017-016 / Employment Services Cluster – Subrecipient Monitoring

Status: Fully Corrected

2017-017 / TANF Cluster – Self Sufficiency Contracts

Status: Fully Corrected

Ohio Department of Medicaid

2017-018 / IT – Provider Licenses Not Updated in MITS

Questioned Costs: Undetermined Amount

Status: Partially Corrected

Finding first reported in fiscal year 2016.

****

The questioned cost resolution is pending. No final federal determination letter pertaining to the fiscal year 2017 questioned costs has been received. A complete interface between licensing board information and the MITS system went live in June 2018. In addition, the Ohio Department of Medicaid (ODM) added a staff resource for manually verifying and completing the licensing update process. ODM also continued to generate a monthly report of expired license data in MITS. Providers whose license had become inactive were issued a provider agreement termination notice and a copy in MITS. ODM indicated that initially the developer failed to include all license types when they implemented the MITS query which resulted in the repeat finding.

2017-019 / Medicaid/CHIP – Ineligible Recipients

Questioned Costs: $42,628

Status: Partially Corrected

Finding first reported in fiscal year 2010.

****

During submission of the March 2018 quarterly report, decreasing adjustments were made to account for the questioned costs. ODM conducted more increased trainings targeting county caseworkers which focused on proper policies and procedures and the 2017 single audit findings. The trainings consisted of monthly statewide video conferences, bi-monthly in-person training and quarterly webinars. ODM published a bi-monthly newsletter addressing compliance findings, correct policy and case processing and maintained a resource page with all the identified resources.

2017-020 / MFP – Ineligible Recipients – Home Choice/MITS Variances

Questioned Costs: $27,407

Status: Partially Corrected

Finding first reported in fiscal year 2016.

****

During submission of the March 2018 quarterly report, decreasing adjustments were made to account for the questioned costs. ODM continued to run monthly reports that compare data in the HOME choice database and MITS to identify discrepancies between enrollment/disenrollment dates. HOME choice staff were required to address and resolve these discrepancies within five business days. ODM indicated that staff oversight when updating the MFP Eligibility Indicator and a lack of ability to update MITS with an end date for the Miscellaneous Eligibility Indicator resulted in the repeat finding.

Ohio Department of Medicaid (Continued)

2017-021 / CHIP – Duplicate Payment

Questioned Costs: $400

Status: Fully Corrected

2017-022 / Lack of IEVS Monitoring

Status: Not Corrected

Finding first reported in fiscal year 2017.

****

As part of the Medicaid Eligibility Quality Control (MEQC) process, reviewers check the Income and Eligibility Verification System (IEVS) to see if the county took action. In addition, ODM has access to reports from Ohio Benefits (OB) that shows the use of IEVS data by the counties and their timeliness in responding to IEVS issues. In reviewing the data contained in the report, it was determined that a sorting feature was required to distinguish between IEVS data from the IRS and other data labeled IEVS by Accenture; this process is currently underway. A video conference has been setup with the counties to provide additional training. Following the video conference, the MEQC staff will run periodic reports from OB to ensure the counties are addressing IEVS issues and processing them in a timely manner. The update to the report and implementation of the procedures is ongoing which resulted in the repeat finding.

2017-023 / Medicaid/CHIP – Drug Rebate Monitoring

Status: Not Corrected

Finding first reported in fiscal year 2017.

****

ODM started by updating the previous contract amendment with Xerox (prior vendor) and Change Healthcare routed the new draft through their legal department and determined methods by which the controls could be tested. We reviewed Change Healthcare's proposal and agree that this should meet the intention of the AUP. The next step is a cost proposal, then the amendment will need to be routed to The Ohio Department of Administrative Services and Change Healthcare for approval and execution. The process changes are still being implemented which resulted in the repeat finding.

Ohio Department of Mental Health and Addiction Services

2017-024 / SABG – Management Decision

Status: Fully Corrected

2017-025 / SABG – Cash Management

Status: Fully Corrected

Ohio Department of Mental Health and Addiction Services (Continued)

2017-026 / SABG – Payroll

Status: Partially Corrected

Finding first reported in fiscal year 2016.

****

The Ohio Department of Mental Health and Addiction Services (MHA) implemented procedures in January 2018 to generate a report to monitor and ensure all timesheets were approved. Once all timesheets are approved, an end of the pay period supervisor approval report is generated verifying that all timesheets have been approved by the supervisors. In addition, additional training has been provided to timekeepers to check for missing supervisor approvals and supervisor designees were named to approve timesheets in the supervisor's absence. MHA indicated that the error rate was significantly reduced after the new procedures were implemented in January 2018 and should continue to decrease as staff learn the new process.

2017-027 / SSBG – Reporting

Status: Fully Corrected

2017-028 / SABG – Maintenance of Effort

Status: Fully Corrected

Opportunities for Ohioans with Disabilities

2017-029 / VR – Suspension and Debarment

Status: Partially Corrected

Finding first reported in fiscal year 2017.

****

Opportunities for Ohioans with Disabilities (OOD) has ensured that all contracts have language addressing concerns, protecting the agency, for the potential of possibly doing business with a company that is suspended or debarred and has worked with the Department of Administrative Services (DAS) to ensure its contracts have the same language. If any suspended or debarred contractors were identified, compensation was sought. OOD indicated it was not aware the DAS real estate contracts were not updated for the additional language which resulted in the repeat finding.

2017-030 / Disability Insurance/SSI Cluster – Reconciliations

Status: Partially Corrected

Finding first reported in fiscal year 2017.

****

OOD has a reconciliation in place and believes this process is very low risk but will review the current method and the cumulative reconciliation. OOD indicated that time constraints resulted in other activities being a priority, which resulted in the repeat finding.

Ohio Department of Transportation

2017-031 / Highway Planning & Construction Cluster – Period of Performance

Questioned Costs: $5,824

Status: Fully Corrected

2017-032 / Highway Planning & Construction Cluster – Subrecipient Monitoring

Status: Not Corrected

Finding first reported in fiscal year 2016.

****

The Ohio Department of Transportation (ODOT) developed and implemented a risk-based, tiered approach to ensure that all subrecipients with findings are identified via the Federal Audit Clearinghouse once a month. The audit reports were then assigned to one of the risk levels and the audit report and any findings were reviewed and a management decision was issued. ODOT indicated that limited staffing resulted in the repeat finding.

2017-033 / Highway Planning and Construction Cluster – Wage Rate Requirements

Status: Partially Corrected

Finding first reported in fiscal year 2015.

****

The Ohio Department of Transportation (ODOT) currently has 16 Contractor Compliance Officers (CCO's) across the state that report to one manager who then reports to the Central Office, Office of Small and Disadvantaged Business Enterprise (OSDBE) in the Division of Opportunity, Diversity and Inclusion (ODI). The Contractor Compliance Section of OSDBE is currently developing a Standard Operating Procedure (SOP) that is expected to be completed by February 2019. Once the SOP is completed, the Technical Process Review (TPR) will be updated with any necessary changes. Training all the CCO's on the Davis-Bacon and Related Acts is an ongoing process. ODOT held a staff meeting on February 15, 2018 and a formal training session on April 25, 26, and 27, 2018 to address the findings in the State Fiscal Year 2017 audit. The procedures and manuals are still being updated which resulted in the repeat finding.

[THIS PAGE LEFT BLANK INTENTIONALLY]

ATTACHMENTS

Comprehensive Annual Financial Report

The State of Ohio – Fiscal Year Ended June 30, 2018

Governor John R. Kasich

Office of Budget and Management
Director Timothy S. Keen

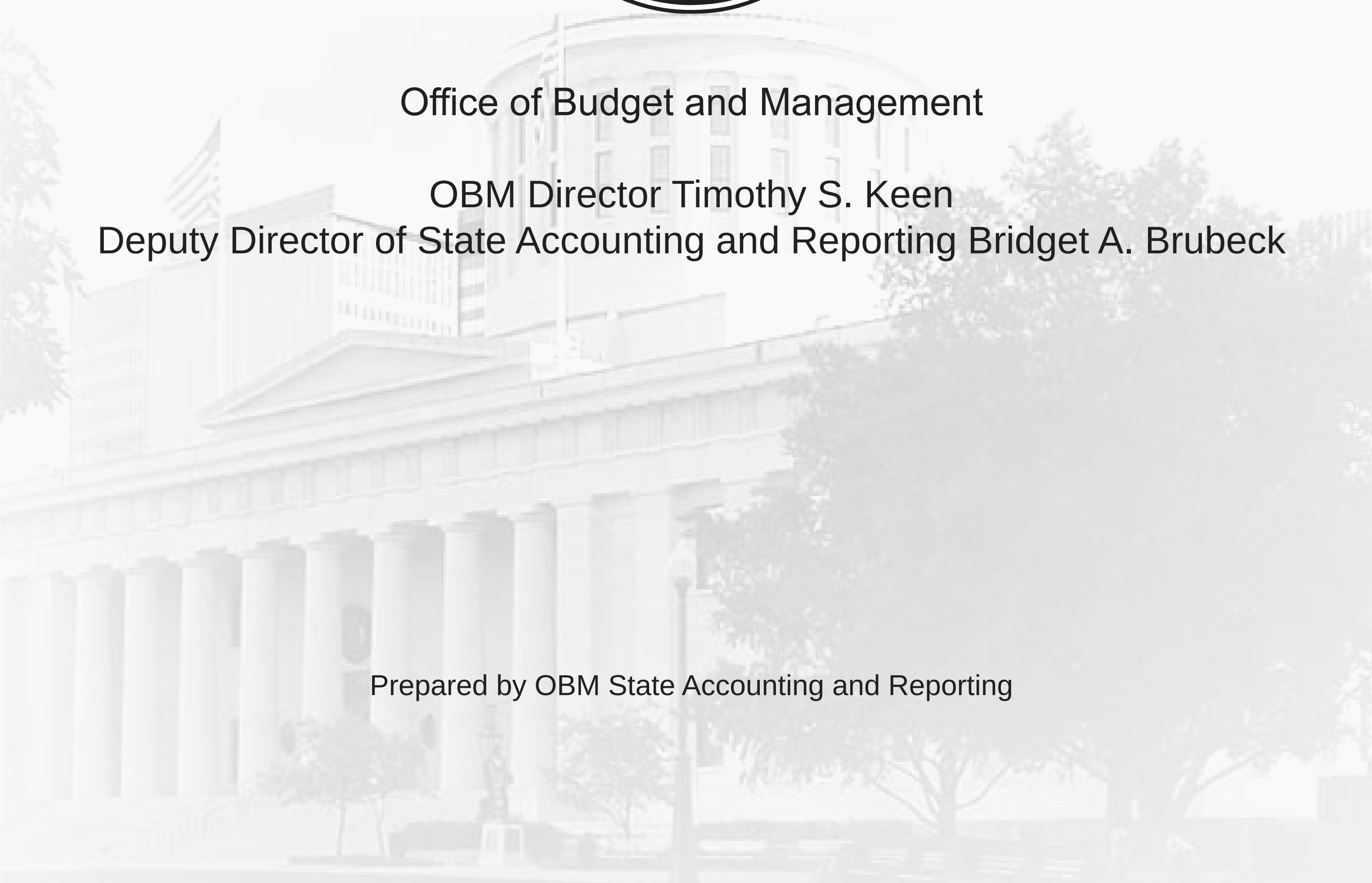
ACKNOWLEDGMENTS

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
Jasmine R. Winston

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

State of Ohio
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018



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, 2018

TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
Letter of Transmittal	i
State of Ohio Officials	xi
State of Ohio Organization Chart	xii
Certificate of Achievement	xiv

FINANCIAL SECTION

Independent Accountants' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	22
Fund Financial Statements:	
Balance Sheet — Governmental Funds	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	27
Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Net Position — Proprietary Funds — Enterprise	32
Statement of Revenues, Expenses and Changes in Fund Net Position — Proprietary Funds — Enterprise	34
Statement of Cash Flows — Proprietary Funds — Enterprise	36
Statement of Fiduciary Net Position — Fiduciary Funds	40
Statement of Changes in Fiduciary Net Position — Fiduciary Funds	43
Discretely Presented Component Unit Financial Statements:	
Combining Statement of Net Position	44
Combining Statement of Activities	46
Notes to the Financial Statements	48
Required Supplementary Information:	
Infrastructure Assets Accounted for Using the Modified Approach	148
Pension and Other Postemployment Benefits	152
Budgetary Schedules — Major Funds and Related Note	170
Combining Financial Statements and Schedules:	
Nonmajor Governmental Funds:	
Descriptions of the Nonmajor Governmental Funds	177
Combining Balance Sheet	178
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	180

	Page
Nonmajor Special Revenue Funds:	
Descriptions of the Nonmajor Special Revenue Funds	183
Combining Balance Sheet	184
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	188
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis)	192
Nonmajor Debt Service Funds:	
Descriptions of the Nonmajor Debt Service Funds	200
Combining Balance Sheet	204
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	210
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis)	216
Nonmajor Capital Projects Funds:	
Descriptions of the Nonmajor Capital Projects Funds	224
Combining Balance Sheet	226
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	230
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis)	234
Nonmajor Enterprise Funds:	
Descriptions of the Nonmajor Enterprise Funds	243
Combining Statement of Net Position	244
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	245
Combining Statement of Cash Flows	246
Fiduciary Funds:	
Descriptions of the Agency Funds	249
Combining Statement of Assets and Liabilities — Agency Funds	250
Combining Statement of Changes in Assets and Liabilities — Agency Funds	252
Nonmajor Discretely Presented Component Unit Funds:	
Descriptions of the Nonmajor Discretely Presented Component Unit Funds	254
Combining Statement of Net Position — Nonmajor Discretely Presented Component Units	258
Combining Statement of Activities — Nonmajor Discretely Presented Component Units	264
Balance Sheet — Ohio Facilities Construction Commission	270
Reconciliation of the Balance Sheet to the Statement of Net Position — Ohio Facilities Construction Commission	271
Statement of Revenues, Expenditures and Changes in Fund Balances — Ohio Facilities Construction Commission	272
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities — Ohio Facilities Construction Commission	273

STATISTICAL SECTION

	Page
Statistical Section Overview	277
Net Position by Component	278
Changes in Net Position	280
Changes in Fund Balances for Governmental Funds	284
Fund Balances of Governmental Funds	288
Condensed Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund	290
Tax Revenues of Governmental Funds by Major Source and Effective State Income Tax Rate	292
Personal Income by Industry, Effective Tax Rate, Exemptions, and Income Tax Rates	294
State Individual Income Tax Returns and Liability by Income Level	298
Sales Tax Revenue by Type, Tax Revenues of Governmental Funds	300
Workers' Compensation Enterprise Fund — Active Employers, Premium and Assessment Income and Actual Average Collected Premium Rate	302
Lottery Commission Enterprise Fund — Ticket Sales by Major Game Type	304
Ratios of Outstanding Debt by Type	306
Ratios of General and Special Obligation Bonded Debt Outstanding	309
Annual Limitation on Debt Service Expenditures (Budgetary Basis)	310
Revenue Bond and Note Coverage	312
Demographic and Economic Statistics	314
Principal Employers	317
Full-Time and Part-Time Permanent State Employees During the Month of June by Function/Program	318
Operating Indicators by Function/Program	320
Capital Assets Statistics by Function/Program	324

Introductory Section

Old Man's Cave
Hocking County, Ohio

[THIS PAGE LEFT BLANK INTENTIONALLY]

Office of Budget and Management

John R. Kasich
Governor

Timothy S. Keen
Director

December 21, 2018

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, 2018, 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 xii and xiii.

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 of GASB 14, Statement 61, the Financial Reporting Entity: Omnibus, an amendment of GASB 14 and Statement 80, Blending Requirements for Certain Component Units, an amendment of GASB 14, are used to determine the organizations for which the State is financially accountable. NOTE 1A to the financial statements explains more fully which financial activities are included in the State's reporting entity.

The State provides a wide range of services and support to its citizenry that are accounted for in the following functions or programs: primary, secondary and other education, higher education support, public assistance and Medicaid, health and human services, justice and public protection, environmental protection and natural resources, transportation, general government, community and economic development, workers' compensation, lottery, unemployment compensation, tuition credits, and other business-type activities.

Retirement Systems
Employees of the primary government or its component units may be eligible to participate in the Ohio Public Employees Retirement System, 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. 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 schedules are prepared on a modified cash basis of accounting. This means that revenues are recognized when cash is received and expenditures are recognized when cash is paid. Encumbrances, reservations of appropriation authority as of June 30, the end of the State fiscal year, are reflected as expenditures on the budgetary basis of accounting.

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

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

The accounting system maintains all non-GAAP budgetary basis transactions and most GAAP basis adjustments. In addition to the information obtained from the accounting system for financial reporting, selected financial information provided by the State's agencies 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 the CAFR as a note to the budgetary section of required supplementary information.

ECONOMIC OVERVIEW AND OUTLOOK

The Economy in 2018

The U.S. economy expanded for the ninth consecutive calendar year in 2018, extending to nine and a half years the expansion that began in mid-2009. At 114 months in length as of December, the current expansion is the second longest of the eleven expansions since the end of World War II. Economic growth, however, has been very slow compared with previous expansions, reflecting slower growth in both labor input and productivity.

Real GDP increased at an annual rate of 2.3% during the thirty-seven quarters ending in the third quarter of 2018, a much lower rate of growth than during previous long-lived expansions. Real final sales increased at a 2.1% annual rate during the period, also a much slower pace. Nonfarm payroll employment has increased at an annual rate of 1.4%, and real disposable personal income has increased at an annual rate of only 2.3%, both also slower than the historical norms.

During 2018, real GDP accelerated from 2.2% in the first quarter to an average of approximately 3.8% in the middle two quarters. In addition, key monthly indicators suggest that growth continued at a similar or somewhat slower pace in the fourth quarter. Real GDP expanded at an annual rate of 3.3% during the first three quarters of 2018.

Personal consumption expenditures contributed 1.8 percentage points of the 3.3% growth rate in in real GDP during the first three quarters. Nonresidential fixed investment contributed 1.1 points, with investment in intellectual property (+0.4), equipment (+0.4), and structures (+0.2) all making positive contributions. The change in business inventories added 0.5 points and government spending added 0.4 points. Net exports subtracted slightly (-0.3), as did investment in residential structures (-0.1).

The 2.6% annualized rate of increase in real personal consumption expenditures during the first three quarters of 2018 was financed by a 2.8% rate of increase in real disposable personal income, with the saving rate unchanged at 6.3% from the fourth quarter of 2017 to the third quarter of 2018.

Inflation picked up during 2018 but remained modest. The Consumer price index increased at an annual rate of 2.4% from the fourth quarter of 2017 to the third quarter of 2018, up from a rate of 1.8% during the four quarters of 2017. The core rate of inflation also quickened, judging by the 2.3% annualized rate of increase in the CPI excluding food and energy, which was up from 1.6% during the four quarters of 2017. The Federal Reserve's preferred measure of inflation also increased from 1.6% in 2017 but to only 1.9% during the first three quarters of 2018 – in line with the Fed's stated target of 2%.

Monetary policy became progressively less accommodative throughout 2018, as the Federal Reserve raised its target for the federal funds rate by three-quarters of a percentage point, with an additional quarter-point increase widely expected at the December meeting. Considering the recent pickup in economic growth and improvements in labor markets, policy makers no longer view an extremely low rate target as necessary, but it is unclear how many more, if any, increases in the target rate during 2019 will be consistent with its objectives.

Fiscal policy continued to add directly to aggregate demand in (federal) Fiscal Year 2018, as the federal budget deficit increased by 17.0% to $779 billion, or 3.8% of GDP. This was the second increase in a row as a percent of GDP and the largest deficit relative to GDP since 2013. The increase in the deficit resulted from a 3.2% increase in outlays compared to a 0.4% increase in receipts, both which reached record highs.

In line with trends across the country, labor markets across Ohio strengthened further in 2018. Nonfarm payroll employment in Ohio increased by 112,900 jobs, or 2.5% annualized, from December 2017 to an all-time high of 5.65 million in October 2018. The annual benchmark revisions to historical data released by the U.S. Bureau of Labor Statistics in early 2018 revealed modestly lower growth in employment during 2016-2017 than had been previously reported. Ohio employment growth during the two-year period was revised down by 64,400 jobs.

Employment activity was positive across economic sectors during the year-to-date through October 2018. Growth was widespread, but especially strong in trade, transportation and utilities (+25,600), educational and health services (+21,200), leisure and hospitality (+14,400), construction (+11,700), and manufacturing (+6,900). Employment increased by 103,600 jobs in the private sector. Employment declined through October only in the information sector (-100).

The Ohio unemployment rate trended down slightly through October 2018, falling by 0.3 percentage points from December 2017 to 4.6%. The decrease reflected an increase of 3,800, or 0.1%, in total employment, a decrease of 15,200, or 5.4%, in unemployed people, and a decrease of 11,400, or 0.2%, in the labor force. The much smaller increase in employment described here compared to the prior paragraph results from the use of employment figures from a different survey.

In response to the ongoing growth in labor markets, Ohio personal income increased at an annual rate of 3.6% from the second half of 2017 to the first half of 2018. In comparison, personal income increased at an annual rate of 4.7% across the country. Ohio wage and salary disbursements also lagged behind the national trend, rising at an annual rate of 3.4%, compared with 4.6% growth actually.

The Economic Outlook

The economy is likely to continue expanding in 2019, despite the path toward tighter monetary policy and heightened uncertainty over foreign trade. Past expansions have been ended by unexpected events that have typically included some mix of rising inflation, an overly tight monetary policy, and an upward spike in energy costs. Today, inflation is up, but still modest. The Federal Reserve is tightening monetary policy, but credit remains widely available at moderate cost. The price of oil increased by a large percentage in recent years, but has fallen significantly since summer to a moderate level.

In addition, fiscal policy is expansionary, resulting from the corporate tax rate cut and increase in spending that widened the deficit. Leading economic indicators that in the past have provided some warning of oncoming recessions are now almost uniformly signaling growth at least at a moderate pace.

The national economy is projected to slow from the recent above-trend pace of an estimated 3.1% in 2018 to 2.4% in 2019, according to the November 2018 forecast by IHS Markit. The Ohio economy is also expected to grow, with employment growth remaining essentially stable at 1.4% in 2018 and 1.3% in 2019 on an average annual basis, according to IHS Markit. Personal income growth is projected to accelerate from an estimated 3.7% in 2018 to 4.3% in 2019. Real Gross State Product growth also is projected to accelerate from 1.8% in 2018 to 2.3% in 2019.

As always, unexpected events will influence future economic performance. In particular, heightened political uncertainty has accompanied the new administration in Washington, D.C. Corporate taxes were cut, and regulations have been pared back, but health care and immigration remain hotly contested and trade negotiations appear volatile.

The economy could do better than the baseline forecast due to the following:

- Ongoing effects of corporate tax rate cuts and fiscal policy stimulus;
- Additional reductions in regulations that impede free market activity;
- A rebound in economic growth overseas; and
- Wide availability of credit at affordable cost despite the ongoing process of tightening monetary policy.

However, risks to the economic outlook include:

- Potential disruptions to international trade and/or increased costs from changes to international agreements or trade patterns;
- Strong demand combined with limited excess capacity in labor and capital markets raises costs and reduces corporate profit margins and/or fuels higher inflation;
- A more rapid than anticipated increase in interest rates by the Federal Reserve in 2019 causes equity prices to drop and has negative effect on both consumer spending and business investment.

MAJOR INITIATIVES AND PROJECTS

Building for Ohio's Next Generation – Fiscal Years 2018 and 2019
Consistent with state law, the Governor's biennial Executive Budget for fiscal years 2018 and 2019 was released in late January 2017 and introduced in the General Assembly as H.B. 49. After extended hearings and review, the 2018-19 biennial appropriations budget was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2017.

Midway through the second year of the biennial budget, the Kasich Administration continues to pursue many of the major policy initiatives that were included in the biennial operating budget for fiscal years 2018 and 2019:

Maintaining Fiscal Discipline: The essential foundation of Ohio's economic turnaround and improved business climate is state government's fiscal stability. As a result, Governor John R. Kasich's budgets have been among the strongest in the nation, and world-class corporations and small business operators alike are realizing that Ohio's stable state finances make it a welcoming place to do business and to have that business succeed.

Preserving Ohio's Fiscal Stability: A climate of fiscal balance and stability continues to be the most important signal Ohio can send to job creators as they look to do business in a state that's on solid financial footing. The Kasich tradition of conservative budgeting and restrained spending has served Ohio well for the past seven years.

Strengthening Ohio's Jobs-Friendly Business Climate: Ohioans have enjoyed one the biggest tax cuts in the nation over the past seven years with more than $5 billion in tax relief. These tax cuts have helped spur our state's economic recovery and made Ohio one of the nation's top states for job creation. At the same time, Ohio has made regulatory reform a key priority within state government.

Shrinking the Number of Tax Brackets: The 2018-19 budget reduced the number of state income tax brackets from nine to just seven, making Ohio's tax system simpler.

Simplifying Tax Filing for Businesses to Encourage More Economic Growth: Despite significant progress to address long-standing problems in Ohio's municipal tax structure, some aspects of the system remained too complex and costly as businesses were forced to comply with hundreds of different tax systems. Provisions in this budget streamlined that process by giving businesses the option of filing just one form for their municipal taxes and make a single payment through the Ohio Business Gateway. The Ohio Department of Taxation processed those payments and distributed revenues back to the appropriate local government, just as it does for county sales taxes and school district income taxes.

Helping Ohioans Better Prepare for Career and College: Continual education and workforce training are crucial in today's economy if we are to help Ohioans be better prepared when technology forces profound changes for industries and their workforce needs.

Record Resources for K-12 Education: Gov. Kasich made K-12 education a priority by increasing base support to Ohio schools by more than $166 million. As a result, under the governor's leadership, Ohio is spending $1.5 billion more for K-12 education than in 2011 – the strongest level ever at nearly $10.6 billion.

Awarding Degrees and Certificates Based on Competency Instead of Classroom Time: Ohio's community colleges partnered with Western Governors University to provide a flexible option for adult learners. The multi-state, online institution awards college credit and degrees based on a student's demonstrated knowledge instead of just the amount of time spent in the classroom. To build upon that relationship, Ohio will now formalize Western Governors University.

Offering Bachelor's Degrees at Community Colleges Where Demand Is Not Being Met: A budget provision allows applied bachelor's degree programs to be offered through Ohio's community colleges in areas where

Ohio's public and private universities do not offer specialized degree programs. This provides another low-cost pathway for students and strengthens Ohio's ability to meet workforce demands.

Strengthening Pathways to a Low-Cost Degree: The state's budget encourages more agreements between community colleges and four-year universities to allow students to complete three years of their coursework at a community college and finish their degree at a four-year university.

Taking Ohio to Where it Needs to Be in the 21st Century by Embracing Technology: Ohio state government continues working to stay ahead of the curve with advances in technology with innovative, forward-looking improvements in its programs and strategic investments in technologies that encourage economic growth.

Tackling Complex Problems through Data Analytics: By better connecting and correlating state government's data resources through applying advanced analytical technologies, the state can tackle complex problems – such as infant mortality and child welfare – with solutions that improve Ohioans' health, security and well-being.

Improving Cybersecurity: To ensure that Ohio's government, education and research infrastructure is protected against outside cybersecurity threats, Ohio is creating a "cyber range" – a virtual environment used for cybersecurity training and IT infrastructure testing. At the same time, Ohio will work with the business community to develop a program to increase the number of students who pursue certificates or degrees in cybersecurity.

Supporting Our Most Vulnerable Ohioans: The state continues to prioritize necessary support for Ohio's most vulnerable, including the mentally ill, drug addicted and developmentally disabled.

Better Choices for Ohioans with Developmental Disabilities: The last budget invested a historic $286 million in additional dollars in Ohio's developmental disabilities system, and the 2018-19 budget included an additional $65 million that continues the Kasich Administration's push to provide more opportunities for individuals with developmental disabilities to receive care in the community.

Strengthening Ohio's Fight Against Drug Abuse: Ohio invests nearly $1 billion each year to help fight drug abuse and addiction. The 2018-19 budget maintained a strong funding commitment in order to provide continued access to health care to Ohioans struggling with addiction.

Supporting Mental Health Services: The 2018-19 budget maintains the Kasich Administration's commitment to support Ohioans with mental health needs, including the continued integration of Ohio's behavioral and physical health systems, support for children in crisis and mental health hospital bed capacity.

Getting a Jump on the Future of Transportation: The Kasich Administration is committed to embracing the future of transportation with new investments and forward-looking policies to ensure that Ohio maintains its leadership role within the automotive and aviation industries in order to benefit from the business investments and jobs that follow. Highlights of the state transportation budget for 2018 and 2019 include:

Continuing Ohio's Record-Breaking Pace for Highway Repairs and Improvement: Over the past eight years, at the same time many states have fallen behind in repairs and improvements to highway infrastructure, Ohio has invested an unprecedented $14 billion on nearly 7,000 projects – an increase of $3 billion. The state's transportation budget continues that progress by investing in 43 major projects, 446 bridge projects, 615 pavement projects and 356 safety projects during the biennium.

Creating Smart Highways as Testing Corridors for New Transportation Technologies: Ohio is creating and implementing two additional smart highway projects – on the Interstate 270 beltway in Columbus and Interstate 90 in northeast Ohio – for innovators to test and refine jobs-creating technologies. These will complement the state's other research corridors on a stretch of U.S. Route 33 in central Ohio and the Ohio Turnpike.

Investing in the Transportation Research Center, America's Foremost Independent Automotive Proving Ground: Funding in the transportation budget, together with commitments from other partners, invests $45 million for expanded research capabilities at the independent Transportation Research Center in East Liberty – the continent's most advanced independent automotive test facility and an ideal environment for autonomous vehicle and smart highway research.

Developing the Nation's First "Sense and Avoid" Test Site for Drones: Ohio continues to work with the U.S. Air Force Research Laboratory to develop a ground-based "sense-and avoid-system" for unmanned aircraft and has already invested in a $5 million cooperative effort. The state remains committed to advancing work underway at the Ohio Unmanned Aircraft System Center and Text Complex in Springfield for further research that gives Ohio a major advantage as drones become the basis for new industries and economic growth.

Bottom Line: By maintaining Ohio's fiscal strength through conservative budgeting and smart management, we continue to provide job creators with a stable environment for growth. At the same time, embracing innovation knowing the jobs of tomorrow will keep Ohio economically competitive and at least one step ahead of others with emerging technologies.

Capital Budget
Fiscal Year 2018 also saw the passage of a capital budget for 2019 and 2020. The resulting legislation (H.B. 529) was enacted by the General Assembly and signed by the Governor on March 30, 2018. This Capital Budget allocates $2.63 billion in fiscal year 2019 and 2020 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 $2.63 billion appropriation, the state will invest $625 million in school construction, $483.4 million in projects at Ohio's colleges and universities, $439 million for local infrastructure projects, $221.9 million for mental health, addition, developmental disabilities and youth services facilities, and $220 million for construction and improvements at state prisons.

Interactive Budget and Transparency
Following the launch of Ohio's Interactive Budget website in FY 2016, OBM continues to tweak and improve this transparency 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, 2017.

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

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO OFFICIALS

As of June 30, 2018

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

Larry Obhof
President of the Senate

Ryan Smith
Speaker of the House

JUDICIAL

Maureen O’Connor
Chief Justice
Supreme Court

STATE OF OHIO ORGANIZATION CHART

FINANCIAL REPORTING ENTITY

PRIMARY GOVERNMENT

LEGISLATIVE	EXECUTIVE	JUDICIAL
Senate (33 Members) **House of Representatives** (99 Members)	**Governor** **Lieutenant Governor** **Attorney General** **Auditor of State** **Secretary of State** **Treasurer of State** **State Board of Education** (11 Elected Members, and 8 At-Large Members)	**Supreme Court** Chief Justice and 6 Justices
Governmental Activities: *General Government:* Senate House of Representatives Legislative Service Commission Legislative Committees	**Governmental Activities:** *Primary, Secondary and Other Education:* Arts Council Broadcast Educational Media Commission Department of Education School for the Blind School for the Deaf State Library Board *Higher Education Support:* Department of Higher Education State Board of Career Colleges and Schools *Public Assistance and Medicaid:* Department of Job and Family Services Department of Medicaid *Health and Human Services:* 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 *Justice and Public Protection:* 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 *Environmental Protection and Natural Resources:* Department of Natural Resources Environmental Protection Agency Environmental Review Appeals Commission Lake Erie Commission *Transportation:* Department of Transportation	**Governmental Activities:** *Justice and Public Protection:* Supreme Court Judicial Conference Judiciary Court of Claims

PRIMARY GOVERNMENT (Continued)

General Government:
Capitol Square Review & Advisory Board
Consumers' Counsel
Department of Administrative Services
Department of Commerce
Department of Insurance
Department of Taxation
Office of Budget and Management
Office of the Governor
Office of the Inspector General
Office of the Lieutenant Governor
Office of the Secretary of State
Office of the Treasurer of State
Public Utilities Commission
Sinking Fund Commission
State Racing Commission
Other Boards and Commissions

Community and Economic Development:
Department of Agriculture
Development Services Agency
Expositions Commission
Public Works Commission
Southern Ohio Agricultural & Community Development Foundation

Business-Type Activities:
Bureau of Workers' Compensation and Industrial Commission
Department of Job and Family Services—Unemployment Compensation Program
Lottery Commission
Office of the Auditor of State
Tuition Trust Authority

COMPONENT UNITS

Blended Component Units:
Buckeye Tobacco Settlement Financing Authority (included as Governmental Activities)

Fiduciary Component Unit:
State Highway Patrol Retirement System

Discretely Presented Component Units:
Financing Authorities and Commissions:
Ohio Air Quality Development Authority
Ohio Capital Fund
Ohio Facilities Construction Commission
Ohio Turnpike and Infrastructure Commission

Nonprofit Organizations:
Jobs Ohio

Discretely Presented Component Units (continued):
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
Clark State
Columbus State
Edison State
Northwest State
Owens State
Southern State
Terra State
Washington State

FIDUCIARY

Star Ohio
Variable College Savings Plan
Agency Funds

JOINT VENTURES

Great Lakes Protection Fund
Local Community Colleges Technical Colleges

RELATED ORGANIZATIONS

Higher Educational Facility Commission
Ohio Housing Finance Agency
Ohio Legal Assistance Foundation
Ohio Water Development Authority
Petroleum Underground Storage Tank Release Compensation Board

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Financial Section

Cuyahoga Valley
Chippewa Rd. Bridge

[THIS PAGE LEFT BLANK INTENTIONALLY]

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, 2018, 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%	36%
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.	91%	92%
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%	87%

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

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

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

Opinions

In our opinion, based on our audit and the reports 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2018, the State adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the State's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information present additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, 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

Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2018

[THIS PAGE LEFT BLANK INTENTIONALLY]

State of Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(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, 2018. 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 2018, net position of the State's primary government increased by $42.4 million, after prior year restatements, and ended fiscal year 2018 with a $27.25 billion balance. Net position of the State's component units increased by $2.6 billion, after prior year restatements, and ended fiscal year 2018 with a $10.05 billion balance. See additional discussion beginning on page 8.

Fund Financial Statements
Governmental funds reported a combined ending fund balance of $14.07 billion that was comprised of $136.6 million in nonspendable, $9.18 billion restricted for specific purposes, $1.55 billion committed, $2.54 billion in assigned, and $666 million in unassigned. See additional discussion beginning on page 12.

As of June 30, 2018, the General Fund's fund balance was approximately $5.5 billion, including $52.3 million in nonspendable, $1.47 billion in restricted, $772.5 million in committed, $2.54 billion in assigned, and $667.9 million in unassigned. The General Fund's fund balance increased by $108.2 million (exclusive of a $733 thousand increase in inventories) or two percent during fiscal year 2018. See additional discussion beginning on page 12.

Proprietary funds reported net position of $11.12 billion, as of June 30, 2018, an increase of $549.5 million since June 30, 2017, after prior year restatements. This increase is largely due to the net increase of $330.1 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 $28.17 billion at June 30, 2018. The majority of the $421.4 million increase during fiscal year 2018 was from 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 increased $914.5 million or 5.1 percent during fiscal year 2018, for an ending balance of $18.87 billion. During the year, the State issued a par amount of $2.69 billion in long-term debt of which $748.5 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.

Major Features of the State of Ohio's Government-wide and Fund Financial Statements				
		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as general government, transportation, justice and public protection, etc.	Activities the State operates similar to private businesses, such as the workers' compensation insurance program, lottery, tuition credit program, etc.	Instances in which the State is the trustee or agent for someone else's resources
Required Financial Statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

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

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

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

Fund Financial Statements – Reporting more detail about the State's most significant funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. State law and bond covenants mandate the use of some funds. The Ohio General Assembly establishes other funds to control and manage money for particular purposes or to show that the State is properly using certain taxes and grants. The State employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The basic fund financial statements can be found on pages 24 through 43 of this report while the combining fund statements and schedules can be found on pages 175 through 253. The State has three kinds of funds as follows:

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

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

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

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

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

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

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

Discretely Presented Component Unit Statements (Component Unit)

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

Notes to the Financial Statements

The basic financial statements section includes notes that more fully explain the information in the government-wide and fund financial statements; the notes provide additional detail that is essential to a full understanding of the data presented in the financial statements. The notes can be found on pages 48 through 145 of this report.

Required Supplementary Information

Following the notes is a section of required supplementary information in three parts. The first part discusses the assessed condition and estimated and actual maintenance and preservation costs of the state's highway and bridge infrastructure assets that are reported using the modified approach. Limited in application to a government's infrastructure assets, the modified approach provides an alternative to the traditional recognition of depreciation expense. The second part presents schedules disclosing the following for the various retirement systems in which the State participates: the State's share of pension and other postemployment benefit (OPEB) obligations, required employer contributions for pension/actuarially determined employer contributions for OPEB as compared to employer contributions actually paid, and covered payroll. The final part is the budgetary comparison schedule for the General Fund and major special revenue fund and the accompanying note that explains the GAAP versus budgetary basis. Required supplementary information can be found on pages 147 through 173 of this report.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Position. During fiscal year 2018, as shown in the table below, the combined net position of the State's primary government increased by $42.4 million or 0.2 percent, after prior year restatements. Net position reported for governmental activities decreased approximately $507.1 million or three percent, compared to the restated net position on July 1, 2017 (see Note 2), and business-type activities increased $549.5 million, or 5.2 percent, after prior year restatements. Condensed financial information derived from the Statement of Net Position for the primary government is presented in the following table.

Net Position
As of June 30, 2018 and 2017
(dollars in thousands)

	As of June 30, 2018			As of June 30, 2017 (as restated)		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and Other Assets	$ 20,744,766	$ 30,291,875	$ 51,036,641	$ 19,854,708	$ 30,114,503	$ 49,969,211
Capital Assets	28,005,589	165,529	28,171,118	27,567,236	182,515	27,749,751
Total Assets	48,750,355	30,457,404	79,207,759	47,421,944	30,297,018	77,718,962
Deferred Outflows of Resources	5,121,436	87,464	5,208,900	6,040,976	138,487	6,179,463
Current and Other Liabilities	8,738,490	620,237	9,358,727	8,204,786	595,194	8,799,980
Noncurrent Liabilities	26,176,978	18,704,730	44,881,708	26,566,350	19,257,464	45,823,814
Total Liabilities	34,915,468	19,324,967	54,240,435	34,771,136	19,852,658	54,623,794
Deferred Inflows of Resources	2,823,393	101,698	2,925,091	2,051,745	14,181	2,065,926
Net Position:						
Net Investment in Capital Assets	24,363,007	162,367	24,525,374	24,140,366	176,237	24,316,603
Restricted	4,557,063	10,891,404	15,448,467	5,414,054	10,289,305	15,703,359
Unrestricted	(12,787,140)	64,432	(12,722,708)	(12,914,381)	103,124	(12,811,257)
Total Net Position	$ 16,132,930	$ 11,118,203	$ 27,251,133	$ 16,640,039	$ 10,568,666	$ 27,208,705

As of June 30, 2018, the primary government's net investment in capital assets (e.g., land, buildings, infrastructure, and construction-in-progress) was $24.53 billion. Restricted net position was approximately $15.45 billion, resulting in an unrestricted $12.72 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 $2.03 billion at June 30, 2018, is included within unrestricted net position.

The government-wide Statement of Net Position reflects a $12.79 billion deficit for unrestricted governmental activities, which is primarily attributable to the following three factors:

1) The State of Ohio, like many other state governments, issues general and special obligation debt, the proceeds of which benefit local governments and component units. The proceeds are used to build facilities for public-assisted colleges and universities and local school districts and finance infrastructure improvements for local governments. The policy of selling general obligation and special obligation bonds for these purposes has been the practice for many years. Of the $11.97 billion of outstanding general obligation and special obligation debt at June 30, 2018, $8.52 billion is attributable to debt issued for state assistance to component units (Ohio Facilities Construction Commission and the colleges and universities) and local governments. The balance sheets of component unit and local government recipients reflect ownership of the related constructed capital assets without the burden of recording the debt. Unspent proceeds related to these bond issuances are included on the Statement of Net Position as restricted net position. By issuing such debt, the State is left to reflect significant liabilities without the benefit of recording the capital assets constructed with the proceeds from the debt issuances.

2) The State reported liabilities of $3.51 billion as of June 30, 2018, for its proportionate share of the net pension liability of the associated pension plans that provide benefits to State employees. This liability amount was a 28.7 percent decrease from fiscal year 2017.

3) During fiscal year 2018, the State implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), related to the measurement and reporting of the annual costs and long-term obligations associated with the OPEB benefits provided to State employees. This new standard requires the State to record a proportionate share of the net OPEB liability of the associated pension plans. As a result of implementing this standard, the State is reporting a net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB. This implementation also had the effect of restating net position at June 30, 2017. The State reported OPEB liabilities of $2.55 billion as of June 30, 2018. This liability amount was a nine percent increase from the restated amount for fiscal year 2017.

For more information related to pensions and OPEB see NOTES 2, 9, 14, 15, and 18.

Condensed financial information derived from the Statement of Activities, which reports how the net position of the State's primary government changed during fiscal years 2018 and 2017, as restated, follows.

Changes in Net Position
For the Fiscal Years Ended June 30, 2018 and 2017
(dollars in thousands)

	Fiscal Year 2018			Fiscal Year 2017 (as restated)		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Program Revenue:						
Charges for Services, Fees, Fines and Forfeitures	$ 5,229,708	$ 6,633,679	$ 11,863,387	$ 4,556,648	$ 6,854,130	$ 11,410,778
Operating Grants, Contributions and Restricted Investment Income/ (loss)	25,162,423	1,402,895	26,565,318	25,070,684	1,959,320	27,030,004
Capital Grants, Contributions and Restricted Investment Income/ (loss)	1,424,697	-	1,424,697	1,442,906	-	1,442,906
Total Program Revenues	31,816,828	8,036,574	39,853,402	31,070,238	8,813,450	39,883,688
General Revenues:						
General Taxes	23,640,505	-	23,640,505	23,578,863	-	23,578,863
Taxes Restricted for Transportation	1,891,116	-	1,891,116	1,952,512	-	1,952,512
Tobacco Settlement	352,355	-	352,355	350,378	-	350,378
Escheat Property	158,770	-	158,770	159,585	-	159,585
Unrestricted Investment Income	24,741	15	24,756	2,975	12	2,987
Other	17	-	17	30	-	30
Total General Revenues	26,067,504	15	26,067,519	26,044,343	12	26,044,355
Total Revenue	57,884,332	8,036,589	65,920,921	57,114,581	8,813,462	65,928,043
Expenses:						
Primary, Secondary and Other Education	13,244,868	-	13,244,868	13,274,840	-	13,274,840
Higher Education Support	2,771,493	-	2,771,493	2,760,035	-	2,760,035
Public Assistance and Medicaid	30,454,468	-	30,454,468	30,086,505	-	30,086,505
Health and Human Services	1,744,243	-	1,744,243	1,869,222	-	1,869,222
Justice and Public Protection	3,670,780	-	3,670,780	5,132,155	-	5,132,155
Environmental Protection and Natural Resources	567,788	-	567,788	687,767	-	687,767
Transportation	2,598,688	-	2,598,688	3,073,435	-	3,073,435
General Government	951,063	-	951,063	1,179,392	-	1,179,392
Community and Economic Development	3,458,487	-	3,458,487	3,296,366		3,296,366
Interest on Long-term Debt (excludes interest charged as program expense)	97,799	-	97,799	94,290	-	94,290
Workers' Compensation	-	2,227,977	2,227,977	-	2,522,500	2,522,500
Lottery Commission	-	3,022,690	3,022,690	-	2,899,052	2,899,052
Unemployment Compensation	-	929,460	929,460	-	985,624	985,624
Tuition Trust Authority	-	57,115	57,115	-	64,942	64,942
Office of Auditor of State	-	81,574	81,574	-	126,726	126,726
Total Expenses	59,559,677	6,318,816	65,878,493	61,454,007	6,598,844	68,052,851
Surplus/ (Deficiency) Before Gains (Losses) and Transfers	(1,675,345)	1,717,773	42,428	(4,339,426)	2,214,618	(2,124,808)
Gain (Loss) on Extinguishment of Debt	-	-	-	-	4,085	4,085
Transfers - Internal Activities	1,168,236	(1,168,236)	-	1,031,738	(1,031,738)	-
Change In Net Position	(507,109)	549,537	42,428	(3,307,688)	1,186,965	(2,120,723)
Net Position, July 1 (as restated)	16,640,039	10,568,666	27,208,705	19,947,727	9,381,701	29,329,428
Net Position, June 30	$ 16,132,930	$ 11,118,203	$ 27,251,133	$ 16,640,039	$ 10,568,666	$ 27,208,705

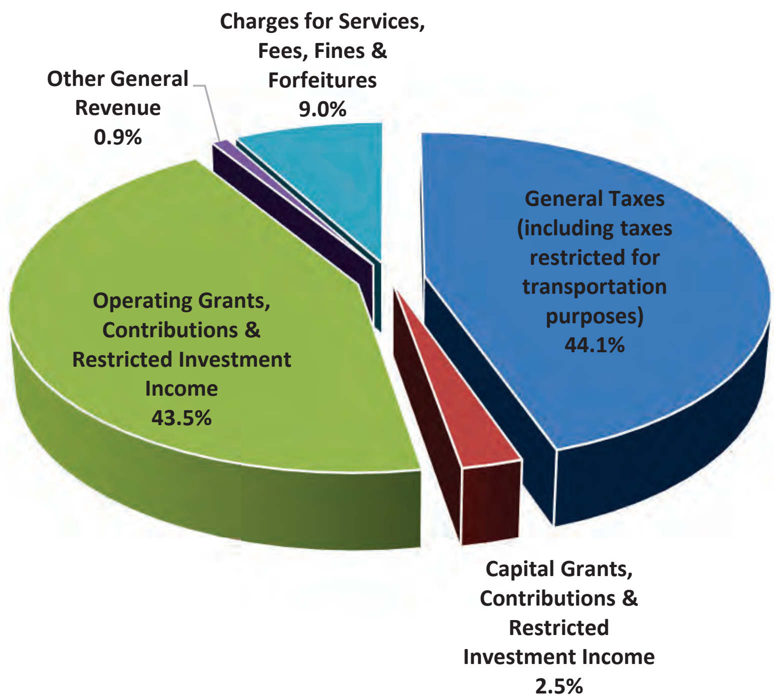
Governmental Activities

Expenses exceeded revenues during fiscal year 2018 for governmental activities. Revenues of $57.88 billion for fiscal year 2018 were $769.8 million higher than those reported for fiscal year 2017. General taxes (including taxes restricted for transportation purposes) comprised 44.1 percent of fiscal year 2018 total revenues and increased by a minimal percentage over the prior fiscal year. Operating grants, contributions and restricted investment income, making up 43.5 percent of total revenues, increased by 0.4 percent compared to fiscal year 2017. Fiscal year 2018 net transfers-in of $1.17 billion reflect an increase of 13.2 percent from fiscal year 2017.

Expenses in the table on the previous page reflect GASB 75 OPEB restatement amounts for presentational and comparative purposes. This table shows a $1.89 billion or 3.1 percent decrease compared to fiscal year 2017 expense, as restated. The $2.34 billion OPEB restatement is spread across the expense functions with Justice and Public Protection absorbing 53.3 percent. Fiscal year 2018 expenses as compared to actual operations for fiscal year 2017 increased approximately $448.1 million or a modest 0.8 percent, primarily in Medicaid spending.

The following chart illustrates revenues by source of governmental activities as percentages of total reported for the fiscal year ended June 30, 2018.

Governmental Activities — Sources of Revenue
Fiscal Year 2018



Total FY 18 Revenue for Governmental Activities = $57.88 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, 2018, with comparative numbers from June 30, 2017, 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, 2018 and 2017
(dollars in thousands)

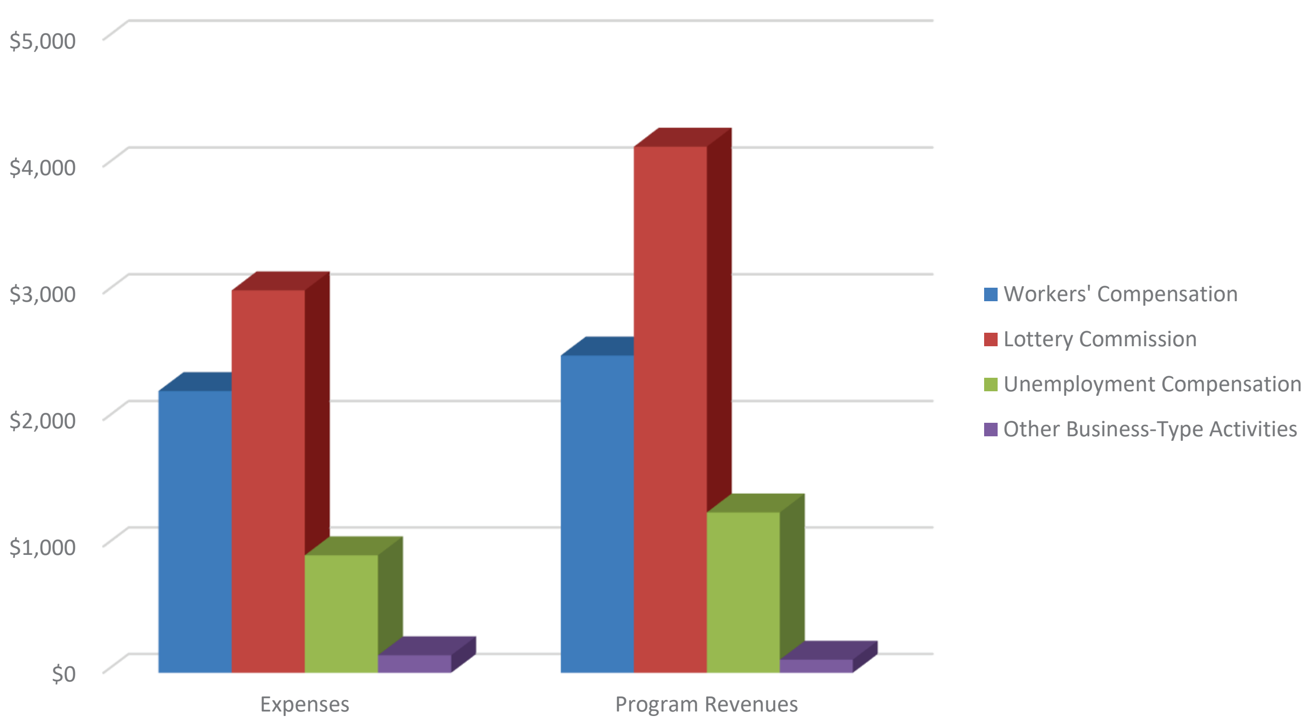
Program	Program Expenses 2018	Percent of Total Expense 2018	Net Cost of Program 2018	Net Cost of Program 2017 (as restated)	Net Cost as Percentage of Total Expenses for Program 2018	Net Cost as Percentage of Total Expenses for Program 2017 (as restated)	Net Cost as Percentage of Total Expenses — All Programs 2018	Net Cost as Percentage of Total Expenses — All Programs 2017 (as restated)
Primary, Secondary and Other Education	$ 13,244,868	22.2%	$ 11,329,509	$11,291,997	85.5%	85.1%	19.0%	18.4%
Higher Education Support	2,771,493	4.7%	2,742,360	2,731,262	98.9%	99.0%	4.6%	4.4%
Public Assistance and Medicaid	30,454,468	51.0%	6,137,025	6,801,981	20.2%	22.6%	10.3%	11.1%
Health and Human Services	1,744,243	2.9%	718,928	882,766	41.2%	47.2%	1.2%	1.4%
Justice and Public Protection	3,670,780	6.2%	2,321,432	3,796,327	63.2%	74.0%	3.9%	6.2%
Environmental Protection and Natural Resources	567,788	1.0%	213,817	380,025	37.7%	55.3%	0.4%	0.6%
Transportation	2,598,688	4.4%	965,423	1,321,488	37.2%	43.0%	1.6%	2.1%
General Government	951,063	1.6%	386,981	592,452	40.7%	50.2%	0.6%	1.0%
Community and Economic Development	3,458,487	5.8%	2,829,575	2,491,181	81.8%	75.6%	4.8%	4.0%
Interest on Long-Term Debt	97,799	0.2%	97,799	94,290	100.0%	100.0%	0.2%	0.2%
Total Governmental Activities	$ 59,559,677	100.0%	$ 27,742,849	$ 30,383,769	46.6%	49.4%	46.6%	49.4%

Business-Type Activities

The State's enterprise funds reported net position of $11.12 billion, as of June 30, 2018, compared to $10.57 billion, as of June 30, 2017, after prior year restatements, an increase of $549.5 million, or 5.2 percent. The Unemployment Compensation Fund reported a $330.1 million increase in net position during fiscal year 2018 primarily due to a decline in Ohio's unemployment rate and a corresponding 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 2018
(*dollars in millions*)



FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Governmental Funds

Governmental funds reported the following results, as of and for the fiscal years ended June 30, 2018 and June 30, 2017 (dollars in thousands).

	As of and for the Fiscal Year Ended June 30, 2018			
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unassigned Fund Balance (Deficit)..........................	$ 667,887	$ (1,937)	$ -	$ 665,950
Total Fund Balance..	5,497,549	4,788,937	3,782,356	14,068,842
Total Revenues..	35,500,831	13,636,302	8,678,181	57,815,314
Total Expenditures...	34,908,401	13,522,695	12,525,041	60,956,137

	As of and for the Fiscal Year Ended June 30, 2017			
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unassigned Fund Balance (Deficit)..........................	$ 239,478	$ (1,318)	$ -	$ 238,160
Total Fund Balance..	5,388,605	5,041,980	3,412,270	13,842,855
Total Revenues..	37,306,374	10,356,340	9,296,313	56,959,027
Total Expenditures...	36,730,447	10,366,646	12,772,716	59,869,809

General Fund

The main operating fund of the State is the General Fund. During fiscal year 2018, General Fund revenue decreased by $1.81 billion and expenditures decreased by $1.82 billion. The decreases are primarily the result of shifts of Federal Government revenue and related Medicaid expenditures from the General Fund to the Job, Family and Other Human Services Fund. Additionally, in early fiscal year 2018, the sales tax on Medicaid managed care organizations that was reported in the General Fund was replaced with a franchise fee on all health insuring corporation plans that is reported in the Job, Family and Other Human Services Fund.

Income tax and licenses, permits and fees revenue collectively increased $866.8 million or 9.9 percent over the prior year, contributing to the fiscal year 2018 fund balance increase of $108.2 million (exclusive of a $733 thousand increase in inventories) or two percent. The State's healthy Budget Stabilization Fund (BSF) balance of over $2.03 billion is included within unassigned fund balance.

General Fund Budgetary Highlights

The State ended the first year of its 2018-19 biennial budget on June 30, 2018, with a General Fund budgetary fund balance (i.e., cash less encumbrances) of $4.93 billion. Total budgetary sources for the General Fund (including $1.12 billion in transfers from other funds) in the amount of $39.29 billion were below final estimates by $557.9 million or 1.4 percent during fiscal year 2018. The majority of this shortfall was the result of lower federal revenue related to lower than estimated General Revenue Fund (GRF) Medicaid spending and lower than expected transfers from other funds. Total tax receipts were above final estimates by $574.2 million or 2.4 percent primarily due to higher than expected income and sales tax receipts.

Total budgetary uses for the General Fund (including $1.2 billion in transfers to other funds) in the amount of $39.76 billion were below final estimates by $2.67 billion or 6.3 percent for fiscal year 2018. The majority of lower than appropriated spending came from economic development programs, Medicaid, and higher education. There was no budget stabilization designation at June 30, 2017, for use in balancing the final fiscal year 2018 budget.

The main appropriations act (Act) for the 2018-19 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, 2017. Reflecting a stated continuing focus on job creation and based on a conservative economic forecast, the Act provides for GRF appropriations of approximately $32.2 billion in fiscal year 2018, a 6.7 percent decrease from fiscal year 2017 expenditures, and approximately $33.3 billion in fiscal year 2019, a 3.5 percent increase from fiscal year 2018 appropriations.

GRF appropriations for major program categories in fiscal years 2018, relative to 2017 actual spending, and 2019, relative to 2018 appropriations, reflect the following changes: 15 percent decrease in Medicaid in fiscal year 2018 (largely due to shifting funding from the GRF to non-GRF sources) and 5.7 percent increase in fiscal year 2019;

increases of 1.5 percent in fiscal year 2018 and 1.6 percent in fiscal year 2019 for primary and secondary education; a 0.5 percent increase in fiscal year 2018 and 0.3 percent decrease in fiscal year 2019 for higher education; 0.9 percent decrease in fiscal year 2018 (driven by shift in funding certain Medicaid expenditures to the Medicaid program category) and 2.1 percent increase in fiscal year 2019 for mental health and developmental disabilities; and increases of 4.2 percent in fiscal year 2018 and 1.6 percent in fiscal year 2019 for corrections and youth services.

The Act reflects tax law changes that were projected to increase GRF revenues by approximately $12.8 million in fiscal year 2018 and decrease revenues by approximately $30.8 million in fiscal year 2019. These items include a reduction in the number of personal income tax brackets from nine to seven in tax year 2017, completely exempts the first $10.5 thousand of taxable income for certain low-income taxpayers and increases the State personal income tax deduction amount for contributions to college savings and care for disabled individuals accounts. Also reflected in the 2018-19 Act are potentially non-recurring transfers to the GRF of $84.5 million from non-GRF funds, $200 million from unclaimed funds, $31 million from the sale of prison farmland, and $20 million from a tax amnesty program.

The 2018-19 Act also modifies certain components of the school funding formula to better distribute resources to districts with less capacity to raise revenues locally and limits increases in tuition and fees for two- and four-year higher education institutions. In addition, the newly created health insuring corporation provider assessment, which deposits revenue in a non-GRF fund, will replace the previous GRF sales tax, a revenue loss to GRF of approximately $600 million in each of fiscal years 2018 and 2019.

The Ohio Constitution prohibits the State from borrowing money to fund operating expenditures in the GRF. Therefore, by law, the GRF's budget must be balanced so that appropriations do not exceed available cash receipts and cash balances for the current fiscal year.

The State ended fiscal year 2018 with a GRF cash balance of $1.22 billion and a GRF budgetary fund balance of $849.9 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 2018 GRF revenues, the State transferred $657.5 million into the Budget Stabilization Fund (BSF) and $30 million into the Medicaid Local Sales Tax Transition Fund in early fiscal year 2019.

Other Major Governmental Funds

The *Job, Family and Other Human Services Fund* had a fund balance of $273.5 million at June 30, 2018, a decrease of $158.6 million, or 36.7 percent, compared to fiscal year 2017. During fiscal year 2018, licenses, permits and fees revenue increased $850.6 million, primarily due to implementing the new franchise fee on all health insuring corporation plans. Increases of $2.32 billion in Federal Government revenue and $3.15 billion in Public Assistance and Medicaid expenditures primarily relate to the shift from the General Fund, as previously discussed (see General Fund section on page 12). Contributing to the decrease in fund balance was a $313.7 million increase in transfers-out of cash.

The fund balance for the *Buckeye Tobacco Settlement Financing Authority Revenue Bonds Fund*, as of June 30, 2018, totaled approximately $4.52 billion dollars, a decrease of $94.5 million or two percent since June 30, 2017. Tobacco Settlement Receipts increased $61.6 million over the prior year. Debt Service expenditures increased by $3.6 million during fiscal year 2018 as a result of scheduled principal and interest payments on outstanding bonds. Overall expenditures exceeded revenues resulting in a net decrease in fund balance.

Proprietary Funds

Major Proprietary Funds

The State's proprietary fund financial statements report the same type of information found in the business-type activities portion of the government-wide financial statements, but in a slightly different format.

The *Workers' Compensation Fund's* net position increased $272.1 million to $9.93 billion at June 30, 2018, after prior year restatements. During the fiscal year, benefits and claims expense decreased $395.3 million, or 33 percent. The healthy beginning net position and the decrease in overall expense primarily offset the decreases in premium and assessment income and investment income resulting in a 2.8 percent increase in net position.

For fiscal year 2018, the *Lottery Commission Fund* reported $1.13 billion in net income before transfers of approximately $1.17 billion to the Lottery Profits Education Fund. Net position at June 30, 2018, in the amount of $186.2 million, decreased 17.7 percent from 2017, after considering prior year restatements. This decrease was largely attributable to increased expenses, including an increase of $88.6 million in prizes expense, and a $130.3 million increase in transfers-out. Partly offsetting the increases in expenses and transfers-out was a $219 million increase in charges for sales and services revenue, which was primarily due to increases in traditional, online, and instant ticket sales.

The $330.1 million increase in net position in the *Unemployment Compensation Fund* is primarily due to a decline in the unemployment rate. The unemployment rate in Ohio dropped from an average of five percent in fiscal year 2017 to an average of 4.7 percent in fiscal year 2018. The decrease in the unemployment rate caused the State's benefits and claims expense to decrease by $54.1 million or 5.5 percent from the previous fiscal year. While the benefits and claims expense decreased, the State also received less federal assistance. During fiscal year 2018, the State received $9.3 million of federal funding compared to $17.4 million in fiscal year 2017 resulting in a 46.7 percent decrease.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, and June 30, 2017, the State's primary government had invested $28.17 billion and $27.75 billion, respectively, net of accumulated depreciation of $4.73 billion and $4.49 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 1.5 percent (a 1.6 percent increase for governmental activities and a 9.3 percent decrease for business-type activities). Depreciation expense decreased 9.1 percent for governmental activities and increased 16.8 percent for business-type activities.

The State completed construction on a variety of projects at various state facilities during fiscal year 2018 totaling approximately $315.6 million, as compared with $200.6 million in the previous fiscal year. As further detailed in the notes to the financial statements (NOTE 20D), the State had $431.4 million in major construction commitments (unrelated to infrastructure), as of June 30, 2018, as compared with $323.9 million for 2017.

Capital Assets, Net of Accumulated Depreciation
As of June 30, 2018 and 2017
(dollars in thousands)

	As of June 30, 2018			As of June 30, 2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	$ 2,432,987	$ 9,466	$ 2,442,453	$ 2,391,230	$ 9,466	$ 2,400,696
Buildings	1,562,728	22,048	1,584,776	1,486,323	28,983	1,515,306
Land Improvements	169,767	-	169,767	172,947	-	172,947
Machinery and Equipment	351,535	35,601	387,136	426,855	34,133	460,988
Vehicles	202,771	1,816	204,587	195,571	1,917	197,488
Infrastructure:						
Highway Network:						
General Subsystem	8,661,898	-	8,661,898	8,647,678	-	8,647,678
Priority Subsystem	8,724,307	-	8,724,307	8,657,803	-	8,657,803
Bridge Network	2,836,116	-	2,836,116	2,798,045	-	2,798,045
Parks, Recreation, and Natural Resources System	103,930	-	103,930	108,426	-	108,426
	25,046,039	68,931	25,114,970	24,884,878	74,499	24,959,377
Construction-in-Progress	2,959,550	96,598	3,056,148	2,682,358	108,016	2,790,374
Total Capital Assets, Net	$ 28,005,589	$ 165,529	$ 28,171,118	$ 27,567,236	$ 182,515	$ 27,749,751

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 43,336 lane miles of highway and approximately 107.4 million square feet of deck area that comprises 14,305 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 2018, indicates that 3.1 percent and 1.4 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating. Comparatively, 2.1 percent and 0.8 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating in fiscal year 2017.

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 2018, indicates that only 1.7 percent of the number of square feet of bridge deck area was considered to be in "fair" and "poor" conditions. In comparison, fiscal year 2017 had 1.9 percent of the number of square feet of bridge deck area considered to be in "fair" and "poor" conditions.

Fiscal year 2018 total actual maintenance and preservation costs for the pavement network were $909.6 million, compared to estimated costs of $751.3 million, while total actual maintenance and preservation costs for the bridge network was $452.3 million, $10.5 million below estimate. In the previous fiscal year, total actual maintenance and preservation costs for the pavement network were $918.8 million, compared to estimated costs of $730.7 million, while total actual maintenance and preservation costs for the bridge network was $526 million, $56.2 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.

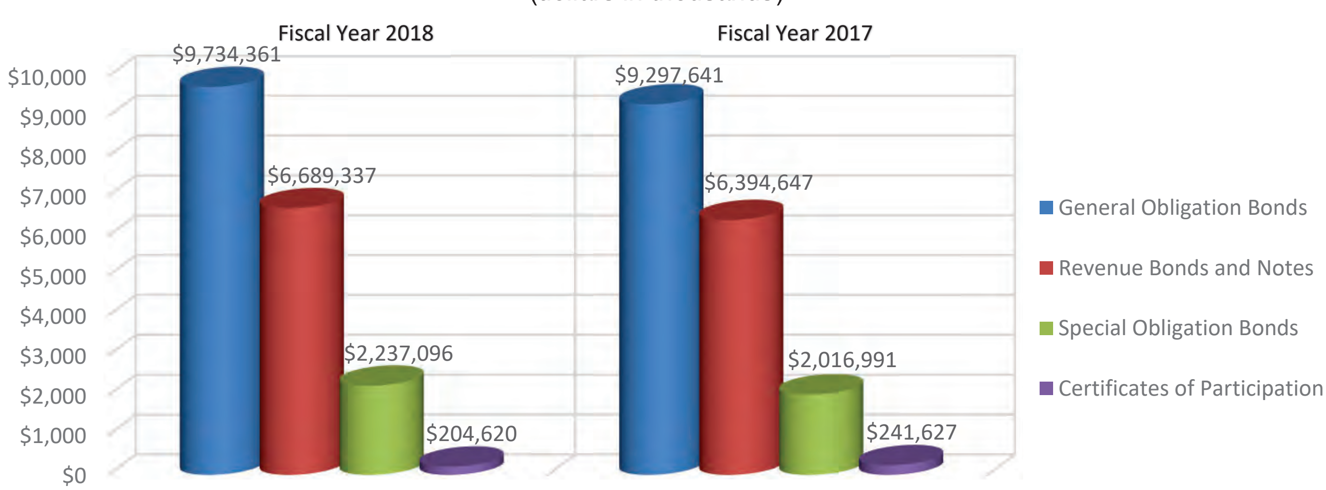
More detailed information on the State's capital assets can be found in NOTE 8 to the financial statements and in the Required Supplementary Information Infrastructure section of this report.

Debt — Bonds and Notes Payable and Certificates of Participation Obligations
The State's general obligation bonds are backed by its full faith and credit. Revenue bonds and notes are secured with revenues pledged for the retirement of debt principal and the payment of interest. Special obligation bonds are supported with lease payments from tenants of facilities constructed with the proceeds from the bonds. Under certificate of participation (COPs) financing arrangements, the State is required to pay base rent (subject to appropriation) that approximates interest and principal payments made by trustees to certificate holders.

During fiscal year 2018, the State issued a par amount of $1.8 billion in general obligation bonds, $370 million in revenue bonds, and $522.9 million in special obligation bonds. Of the general obligation bonds and special obligation bonds issued, $627.1 million and $121.4 million, respectively, were refunding bonds. The total increase in the State's debt for the current fiscal year, based on carrying amount, was 5.1 percent, all in governmental activities.

As of June 30, 2018, and June 30, 2017, the State had total debt, all in governmental activities, of approximately $18.87 billion and $17.95 billion, respectively, as shown in the chart below.

Bonds and Notes Payable and Certificates of Participation
As of June 30, 2018 and 2017
(*dollars in thousands*)



Credit Ratings

Both the State's general and special obligation bonds carry a "stable" credit outlook from all three credit rating agencies. A credit outlook is an indication of the pressure on the rating over the near-to-intermediate term and should not be viewed as a precursor to a rating change.

The ratings and rating outlooks in effect from time to time reflect only the views of the particular rating organization. An explanation of its view of the meaning and significance of its rating or outlook may be obtained from the respective rating agency. Generally, the rating agencies base their rating on submitted information and on their own investigations, studies, and assumptions. There can be no assurance that the ratings or outlooks assigned will continue for any given time. Rating agencies may lower or withdraw a rating at any time, if in its judgment circumstances so warrant.

The State's bonds and notes are rated as follows:

Credit Ratings
As of June 30, 2018

Bonds and Notes	Issuer	Fitch Inc.	Moody's Investor Services, Inc.	S & P Global Ratings Services	Security and Source of Funds
General Obligations Bonds:					
Common Schools Capital Facilities ..	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Higher Education Capital Facilities ...	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Highway Capital Improvements	Treasurer of State	AA+	Aa1	AAA	Highway User Receipts
Infrastructure Improvements	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Coal Research and Development	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Natural Resources Capital Facilities .	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Conservation Projects	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Third Frontier Research and Development	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Site Development	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Veterans' Compensation	Ohio Public Facilities Commission	AA+	Aa1	AA+	General Revenue Funds
Revenue Bonds:					
Major New State Infrastructure..........	Treasurer of State	N/A	Aa2	AA	Federal Transportation Grants
Tobacco Settlement Asset-Backed...	Buckeye Tobacco Settlement Financing Authority	N/A	Caa3 to B3	B-	Pledged Receipts from the Tobacco Master Settlement Agreement
Special Obligation Bonds:					
Mental Health Facilities....................	Treasurer of State	AA	Aa2	AA	General Revenue Funds
Parks and Recreation Facilities.........	Treasurer of State	AA	Aa2	AA	General Revenue Funds
Cultural and Sports Facilities............	Treasurer of State	AA	Aa2	AA	General Revenue Funds
Adult Correctional Facilities..............	Treasurer of State	AA	Aa2	AA	General Revenue Funds
Administrative Facilities....................	Treasurer of State	AA	Aa2	AA	General Revenue Funds
Juvenile Correctional Facilities..........	Treasurer of State	AA	Aa2	AA	General Revenue Funds
Transportation Building Projects........	Treasurer of State	AA	Aa2	AA	Highway User Receipts
Highway Safety Facilities.................	Treasurer of State	AA	Aa2	AA	Highway User Receipts

Limitations on Debt

Section 17 of Article VIII of the Ohio Constitution, approved by Ohio voters in November 1999, establishes an annual debt service "cap" applicable to future issuances of direct obligations payable from the GRF or net state lottery proceeds. Generally, new obligations may not be issued if debt service for any future fiscal year on those new and the then outstanding bonds of those categories would exceed five percent of the total of estimated GRF revenues plus net state lottery proceeds for the fiscal year of issuance.

Those direct obligations of the State include general obligation and special obligation bonds that are paid from the State's GRF, but exclude general obligation debt for Third Frontier Research and Development, development of sites and facilities, and veterans compensation, and general obligation bonds payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the Governor has designated the Director of the Ohio Office of Budget and Management as the State official responsible for making the five percent determinations and certifications. Application of the five percent cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly and may be changed by future constitutional amendments.

The State met the requirements of Section 17 of Article VIII of the Ohio Constitution. More detailed information on the State's long-term debt, including changes during the year, can be found in NOTES 10 through 13 and NOTE 15 to the financial statements.

Conditions Expected to Affect Future Operations

Economic Factors
Through October 2018, leading economic indicators remain consistent with uninterrupted growth into the next year. The Ohio unemployment rate in October 2018 was 4.6 percent. From October 2017 to October 2018, Ohio's nonfarm payroll employment increased by approximately 115 thousand jobs.

Nationally, real gross domestic product (GDP) expanded at an annual rate of 3.5 percent in the third quarter, down from 4.2 percent in the second quarter, but well ahead of the 2.3 percent average during this expansion. On a year-over-year basis, growth was three percent, the fastest in just over three years. Compared with a year earlier, the real GDP is approximately 0.5 percent higher.

The national labor market outlook strengthened further in October 2018, as the level of nonfarm payroll employment increased by 250 thousand jobs. The U.S. unemployment rate for October 2018 was 3.7 percent, its lowest level since December 1969.

General Revenue Fund
For fiscal year 2019, total fiscal year-to-date GRF receipts collected through October 2018 are $84.7 million below estimates and $431.4 million higher than collections through October of the prior fiscal year. Total fiscal year-to-date GRF disbursements through October 2018 are $296.5 million below estimates for the first four months of fiscal year 2019 and $246.3 million above expenditures for the first four months of the prior fiscal year. As of October 2018, receipts were 0.8 percent below budget estimates and disbursements were 2.3 percent below budget estimates for fiscal year 2019. Fiscal year 2019 receipts are four percent ahead of receipts for the first four months of fiscal year 2018. Disbursements for fiscal year 2019 are two percent above disbursements for the same time period of fiscal year 2018.

Budget Stabilization Fund
The Budget Stabilization Fund (BSF) is Ohio's rainy day savings account, a reserve balance set aside in good economic times to protect the State's budget from cyclical changes in revenues and expenditures should the economy become weakened unexpectedly. By law, the target balance for the BSF can be up to 8.5 percent of the prior fiscal year's GRF revenues. In July 2018, the Office of Budget and Management authorized a $657.5 million deposit into the BSF, bringing the balance to a new record-high of over $2.69 billion, the strongest reserves in State history. After the deposit, the account now holds 8.3 percent of last year's GRF revenues.

Workers' Compensation Fund
The Bureau of Workers' Compensation (BWC) has committed $20 million in fiscal years 2019 and 2020 to continue the Safety Intervention Grant Program that awards grants for safety intervention, wellness, and drug-free programs. As part of that commitment, BWC has expanded the program and set aside $8 million for Ohio schools and police departments and $2 million for state agencies.

Contacting the Ohio Office of Budget and Management
This financial report is designed to provide the State's citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Ohio Office of Budget and Management, Financial Reporting Section, 30 East Broad Street, 34th Floor, Columbus, Ohio 43215-3457 or by e-mail at Contact@obm.ohio.gov.

[THIS PAGE LEFT BLANK INTENTIONALLY]

Basic Financial Statements

Red White & BOOM!
Columbus, Ohio

STATE OF OHIO
STATEMENT OF NET POSITION
JUNE 30, 2018
(dollars in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer	$ 10,085,088	$ 148,378	$ 10,233,466	$ 357,058
Cash and Cash Equivalents	193,583	1,415,902	1,609,485	2,638,683
Deposit with Federal Government	—	932,190	932,190	—
Investments	1,281,949	25,749,013	27,030,962	12,426,732
Collateral on Lent Securities	2,893,140	31,987	2,925,127	100,566
Taxes Receivable	1,720,294	—	1,720,294	—
Intergovernmental Receivable	1,381,993	6,977	1,388,970	64,936
Premiums and Assessments Receivable	—	684,757	684,757	—
Investment Trade Receivable	—	85,124	85,124	—
Loans Receivable, Net	1,284,361	—	1,284,361	328,937
Receivable from Primary Government	—	—	—	20,358
Receivable from Component Units	4,960	—	4,960	—
Other Receivables	819,329	476,732	1,296,061	1,516,365
Inventories	105,808	—	105,808	160,679
Other Assets	25,092	8,551	33,643	1,701,286
Restricted Assets:				
Cash Equity with Treasurer	—	63	63	—
Cash and Cash Equivalents	390	—	390	861,879
Investments	376,237	697,769	1,074,006	2,278,193
Collateral on Lent Securities	—	54,429	54,429	—
Other Receivables	572,542	3	572,545	—
Capital Assets Being Depreciated, Net	2,326,828	59,465	2,386,293	14,049,697
Capital Assets Not Being Depreciated	25,678,761	106,064	25,784,825	1,587,994
TOTAL ASSETS	48,750,355	30,457,404	79,207,759	38,093,363
DEFERRED OUTFLOWS OF RESOURCES	5,121,436	87,464	5,208,900	1,956,039
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**53,871,791**	**30,544,868**	**84,416,659**	**40,049,402**
LIABILITIES:				
Accounts Payable	785,178	45,223	830,401	745,315
Accrued Liabilities	421,662	4,816	426,478	621,630
Medicaid Claims Payable	1,304,019	—	1,304,019	—
Obligations Under Securities Lending	2,893,140	86,416	2,979,556	100,566
Investment Trade Payable	—	311,908	311,908	—
Intergovernmental Payable	1,030,299	482	1,030,781	6,916
Internal Balances	546,632	(546,632)	—	—
Payable to Primary Government	—	—	—	8,466
Payable to Component Units	20,996	—	20,996	—
Unearned Revenue	491,720	501,997	993,717	486,793
Benefits Payable	—	6,466	6,466	—
Refund and Other Liabilities	1,244,844	209,561	1,454,405	161,343
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year	1,247,872	—	1,247,872	920,309
Due in More Than One Year	17,412,922	—	17,412,922	10,093,202
Certificates of Participation:				
Due in One Year	34,072	—	34,072	—
Due in More Than One Year	170,548	—	170,548	—
Other Noncurrent Liabilities:				
Due in One Year	154,103	3,410,194	3,564,297	739,801
Due in More Than One Year	7,157,461	15,294,536	22,451,997	11,128,028
TOTAL LIABILITIES	34,915,468	19,324,967	54,240,435	25,012,369
DEFERRED INFLOWS OF RESOURCES	2,823,393	101,698	2,925,091	4,983,674
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**37,738,861**	**19,426,665**	**57,165,526**	**29,996,043**

The notes to the financial statements are an integral part of this statement.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET POSITION (DEFICITS):				
Net Investment in Capital Assets	24,363,007	162,367	24,525,374	8,111,711
Restricted for:				
Primary, Secondary and Other Education	139,583	—	139,583	—
Higher Education Support	23,579	—	23,579	—
Public Assistance and Medicaid	500,747	—	500,747	—
Health and Human Services	116,726	—	116,726	—
Justice and Public Protection	159,884	—	159,884	—
Environmental Protection and Natural Resources	275,626	—	275,626	—
Transportation	2,534,052	—	2,534,052	172,358
General Government	277,782	—	277,782	—
Community and Economic Development	529,084	—	529,084	25,294
Lottery Prizes	—	27,954	27,954	—
Workers Compensation	—	9,791,094	9,791,094	—
Unemployment Compensation	—	974,990	974,990	—
Tuition Trust Authority	—	97,366	97,366	—
Nonexpendable for				
Colleges and Universities	—	—	—	3,981,215
Expendable for				
Colleges and Universities	—	—	—	3,396,881
Unrestricted	(12,787,140)	64,432	(12,722,708)	(5,634,100)
TOTAL NET POSITION (DEFICITS)	**$ 16,132,930**	**$ 11,118,203**	**$ 27,251,133**	**$ 10,053,359**

STATE OF OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(dollars in thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	NET (EXPENSE) REVENUE
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Primary, Secondary and Other Education	$ 13,244,868	$ 25,993	$ 1,889,366	$ —	$ (11,329,509)
Higher Education Support	2,771,493	4,987	24,146	—	(2,742,360)
Public Assistance and Medicaid	30,454,468	2,680,920	21,636,523	—	(6,137,025)
Health and Human Services	1,744,243	191,181	834,134	—	(718,928)
Justice and Public Protection	3,670,780	1,129,008	220,079	261	(2,321,432)
Environmental Protection and Natural Resources	567,788	244,673	109,298	—	(213,817)
Transportation	2,598,688	148,490	70,513	1,414,262	(965,423)
General Government	951,063	460,910	102,757	415	(386,981)
Community and Economic Development	3,458,487	343,546	275,607	9,759	(2,829,575)
Interest on Long-Term Debt (excludes interest charged as program expense)	97,799	—	—	—	(97,799)
TOTAL GOVERNMENTAL ACTIVITIES	**59,559,677**	**5,229,708**	**25,162,423**	**1,424,697**	**(27,742,849)**
BUSINESS-TYPE ACTIVITIES:					
Workers' Compensation	2,227,977	1,172,347	1,336,579	—	280,949
Lottery Commission	3,022,690	4,153,363	2,465	—	1,133,138
Unemployment Compensation	929,460	1,253,015	15,024	—	338,579
Tuition Trust Authority	57,115	8,892	48,827	—	604
Office of Auditor of State	81,574	46,062	—	—	(35,512)
TOTAL BUSINESS-TYPE ACTIVITIES	**6,318,816**	**6,633,679**	**1,402,895**	**—**	**1,717,758**
TOTAL PRIMARY GOVERNMENT	**$ 65,878,493**	**$ 11,863,387**	**$ 26,565,318**	**$ 1,424,697**	**$ (26,025,091)**
COMPONENT UNITS:					
Ohio Facilities Construction Commission	$ 470,146	$ 28,017	$ 4,117	$ —	$ (438,012)
Ohio State University	6,108,837	5,087,564	757,036	15,470	(248,767)
Other Component Units	7,292,158	5,544,125	852,532	29,873	(865,628)
TOTAL COMPONENT UNITS	**$ 13,871,141**	**$ 10,659,706**	**$ 1,613,685**	**$ 45,343**	**$ (1,552,407)**

The notes to the financial statements are an integral part of this statement.

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
CHANGES IN NET POSITION:				
Net (Expense) Revenue	$ (27,742,849)	$ 1,717,758	$ (26,025,091)	$ (1,552,407)
General Revenues:				
Taxes:				
Income	8,474,637	—	8,474,637	—
Sales	10,358,501	—	10,358,501	—
Corporate and Public Utility	2,843,017	—	2,843,017	—
Cigarette	939,953	—	939,953	—
Other	1,024,397	—	1,024,397	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes	1,891,116	—	1,891,116	—
Total Taxes	25,531,621	—	25,531,621	—
Tobacco Settlement	352,355	—	352,355	—
Escheat Property	158,770	—	158,770	—
Unrestricted Investment Income	24,741	15	24,756	716,044
State Assistance	—	—	—	2,590,150
Other	17	—	17	724,616
Gain (Loss) on Extinguishment of Debt	—	—	—	(11)
Additions (Deductions) to Endowments and Permanent Fund Principal	—	—	—	117,958
Transfers-Internal Activities	1,168,236	(1,168,236)	—	—
TOTAL GENERAL REVENUES, GAINS (LOSSES), CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS	**27,235,740**	**(1,168,221)**	**26,067,519**	**4,148,757**
CHANGE IN NET POSITION	**(507,109)**	**549,537**	**42,428**	**2,596,350**
NET POSITION (DEFICITS), JULY 1 (as restated)	16,640,039	10,568,666	27,208,705	7,457,009
NET POSITION (DEFICITS), JUNE 30	**$ 16,132,930**	**$ 11,118,203**	**$ 27,251,133**	**$ 10,053,359**

STATE OF OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
ASSETS:			
Cash Equity with Treasurer	$ 5,864,106	$ 365,233	$ —
Cash and Cash Equivalents	132,272	3,329	390
Investments	1,232,791	—	376,237
Collateral on Lent Securities	1,695,886	103,596	—
Taxes Receivable	1,591,195	—	—
Intergovernmental Receivable	729,206	187,555	—
Loans Receivable, Net	1,103,092	—	—
Interfund Receivable	—	—	—
Receivable from Component Units	—	—	—
Other Receivables	260,433	505,776	572,542
Inventories	21,478	—	—
Other Assets	82	—	—
TOTAL ASSETS	12,630,541	1,165,489	949,169
DEFERRED OUTFLOWS OF RESOURCES	—	—	4,138,761
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 12,630,541**	**$ 1,165,489**	**$ 5,087,930**
LIABILITIES:			
Accounts Payable	$ 266,181	$ 161,703	$ —
Accrued Liabilities	165,162	22,323	—
Medicaid Claims Payable	1,064,641	7,456	—
Obligations Under Securities Lending	1,695,886	103,596	—
Intergovernmental Payable	727,551	117,337	—
Interfund Payable	425,715	11,903	—
Payable to Component Units	19,174	538	—
Unearned Revenue	—	397,543	—
Refund and Other Liabilities	1,237,506	6,658	—
Liability for Escheat Property	317,173	—	—
TOTAL LIABILITIES	5,918,989	829,057	—
DEFERRED INFLOWS OF RESOURCES	1,214,003	62,943	572,482
FUND BALANCES (DEFICITS):			
Nonspendable	52,267	—	—
Restricted	1,465,460	151,494	4,515,448
Committed	772,528	123,932	—
Assigned	2,539,407	—	—
Unassigned	667,887	(1,937)	—
TOTAL FUND BALANCES (DEFICITS)	5,497,549	273,489	4,515,448
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 12,630,541**	**$ 1,165,489**	**$ 5,087,930**

The notes to the financial statements are an integral part of this statement.

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 3,855,749	$ 10,085,088
57,982	193,973
49,158	1,658,186
1,093,658	2,893,140
129,099	1,720,294
465,232	1,381,993
181,269	1,284,361
1,402	1,402
4,960	4,960
53,120	1,391,871
84,330	105,808
—	82
5,975,959	20,721,158
—	4,138,761
$ 5,975,959	**$ 24,859,919**
$ 357,294	$ 785,178
61,796	249,281
231,922	1,304,019
1,093,658	2,893,140
185,411	1,030,299
110,416	548,034
1,284	20,996
94,177	491,720
680	1,244,844
—	317,173
2,136,638	8,884,684
56,965	1,906,393
84,330	136,597
3,044,928	9,177,330
653,098	1,549,558
—	2,539,407
—	665,950
3,782,356	14,068,842
$ 5,975,959	**$ 24,859,919**

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018
(dollars in thousands)

Total Fund Balances for Governmental Funds		***$ 14,068,842***
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		25,010
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:		
Land		2,432,987
Buildings and Improvements, net of $2,470,869 accumulated depreciation		1,562,728
Land Improvements, net of $352,108 accumulated depreciation		169,767
Machinery and Equipment, net of $1,245,938 accumulated depreciation		351,535
Vehicles, net of $262,932 accumulated depreciation		202,771
Infrastructure, net of $45,457 accumulated depreciation		20,326,251
Construction-in-Progress		2,959,550
		28,005,589
The following Deferred Outflows of Resources are not related to the current period and therefore, are not reported in the funds.		
Hedging Derivatives		12,248
Loss on Debt Refundings		131,779
Net Pension and OPEB Liability/Asset		838,648
Total Deferred Outflows of Resources		982,675
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Accrued Liabilities:		
Interest Payable		(172,381)
Bonds and Notes Payable:		
General Obligation Bonds		(9,734,361)
Revenue Bonds and Notes		(6,689,337)
Special Obligation Bonds		(2,237,096)
Certificates of Participation		(204,620)
Other Noncurrent Liabilities:		
Compensated Absences		(479,706)
Net Pension Liability		(3,508,205)
Net OPEB Liability		(2,552,677)
Capital Leases Payable		(19,632)
Derivatives		(18,228)
Estimated Claims Payable		(679)
Pollution Remediation		(1,870)
Infrastructure Liabilities		(413,394)
		(26,032,186)
The following Deferred Inflows of Resources are not related to the current period and therefore, are not reported in the funds.		
Resources from the Sale of Future Revenues	(1,112,313)	
Net Pension and OPEB Liability/Asset	(905,980)	
Debt Refundings	(2,431)	
Less Unavailable Resources Reported in the Funds:		
Taxes Receivable	68,018	
Intergovernmental Receivable	435,153	
Other Receivables	600,553	
	1,103,724	
Total Deferred Inflows of Resources		(917,000)
Total Net Position of Governmental Activities		***$ 16,132,930***

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, 2018

(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
REVENUES:			
Income Taxes	$ 8,463,620	$ —	$ —
Sales Taxes	10,358,501	—	—
Corporate and Public Utility Taxes	2,776,908	—	—
Motor Vehicle Fuel Taxes	1,139,218	—	—
Cigarette Taxes	939,953	—	—
Other Taxes	694,845	1,276	—
Licenses, Permits and Fees	1,186,458	2,145,291	—
Sales, Services and Charges	121,708	—	—
Federal Government	9,239,529	10,854,781	—
Tobacco Settlement	117	—	331,794
Escheat Property	158,770	—	—
Investment Income	111,458	7,858	5,472
Other	309,746	289,322	508
TOTAL REVENUES	**35,500,831**	**13,298,528**	**337,774**
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	9,784,712	—	78,911
Higher Education Support	2,597,726	243	—
Public Assistance and Medicaid	15,498,497	12,719,268	—
Health and Human Services	670,208	312,939	—
Justice and Public Protection	3,096,084	70,957	—
Environmental Protection and Natural Resources	74,386	—	—
Transportation	7,211	—	—
General Government	536,812	2,981	—
Community and Economic Development	2,642,765	—	—
CAPITAL OUTLAY	—	2,147	—
DEBT SERVICE	—	—	335,249
TOTAL EXPENDITURES	**34,908,401**	**13,108,535**	**414,160**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**592,430**	**189,993**	**(76,386)**
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued	855,000	—	—
Refunding Bonds and COPs Issued	—	—	—
Payment to Refunded Bond and COPs Escrow Agents	—	—	—
Premiums/Discounts	93,912	—	—
Capital Leases	198	—	—
Transfers-in	629,232	9,955	—
Transfers-out	(2,062,561)	(358,541)	(18,064)
TOTAL OTHER FINANCING SOURCES (USES)	**(484,219)**	**(348,586)**	**(18,064)**
NET CHANGE IN FUND BALANCES	**108,211**	**(158,593)**	**(94,450)**
FUND BALANCES (DEFICITS), July 1	5,388,605	432,082	4,609,898
Increase (Decrease) for Changes in Inventories	733	—	—
FUND BALANCES (DEFICITS), JUNE 30	**$ 5,497,549**	**$ 273,489**	**$ 4,515,448**

The notes to the financial statements are an integral part of this statement.

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 111	$ 8,463,731
—	10,358,501
66,109	2,843,017
751,898	1,891,116
—	939,953
328,276	1,024,397
672,659	4,004,408
31,283	152,991
6,200,262	26,294,572
—	331,911
—	158,770
32,384	157,172
595,199	1,194,775
8,678,181	**57,815,314**
3,018,150	12,881,773
29,923	2,627,892
2,110,059	30,327,824
660,167	1,643,314
328,909	3,495,950
367,618	442,004
2,511,726	2,518,937
358,944	898,737
702,206	3,344,971
769,650	771,797
1,667,689	2,002,938
12,525,041	**60,956,137**
(3,846,860)	**(3,140,823)**
1,082,489	1,937,489
748,540	748,540
(925,161)	(925,161)
360,427	454,339
—	198
3,416,162	4,055,349
(447,947)	(2,887,113)
4,234,510	**3,383,641**
387,650	**242,818**
3,412,270	13,842,855
(17,564)	(16,831)
$ 3,782,356	**$ 14,068,842**

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, 2018

(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds		***$ 242,818***
Change in Inventories		*(16,831)*
		225,987

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	*818,341*	
Depreciation Expense	*(379,988)*	
Excess of Capital Outlay Over Depreciation Expense		*438,353*

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	*(1,166,420)*	
Revenue Bonds and Notes	*(369,975)*	
Special Obligation Bonds	*(401,490)*	
Refunding Bonds, including Bond Premium/Discount, Net	*(928,707)*	
Premiums and Discounts, Net:		
General Obligation Bonds	*(153,996)*	
Revenue Bonds and Notes	*(51,900)*	
Special Obligation Bonds	*(67,879)*	
Capital Leases	*(2,271)*	
Total Debt Proceeds		*(3,142,638)*

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:

Debt Principal Retirement and Defeasements:		
General Obligation Bonds	*1,542,972*	
Revenue Bonds and Notes	*162,145*	
Special Obligation Bonds	*362,776*	
Certificates of Participation	*32,130*	
Total Long-Term Debt Repayment		*2,100,023*

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:

Increase in Other Assets	*14,793*	
Increase in Accrued Interest and Other Accrued Liabilities	*(7,736)*	
Amortization of Bond Premiums/Accretion of Bond Discount, Net	*125,836*	
Decrease in Refunding Loss Included in Deferred Outflows of Resources	*(9,285)*	
Decrease in Pension/OPEB Related Balances Included in Deferred Outflows of Resources	*(803,508)*	
Increase in Compensated Absences	*(19,018)*	
Decrease in Derivative Liabilities (Excluding Hedging Derivatives)	*2,850*	
Decrease in Estimated Claims Payable	*522*	
Decrease in Pollution Remediation	*4,213*	
Increase in Infrastructure Liability	*(67,917)*	
Decrease in Net Pension Liability	*1,412,193*	
Increase in OPEB Liability	*(12,894)*	
Decrease in Litigation Liabilities	*17,500*	
Increase in Deferred Inflow of Resources	*(786,383)*	
Total additional revenues and expenditures		*(128,834)*
Change in Net Position of Governmental Activities		***$ (507,109)***

STATE OF OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2018
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 5,549	$ 106,290	$ —
Cash and Cash Equivalents	1,311,347	69,076	—
Deposit with Federal Government	—	—	932,190
Collateral on Lent Securities	1,574	30,149	—
Restricted Assets:			
Cash Equity with Treasurer	—	63	—
Investments	—	52,834	—
Collateral on Lent Securities	—	54,429	—
Other Receivables	—	3	—
Intergovernmental Receivable	—	—	443
Premiums and Assessments Receivable	29,531	—	30,639
Investment Trade Receivable	85,124	—	—
Interfund Receivable	47,682	—	—
Other Receivables	391,957	60,940	21,929
Other Assets	600	3,354	3,572
TOTAL CURRENT ASSETS	1,873,364	377,138	988,773
NONCURRENT ASSETS:			
Restricted Assets:			
Investments	—	375,749	—
Investments	25,749,013	—	—
Premiums and Assessments Receivable	624,587	—	—
Interfund Receivable	498,577	—	—
Other Assets	819	171	—
Capital Assets Being Depreciated, Net	29,706	28,781	—
Capital Assets Not Being Depreciated	106,064	—	—
TOTAL NONCURRENT ASSETS	27,008,766	404,701	—
TOTAL ASSETS	28,882,130	781,839	988,773
DEFERRED OUTFLOWS OF RESOURCES	66,462	6,380	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**28,948,592**	**788,219**	**988,773**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	33,816	10,311	—
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	1,574	84,578	—
Investment Trade Payable	311,908	—	—
Intergovernmental Payable	—	—	482
Prize Awards Payable	—	52,900	—
Interfund Payable	—	99	—
Unearned Revenue	500,082	1,147	—
Benefits Payable	1,477,596	—	6,466
Refund and Other Liabilities	2,003,748	39,661	6,835
TOTAL CURRENT LIABILITIES	4,328,724	188,696	13,783
NONCURRENT LIABILITIES:			
Prize Awards Payable	—	356,678	—
Interfund Payable	—	1,036	—
Benefits Payable	12,676,113	—	—
Refund and Other Liabilities	1,939,518	48,187	—
TOTAL NONCURRENT LIABILITIES	14,615,631	405,901	—
TOTAL LIABILITIES	18,944,355	594,597	13,783
DEFERRED INFLOWS OF RESOURCES	77,373	7,428	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**19,021,728**	**602,025**	**13,783**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	135,770	25,619	—
Restricted for Lottery Prizes	—	27,954	—
Unrestricted	9,791,094	132,621	974,990
TOTAL NET POSITION (DEFICITS)	**$ 9,926,864**	**$ 186,194**	**$ 974,990**

The notes to the financial statements are an integral part of this statement.

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 36,539	$ 148,378
35,479	1,415,902
—	932,190
264	31,987
—	63
37,200	90,034
—	54,429
—	3
6,534	6,977
—	60,170
—	85,124
1,508	49,190
1,906	476,732
—	7,526
119,430	3,358,705
231,986	607,735
—	25,749,013
—	624,587
—	498,577
35	1,025
978	59,465
—	106,064
232,999	27,646,466
352,429	31,005,171
14,622	87,464
367,051	**31,092,635**
1,096	45,223
4,816	4,816
264	86,416
—	311,908
—	482
—	52,900
—	99
768	501,997
37,200	1,521,262
1,815	2,052,059
45,959	4,577,162
—	356,678
—	1,036
168,300	12,844,413
105,740	2,093,445
274,040	15,295,572
319,999	19,872,734
16,897	101,698
336,896	**19,974,432**
978	162,367
—	27,954
29,177	10,927,882
$ 30,155	**$ 11,118,203**

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services	$ —	$ 4,147,514	$ 28,241
Premium and Assessment Income	1,162,940	—	1,189,318
Federal Government	—	—	9,279
Investment Income	—	—	—
Other	9,407	5,849	26,177
TOTAL OPERATING REVENUES	**1,172,347**	**4,153,363**	**1,253,015**
OPERATING EXPENSES:			
Costs of Sales and Services	—	—	—
Administration	70,593	120,921	—
Bonuses and Commissions	—	862,656	—
Prizes	—	1,998,654	—
Benefits and Claims	804,021	—	928,683
Depreciation	21,216	11,018	—
Other	1,332,147	8,587	777
TOTAL OPERATING EXPENSES	**2,227,977**	**3,001,836**	**929,460**
OPERATING INCOME (LOSS)	**(1,055,630)**	**1,151,527**	**323,555**
NONOPERATING REVENUES (EXPENSES):			
Investment Income	1,336,579	2,465	15,024
Interest Expense	—	(1,010)	—
Other	—	(19,844)	—
TOTAL NONOPERATING REVENUES (EXPENSES)	**1,336,579**	**(18,389)**	**15,024**
INCOME (LOSS) BEFORE GAIN (LOSS) AND TRANSFERS	**280,949**	**1,133,138**	**338,579**
Transfers-in	—	—	—
Transfers-out	(8,841)	(1,173,051)	(8,461)
TOTAL GAIN (LOSS) AND TRANSFERS	**(8,841)**	**(1,173,051)**	**(8,461)**
NET INCOME (LOSS)	**272,108**	**(39,913)**	**330,118**
NET POSITION (DEFICITS), JULY 1 (as restated)	9,654,756	226,107	644,872
NET POSITION (DEFICITS), JUNE 30	**$ 9,926,864**	**$ 186,194**	**$ 974,990**

The notes to the financial statements are an integral part of this statement.

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 54,560	$ 4,230,315
—	2,352,258
—	9,279
10,827	10,827
38,394	79,827
103,781	**6,682,506**
75,973	75,973
14,870	206,384
—	862,656
—	1,998,654
47,545	1,780,249
301	32,535
—	1,341,511
138,689	**6,297,962**
(34,908)	**384,544**
15	1,354,083
—	(1,010)
—	(19,844)
15	**1,333,229**
(34,893)	**1,717,773**
22,117	22,117
—	(1,190,353)
22,117	**(1,168,236)**
(12,776)	**549,537**
42,931	10,568,666
$ 30,155	**$ 11,118,203**

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ —	$ 4,145,166	$ —
Cash Received from Multi-State Lottery for Grand Prize Winner	—	85,751	—
Cash Received from Premiums and Assessments	1,947,151	—	1,212,321
Cash Received from Interfund Services Provided	47,771	—	—
Other Operating Cash Receipts	32,484	5,957	65,607
Cash Payments to Suppliers for Goods and Services	(65,938)	(85,342)	—
Cash Payments to Employees for Services	(206,017)	(33,445)	—
Cash Payments for Benefits and Claims	(1,632,432)	—	(842,650)
Cash Payments for Lottery Prizes	—	(2,151,607)	—
Cash Payments for Bonuses and Commissions	—	(862,656)	—
Cash Payments for Premium Reductions and Refunds	(1,265,407)	—	—
Cash Payments for Interfund Services Used	(26,835)	(6,628)	—
Other Operating Cash Payments	—	(1,028)	(102,569)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**(1,169,223)**	**1,096,168**	**332,709**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	—	—
Transfers-out	(8,841)	(1,173,051)	(8,461)
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**(8,841)**	**(1,173,051)**	**(8,461)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds, Notes and Capital Leases	—	(3,113)	—
Acquisition and Construction of Capital Assets	(3,105)	(12,602)	—
Proceeds from Sales of Capital Assets	194	—	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(2,911)**	**(15,715)**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(13,299,559)	(80,035)	—
Proceeds from the Sales and Maturities of Investments	14,564,688	138,199	—
Investment Income Received	733,408	4,827	15,024
Borrower Rebates and Agent Fees	(53,830)	(1,047)	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**1,944,707**	**61,944**	**15,024**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**763,732**	**(30,654)**	**339,272**
CASH AND CASH EQUIVALENTS, JULY 1	553,164	206,083	592,918
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 1,316,896**	**$ 175,429**	**$ 932,190**

The notes to the financial statements are an integral part of this statement.

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 35,843	$ 4,181,009
—	85,751
—	3,159,472
8,952	56,723
8,683	112,731
(8,362)	(159,642)
(76,851)	(316,313)
—	(2,475,082)
—	(2,151,607)
—	(862,656)
—	(1,265,407)
(4,318)	(37,781)
(47,546)	(151,143)
(83,599)	**176,055**
29,117	29,117
—	(1,190,353)
29,117	**(1,161,236)**
—	(3,113)
(34)	(15,741)
—	194
(34)	**(18,660)**
(194,068)	(13,573,662)
240,375	14,943,262
4,157	757,416
—	(54,877)
50,464	**2,072,139**
(4,052)	**1,068,298**
76,070	1,428,235
$ 72,018	**$ 2,496,533**

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(dollars in thousands)
(continued)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	$ (1,055,630)	$ 1,151,527	$ 323,555
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	—	—	—
Depreciation	21,216	11,018	—
Provision for Uncollectible Accounts	39,577	—	—
Decrease (Increase) in Assets:			
Intergovernmental Receivable	—	—	(398)
Premiums and Assessments Receivable	(14,159)	—	7,242
Interfund Receivable	44,353	2	—
Other Receivables	42,681	(1,852)	2,325
Other Assets	—	1,089	(380)
Increase (Decrease) in Liabilities:			
Accounts Payable	(220)	(3,990)	—
Accrued Liabilities	—	—	—
Intergovernmental Payable	—	—	(72)
Prize Awards Payable	—	(59,396)	—
Interfund Payable	—	(241)	—
Unearned Revenue	(35,238)	(390)	—
Benefits Payable	(931,201)	—	(1,241)
Refund and Other Liabilities	719,398	(1,599)	1,678
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (1,169,223)**	**$ 1,096,168**	**$ 332,709**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments	$ 668,680	$ 11,424	$ —

The notes to the financial statements are an integral part of this statement.

NONMAJOR PROPRIETARY FUNDS		TOTAL	
$	(34,908)	$	384,544
	(10,827)		(10,827)
	301		32,535
	—		39,577
	4,604		4,206
	—		(6,917)
	7,000		51,355
	(446)		42,708
	—		709
	(4,619)		(8,829)
	(202)		(202)
	—		(72)
	—		(59,396)
	(6,765)		(7,006)
	(277)		(35,905)
	(38,000)		(970,442)
	540		720,017
$	**(83,599)**	**$**	**176,055**
$	—	$	680,104

STATE OF OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/17)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ASSETS:			
Cash Equity with Treasurer	$ —	$ —	$ —
Cash and Cash Equivalents	14,498	265,835	343,265
Investments (at fair value):			
U.S. Government and Agency Obligations	17,517	—	1,265,490
Common and Preferred Stock	77,086	—	—
Corporate Bonds and Notes	17,107	—	900,941
Foreign Stocks and Bonds	5,381	—	—
Commercial Paper	—	—	3,599,397
Repurchase Agreements	—	—	716,289
Mutual Funds	515,553	11,097,107	1,932,591
Real Estate	34,011	—	—
Venture Capital	—	—	—
Direct Mortgage Loans	—	—	—
Partnership and Hedge Funds	213,806	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio)	—	—	—
Collateral on Lent Securities	—	—	—
Employer Contributions Receivable	1,859	—	—
Employee Contributions Receivable	1,446	—	—
Other Receivables	6,737	38,771	10,322
Other Assets	6	—	25
Capital Assets, Net	63	—	—
TOTAL ASSETS	**905,070**	**11,401,713**	**8,768,320**
DEFERRED OUTFLOWS OF RESOURCES	420	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**905,490**	**11,401,713**	**8,768,320**
LIABILITIES:			
Accounts Payable	774	—	—
Accrued Liabilities	5,461	4,441	800
Obligations Under Securities Lending	—	—	—
Intergovernmental Payable	—	—	—
Refund and Other Liabilities	1,074	12,349	460
TOTAL LIABILITIES	**7,309**	**16,790**	**1,260**
DEFERRED INFLOWS OF RESOURCES	26	—	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**7,335**	**16,790**	**1,260**
NET POSITION (DEFICITS):			
Restricted for:			
Employees' Pension Benefits	786,356	—	—
Employees' Postemployment Healthcare Benefits	111,799	—	—
Individuals, Organizations and Other Governments	—	11,384,923	—
Pool Participants	—	—	8,767,060
TOTAL NET POSITION (DEFICITS)	**$ 898,155**	**$ 11,384,923**	**$ 8,767,060**

The notes to the financial statements are an integral part of this statement.

AGENCY
$ 344,893
116,315
17,577,465
47,585,601
11,552,349
50,454,986
2,114,840
1,480,000
10,612,922
21,177,736
22,656,673
7,041,969
18,891,388
60,443
97,826
—
—
—
449,477
—
212,214,883
—
212,214,883
—
—
97,826
210,040
211,907,017
212,214,883
—
212,214,883
—
—
—
—
$ —

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/17)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ADDITIONS:			
Contributions from:			
Employer	$ 30,750	$ —	$ —
Employees	14,505	—	—
Plan Participants	—	7,885,656	—
Other	6,642	—	—
Total Contributions	51,897	7,885,656	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	105,056	368,241	—
Interest, Dividends and Other	17,285	420,066	121,597
Total Investment Income	122,341	788,307	121,597
Less: Investment Expense	6,389	41,984	4,967
Net Investment Income	115,952	746,323	116,630
Capital Share and Individual Account Transactions:			
Shares Sold	—	—	22,722,508
Reinvested Distributions	—	—	129,043
Shares Redeemed	—	—	(22,167,562)
Net Capital Share and Individual Account Transactions	—	—	683,989
TOTAL ADDITIONS	**167,849**	**8,631,979**	**800,619**
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries	75,396	—	—
Healthcare Benefits Paid to Participants or Beneficiaries	15,457	—	—
Refunds of Employee Contributions	1,075	—	—
Administrative Expense	1,641	—	—
Transfers to Other Retirement Systems	140	—	—
Distributions to Shareholders and Plan Participants	—	7,756,367	116,630
TOTAL DEDUCTIONS	**93,709**	**7,756,367**	**116,630**
CHANGE IN NET POSITION RESTRICTED FOR:			
Employees' Pension Benefits	64,713	—	—
Employees' Postemployment Healthcare Benefits	9,427	—	—
Individuals, Organizations and Other Governments	—	875,612	—
Pool Participants	—	—	683,989
TOTAL CHANGE IN NET POSITION	74,140	875,612	683,989
NET POSITION (DEFICITS), JULY 1	824,015	10,509,311	8,083,071
NET POSITION (DEFICITS), JUNE 30	**$ 898,155**	**$ 11,384,923**	**$ 8,767,060**

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, 2018
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 354,550	$ —	$ 2,508
Cash and Cash Equivalents	—	1,548,826	1,089,857
Investments	1,081	1,655,181	3,035,199
Collateral on Lent Securities	100,566	—	—
Restricted Assets:			
Cash and Cash Equivalents	—	—	155,740
Investments	—	—	57,023
Intergovernmental Receivable	—	21,191	43,745
Loans Receivable, Net	—	25,317	38,612
Receivable from Primary Government	—	5,344	15,014
Other Receivables	1	699,030	553,979
Inventories	—	57,908	102,771
Other Assets	—	71,973	77,175
TOTAL CURRENT ASSETS	456,198	4,084,770	5,171,623
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	—	564,656	141,483
Investments	—	—	2,221,170
Investments	—	5,376,861	2,358,410
Loans Receivable, Net	—	43,666	221,342
Other Receivables	—	70,901	192,454
Other Assets	—	—	1,552,138
Capital Assets Being Depreciated, Net	472	4,640,963	9,408,262
Capital Assets Not Being Depreciated	—	513,840	1,074,154
TOTAL NONCURRENT ASSETS	472	11,210,887	17,169,413
TOTAL ASSETS	456,670	15,295,657	22,341,036
DEFERRED OUTFLOWS OF RESOURCES	—	737,959	1,218,080
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**456,670**	**16,033,616**	**23,559,116**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	1,533	416,769	327,013
Accrued Liabilities	261	186,641	434,728
Obligations Under Securities Lending	100,566	—	—
Intergovernmental Payable	474,818	—	2,186
Unearned Revenue	—	276,496	246,530
Refund and Other Liabilities	1,193	133,041	260,589
Payable to Primary Government	—	—	8,466
Bonds and Notes Payable	—	637,230	283,079
TOTAL CURRENT LIABILITIES	578,371	1,650,177	1,562,591
NONCURRENT LIABILITIES:			
Intergovernmental Payable	333,439	—	70,320
Unearned Revenue	—	—	2,954
Refund and Other Liabilities	953	5,308,598	5,411,764
Bonds and Notes Payable	—	2,592,314	7,500,888
TOTAL NONCURRENT LIABILITIES	334,392	7,900,912	12,985,926
TOTAL LIABILITIES	912,763	9,551,089	14,548,517
DEFERRED INFLOWS OF RESOURCES	3,370,193	972,275	641,206
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**4,282,956**	**10,523,364**	**15,189,723**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	472	2,488,574	5,622,665
Restricted for:			
Transportation	—	—	172,358
Community and Economic Development	23,583	—	1,711
Nonexpendable:			
Scholarships and Fellowships	—	—	395,976
Research	—	—	81,351
Endowments and Quasi-Endowments	—	1,551,278	1,407,148
Loans, Grants and Other College and University Purposes	—	—	545,462
Expendable:			
Scholarships and Fellowships	—	—	334,542
Research	—	—	166,052
Instructional Department Uses	—	—	161,255
Student and Public Services	—	—	76,946
Academic Support	—	—	167,458
Debt Service	—	—	20,668
Capital Purposes	—	2,006	155,690
Endowments and Quasi-Endowments	—	460,960	450,766
Current Operations	—	865,827	37,791
Loans, Grants and Other College and University Purposes	—	—	496,920
Unrestricted	(3,850,341)	141,607	(1,925,366)
TOTAL NET POSITION (DEFICITS)	**$ (3,826,286)**	**$ 5,510,252**	**$ 8,369,393**

The notes to the financial statements are an integral part of this statement.

TOTAL
$ 357,058
2,638,683
4,691,461
100,566
155,740
57,023
64,936
63,929
20,358
1,253,010
160,679
149,148
9,712,591
706,139
2,221,170
7,735,271
265,008
263,355
1,552,138
14,049,697
1,587,994
28,380,772
38,093,363
1,956,039
40,049,402
745,315
621,630
100,566
477,004
523,026
394,823
8,466
920,309
3,791,139
403,759
2,954
10,721,315
10,093,202
21,221,230
25,012,369
4,983,674
29,996,043
8,111,711
172,358
25,294
395,976
81,351
2,958,426
545,462
334,542
166,052
161,255
76,946
167,458
20,668
157,696
911,726
903,618
496,920
(5,634,100)
$ 10,053,359

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
EXPENSES:			
Primary, Secondary and Other Education	$ 394,365	$ —	$ —
Transportation	—	—	241,440
Community and Economic Development	75,387	—	1,067,474
Education and General:			
Instruction and Departmental Research	—	820,057	1,407,656
Separately Budgeted Research	—	320,283	343,662
Public Service	—	147,011	181,207
Academic Support	—	182,452	495,357
Student Services	—	105,760	298,101
Institutional Support	—	233,480	551,247
Operation and Maintenance of Plant	—	126,726	341,569
Scholarships and Fellowships	—	126,284	288,498
Auxiliary Enterprises	—	322,149	675,308
Hospitals	—	3,205,120	354,587
Interest on Long-Term Debt	—	117,380	324,162
Depreciation	394	402,135	620,036
Other	—	—	101,854
TOTAL EXPENSES	**470,146**	**6,108,837**	**7,292,158**
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures	28,017	5,087,564	5,544,125
Operating Grants, Contributions and Restricted Investment Income	4,117	757,036	852,532
Capital Grants, Contributions and Restricted Investment Income	—	15,470	29,873
TOTAL PROGRAM REVENUES	**32,134**	**5,860,070**	**6,426,530**
NET PROGRAM (EXPENSE) REVENUE	**(438,012)**	**(248,767)**	**(865,628)**
GENERAL REVENUES:			
Unrestricted Investment Income	—	440,393	275,651
State Assistance	480,201	558,810	1,551,139
Other	426	262,691	461,499
TOTAL GENERAL REVENUES	**480,627**	**1,261,894**	**2,288,289**
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL	—	55,579	62,379
GAIN (LOSS) ON EXTINGUISHMENT OF DEBT	—	—	(11)
CHANGE IN NET POSITION	**42,615**	**1,068,706**	**1,485,029**
NET POSITION (DEFICITS), JULY 1 (as restated)	(3,868,901)	4,441,546	6,884,364
NET POSITION (DEFICITS), JUNE 30	**$ (3,826,286)**	**$ 5,510,252**	**$ 8,369,393**

The notes to the financial statements are an integral part of this statement.

TOTAL	
$	394,365
	241,440
	1,142,861
	2,227,713
	663,945
	328,218
	677,809
	403,861
	784,727
	468,295
	414,782
	997,457
	3,559,707
	441,542
	1,022,565
	101,854
	13,871,141
	10,659,706
	1,613,685
	45,343
	12,318,734
	(1,552,407)
	716,044
	2,590,150
	724,616
	4,030,810
	117,958
	(11)
	2,596,350
	7,457,009
$	**10,053,359**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2018, and for the year then ended, conform with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are included in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The State's significant accounting policies are as follows.

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

GASB 14, *The Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations are Component Units*, GASB 61, *The Financial Reporting Entity: Omnibus*, and GASB 80, *Blending Requirements for Certain Component Units*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
- an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

1. Blended Component Units
The Buckeye Tobacco Settlement Financing Authority (BTSFA) is a legally separate organization for which the State has financial accountability through voting majority and the State has the potential to receive a financial benefit. The BTSFA provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, for the benefit of the State. Therefore, the State reports this organization's balances and transactions as though they were part of the primary government using the blending method.

2. Fiduciary Component Units
The State Highway Patrol Retirement System is a legally separate organization that provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, for the benefit of the State. Therefore, the State reports this organization's balances and transactions separately in the fiduciary fund financial statements.

3. Discretely Presented Component Units
The component units' columns in the basic financial statements include the financial data of another 28 organizations. The separate discrete column labeled, "Component Units," emphasizes these organizations' separateness from the State's primary government. Officials of the primary government appoint a voting majority of each organization's governing board.

The primary government 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, GASB 61 and GASB 80.

B. Basis of Presentation
Government-wide Statements — The Statement of Net Position and the Statement of Activities display information about the primary government (the State) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities.

Fiduciary funds of the primary government and component units that are fiduciary in nature are reported only in the statements of fiduciary net position and changes in fiduciary net position.

For the government-wide financial statements, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the State. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources using the economic resources measurement focus and the accrual basis of accounting. The State presents the statement in a format that displays *assets and deferred outflows of resources less liabilities and deferred inflows of resources equal net position*. The *net position* section is displayed in three components:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The *Net Investment in Capital Assets* component consists of 1) capital assets, net of accumulated depreciation, and deferred outflows of resources that are attributable to the acquisition, construction, or improvements of those assets or related debt less 2) outstanding balances of any bonds or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. The portion of debt and deferred inflows of resources attributable to significant unspent related debt proceeds at year-end is not included in the calculation of this net position component.

- The *Restricted Net Position* component represents the net position with constraints placed on its use that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. For component units with permanent endowments, restricted net position is displayed in two additional components — nonexpendable and expendable. Nonexpendable net position is for those endowments that are required to be retained in perpetuity.

- The *Unrestricted Net Position* component consists of the net position that does not meet the definition of the preceding two components.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for the different business-type activities of the State. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Centralized expenses have been included in direct expenses. Indirect expenses have not been allocated to the programs or functions reported in the Statement of Activities.

Program revenues include licenses, permits and other fees, fines, forfeitures, charges paid by the recipients of goods or services offered by the programs, and grants, contributions, and investment earnings that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all tax, tobacco settlement, escheat property revenues, unrestricted investment income, and state assistance, are presented as general revenues.

Fund Financial Statements — The fund financial statements provide information about the State's funds, including the fiduciary funds and blended component units. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Governmental fund types include the General, special revenue, debt service, and capital projects funds. The proprietary funds consist of enterprise funds. Fiduciary fund types include pension trust, private-purpose trust, investment trust, and agency funds.

Operating revenues for the State's proprietary funds mainly consist of charges for sales and services and premium and assessment income since these revenues result from exchange transactions associated with the principal activity of the respective enterprise fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Revenue from the federal government for the underfunded regular and extended unemployment benefits is also reported as operating revenues for the Unemployment Compensation Fund, since this source provides significant funding for the payment of unemployment benefits – the fund's principal activity. Investment income for the Tuition Trust Authority Fund is also reported as operating revenue, since this source provides significant funding for the payment of tuition benefits. Nonoperating revenues for the proprietary funds result from nonexchange transactions or ancillary activities; nonoperating revenues are primarily comprised of investment income and federal operating grants.

Proprietary fund operating expenses principally consist of expenses for the cost of sales and services, administration, bonuses and commissions, prizes, benefits and claims, and depreciation. Nonoperating expenses principally consist of interest expense on debt and the amortization of discount on lottery prize liabilities, which is reported under "Other" nonoperating expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The State reports the following major governmental funds:

General — The General Fund, the State's primary operating fund, accounts for resources of the general government, except those required to be accounted for in another fund.

Job, Family and Other Human Services Special Revenue Fund — This fund accounts for public assistance programs primarily administered by the Ohio Department of Job and Family Services, which provides financial assistance, services, and job training to those individuals and families who do not have sufficient resources to meet their basic needs. The primary sources of revenue for this fund are licenses, permits and fees and the federal government.

Buckeye Tobacco Settlement Financing Authority Revenue Bonds Debt Service Fund — This fund accounts for the payment of principal and interest on the revenue bonds issued to fund long-lived capital projects at State-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State.

The State reports the following major proprietary funds:

Workers' Compensation Enterprise Fund — This fund accounts for the operations of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio, which provide workers' compensation insurance services.

Lottery Commission Enterprise Fund — This fund accounts for the State's lottery operations.

Unemployment Compensation Enterprise Fund — This fund, which is administered by the Ohio Department of Job and Family Services, accounts for unemployment compensation benefit claims.

The State reports the following fiduciary fund types:

Pension Trust Fund — The State Highway Patrol Retirement System Pension Trust Fund accounts for resources that are required to be held in trust for members and beneficiaries of the defined benefit plan. The financial statements for the State Highway Patrol Retirement System Pension Trust Fund are presented for the fiscal year ended December 31, 2017.

Private-Purpose Trust Fund — The Private-Purpose Trust Fund accounts for trust arrangements under which principal and income benefit participants in the Variable College Savings Plan, which is administered by the Tuition Trust Authority.

Investment Trust Fund — The STAR Ohio Investment Trust Fund accounts for the state-sponsored external investment pool, which the Treasurer of State administers for local government participants.

Agency Funds — These funds account for the receipt, temporary investment, and remittance of fiduciary resources held on behalf of individuals, private organizations, and other governments.

The State reports the following major discretely presented component unit funds:

The *Ohio Facilities Construction Commission Fund* primarily accounts for grants that provide assistance to local entities for the construction of school buildings. The fund also provides construction services for arts and sports facilities.

The *Ohio State University Fund* is a business-type activity that uses proprietary fund reporting. It reports the university's operations, including the University's health system, supercomputer center, agricultural research and development center, and other legally separate entities subject to the control of the university's board.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-wide, Enterprise Fund, and Fiduciary Fund Financial Statements — The State reports the government-wide financial statements and the proprietary fund and fiduciary fund financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The State recognizes revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions when the exchange takes place. When resources are received in advance of the exchange, the State reports the unearned revenue as a liability.

Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include derived taxes, grants, and entitlements. The revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB 65, *Items Previously Reported as Assets and Liabilities.*

Under the accrual basis, the State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred.

Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue.

Investment income includes the net increase (decrease) in the fair value of investments.

Governmental Fund Financial Statements — The State reports governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers revenues reported in the governmental funds to be available when the revenues are collectible within 60 days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Significant revenue sources susceptible to accrual under the modified accrual basis of accounting include:

- Personal income taxes
- Sales and use taxes
- Motor vehicle fuel taxes
- Charges for goods and services
- Federal government grants
- Tobacco settlement
- Investment income

The State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred and the revenues are collected during the availability period.

For revenue arising from exchange transactions (e.g., charges for goods and services), the State recognizes deferred inflows of resources when resources earned from the exchange are not received during the availability period and reports unearned revenue when resources are received in advance of exchange.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental funds recognize federal government revenue in the period when all applicable eligibility requirements have been met and resources are available. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue. The State recognizes deferred inflows of resources for reimbursement-type grant programs if the reimbursement is not received during the availability period.

Licenses, permits, fees, and certain other miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. The “Other” revenue account is comprised of refunds, reimbursements, recoveries, and other miscellaneous income.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, capital lease obligations, compensated absences, and claims and judgments. The governmental funds recognize expenditures for these liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from long-term debt issuances, including refunding bond proceeds, premiums, and acquisitions under capital leases are reported as other financing sources while discounts and payments to refunded bond escrow agents are reported as other financing uses.

D. Budgetary Process

As the Ohio Revised Code requires, the Governor submits biennial operating and capital budgets to the General Assembly.

The General Assembly approves operating appropriations in annual amounts and capital appropriations in two-year amounts.

The General Assembly enacts the budget through passage of specific departmental line-item appropriations, the legal level of budgetary control. Line-item appropriations are established within funds by program or major object of expenditure. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative override.

The State’s Controlling Board can transfer or increase a line-item appropriation within the limitations set under Sections 127.14 and 131.35, Ohio Revised Code.

All governmental funds are budgeted except the following activities within the debt service and capital projects fund types:

Improvements General Obligations
Highway Improvements General Obligations
Development General Obligations
Highway General Obligations
Public Improvements General Obligations
Vietnam Conflict Compensation General Obligations
Infrastructure Bank Revenue Bonds
Buckeye Tobacco Settlement Financing Authority Revenue Bonds
Lease Rental Special Obligations
MARCS Certificates of Participation
OAKS Certificates of Participation
STARS Certificates of Participation
TMS Certificates of Participation
EDCS Certificates of Participation
BCIRS Certificates of Participation
MARCS Project
OAKS Project
STARS Project
TMS Project

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EDCS Project
BCIRS Project

For budgeted funds, the State's Ohio Administrative Knowledge System (OAKS) controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. The State uses the modified cash basis of accounting for budgetary purposes.

The *Detailed Appropriation Summary by Fund Report* is available for public inspection at the Ohio Office of Budget and Management and on its web site at 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 *Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Fund*, the State reports estimated revenues and other financing sources and uses for the General Fund only; the State does not estimate revenue and other financing sources and uses for the major special revenue fund or its budgeted nonmajor governmental funds.

Additionally, in the non-GAAP budgetary basis schedules, "actual" budgetary expenditures include cash disbursements and outstanding encumbrances, as of June 30.

The State Highway Patrol Retirement System Pension Trust Fund, the Variable College Savings Plan Private-Purpose Trust Fund, and the STAR Ohio Investment Trust Fund are not legally required to adopt budgets. The State is not legally required to report budgetary data and comparisons for the budgeted proprietary funds. Also, the State does not present budgetary data for its discretely presented component units.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, the budgetary required supplementary information notes present a reconciliation of the differences between the GAAP basis and non-GAAP budgetary basis of reporting.

E. Cash Equity with Treasurer and Cash and Cash Equivalents
Cash equity with Treasurer consists of pooled demand deposits and investments carried at fair value. The State's cash pool under the Treasurer of State's administration has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

Cash and cash equivalents include amounts on deposit with financial institutions and cash on hand. The cash and cash equivalents account also includes investments with original maturities of three months or less from the date of acquisition for the Workers' Compensation Enterprise Fund.

The Unemployment Compensation Enterprise Fund Trust Account has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, without prior notice or penalty. The balance in the account at fiscal year-end is reported by the State as "Deposit with Federal Government" and is considered a cash equivalent for cash flow purposes.

Cash equity with Treasurer and cash and cash equivalents, including the portions reported under "Restricted Assets" and the Deposit with Federal Government are considered to be cash equivalents, as defined in GASB Statement No. 9, for purposes of the Statement of Cash Flows.

Additional disclosures on the State's deposits can be found in NOTE 4.

F. Investments
Investments include long-term investments that may be restricted by law or other legal instruments. With the exception of certain money market investments, which have remaining maturities at the time of purchase of one year or less and are carried at amortized cost, and holdings in the State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool, the State primarily reports investments at fair value. STAR Ohio reports investments at amortized cost, which approximates fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The colleges and universities report investments received as gifts at their fair value on the donation date.

The primary government does not manage or provide investment services for investments reported in the Agency Fund that are owned by other, legally separate entities that are not part of the State of Ohio's reporting entity.

Additional disclosures on the State's investments can be found in NOTE 4.

G. Taxes Receivable

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, revenue has been recognized for the receivable. In the fund financial statements, only the portion of the receivable collected during the 60-day availability period has been recognized as revenue while the remainder is recorded as deferred inflows of resources. Additional disclosures on taxes receivable can be found in NOTE 5.

H. Intergovernmental Receivable

The intergovernmental receivable balance is primarily comprised of amounts due from the federal government for reimbursement-type grant programs. Advances of resources to recipient local governments before eligibility requirements have been met under government-mandated and voluntary nonexchange programs and amounts due for exchanges of State goods and services with other governments are also reported as intergovernmental receivables. Additional details on the intergovernmental receivable balance can be found in NOTE 5.

I. Inventories

Inventories are valued at cost. Principal inventory cost methods applied include first-in/first-out, average cost, moving-average, and retail.

In the governmental fund financial statements, the State recognizes the costs of material inventories as expenditures when purchased. Inventories do not reflect current appropriable resources in the governmental fund financial statements. Therefore, the State reports an equivalent portion of fund balance as nonspendable.

J. Restricted Assets

The primary government reports assets restricted primarily for the payment of lottery prize awards payable, revenue bonds, and tuition benefits.

Generally, the component unit funds hold assets in trust under bond covenants or other financing arrangements that legally restrict the use of these assets.

K. Capital Assets

Primary Government

The State reports capital assets purchased with governmental fund resources in the government-wide financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are reported at acquisition value as of the donation date. The State does not report capital assets purchased with governmental fund resources in the fund financial statements. Governmental capital assets are reported net of accumulated depreciation, except for land, construction-in-progress, transportation infrastructure assets, and individual works of art and historical treasures, including historical land improvements and buildings. Transportation infrastructure assets are reported using the "modified approach," as discussed below, and therefore are not depreciable. Individual works of art and historical treasures, including historical land improvements and buildings, are considered to be inexhaustible, and therefore, are not depreciable.

The State reports capital assets purchased with enterprise fund resources and fiduciary fund resources in the government-wide and the fund financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are reported at acquisition value as of the donation date. Capital assets, except for land and construction-in-progress, are reported net of accumulated depreciation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The State has elected to capitalize its transportation infrastructure assets, defined as bridges, general highways, and priority highways, using the modified approach. Under this approach, the infrastructure assets are not depreciated because the State has committed itself to maintaining the assets at a condition level that the Ohio Department of Transportation (ODOT) has determined to be adequate to meet the needs of the citizenry. Costs of maintaining the bridge and highway infrastructure are not capitalized. New construction that represents additional lane-miles of highway or additional square-footage of bridge deck area and improvements that add to the capacity or efficiency of an asset are capitalized.

ODOT maintains an inventory of its transportation infrastructure capital assets, and conducts annual condition assessments to establish that the condition level that the State has committed itself to maintaining is, in fact, being achieved. ODOT also estimates the amount that must be spent annually to maintain the assets at the desired condition level.

For its other types of capital assets, the State does not capitalize the costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life. Costs of major improvements are capitalized. Interest costs associated with the acquisition of capital assets purchased using governmental fund resources are not capitalized, while those associated with acquisitions purchased using enterprise and fiduciary fund resources are capitalized.

The State does not capitalize collections of works of art or historical treasures that can be found at the Governor's residence, Malabar Farm (i.e., Louis Bromfield estate), which the Ohio Department of Natural Resources operates, the Ohio Arts Council, the State Library of Ohio, and the Capitol Square Review and Advisory Board for the following reasons:

- The collection is held for public exhibition, education, or research in furtherance of public service rather than for financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State has established the following capitalization thresholds:

Buildings	$15,000
Building Improvements	100,000
Land, including easements	All, regardless of cost
Land Improvements	15,000
Machinery and Equipment.................	15,000
Vehicles...	15,000
Infrastructure:	
Highway Network.............................	500,000
Bridge Network	500,000
Park and Natural Resources Network	All, regardless of cost

For depreciable assets, the State applies the straight-line method over the following estimated useful lives:

Buildings……………………………….	20-45 Years
Land Improvements …………..…….	10-30 Years
Machinery and Equipment…………..	3-15 Years
Vehicles ……………………………….	7-15 Years
Park and Natural Resources Infrastructure Network ………….....	10-50 Years

NOTE 8 contains additional disclosures about the primary government's capital assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Unit Funds
The discretely presented component unit funds value capital assets at cost and donated capital assets at acquisition value on the donation date. They apply the straight-line method to depreciable capital assets. Additional disclosures about the discretely presented component unit funds' capital assets can be found in NOTE 8.

L. Medicaid Claims Payable
The Medicaid claims liability, which has an average maturity of one year or less, includes an estimate for incurred, but not reported claims.

M. Noncurrent Liabilities
Government-wide Financial Statements — Liabilities whose average maturities are greater than one year are reported in two components — the amount due in one year and the amount due in more than one year. Additional disclosures as to the specific liabilities included in noncurrent liabilities can be found in NOTES 10 through 15.

Fund Financial Statements — Governmental funds recognize noncurrent liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

The proprietary funds and discretely presented component unit funds report noncurrent liabilities expected to be financed from their operations.

N. Compensated Absences
Employees of the State's primary government earn vacation leave, sick leave, and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first four years of employment, up to a maximum rate of 9.2 hours every two weeks after 24 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their full rate, 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 to 55 percent of unused sick leave.

Such leave is liquidated in cash, under certain restrictions, either annually in December, or at the time of termination from employment.

For the governmental funds, the State reports the matured compensated absences liability as a fund liability (included in the "Accrued Liabilities" account as a component of wages payable) to the extent it will be liquidated with expendable, available financial resources. For the primary government's proprietary funds and its discretely presented component unit funds, the State reports the compensated absences liability as a fund liability included in the "Refund and Other Liabilities" account.

The State's primary government accrues vacation, compensatory time, and personal leaves as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement.

Sick leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

The State's primary government accrues sick leave using the vesting method. Under this method, the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

Included in the compensated absences liability is an amount accrued for salary-related payments directly and incrementally associated with the payment of compensated absences upon termination. Such payments include the primary government's share of Medicare taxes.

For the colleges and universities, vacation and sick leave policies vary by institution.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions and Other Postemployment Benefits (OPEB)
For purposes of measuring the net pension and net OPEB liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from each fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, pension benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Health care benefits are also recognized when due and payable, net of certain health care receipts, in accordance with benefit terms. The pension systems report investments at fair value. Additional disclosures on the pension systems can be found in NOTE 9.

P. Fund Balance Classification; Budget Stabilization Fund; Net Position/Fund Balance Spending Order
Fund balance reported in the governmental fund financial statements is classified as follows:

Nonspendable
The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either 1) not in spendable form, such as prepaids and inventories or 2) legally or contractually required to be maintained intact, such as the corpus of a permanent fund.

Restricted
Fund balance amounts should be *restricted* when constraints placed on the use of resources are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted
Committed
Amounts constrained for specific purposes by formal action (i.e., legislation) of the government's highest level of decision-making authority (i.e., General Assembly) should be reported as *committed* fund balance. Committed amounts cannot be used for other purposes unless the General Assembly passes legislation to remove the constraints.

Assigned
Amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as *assigned* fund balance, except for stabilization arrangements. The intent should be conveyed by the governing body itself or through delegation to a body or official authorized on behalf of the government to assign amounts to be used for specific purposes. The Controlling Board, created under Chapter 127, Ohio Revised Code, is an example of a body delegated by the government to make assignments. The Director of the Office of Budget and Management is an example of an authorized official granted assignment authority through legislative language, including enacted budget bills. While both the committed and assigned fund balance classifications include amounts constrained for specific use by actions taken by the government itself, the authority for making an assignment is not required to be the government's highest level of decision-making authority. Amounts should not be reported as assigned if the assignment would result in a deficit in unassigned fund balance.

Unassigned
Unassigned fund balance is the residual classification for the General Fund. This classification represents spendable fund balance that has not been otherwise restricted, committed or assigned to specific purposes within the General Fund. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance due to overspending amounts that are restricted or committed.

Fund balance in the State's Budget Stabilization Fund, as discussed in Sections 131.43 and 131.44, Ohio Revised Code, does not meet the criteria to be classified as restricted or committed and is, therefore, reported as unassigned in the General Fund.

For reporting purposes, restricted amounts are generally considered to have been spent first, followed by unrestricted amounts. Within the unrestricted fund balance amounts, the spending order is generally committed, followed by assigned, and then unassigned when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classification could be used.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Risk Management
The State's primary government is self-insured for claims under its traditional healthcare plan and for vehicle liability while it has placed employee and public official fidelity bonding with a private insurer. The State self-funds tort liability although several agencies also choose to participate in private insurance programs. All State-owned buildings are covered under a catastrophic property policy that covers both real and personal property losses. All other liability risk to State property is self-funded on a pay-as-you-go basis.

While not the predominant participants, the State's primary government and its discretely presented component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their respective workers' compensation liabilities. These liabilities are reported in the governmental and proprietary funds under the "Interfund Payable" account. (See NOTE 7).

R. Interfund Balances and Activities
Interfund transactions and balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

In the fund financial statements, interfund activity within and among the three fund categories (governmental, proprietary, and fiduciary) is classified and reported as follows:

Reciprocal interfund activity is the internal counterpart to exchange and exchange-like transactions. This activity includes:

Interfund Loans — Amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

Interfund Services Provided and Used — Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and as expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net position.

Nonreciprocal interfund activity is the internal counterpart to nonexchange transactions. This activity includes:

Interfund Transfers – Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Interfund Reimbursements — Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not displayed in the financial statements.

Details on interfund balances and transfers are disclosed in NOTE 7.

S. Intra-Entity Balances and Activities
Balances due between the primary government and its discretely presented component units are reported as receivables from component units or primary government and payables to component units or primary government. For the discretely presented component units, the nature and amount of significant transactions with the primary government are disclosed in NOTE 7.

Resource flows between the primary government and its discretely presented component units are reported like external transactions (i.e., revenues and expenses).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Derivatives Instruments
The State's derivative instruments include investment derivatives and interest rate swaps. Interest rate swaps that are ineffective hedging derivatives are reported within the investment derivatives classification.

The State reports its derivative instruments at fair value in the Statement of Net Position. Changes in fair value for investment derivatives are recorded as investment income in the Statement of Activities. Changes in fair value for effective hedging derivatives are reported as deferred outflows/inflows of resources in the Statement of Net Position and disclosed in NOTE 18.

Additional disclosures on the State's investment derivatives and its hedging derivatives can be found in NOTE 4 and NOTE 10, respectively.

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

NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES, EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS

A. Restatements
Restatements of net position, as of June 30, 2017, for the primary government and discretely presented component units are presented in the following table (dollars in thousands).

Government-Wide Financial Statements:

	Governmental Activities	Business-Type Activities	Total Discretely Presented Component Units
Net Position, as of June 30, 2017, as Previously Reported	$ 18,982,495	$ 10,725,003	$ 10,036,261
Implementation of a New Accounting Standard:			
GASB Statement No. 75	(2,342,456)	(156,337)	(2,576,787)
Change in Reporting Entity:			
University of Akron..	-	-	78
Correction of an Error:			
Southern State Community College..	-	-	63
Cincinnati State Community College...	-	-	(2,606)
Total Changes in Net Position..	(2,342,456)	(156,337)	(2,579,252)
Net Position, July 1, 2017, as Restated	$ 16,640,039	$ 10,568,666	$ 7,457,009

B. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements
For the fiscal year ended June 30, 2018, the State implemented the provisions of:

GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* improves accounting and reporting by state and local governments for postemployment benefits other than pensions (OPEB). Decision-usefulness and accountability will also be enhanced through new note disclosures and required supplementary information.

GASB 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES, EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS (Continued)

GASB 85, *Omnibus 2017,* addresses practice issues identified during implementation and application of certain GASB Statements. A variety of topics are addressed including issues related to blending component units, fair value measurement and application, and pension and other postemployment benefits.

GASB 86, *Certain Debt Extinguishment Issues*, provides guidance for in-substance defeasance of debt transactions in which cash and other monetary assets acquired with only existing resources (resources other than refunding debt proceeds) are placed in an irrevocable trust for the sole purpose of extinguishing debt.

C. GASB Pronouncements for Fiscal Year 2019 Implementation
In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* The provisions of GASB 83 are effective for reporting periods beginning after June 15, 2018. This statement establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (ARO's), including obligations that may not have been previously reported. This Statement also requires disclosures related to those ARO's.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of GASB 88 are effective for reporting periods beginning after June 15, 2018. The objective of this statement is to improve note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing debt related information.

Management is assessing the impact that the new GASB pronouncements will have on the State's financial statements.

D. Extinguishments of Debt – Major Funds
As of June 30, 2018, the State had no material extinguishments of debt to report.

NOTE 3 TAX ABATEMENTS

As of June 30, 2018, the State offers the following tax abatement programs – Job Creation Credit, Sales of Qualified Property Used in an Eligible Computer Data Center (Computer Data Center), Job Retention Credit, Historic Preservation Tax Credit, Motion Picture Tax Credit and New Markets Tax Credit. The programs are described below:

Job Creation Credit
As established in Ohio Revised Code 122.17, a taxpayer proposing a project to create new jobs in the state may be granted a refundable tax credit through an agreement with the Ohio Tax Credit Authority. This tax credit applies to nonretail projects or the nonretail portion of a project only. The credit equals an agreed upon percentage of the taxpayer's "excess payroll", which is the taxpayer's "Ohio employee payroll" less "baseline payroll." "Ohio employee payroll" is compensation paid by an employer that is subject to Ohio income tax withholding requirements. "Baseline payroll" is "Ohio employee payroll," for the 12 months immediately preceding the agreement. The Ohio Tax Credit Authority must determine that the project will increase payroll; is economically sound, will provide increasing opportunities for employment, and will strengthen the economy; and the tax credit was a major factor in the decision to go forward with the project. The taxpayer is required to maintain operations at the project location for at least the greater of seven years or the term of the credit plus three years. The types of taxes to be abated are insurance, financial institutions, foreign insurance, petroleum activity, income, and commercial activity.

The tax abatements are subject to recapture if the taxpayer fails to maintain operations at the project location, or has failed to meet its commitments, which information should be included in annual reports the taxpayer is required to file.

NOTE 3 TAX ABATEMENTS (Continued)

The computer data center tax abatement, established in Ohio Revised Code 122.175, also requires job creation and is included in the job creation credit category on the following tax abatement table. Sales, storage, use or other consumption of computer data center equipment used or to be used at an eligible computer data center are exempt from the sales and use tax. To be eligible for this tax exemption, the Ohio Tax Credit Authority must determine: that the computer data center will increase payroll and the corresponding taxes withheld; the applicant is economically sound, can affect the completion of the capital investment project, and intends to maintain operations at the project site for the term of agreement; and the exemption was a major factor in the applicant's decision to be part of the capital investment project. The taxpayer operating a computer data center at the project site will, in the aggregate, pay annual compensation that is subject to the withholding obligation of at least $1.5 million to employees at the eligible computer data center. If it is determined that a taxpayer who received the exemption no longer meets eligibility criteria, and/or is no longer in compliance with the agreement, the agreement may be terminated or the taxpayer may have to pay to the state all or a portion of the taxes the taxpayer would have owed.

Job Retention Credit

The job retention credit, established in Ohio Revised Code 122.171, allows an eligible business to be granted a nonrefundable tax credit through an agreement with the Ohio Tax Credit Authority. The credit is equal to a designated percentage of the taxpayer's Ohio employee payroll. The taxpayer is required to maintain operations at the project location for at least the greater of seven years or the term of the credit plus three years. The taxpayer must also retain at least 500 full-time equivalent employees at the project site and within this state for the entire term of the credit, or the taxpayer must maintain an annual Ohio employee payroll of at least $35 million dollars for the entire term of the credit. The types of taxes to be abated are insurance, financial institutions, foreign insurance, petroleum activity, income, and commercial activity.

The tax abatements are subject to recapture if the taxpayer fails to maintain operations at the project location, or has failed to meet its commitments, which information should be included in annual reports the taxpayer is required to file.

Historic Preservation Tax Credit

Ohio Revised Code section 149.311 establishes the historic preservation tax credit. The program provides a tax credit to leverage the private redevelopment of historically designated buildings. The State uses a cost-benefit analysis to determine whether rehabilitation of the historic building will result in a net revenue gain in state taxes once the building is placed into use. The analysis must be completed prior to eligibility approval. The credit shall equal 25 percent of the taxpayer's qualified rehabilitation expenditures. The credit claimed shall not exceed $5 million for any calendar or tax year. Tax credits received by the applicant shall be deemed to be an unpaid tax assessment subject to collection if all required criteria are not met. The tax credit can be applied to the financial institution tax, foreign and domestic insurance taxes and individual income tax.

Motion Picture Tax Credit

The motion picture tax credit is established by Ohio Revised Code 122.85. A refundable tax credit may be claimed for Ohio production expenditures by eligible motion picture productions. The credit equals 30 percent of eligible expenditures. The credit is based on the lesser of initially-budgeted production expenditures or actual production expenditures. No credits will be issued until a minimum of $300 thousand in eligible expenditures have been made. The total amount of issued credits may not exceed $40 million per fiscal year. The abated tax types are insurance, financial institutions, foreign insurance, and income tax.

No tax credits may be taken until the production is complete and a report has been filed showing the expenses that were incurred, which provides the basis for determining the amount of the tax credit. The Department of Taxation has the authority, under Ohio Revised Code 122.85(C)(3), to examine the claimed expenses for validity.

NOTE 3 TAX ABATEMENTS (Continued)

New Markets Tax Credit
Ohio Revised Code sections 5725.33, 5726.54, and 5729.16 establish the new markets tax credit. Taxpayers with an equity investment in a qualified community development entity may claim a nonrefundable tax credit equal to a designated percentage of the adjusted purchase price of qualified low-income community investments. The credit percentage is zero percent in the first two years of the investment, seven percent in the third year of the investment, and eight percent in the following four years. The taxes abated are insurance, financial institutions, and foreign insurance.

The foregone revenue through tax abatements for fiscal year 2018 is presented in the following table (dollars in thousands):

Abatement Program	Amount of Taxes Abated
Job Creation Credit	$ 148,550
Job Retention Credit	52,801
Historic Preservation Tax Credit	26,740
Motion Picture Tax Credit	15,839
New Markets Tax Credit	5,051
Total of Tax Abatements	$ 248,981

NOTE 4 DEPOSITS AND INVESTMENTS

A. Legal Requirements
The deposit and investment policies of the Treasurer of State and the State Board of Deposit are governed by the Uniform Depository Act, Chapter 135, Ohio Revised Code, which requires state moneys to be maintained in one of the following three classifications:

Active Deposits – Moneys required to be kept in cash or near cash status to meet current demands. Such moneys must be maintained either as cash in the State’s treasury or in any of the following: a commercial account that is payable or about to be withdrawn, in whole or in part, on demand, a negotiable order of withdrawal account, a money market deposit account or a designated warrant clearance account.

Inactive Deposits – Those moneys not required for use within the current two year period of designation of depositories. Inactive moneys may be deposited or invested only in certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Deposits – Those moneys not required for immediate use, but needed before the end of the current period of designation of depositories. Interim deposits may be deposited or invested in the following instruments:

- US Treasury bills, notes, bonds or other obligations or securities issued by or guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
- Bonds and other direct obligations of the State of Ohio issued by the Treasurer of State and of the Ohio Public Facilities Commission, the Ohio Housing Finance Agency, the Ohio Water Development Authority, and the Ohio Turnpike and Infrastructure Commission;
- Commercial paper issued by any corporation that is incorporated under the laws of the United States or a state;
- Written repurchase agreements with any eligible Ohio financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any registered U.S. government securities dealer;
- No-load money market mutual funds;

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- Securities lending agreements with any eligible financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer;
- Bankers' acceptances of any domestic bank or federally chartered domestic branch office of a foreign bank;
- Certificates of deposit in the eligible institutions applying for interim moneys as provided in section 135.08 of the Ohio Revised Code, including linked deposits, as authorized under Sections 135.61 to 135.67, Ohio Revised Code, agricultural linked deposits, as authorized under Sections 135.71 to 135.76, Ohio Revised Code, business linked deposits as authorized under Sections 135.77 to 135.774, Ohio Revised Code, and housing linked deposits, as authorized under Sections 135.81 to 135.87, Ohio Revised Code;
- The Treasurer of State's investment pool, as authorized under section 135.45, Ohio Revised Code;
- The Treasurer of State's STAR Plus program;
- Debt interests, other than commercial paper as described above, of corporations incorporated under the laws of the United States or a state, or foreign nations diplomatically recognized by the United States, or any instrument based on, derived from, or related to such interests that are denominated and payable in U.S. funds;
- Bonds, notes, and other obligations of any state or political subdivision thereof;
- Obligations of a board of education, as authorized under Section 133.10, Ohio Revised Code; and
- Obligations of a political subdivision issued under Chapter 133, Ohio Revised Code.

The reporting entity's deposits must be held in insured depositories approved by the State Board of Deposit 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, 9th Floor, Columbus, Ohio 43215, by calling 1-800-648-7827, or by accessing the Treasurer of State's website at www.tos.ohio.gov.

C. Deposit and Investment Risks

Although exposure to risks is minimized by complying with the legal requirements explained above and internal policies adopted by the Treasurer of State and the investment departments at the various state agencies, the State's deposits and investments are exposed to risks that may lead to losses of value.

The following risk disclosures report investments by type. The "U.S. Agency Obligations" category includes securities issued by federal government agencies and instrumentalities, including government sponsored enterprises.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

1. Custodial Credit Risk

Custodial credit risk for deposits exists when a government is unable to recover deposits or recover collateral securities that are in the possession of an outside party in the event of a failure of a depository financial institution.

Deposits of the primary government and its component units are exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

In Ohio, legal requirements for depositor-governments are met when deposits are collateralized with securities held by the pledging institution's trust department or agent in an account indicating the public depositor's security interest in the securities, 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.

The table below reports the carrying amount of deposits, as of June 30, 2018, held by the primary government, including fiduciary activities, and its major discretely presented component units and the extent of exposure to custodial credit risk.

Primary Government (including Fiduciary Activities) and Major Discretely Presented Component Unit
Deposits—Custodial Credit Risk
As of June 30, 2018
(dollars in thousands)

			Uninsured Portion of Reported Bank Balance		
	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
Primary Government	$ 1,352,652	$ 1,251,915	$ 40,594	$ 28,654	$ -
Major Discretely Presented Component Unit:					
Ohio State University..	1,921,297	1,903,577	-	-	1,895,933

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, 2018, 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, 2018
(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
Investments Subject to Custodial Credit Risk Exposure:		
U.S. Government Obligations	$ 22,547,591	$ -
U.S. Government Obligations—Strips	1,163,931	793,977
U.S. Agency Obligations	5,273,330	-
U.S. Agency Obligations—Strips	180,328	-
Common and Preferred Stock	53,726,669	-
Corporate Bonds and Notes	18,537,392	-
Corporate Bonds and Notes—Strips	517	-
Municipal Obligations	585,974	-
Negotiable Certificates of Deposit	366,784	-
Commercial Paper	6,832,084	-
Repurchase Agreements	2,548,770	-
Mortgage and Asset-Backed Securities	7,658,917	-
International Investments:		
Foreign Stocks	40,208,420	-
Foreign Bonds	3,578,985	-
High-Yield and Emerging Markets Fixed Income	8,362,801	-
Securities Lending Collateral:		
Commercial Paper	241,544	-
Repurchase Agreements	2,091,361	-
Variable Rate Notes	791,128	-
		$ 793,977
Investments Not Subject to Custodial Credit Risk Exposure:		
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:		
U.S. Government Obligations	2,981,065	
U.S. Government Obligations—Strips	53,529	
U.S. Agency Obligations	57,441	
Corporate Bonds and Notes	63,415	
International Investments-Commingled Equity Funds	7,248,010	
Equity Mutual Funds	14,222,393	
Bond Mutual Funds	10,168,621	
Real Estate	24,461,559	
Venture Capital	22,656,673	
Partnerships and Hedge Funds	19,105,194	
Deposit with Federal Government	932,190	
Component Units' Equity in State Treasurer's Cash and Investment Pool	(457,624)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio	(777,395)	
Total Investments — Primary Government	$ 275,411,597	

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following table reports investments with custodial credit risk exposure for the major discretely presented component unit. The Ohio Facilities Construction Commission Component Unit also participates in the State Treasurer's Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission's share of the pool are included in the disclosures for the Primary Government. The Ohio State University's policy is to hold investments in custodial accounts with the securities registered solely in the name of the university.

Major Discretely Presented Component Unit
Investment Custodial Credit Risk
As of June 30, 2018
(dollars in thousands)

Ohio State University:	Fair Value	Uninsured, Unregistered, and Held by the Counterparty but not in the Component Unit's Name
U.S. Government Obligations	$ 542,456	$ 542,456
U.S. Agency Obligations	101,834	101,834
Common and Preferred Stock	319,135	319,135
Corporate Bonds and Notes	1,099,320	1,099,320
Municipal Obligations	13,813	13,813
Negotiable Certificates of Deposit	628,727	628,727
Commercial Paper	39,501	39,501
International Investments:		
Foreign Stocks	348,018	348,018
Foreign Bonds	14,526	14,526
Securities Lending Collateral:		
Commercial Paper	1,228	1,228
Repurchase Agreements	19,014	19,014
Variable Rate Notes	19,268	19,268
Total Ohio State University		$ 3,146,840

2. Credit Risk

The risk that an investment's issuer or counterparty will not satisfy its obligation is called credit risk. The exposure to this risk has been minimized through the laws and policies adopted by the State.

For investments that are included in the treasury's cash and investment pool and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires such investments to carry certain credit ratings at the time of purchase as follows:

- Commercial paper must carry ratings in the two highest categories by two nationally recognized rating agencies;
- Debt interests (other than commercial paper) must carry ratings in the three highest categories by two nationally recognized rating agencies. This requirement is met when either the debt interest or the issuer of the debt interest carries this rating;
- No-load money market mutual funds must carry a rating of the highest category by one nationally recognized rating agency; and
- Bonds and notes of any other State or political subdivision thereof must be rated in the three highest categories by one nationally recognized rating agency.

Investment policies of the Treasurer of State's Office further define required credit ratings as follows:

- Commercial paper must have a short-term debt rating of at least "A-1" by Standard & Poor's and an equivalent rating by one other nationally recognized rating agency;
- Bonds and notes of any other State or political subdivision thereof must be rated in the three highest categories by Standard & Poor's;

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- Corporate bonds and notes must be rated in the three highest categories by two nationally recognized rating agencies;
- Banker acceptances must carry a minimum of “A+” for long-term debt (“AAA” for foreign issuers) by a majority of the nationally recognized rating agencies rating the issuer. For short-term debt, the rating must be at least “A-1” or equivalent by at least two nationally recognized rating agencies;
- Foreign debt, or the implicit rating of the issuer of the debt, must be rated in one of the three highest categories by at least two nationally recognized rating agencies;
- Repurchase agreements must, in the case when issued by a counterparty that is not either: an Ohio financial institution that is a member of the Federal Reserve System, or a Federal Home Loan Bank, or a recognized government securities dealer, then such counterparty must have a short-term debt rating of at least A-1 by Standard & Poor’s, or, if the counterparty is not explicitly rated A-1 by Standard & Poor’s, then the counterparty must possess a guarantee from a Standard & Poor’s-rated parent company; and
- Registered investment companies open-end, no-load money market mutual funds must be rated “AAA” or “AAAm” by Standard & Poor’s.

Investment policies regarding credit risk that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State’s reporting entity are as follows:

Workers’ Compensation Enterprise Fund
The Fund requires investment-grade ratings by at least two of the following nationally-recognized bond rating services: Moody’s, Fitch or Standard & Poor’s, for fixed income securities. If only one of the rating services rates a security, the rating must be investment grade.

Variable College Savings Plan Private-Purpose Trust Fund
The fixed income portfolio should consist primarily of domestic investment grade bonds and may be partially invested in below investment grade bonds. Any portion of the portfolio in below-investment grade securities should be mostly invested in “BB” and “B” rated securities.

STAR Ohio Investment Trust Fund
Investment policies governing the STAR Ohio external investment pool generally require that all securities must be rated the equivalent of “A-1+” or “A-1” by Standard & Poor’s rating agency. Exceptions to the general policy are: mutual funds must be rated AAA or AAAm by Standard and Poor’s, while commercial paper, corporate bonds and notes, and bankers’ acceptances must have a second equivalent rating from another nationally recognized rating agency, and municipal obligations must be rated in the three highest categories by Standard & Poor’s.

Retirement Systems Agency Fund
For the Ohio Public Employees Retirement System, the percentage by market value of non-investment grade securities in the Fixed Income Asset Class will be within 15 percentage points of the percentage by market value of non-investment grade securities in the Fixed Income Aggregate Benchmark.

For the Ohio Police and Fire Pension Fund,

- Securities in the core fixed income portfolio shall be rated “BBB-” or better by two standard rating agencies at the time of the purchase;
- Securities in the high yield fixed income portfolio are high yield bonds issued by U.S. corporations with a minimum rating of “CCC” or equivalent;
- Investment managers may purchase securities in the portfolios mentioned above that are “Not Rated” 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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The Ohio Facilities Construction Commission Component Unit also participates in the State Treasurer's Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission's share of the pool are included in the disclosures for the Primary Government.

All investments, as categorized by credit ratings in the tables below and on the following page, meet the requirements of the State's laws and policies, when applicable.

Primary Government (including Fiduciary Activities)
Investment Credit Ratings
As of June 30, 2018
(dollars in thousands)

Investment Type	Credit Rating AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ 348,016	$ 4,948,217	$ 3,413	$ 1,755	$ 322	$ -
U.S. Agency Obligations-Strips	26,535	153,793	-	-	-	-
Corporate Bonds and Notes	770,542	1,648,574	6,082,482	6,042,526	2,000,791	1,458,335
Corporate Bonds and Notes-Strips	481	-	-	-	-	-
Municipal Obligations	70,951	367,771	124,605	19,643	1,398	445
Negotiable Certificates of Deposit	349,788	4,701	-	-	-	-
Commercial Paper	1,308,289	851,683	4,169,595	1,015	-	-
Repurchase Agreements	1,050,000	430,000	-	-	-	-
Mortgage and Asset-Backed Securities	3,808,164	2,668,312	192,787	237,593	120,131	47,629
Bond Mutual Funds	7,074,406	1,728,605	360,815	62,820	566,235	31,547
International Investments:						
Foreign Bonds	370,571	369,343	805,682	1,138,666	410,035	189,594
High-Yield and Emerging Markets Fixed Income	77,622	94,554	1,198,039	2,086,519	2,044,413	2,041,953
Securities Lending Collateral:						
Commercial Paper	-	-	241,544	-	-	-
Repurchase Agreements	-	-	1,257,500	833,861	-	-
Variable Rate Notes	-	14,989	776,139	-	-	-
Bond Mutual Funds	54,994	-	-	-	-	-
Total Primary Government	$15,310,359	$13,280,542	$15,212,601	$ 10,424,398	$5,143,325	$ 3,769,503

Investment Type	Credit Rating CCC/Caa	CC/Ca	C	D	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$ -	$ 29,048	$ 5,330,771
U.S. Agency Obligations-Strips	-	-	-	-	-	180,328
Corporate Bonds and Notes	274,458	4,811	991	9,159	308,138	18,600,807
Corporate Bonds and Notes-Strips	-	-	1	-	35	517
Municipal Obligations	-	438	-	34	689	585,974
Negotiable Certificates of Deposit	-	-	-	-	12,295	366,784
Commercial Paper	-	-	-	-	501,502	6,832,084
Repurchase Agreements	-	-	-	-	1,068,770	2,548,770
Mortgage and Asset-Backed Securities	71,700	70,519	3,044	45,529	393,509	7,658,917
Bond Mutual Funds	6,349	-	-	-	282,850	10,113,627
International Investments:						
Foreign Bonds	39,135	6,581	-	65	249,313	3,578,985
High-Yield and Emerging Markets Fixed Income	384,357	49,106	4,578	53,731	327,929	8,362,801
Securities Lending Collateral:						
Commercial Paper	-	-	-	-	-	241,544
Repurchase Agreements	-	-	-	-	-	2,091,361
Variable Rate Notes	-	-	-	-	-	791,128
Bond Mutual Funds	-	-	-	-	-	54,994
Total Primary Government	$ 775,999	$ 131,455	$ 8,614	$ 108,518	$3,174,078	$67,339,392

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Units
Investment Credit Ratings
As of June 30, 2018
(dollars in thousands)

Ohio State University:

	Credit Rating					
Investment Type	AAA/Aaa	AA/Aa	A/A	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ 3,303	$ 49,377	$ 41,579	$ -	$ -	$ -
Corporate Bonds and Notes	59,972	174,267	455,977	308,793	17,706	4,650
Municipal Obligations	1,192	6,033	2,892	3,125	-	-
Negotiable Certificates of Deposit	-	-	-	-	-	-
Commercial Paper	-	-	37,507	1,994	-	-
Bond Mutual Funds	76,825	5,131	16,332	8,223	1,457	739
Foreign Bonds	2,873	3,029	5,236	3,331	-	-
Securities Lending Collateral:						
Commercial Paper	-	-	1,228	-	-	-
Repurchase Agreements	-	-	-	-	-	-
Variable Rate Notes	-	6,361	12,907	-	-	-
Total Ohio State University	$ 144,165	$ 244,198	$ 573,658	$ 325,466	$ 19,163	$ 5,389

Ohio State University (continued):

	Credit Rating		
Investment Type	CCC/Caa	Unrated	Total
U.S. Agency Obligations	$ -	$ 7,575	$ 101,834
Corporate Bonds and Notes	-	77,955	1,099,320
Municipal Obligations	300	271	13,813
Negotiable Certificates of Deposit	-	628,727	628,727
Commercial Paper	-	-	39,501
Bond Mutual Funds	1,010	20	109,737
Foreign Bonds	-	57	14,526
Securities Lending Collateral:			
Commercial Paper	-	-	1,228
Repurchase Agreements	-	19,014	19,014
Variable Rate Notes	-	-	19,268
Total Ohio State University	$ 1,310	$ 733,619	$ 2,046,968

At June 30, 2018, the Ohio Facilities Construction Commission had $1.1 million invested in Bond Mutual Funds with a credit rating of AAA.

Descriptions of the investment credit ratings shown in the tables are as follows:

Rating	General Description of Credit Rating
AAA/Aaa	Extremely strong
AA/Aa	Very strong
A/A-1	Strong
BBB/Baa	Adequate
BB/Ba	Less vulnerable
B	More vulnerable
CCC/Caa	Currently vulnerable to nonpayment
CC/Ca	Currently highly vulnerable to nonpayment
C	Currently highly vulnerable to nonpayment due to certain conditions (e.g., filing of bankruptcy petition or similar action by issuer)
D	Currently highly vulnerable to nonpayment for failure to pay by due date

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

3. Concentration of Credit Risk

The potential for loss of value increases when investments are not diversified. The State has imposed limits on the types of authorized investments to prevent this type of loss.

For investments that are included in the treasury's cash and investment pool, and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires the following:

- Investments in commercial paper may not exceed 40 percent of the State's total average portfolio;
- Bankers acceptances cannot exceed ten percent of the State's total average portfolio;
- Debt interest (other than commercial paper) shall not exceed 25 percent of the State's total average portfolio, and when combined with commercial paper, the amount of a single issuer may not exceed five percent of the total average portfolio; and
- Debt interests in foreign nations may not exceed two percent of the State's portfolio.

Investment policies of the Treasurer of State further restrict concentrations of investments. Maximum concentrations are as follows:

Investment Type	Maximum % of Total Average Portfolio
U.S. Treasury	100
Federal Agency (fixed rate)	100
Federal Agency (callable)	55
Federal Agency (variable rate)	10
Repurchase Agreements	50
Bankers' Acceptances	10
Commercial Paper	40
Corporate Notes	25
Foreign Notes	2
Certificates of Deposit	20
Municipal Obligations	20
STAR Ohio	25
Mutual Funds	100

The investment policies of the Treasurer of State's Office also specify that:

- Commercial paper, when combined with investments in other corporate obligations of a single issuer, are further limited to no more than five percent of the book value of the portfolio;
- Bankers' Acceptances are further limited to no more than five percent of the book value of the portfolio in any single issuer;
- Mutual funds are limited in that the Treasurer's holdings in a single mutual fund cannot be more than ten percent of the total assets of that mutual fund, nor more than 10 percent of the book value of the portfolio;
- Repurchase Agreements are limited in that any one counterparty may not exceed 10 percent of the book value of the portfolio; and
- Municipal obligations are limited to no more than 2.5 percent of the book value of the portfolio in any single issuer.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investment policies regarding concentration of investments that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State's reporting entity are as follows:

Lottery Commission Enterprise Fund
No more than two percent of the total average portfolio may be invested in the securities of any single issuer with the following exceptions: U.S. government obligations, 100 percent maximum; repurchase agreements, limited at the lesser of five percent or $250 million; and mutual funds, 10 percent maximum.

State Highway Patrol Retirement System Pension Trust Fund
Policy prohibits the investment of more than 10 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 limited to no more than five percent of the net assets except as follows:

- U.S. Treasury obligations, limited at 100 percent;
- U.S. Agency obligations, limited to 100 percent with no single U.S. Agency exceeding 33 percent unless maturing in 30 days or less and rated AA- or higher;
- Repurchase agreements with terms to maturity of five days or less, limited at 100 percent; investments with any one counterparty limited at a maximum of five percent for A-2 rated counterparties, a maximum of 25 percent for A-1 rated counterparties, and at a maximum of 50 percent for A-1+ rated counterparties, with further limitations based on the maturity of the investment;
- Mutual funds, limited at 100 percent; with no more than 10 percent of the total average portfolio invested in any single mutual fund and limited to STAR Ohio representing no more than 10 percent of the total assets under management of any single mutual fund;
- Corporate obligations, limited to 25 percent, and when added to investments in commercial paper, no more than five percent invested with any single issuer;
- Municipal bonds, limited at 10 percent and limited to no more than 2.5 percent with any single issuer;
- Commercial paper, limited to 40 percent, and when added to investments in other corporate obligations, no more than five percent invested with any single issuer; and
- Bankers' acceptances, limited at 10 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 10 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 10 percent of the portfolio may be invested in securities of a single issue or issuer, unless approved by the Board of Trustees.

As of June 30, 2018, 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
STAR Ohio Investment Trust Fund:		
Federal Home Loan Bank	$ 799,248	8%
Federal Farm Credit Bank	524,882	5%

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

4. Interest Rate Risk

Certain of the State's investments are exposed to interest rate risk. This risk exists when changes to interest rates will negatively impact the fair value of an investment. The State has adopted laws and policies to mitigate this risk.

For investments that are included in the treasury's cash and investment pool and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires that Bankers Acceptances must mature in 270 days or less.

Investment policies governing the treasury's cash and investment pool, which is reported as "Cash Equity with Treasurer" and is managed by the Treasurer of State's Office, limit maturities of short term investments to no more than 18 months with a weighted average maturity not to exceed 90 days. For long-term investments, maturities are limited to five years or less, except for those that are matched to a specific obligation or debt of the State. A duration target of three years or less has been established for long-term investments. Policy also limits maturities for specific investment types as follows:

- Corporate notes - five years;
- Commercial paper - 270 days;
- Repurchase agreements - 90 days; and
- Foreign debt - five years.

Investment policies regarding investment maturities that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State's reporting entity are as follows:

Workers' Compensation Enterprise Fund

Policy requires each fixed-income portfolio to be invested with duration characteristics that are within a range consistent with Bloomberg Barclay's Fixed Income Index ranges.

Lottery Commission Enterprise Fund

Investments are required to have maturities of 30 years or less. In no case may the maturity of an investment exceed the expected date of disbursement of those funds.

Variable College Savings Plan Private-Purpose Trust Fund

Policy requires the fixed-income portfolio to be invested with duration characteristics that are within a range consistent with Barclay's Aggregate Index ranges.

STAR Ohio Investment Trust Fund

Investment policies limit maturities of investments to a final stated maturity of 397 days or less, with a 762 day limit for floating rate U.S. Treasury and U.S. Agency obligations. Repurchase agreements are limited to maturities of 30 days and both commercial paper and bankers' acceptances are limited to maturities of 270 days.

Retirement Systems Agency Fund

The Fixed Income Policy of the Ohio Public Employees Retirement System requires that the Fixed Income Asset Class duration will be within 20 percent of the option-adjusted duration of the aggregate market value weighted Fixed Income sub-asset class benchmarks.

As of June 30, 2018, investments reported as "Cash Equity with Treasurer" have terms that make their fair values highly sensitive to interest rate changes. The U.S. agency obligations investment type includes $1.29 billion with call dates in fiscal years 2019 and 2020, and maturity dates from fiscal years 2019 through 2023. The Corporate Bonds and Notes investment type has $352.4 million with call dates and maturity dates from fiscal years 2019 through 2023.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Additionally, several investments reported as “Investments” have terms that make their fair values highly sensitive to interest rate changes. U.S. agency obligations of $8.7 million have call dates in fiscal year 2019, and maturity dates in fiscal years 2019 through 2022. Corporate bonds in the amount of $272.5 million have call dates in fiscal year 2019, and maturity dates in fiscal years 2019 and 2020.

Also, during fiscal year 2018, the Treasurer of State acted as the custodian of the Retirement Systems Agency Fund’s investments. These investments may contain terms that make their fair values highly sensitive to interest rate changes. Specific information on the nature of the investments and their terms can be found in each respective retirement system’s Comprehensive Annual Financial Report.

The table below and on the following page list the investment maturities of the investments for the primary government, including fiduciary activities, and its major discretely presented component units. All investments at June 30, 2018, meet the requirements of the State’s laws and policies, when applicable. The Ohio Facilities Construction Commission Component Unit Fund also participates in the State Treasurer’s Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission’s share of the pool are included in the disclosures for the Primary Government.

Primary Government (including Fiduciary Activities)
Investments Subject to Interest Rate Risk
As of June 30, 2018
(dollars in thousands)

Investment Type	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 7,590,973	$ 9,939,329	$ 4,998,920	$ 2,999,434	$ 25,528,656
U.S. Government Obligations - strips	428,379	508,769	91,626	188,686	1,217,460
U.S. Agency Obligations	2,103,404	2,333,532	220,405	673,430	5,330,771
U.S. Agency Obligations-strips	50,637	101,532	21,692	6,467	180,328
Corporate Bonds and Notes	2,407,624	5,153,582	4,368,259	6,671,342	18,600,807
Corporate Bonds and Notes - Strips	-	-	-	517	517
Municipal Obligations	1,524	7,420	13,957	563,073	585,974
Negotiable Certificates of Deposit	356,234	10,550	-	-	366,784
Commercial Paper	6,832,084	-	-	-	6,832,084
Repurchase Agreements	2,548,770	-	-	-	2,548,770
Mortgage and Asset-Backed Securities	226,394	1,478,223	481,215	5,473,085	7,658,917
Bond Mutual Funds	6,625,673	700,847	1,333,834	1,453,273	10,113,627
International Investments:					
Foreign Bonds	340,317	1,039,973	880,561	1,318,134	3,578,985
High-Yield and Emerging Markets Fixed Income	523,986	2,373,015	3,258,383	2,207,417	8,362,801
Securities Lending Collateral:					
Commercial Paper	241,544	-	-	-	241,544
Repurchase Agreements	2,091,361	-	-	-	2,091,361
Variable Rate Notes	791,128	-	-	-	791,128
Bond Mutual Funds	54,994	-	-	-	54,994
Total Primary Government	$ 33,215,026	$ 23,646,772	$ 15,668,852	$ 21,554,858	$ 94,085,508

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Units
Investments Subject to Interest Rate Risk
As of June 30, 2018
(dollars in thousands)

Ohio State University: Investment Type	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 425,816	$ 100,160	$ 1,263	$ 15,217	$ 542,456
U.S. Agency Obligations	4,215	32,493	13,109	52,017	101,834
Corporate Bonds and Notes	269,053	735,521	41,510	53,236	1,099,320
Municipal Obligations	5,574	5,386	49	2,804	13,813
Negotiable Certificates of Deposit	628,727	-	-	-	628,727
Commercial Paper	39,501	-	-	-	39,501
Bond Mutual Funds	7,976	56,420	29,683	15,658	109,737
International Investments:					
Foreign Bonds	5,214	8,129	-	1,183	14,526
Securities Lending Collateral:					
Commercial Paper	1,228	-	-	-	1,228
Repurchase Agreements	19,014	-	-	-	19,014
Variable Rate Notes	19,268	-	-	-	19,268
Total Ohio State University	$ 1,425,586	$ 938,109	$ 85,614	$ 140,115	$ 2,589,424

At June 30, 2018, the Ohio Facilities Construction Commission had $1.1 million invested in Bond Mutual Funds with a maturity of less than one year.

5. Foreign Currency Risk

Investments in stocks and bonds denominated in foreign currencies are affected by foreign currency risk which arises from changes in currency exchange rates.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2018, 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, 2018
(dollars in thousands)

	Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	Commingled International Equity	Total
Argentinean Peso	$ 2,679	$ 1,935	$ 86,963	$ -	$ 91,577
Australian Dollar	963,517	-	-	133,893	1,097,410
Bermudian Dollar	-	-	-	3,157	3,157
Brazilian Real	598,183	256	385,418	41,608	1,025,465
British Pound	3,455,741	3,055	-	387,244	3,846,040
Canadian Dollar	1,222,486	4,355	-	190,024	1,416,865
Chilean Peso	73,182	863	85,565	7,990	167,600
Chinese Renminbi	34,731	(353)	144	210,195	244,717
Colombian Peso	6,119	-	218,126	3,416	227,661
Czech Koruna	25,000	521	98,277	1,186	124,984
Danish Krone	391,933	-	-	32,483	424,416
Dominican Peso	-	-	17,336	-	17,336
Egyptian Pound	10,831	-	67,834	985	79,650
Euro	5,234,277	(4,698)	23,547	687,765	5,940,891
Georgian Lari	-	-	10,482	-	10,482
Ghana Cedi	-	-	42,670	-	42,670
Hong Kong Dollar	2,636,844	-	-	91,623	2,728,467
Hungarian Forint	29,846	-	80,724	2,000	112,570
Indian Rupee	743,923	-	81,482	61,408	886,813
Indonesian Rupiah	208,937	1,626	309,580	13,594	533,737
Israeli Shekel	47,866	-	-	10,144	58,010
Japanese Yen	4,439,772	(94)	-	470,149	4,909,827
Kenya Shilling	1,698	-	16,030	-	17,728
Macau Pataca	-	-	-	2,778	2,778
Malaysian Ringgit	129,230	-	161,355	17,761	308,346
Manx Pound	-	-	-	1,501	1,501
Mexican Peso	126,768	(2,255)	381,322	21,365	527,200
Morocan Dirham	1,603	-	-	-	1,603
New Zealand Dollar	49,345	-	-	4,132	53,477
Nigerian Naira	22,307	-	27,665	-	49,972
Norwegian Krone	266,137	-	-	14,486	280,623
Pakistani Rupee	-	-	-	568	568
Papua New Guinea Kina	-	-	-	1,289	1,289
Peruvian New Sol	964	-	70,498	375	71,837
Philippines Peso	61,227	(3,452)	4,137	6,900	68,812
Polish Zloty	118,942	365	316,070	7,996	443,373
Qatari Rial	12,099	-	-	5,905	18,004
Romanian Leu	1,596	330	18,515	-	20,441
Russian Ruble	57,498	582	334,578	25,152	417,810
Singapore Dollar	286,211	-	-	24,899	311,110
South African Rand	552,631	(1,761)	311,091	45,958	907,919
South Korean Won	1,525,940	-	-	104,043	1,629,983
Sri Lankan Rupee	-	-	10,236	-	10,236
Swedish Krona	377,794	-	-	49,805	427,599
Swiss Franc	1,330,798	-	-	165,462	1,496,260
Taiwan Dollar	927,506	(242)	-	82,979	1,010,243
Thailand Baht	287,369	-	84,742	15,413	387,524
Turkish Lira	209,370	423	242,079	5,436	457,308
Ugandan Shilling	-	-	8,902	-	8,902
United Arab Emirates Dirham	37,374	-	-	4,580	41,954
Uruguayan Peso	-	-	80,580	-	80,580
Vietnamese Dong	9,372	-	-	-	9,372
Zambian Kwacha	-	-	7,504	-	7,504
Investments Held in Foreign Currency	$ 26,519,646	$ 1,456	$ 3,583,452	$ 2,957,647	$ 33,062,201
Foreign Investments Held in U.S. Dollars					26,336,015
Total Foreign Investments - Primary Government, including Fiduciary Activities					$ 59,398,216

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Unit
International Investments—Foreign Currency Risk
As of June 30, 2018
(dollars in thousands)

Ohio State University

Currency	Stocks	Bonds	Commingled International Equity	Total
Australian Dollar	$ 2,933	$ -	$ -	$ 2,933
Brazilian Real	4,477	-	-	4,477
British Pound	60,906	2,509	75,012	138,427
Canadian Dollar	10,755	-	-	10,755
Chilean Peso	287	-	-	287
Chinese Renminbi	77	-	-	77
Colombian Peso	116	-	-	116
Czech Koruna	42	-	-	42
Danish Krone	3,433	-	-	3,433
Egyptian Pound	46	-	-	46
Euro	104,881	1,672	98,131	204,684
Hong Kong Dollar	17,917	-	-	17,917
Hungarian Forint	62	-	-	62
Indian Rupee	2,318	-	-	2,318
Indonesian Rupiah	487	-	-	487
Israeli Shekel	166	-	-	166
Japanese Yen	81,496	-	-	81,496
Malaysian Ringgit	609	-	-	609
Mexican Peso	723	-	-	723
New Zealand Dollar	129	-	-	129
Norwegian Krone	5,380	-	-	5,380
Pakistani Rupee	41	-	-	41
Philippines Peso	233	-	-	233
Polish Zloty	268	-	-	268
Qatari Rial	196	-	-	196
Russian Ruble	447	-	-	447
Singapore Dollar	548	-	-	548
South African Rand	1,602	-	-	1,602
South Korean Won	4,846	-	-	4,846
Swedish Krona	3,028	-	-	3,028
Swiss Franc	31,142	-	24,863	56,005
Taiwan Dollar	3,149	-	-	3,149
Thailand Baht	576	-	-	576
Turkish Lira	197	-	-	197
United Arab Emirates Dirham	139	-	-	139
Investments Held in Foreign Currency	$ 343,652	$ 4,181	$ 198,006	$ 545,839
Foreign Investments Held in U.S. Dollars				14,711
Total Foreign Currency Investments - Ohio State University				$ 560,550

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 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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

D. Securities Lending Transactions
The Treasurer of State participates in the securities lending programs for securities included in the "Cash Equity with Treasurer" and "Investments" accounts. Each lending program is administered by a custodial agent bank, whereby certain securities are transferred to an independent broker-dealer (borrower) in exchange for collateral.

At the time of the loan, the Treasurer of State requires its custodial agents to ensure that the State's lent securities are collateralized at no less than 102 percent of fair value, with the exception of U.S. Treasury Bills, which are purchased at a discount and are collateralized at par. At no point in time can the value of the collateral be less than 100 percent of the underlying securities.

Consequently, as of June 30, 2018, 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 29 days while the weighted average maturity of securities loans is six days.

According to the lending contracts the Treasurer of State executes for the State's cash and investment pool and for the Ohio Lottery Commission Enterprise Fund, the securities lending agent is to indemnify the Treasurer of State for any losses resulting from the insolvency default of the lending counterparty.

During fiscal year 2018, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2018, 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, 2018, the State reports the following investment derivatives in its financial statements (dollars in thousands):

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investment Derivatives
As of June 30, 2018
(dollars in thousands)

		Fair Value at 6/30/2018 or 12/31/2017		Increase (Decrease) in Fair Value	
	Notional	Amount	Reported as	Amount	Reported as
Governmental Activities:					
Investment Derivatives:					
Pay-fixed interest rate swaps	$ 82,350	$ (5,979)	Other Noncurrent Liability	$ 2,850	Operating Restricted Investment Loss - Primary, Secondary and Other Education Function
Fiduciary Funds—Agency:					
Investment Derivatives:					
Credit default swaps	57,470	(391)	Investments	(502)	Investment Income
Equity swaps	938,595	(6,970)	Investments	(5,799)	Investment Income
Foreign exchange forward currency contracts	8,607,136	54,379	Investments	103,421	Investment Income
Futures contracts	2,146,505	(3,225)	Investments	(2,671)	Investment Income
Interest rate swap	363,149	(740)	Investments	(1,557)	Investment Income
Options	6,696,665	2,702	Investments	3,351	Investment Income
Total return swaps	1,587,978	(5,220)	Investments	238	Investment Income
Warrants	26,407	2,077	Investments	899	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, 2018 and are reported as investment derivatives. The increases in the fair values for fiscal year 2018 of $2.9 million are reported as operating restricted investment gains 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, 2018. The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2018. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the derivative's positive fair value.

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement and based on the fair value of the swap. This arrangement protects the State by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.

These swaps, maturing March 15, 2025, are associated with Common Schools Bonds, Series 2005A and Series 2005B. The underlying index is a variable rate based on 62 percent of the 10-year LIBOR. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and State Teachers Retirement System of Ohio have entered into the derivatives reported in the Agency Fund. All derivatives of these retirement systems are categorized as investment derivatives. The fair values and associated risks of the investment derivatives for the Agency Fund are included in the balances and risks disclosed in the previous sections of this note disclosure.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

F. Fair Value Disclosures

The State categorizes fair value measurements of its investments within the fair value hierarchy shown in the table below:

Primary Government (including Fiduciary Activities)
Investments - Fair Value Disclosures
As of June 30, 2018
(dollars in thousands)

		Amount of Fair Value Measured Using:		
	Fair Value at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured By Fair Value Level				
U.S. Government Obligations	$ 25,176,608	$ 3,105,079	$ 22,071,529	$ -
U.S. Government Obligations - Strips	1,217,460	955,003	262,457	-
U.S. Agency Obligations	5,330,476	-	5,330,476	-
U.S. Agency Obligations-Strips	180,328	-	180,328	-
Common and Preferred Stock	52,518,127	52,477,889	14,285	25,953
Corporate Bonds and Notes	18,146,677	110,978	17,916,872	118,827
Corporate Bonds and Notes - Strips	517	-	517	-
Municipal Obligations	585,974	1,154	584,820	-
Negotiable Certificates of Deposit	366,784	349,788	16,996	-
Commercial Paper	5,319,044	599,754	4,719,290	-
Repurchase Agreements	868,770	18,770	850,000	-
Mortgage and Asset-Backed Securities	7,658,917	-	7,485,941	172,976
Equity Mutual Funds	11,372,421	11,321,886	50,535	-
Bond Mutual Funds	5,300,763	5,266,135	34,628	-
Real Estate	8,907,247	1,229,655	-	7,677,592
Venture Capital	1,476,223	1,197,828	-	278,395
Partnerships and Hedge Funds	1,168,579	1,017,395	-	151,184
International Investments:				
Foreign Stocks	39,360,399	37,935,415	1,421,415	3,569
Foreign Bonds	3,579,533	-	3,038,497	541,036
High-Yield and Emerging Markets Fixed Income	8,365,028	56,344	8,216,724	91,960
Commingled Equity Funds	24,093	24,093	-	-
Securities Lending Collateral:				
Variable Rate Notes	791,128	-	791,128	-
Bond Mutual Funds	54,994	54,994	-	-
	$ 197,770,090	$ 115,722,160	$ 72,986,438	$ 9,061,492
Investment Derivative Instruments				
Pay Fixed Interest Rate Swaps	$ (5,979)	$ -	$ (5,979)	$ -
Credit Default Swaps	(391)	-	(391)	-
Equity Swaps	(6,970)	-	(6,970)	-
Foreign Exchange Forward Currency Contracts	54,379	-	54,379	-
Futures Contracts	(3,225)	(3,225)	-	-
Interest Rate Swap	(740)	-	(740)	-
Options	2,702	(1,810)	4,512	-
Total Return Swaps	(5,220)	-	(5,220)	-
Warrants	2,077	-	-	2,077
	$ 36,633	$ (5,035)	$ 39,591	$ 2,077

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities)
Investments—Fair Value Disclosures
As of June 30, 2018
(dollars in thousands)

	Net Asset Value at June 30, 2018
Investments measured at the Net Asset Value Level	
Common and Preferred Stock	$ 1,218,101
Corporate Bonds and Notes	130,779
Equity Mutual Funds	2,838,340
Bond Mutual Funds	3,437,957
Real Estate	15,554,312
Venture Capital	21,177,835
Partnerships and Hedge Funds	17,937,504
International Investments:	
Foreign Bonds	794,908
Commingled Equity Funds	7,223,917
	$ 70,313,653

For investments held by the Treasurer of State, $506.5 million classified in Level 1 were valued using inputs based on published share price. Level 2 classifications in the amount of $10.37 billion were valued using either matrix pricing, or, in the case of variable rate notes, were valued by discounting the current and future coupons using a yield calculation or scale based on the characteristics of the security. For matrix pricing, inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications were used. Interactive Data pricing used by the Treasurer's office also monitors market indicators, and industry and economic events. The Ohio Lottery Commission's structured investments are included in the Treasurer of State's Level 2 investments noted above. Investments in the amount of $158.6 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, $2.29 billion in open-end investment companies, including money market funds, were classified in Level 1 and were valued using the daily redemption value as reported by the underlying fund, while the $7.69 billion in short-term investments classified in Level 2 was valued using market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids and offers. Market indicators and industry and economic events were also monitored to see if further market data was needed.

Investments held by the Department of Commerce in the amount of $794 million for escheat property classified in Level 1, were valued using quoted prices for identical securities in an active market. Investments held by other state agencies in the amount $36.3 million classified in Level 1, were valued using quoted prices in a large and active market.

For investments held by independently audited organizations of the primary government, more information regarding investment valuations can be found in the organizations' stand-alone financial reports. The stand-alone financial reports for the independently audited organizations included in the table above may be found as follows:

- STAR Ohio investment pool at the Treasurer of State's Office, at http://www.tos.ohio.gov/;
- Development Services Agency-Office of Loan Administration, at https://development.ohio.gov/;
- Buckeye Tobacco Settlement Financing Authority, at http://obm.ohio.gov/BondsInvestors/tobacco.aspx;
- Southern Ohio Agricultural and Community Development Foundation, at http://www.soacdf.net/;
- Bureau of Workers' Compensation/Industrial Commission of Ohio, at https://www.bwc.ohio.gov/;
- Tuition Trust Authority, at https://www.collegeadvantage.com/;
- State Highway Patrol Retirement System, at https://www.statepatrol.ohio.gov/;

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- State Teachers Retirement System, at https://www.strsoh.org/;
- School Employees Retirement System, at https://www.ohsers.org/;
- Ohio Public Employees Retirement System, at https://www.opers.org/; and
- Ohio Police and Fire Pension Fund, at https://www.op-f.org/.

The fair value investment hierarchy for Ohio State University, a major discretely presented component unit, is reported in the table below:

Major Discretely Presented Component Units
Investments - Fair Value Disclosures
As of June 30, 2018
(dollars in thousands)

Ohio State University	Fair Value at June 30, 2018	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)
Investments Measured by Fair Value Level				
U.S. Government Obligations	$ 542,456	$ 3,313	$ 539,143	$ -
U.S. Agency Obligations	101,834	-	101,834	-
Common and Preferred Stock	319,135	319,135	-	-
Corporate Bonds and Notes	1,099,320	-	1,098,219	1,101
Municipal Obligations	13,813	-	13,813	-
Negotiable Certificates of Deposit	628,727	628,727	-	-
Commercial Paper	39,501	-	39,501	-
Equity Mutual Funds	196,832	196,832	-	-
Bond Mutual Funds	109,737	109,737	-	-
Real Estate	109,195	9,927	-	99,268
Partnerships and Hedge Funds	46,984	-	-	46,984
Life Insurance	3,284	-	-	3,284
International Investments:				
Foreign Stocks	348,018	348,018	-	-
Foreign Bonds	14,526	-	14,526	-
Commingled Equity Funds	135,951	-	-	135,951
Securities Lending Collateral:				
Commercial Paper	1,228	-	1,228	-
Repurchase Agreements	19,014	-	19,014	-
Variable Rate Notes	19,268	-	19,268	-
	$ 3,748,823	$ 1,615,689	$ 1,846,546	$ 286,588

Ohio State University	Net Asset Value at June 30, 2018
Investments measured at the Net Asset Value Level	
Equity Mutual Funds	$ 662,679
Real Estate	536,025
Partnerships and Hedge Funds	2,041,842
International Investments:	
Commingled Equity Funds	62,055
	$ 3,302,601

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 $1.1 million were classified in Level 1 based on their valuation using the market approach.

NOTE 5 RECEIVABLES

A. Taxes Receivable – Primary Government

Current taxes receivable is expected to be collected in the next fiscal year while noncurrent taxes receivable is not expected to be collected until more than one year from the balance sheet date. As of June 30, 2018, approximately $68 million of the net taxes receivable balance is also reported as deferred inflows of resources on the governmental funds' balance sheet, all of which is reported in the General Fund.

Refund liabilities for income taxes, totaling approximately $1.24 billion are reported as "Refund and Other Liabilities" for governmental activities on the Statement of Net Position and in the General Fund on the governmental funds' Balance Sheet.

The following table summarizes taxes receivable for the primary government (dollars in thousands):

	Governmental Activities		
	General	Nonmajor Governmental Funds	Total Primary Government
Current-Due Within One Year:			
Income Taxes	$ 408,879	$ -	$ 408,879
Sales Taxes	484,177	-	484,177
Motor Vehicle Fuel Taxes	184,287	113,170	297,457
Commercial Activity Taxes	408,989	12,840	421,829
Public Utility Taxes	93,019	-	93,019
Casino Taxes	-	3,089	3,089
	1,579,351	129,099	1,708,450
Noncurrent-Due in More Than One Year:			
Income Taxes	11,844	-	11,844
Taxes Receivable, Net	$1,591,195	$ 129,099	$ 1,720,294

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, 2018 (dollars in thousands):

	From Nonexchange Programs		From Sales of Goods and Services		
	Federal Government	Local Government	Other State Government	Local Government	Total Primary Government
Governmental Activities:					
Major Governmental Funds:					
General	$ 729,206	$ -	$ -	$ -	$ 729,206
Job, Family and Other Human Services	170,956	16,599	-	-	187,555
Nonmajor Governmental Funds	386,755	68,288	-	10,189	465,232
Total Governmental Activities	1,286,917	84,887	-	10,189	1,381,993
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	-	443	-	443
Nonmajor Proprietary Funds	-	-	-	6,534	6,534
Total Business-Type Activities	-	-	443	6,534	6,977
Intergovernmental Receivable	$ 1,286,917	$ 84,887	$ 443	$ 16,723	$ 1,388,970

NOTE 5 RECEIVABLES (Continued)

C. Loans Receivable

Loans receivable for the primary government, as of June 30, 2018, are detailed in the following table (dollars in thousands):

Primary Government - Loans Receivable

Loan Program	Governmental Activities General	Governmental Activities Nonmajor Governmental Funds	Total Primary Government
Economic Development Office of Loan Administration	$ 219,155	$ -	$ 219,155
Local Infrastructure Improvements	559,312	-	559,312
Housing Finance	323,336	-	323,336
Highway, Transit, & Aviation Infrastructure Bank	-	127,488	127,488
Third Frontier Program Loans	-	44,479	44,479
Wayne Trace Local School District	1,289	-	1,289
Rail Development	-	1,496	1,496
Capital Access Loan Program	-	5,056	5,056
OhioMeansJobs Workforce Development Revolving Loan Program	-	2,750	2,750
Loans Receivable, Net	$ 1,103,092	$ 181,269	$ 1,284,361
Current-Due Within One Year	$ 151,244	$ 21,511	$ 172,755
Noncurrent-Due in More Than One Year	951,848	159,758	1,111,606
Loans Receivable, Net	$ 1,103,092	$ 181,269	$ 1,284,361

The “Loans Receivable” balance reported in the major discretely presented component units, as of June 30, 2018, 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, 2018, consist of the following (dollars in thousands):

Primary Government - Other Receivables

	Governmental Activities				
	Major Governmental Funds				
Types of Receivables	General	Job, Family & Other Human Services	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Govern-mental Funds	Total
Manufacturers' Rebates	$ 193,610	$ 327,524	$ -	$ 4,706	$ 525,840
Tobacco Settlement	-	-	572,542	34,100	606,642
Health Facility Bed Assessments	-	102,761	-	-	102,761
Managed Care Franchise Fees	-	62,316	-	-	62,316
Interest	24,732	-	-	24	24,756
Accounts	12,129	13,175	-	14,290	39,594
Miscellaneous	29,962	-	-	-	29,962
Other Receivables, Net	$ 260,433	$ 505,776	$ 572,542	$ 53,120	$ 1,391,871
Current-Due Within One Year	$ 260,433	$ 505,776	$ -	$ 19,020	$ 785,229
Noncurrent-Due in More Than One Year	-	-	572,542	34,100	606,642
Other Receivables, Net	$ 260,433	$ 505,776	$ 572,542	$ 53,120	$ 1,391,871

	Business-Type Activities				
	Major Proprietary Funds				
Types of Receivables	Workers' Compensation	Lottery Commission	Unemployment Compensation	Nonmajor Proprietary Funds	Total
Accounts	$ 262,444	$ -	$ 39,351	$ 15	$ 301,810
Interest and Dividends (including restricted portion)	130,699	3	-	1,891	132,593
Lottery Sales Agents	-	61,481	-	-	61,481
Other Receivables, Gross	393,143	61,484	39,351	1,906	495,884
Estimated Uncollectible	(1,186)	(541)	(17,422)	-	(19,149)
Other Receivables, Net-Due Within One Year	$ 391,957	$ 60,943	$ 21,929	$ 1,906	$ 476,735
Total Primary Government					$ 1,868,606

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2018, is comprised of interest due of approximately $19.2 million and investment trade receivables of $36.6 million.

In the major discretely presented component units, the "Other Receivables" balance reported, as of June 30, 2018, 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, 2018, follow (dollars in thousands):

Primary Government - Accrued Liabilities

	Wages and Employee Benefits	Accrued Interest	Total Accrued Liabilities
Governmental Activities:			
Major Governmental Funds:			
General	$ 165,162	$ -	$ 165,162
Job, Family and Other Human Services	22,323	-	22,323
Nonmajor Governmental Funds	61,796	-	61,796
	249,281	-	249,281
Reconciliation of fund level statements to government-wide statements due to basis differences	-	172,381	172,381
Total Governmental Activities	249,281	172,381	421,662
Business-Type Activities:			
Nonmajor Proprietary Funds	4,816	-	4,816
Total Primary Government	$ 254,097	$ 172,381	$ 426,478

	Wages and Employee Benefits	Health Benefit Claims	Management and Administrative Expenses	Total Accrued Liabilities
Fiduciary Activities:				
State Highway Patrol Retirement System Pension Trust (12/31/2017)	$ 4,777	$ 684	$ -	$ 5,461
Variable College Savings Plan Private-Purpose Trust	-	-	4,441	4,441
STAR Ohio Investment Trust	-	-	800	800
Total Fiduciary Activities	$ 4,777	$ 684	$ 5,241	$ 10,702

The “Accrued Liabilities” balance reported in the major discretely presented component units, as of June 30, 2018, 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, 2018, are comprised of the following (dollars in thousands):

Primary Government - Intergovernmental Payable

	Local Government				
	Shared Revenue and Local Permissive Taxes	Subsidies and Other	Federal Government	Other States	Total
Governmental Activities:					
Major Governmental Funds:					
General	$ 630,758	$ 56,012	$ 40,781	$ -	$ 727,551
Job, Family and Other Human Services	-	117,337	-	-	117,337
Nonmajor Governmental Funds	90,266	95,145	-	-	185,411
Total Governmental Activities	$ 721,024	$ 268,494	$ 40,781	$ -	$ 1,030,299
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	$ -	$ 130	$ 352	$ -	$ 482
Total Business-Type Activities	$ -	$ 130	$ 352	$ -	$ 482
Total Primary Government					$ 1,030,781
Fiduciary Activities:					
Holding and Distribution Agency Fund	$ -	$ 448	$ 7,203	$ 2,739	$ 10,390
Other Agency Fund	184,255	15,395	-	-	199,650
Total Fiduciary Activities	$ 184,255	$ 15,843	$ 7,203	$ 2,739	$ 210,040

As of June 30, 2018, the Ohio Facilities Construction Commission, a major discretely presented component unit fund, reported an intergovernmental payable balance totaling approximately $803.5 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, 2018, consist of the balances, as follows (dollars in thousands):

Primary Government - Refund and Other Liabilities

	Personal Income Tax Estimated Refund Claims	Other	Total
Governmental Activities:			
Major Governmental Funds:			
General	$ 1,237,389	$ 117	$ 1,237,506
Job, Family and Other Human Services	-	6,658	6,658
Nonmajor Governmental Funds	-	680	680
Total Governmental Activities	$ 1,237,389	$ 7,455	$ 1,244,844

	Reserve for Compensation Adjustment	Net Pension / OPEB Liability	Refund and Security Deposits	Compensated Absences	Other	Total
Business-Type Activities:						
Major Proprietary Funds:						
Workers' Compensation	$ 1,758,600	$ 273,796	$ -	$ 28,050	$1,882,820	$ 3,943,266
Lottery Commission	-	43,287	34,223	3,817	6,521	87,848
Unemployment Compensation	-	-	6,835	-	-	6,835
Nonmajor Proprietary Funds	-	97,632	51	9,872	-	107,555
	1,758,600	414,715	41,109	41,739	1,889,341	4,145,504
Reconciliation of balances included in the “Other Noncurrent Liabilities” balance in the government-wide financial statements	(1,758,600)	(414,715)	-	(41,739)	(1,720,889)	(3,935,943)
Total Business-Type Activities	$ -	$ -	$ 41,109	$ -	$ 168,452	$ 209,561
Total Primary Government						$ 1,454,405

	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement System Pension Trust (12/31/2017)	$ -	$ -	$ -	$ -	$ 1,074	$ 1,074
Variable College Savings Plan Private-Purpose Trust	-	-	-	-	12,349	12,349
STAR Ohio Investment Trust	-	-	-	-	460	460
Agency Funds:						
Holding and Distribution	-	10,999	-	-	-	10,999
Centralized Child Support Collections	64,055	-	-	-	-	64,055
Retirement Systems	-	-	-	211,127,021	-	211,127,021
Payroll Withholding and Fringe Benefits	-	-	129,481	-	-	129,481
Other	-	-	-	-	575,461	575,461
Total Fiduciary Activities	$ 64,055	$ 10,999	$ 129,481	$ 211,127,021	$ 589,344	$ 211,920,900

In the major discretely presented component units, the “Refunds and Other Liabilities” balance reported, as of June 30, 2018, 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, 2018, consist of the following (in thousands):

	Due To			
Due from	Nonmajor Governmental Funds	Workers' Compensation	Nonmajor Proprietary Funds	Total
General	$ -	$ 424,207	$ 1,508	$ 425,715
Job, Family and Other Human Services	-	11,903	-	11,903
Nonmajor Governmental Funds	1,402	109,014	-	110,416
Lottery Commission	-	1,135	-	1,135
Total	$ 1,402	$ 546,259	$ 1,508	$ 549,169

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 $546.3 million as an interfund receivable for the unbilled premium due for the primary government's share of the Bureau's actuarially determined liability for compensation. In the Statement of Net Position, the State includes the liability in the internal balance reported for governmental activities.

B. Interfund Transfers

Interfund transfers, for the fiscal year ended of June 30, 2018, consist of the following (dollars in thousands):

	Transferred to				
Transferred from	General	Job, Family & Other Human Services	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	Total
General	$ -	$ 9,741	$ 2,030,703	$ 22,117	$ 2,062,561
Job, Family and Other Human Services	335,146	-	23,395	-	358,541
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	17,995	-	69	-	18,064
Nonmajor Governmental Funds	257,518	-	190,429	-	447,947
Workers' Compensation	8,841	-	-	-	8,841
Lottery Commission	1,485	-	1,171,566	-	1,173,051
Unemployment Compensation	8,247	214	-	-	8,461
Total	$ 629,232	$ 9,955	$ 3,416,162	$ 22,117	$ 4,077,466

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 2018, the discretely presented component units reported $2.59 billion in state assistance revenue from the primary government in the Statement of Activities.

Included in "Primary, Secondary, and Other Education" expenses reported for the governmental activities, is the funding that the primary government provided to the Ohio Facilities Construction Commission for capital construction at local school districts. The primary government also transferred bond proceeds to the Ohio Facilities Construction Commission to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State.

Additionally, the primary government provided financial support to the colleges and universities in the form of state appropriations for instructional and non-instructional purposes and capital appropriations for construction. This assistance is included in "Higher Education Support" expenses reported for governmental activities.

Details of balances and activity reported in the government-wide financial statements between the primary government and its discretely presented component units are summarized below:

Primary Government
(dollars in thousands)

			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	Transportation Function	Community and Economic Development Function	Total State Assistance to the Component Units
Major Governmental Funds:							
General	$ -	$ 19,174	$ 445,849	$ 2,106,926	$ 3,023	$ 34,352	$2,590,150
Job, Family and Other Human Services	-	538	-	-	-	-	-
Nonmajor Governmental Funds	4,960	1,284	-	-	-	-	-
Total Primary Government	$ 4,960	$ 20,996	$ 445,849	$ 2,106,926	$ 3,023	$ 34,352	$2,590,150

Discretely Presented Component Units
(dollars in thousands)

	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	$ -	$ -	$ 480,201
Ohio State University	5,344	-	558,810
Nonmajor Discretely Presented Component Units	15,014	8,466	1,551,139
Total Discretely Presented Component Units	$ 20,358	$ 8,466	$2,590,150

NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2018, reported for the primary government was as follows (dollars in thousands):

	Primary Government			
	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 2,391,230	$ 47,127	$ (5,370)	$ 2,432,987
Buildings	62,464	-	-	62,464
Land Improvements	1,439	-	-	1,439
Construction-in-Progress	2,682,358	581,347	(304,155)	2,959,550
Infrastructure:				
Highway Network:				
General Subsystem	8,647,678	15,393	(1,173)	8,661,898
Priority Subsystem	8,657,803	66,504	-	8,724,307
Bridge Network	2,798,045	70,610	(32,539)	2,836,116
Total Capital Assets Not Being Depreciated	25,241,017	780,981	(343,237)	25,678,761
Other Capital Assets:				
Buildings	3,780,906	234,214	(43,987)	3,971,133
Land Improvements	509,621	19,142	(8,327)	520,436
Machinery and Equipment	1,601,701	107,859	(112,087)	1,597,473
Vehicles	436,557	77,873	(48,727)	465,703
Infrastructure:				
Parks, Recreation and Natural Resources Network	148,832	673	(118)	149,387
Total Other Capital Assets at Historical Cost	6,477,617	439,761	(213,246)	6,704,132
Less Accumulated Depreciation for:				
Buildings	2,357,047	140,391	(26,569)	2,470,869
Land Improvements	338,113	21,156	(7,161)	352,108
Machinery and Equipment	1,174,846	162,038	(90,946)	1,245,938
Vehicles	240,986	51,295	(29,349)	262,932
Infrastructure:				
Parks, Recreation and Natural Resources Network	40,406	5,108	(57)	45,457
Total Accumulated Depreciation	4,151,398	379,988	(154,082)	4,377,304
Other Capital Assets, Net	2,326,219	59,773	(59,164)	2,326,828
Governmental Activities - Capital Assets, Net	$ 27,567,236	$ 840,754	$ (402,401)	$ 28,005,589
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 9,466	$ -	$ -	$ 9,466
Construction-In Progress	108,016	-	(11,418)	96,598
Total Capital Assets Not Being Depreciated	117,482	-	(11,418)	106,064
Other Capital Assets:				
Buildings	209,410	29	-	209,439
Machinery and Equipment	187,034	15,300	(4,874)	197,460
Vehicles	3,597	416	(327)	3,686
Total Other Capital Assets at Historical Cost	400,041	15,745	(5,201)	410,585
Less Accumulated Depreciation for:				
Buildings	180,427	6,964	-	187,391
Machinery and Equipment	152,901	13,462	(4,504)	161,859
Vehicles	1,680	441	(251)	1,870
Total Accumulated Depreciation	335,008	20,867	(4,755)	351,120
Other Capital Assets, Net	65,033	(5,122)	(446)	59,465
Business-Type Activities - Capital Assets, Net	$ 182,515	$ (5,122)	$ (11,864)	$ 165,529

NOTE 8 CAPITAL ASSETS (Continued)

For fiscal year 2018, the State charged depreciation expense to the following functions (dollars in thousands):

Governmental Activities:	***Depreciation Expense***
Primary, Secondary and Other Education	$ 3,277
Public Assistance and Medicaid	93,514
Health and Human Services	13,383
Justice and Public Protection	75,846
Environmental Protection and Natural Resources	39,534
Transportation	50,714
General Government	100,532
Community and Economic Development	7,998
Total Depreciation Expense for Governmental Activities	384,798
Gains (Losses) on Capital Asset Disposals Included in Depreciation	(4,810)
Fiscal Year 2018 Increases to Accumulated Depreciation	$ 379,988
Business-Type Activities:	
Workers' Compensation	$ 21,216
Lottery Commission	11,018
Tuition Trust Authority	9
Office of Auditor of State	293
Total Depreciation Expense for Business-Type Activities	32,536
Gains (Losses) on Capital Asset Disposals Included in Depreciation	(11,669)
Fiscal year 2018 Increase to Accumulated Depreciation	$ 20,867

As of June 30, 2018, the State considered the following governmental capital asset balances as being impaired and removed from service (dollars in thousands).

Governmental Activities:	***Net Book Value***
Permanently Impaired Assets Removed from Service:	
Buildings	$ 4,198
Land Improvements	225
Total	$ 4,423

NOTE 8 CAPITAL ASSETS (Continued)

B. Major Discretely Presented Component Units

Capital asset activity, for the year ended June 30, 2018, 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, 2017	Increases	Decreases	Balance June 30, 2018
Ohio State University:				
Capital Assets Not Being Depreciated:				
Land	$ 114,233	$ 1,201	$ (211)	$ 115,223
Construction-in-Progress	181,876	216,741	-	398,617
Patents and Trademarks	18,465	-	(6)	18,459
Total Capital Assets Not Being Depreciated	314,574	217,942	(217)	532,299
Other Capital Assets:				
Buildings	6,293,357	178,310	(8,337)	6,463,330
Land Improvements	841,852	37,156	(30,793)	848,215
Machinery, Equipment and Vehicles	1,483,318	149,916	(51,946)	1,581,288
Library Books and Publications	188,006	4,295	(1,026)	191,275
Total Other Capital Assets at Historical Cost	8,806,533	369,677	(92,102)	9,084,108
Less Accumulated Depreciation for:				
Buildings	2,623,258	219,974	(3,959)	2,839,273
Land Improvements	309,787	34,749	(29,256)	315,280
Machinery, Equipment and Vehicles	1,043,531	142,723	(44,410)	1,141,844
Library Books and Publications	161,544	4,689	(1,026)	165,207
Total Accumulated Depreciation	4,138,120	402,135	(78,651)	4,461,604
Other Capital Assets, Net	4,668,413	(32,458)	(13,451)	4,622,504
Total Capital Assets, Net	$ 4,982,987	$ 185,484	$ (13,668)	$ 5,154,803

For fiscal year 2018, Ohio State University reported approximately $402.1 million in depreciation expense.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

All part-time and full-time employees and elected officials of the State, including its component units (unless otherwise excluded in Ohio Revised Code), are eligible to be covered by one of the following retirement plans:

- Ohio Public Employees Retirement System
- State Teachers Retirement System of Ohio
- State Highway Patrol Retirement System
- Alternative Retirement Plan

A. Ohio Public Employees Retirement System (OPERS)

Pension Benefits

OPERS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – the Traditional Pension Plan (Traditional Plan) which is a defined benefit plan, the Member-Directed Plan which is a defined contribution plan, and the Combined Plan with features of both the defined benefit plan and the defined contribution plan.

OPERS issues a stand-alone financial report, which may be obtained by visiting https://www.opers.org or by making a written request to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or calling (800) 222-7377.

As established under Chapter 145, Ohio Revised Code, OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and survivor and death benefits to plan members and beneficiaries enrolled in the defined benefit and combined plans.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

New employees hired on or after January 1, 2003, are eligible to select one of the OPERS retirement plans, as listed above, in which they wish to participate. Members not eligible to select a plan include law enforcement officers, who must participate in the defined benefit plan, college and university employees who choose to participate in one of the university's alternative retirement plans (see NOTE 9D), and re-employed OPERS retirees.

Senate Bill 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members eligible to retire under the law in effect prior to Senate Bill 343 or who will be eligible to retire no later than five years after January 7, 2013, comprise Transition Group A. Members with 20 years of service credit prior to January 7, 2013, or who will be eligible to retire no later than 10 years after January 7, 2013, are included in Transition Group B. Those members who are not in Group A or B or were hired after January 7, 2013, are in Transition Group C.

The age and service requirements for State and Law Enforcement employees in all transition groups are shown in the table below:

Unreduced Benefit	Group A		Group B		Group C	
	Age	Service	Age	Service	Age	Service
State	Any	30	52	31	55	32
	N/A	N/A	Any	32	N/A	N/A
	65	5	66	5	67	5
Law Enforcement	48	25	50	25	52	25
	62	15	64	15	64	15

Reduced Benefit	Group A		Group B		Group C	
	Age	Service	Age	Service	Age	Service
State	55	25	55	25	57	25
	60	5	60	5	62	5
Law Enforcement	52	15	52	15	56	15
	N/A	N/A	48	25	48	25

The retirement allowance for the Traditional Plan (defined benefit) is calculated based on age, years of credited service, and the final average salary. The annual allowance for regular employees for members in Transition Groups A and B is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 30 years and by 2.5 percent for all other years in excess of 30 years of credited service. The annual allowance for regular employees for members in Transition Group C is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 35 years and by 2.5 percent for all other years in excess of 35 years of credited service. The annual allowance for law enforcement employees is determined by multiplying the final average salary by 2.5 percent for the first 25 years of Ohio contributing service, and by 2.1 percent for each year of service over 25 years. Retirement benefits increase three percent annually of the original base amount regardless of changes in the Consumer Price Index for those who retired prior to January 7, 2013. For those retiring after January 7, 2013, beginning in calendar year 2019, the increase will be based on the average increase in the Consumer Price Index, capped at three percent.

The retirement allowance for the Combined Plan (defined benefit portion) is calculated based on age, years of credited service, and the final average salary. The annual allowance for regular employees for members in Transition Groups A and B is determined by multiplying the final average salary by one percent for each year of Ohio contributing service up to 30 years and by 1.25 percent for all other years in excess of 30 years of credited service. The annual allowance for regular employees for members in Transition Group C is determined by multiplying the final average salary by one percent for each year of Ohio contributing service up to 35 years and by 1.25 percent for all other years in excess of 35 years of credited service. Retirement benefits for the defined benefit portion of the plan increase three percent annually of the original base amount regardless of changes in the Consumer Price Index, for those who retired prior to January 7, 2013. For those retiring after January 7, 2013, beginning in calendar year 2019, the increase will be based on the average increase in the Consumer Price Index,

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

capped at three percent. Additionally, retirees receive the proceeds of their individual retirement plans in a manner similar to retirees in the defined contribution plan, as discussed below.

Retirees covered under the Traditional and Combined Plans may also choose to take part of their retirement benefit in a Partial Lump-Sum Option Plan (PLOP). Under this option, the amount of the monthly pension benefit paid to the retiree is actuarially reduced to offset the amount received initially under the PLOP. The amount payable under the PLOP cannot be less than six times or more than 36 times the monthly amount that would be payable to the member under the plan of payment selected and cannot result in a monthly allowance that is less than 50 percent of that monthly amount.

Regular employees who participate in the Member-Directed Plan (defined contribution) may retire after they reach the age of 55. The retirement allowance for the defined contribution plan is based entirely on the total member and vested employer contributions to the plan, plus or minus any investment gains or losses. Employer contributions vest at a rate of 20 percent per year over a five-year vesting period. Retirees may choose from various payment options including monthly annuities, a PLOP, rollovers to another eligible retirement plan, or made payable to the member, or various combinations of these options. Participants direct the investment of their accounts by selecting from professionally managed OPERS investment options.

Employer and employee required contributions to OPERS are established by the Retirement Board and are within the limits authorized by the Ohio Revised Code. The contribution rates are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for regular employees and 18.1 percent of covered payroll for law enforcement employees.

Contribution rates for fiscal year 2018, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

	Contribution Rates	
	Employee Share	Employer Share
Regular Employees:		
July 1, 2017 through June 30, 2018..........................	10.00%	14.00%
Law Enforcement Employees:		
July 1, 2017 through June 30, 2018..........................	13.00%	18.10%

In the Combined Plan, the employer's share finances the defined benefit portion of the plan, while the employee's share finances the defined contribution portion of the plan. In the Member Directed defined contribution plan, both the employee and employer share of the costs are used to finance the plan.

At June 30, 2018, the State reports a liability of $3.27 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 $26 million for the Combined Plan. Ohio State University discretely presented component unit reports liabilities of $1.47 billion, for its proportionate share of the net pension liability for the Traditional Plan. The net pension liability/asset was measured as of December 31, 2017. The Plan's total pension liability/asset used to calculate the Plan's net pension liability/asset was determined by an actuarial valuation as of December 31, 2017. The State's proportion of the net pension liability/asset is determined by a measure of the State's proportionate relationship of employer contributions made to OPERS to the total contributions made to OPERS by all employers and non-employer contributing entities to the plan. At December 31, 2017, the State's proportion was 20.85 percent for the Traditional Plan based on employer contributions of $362.3 million, as compared to the December 31, 2016, proportion of 20.95 percent. For the Combined Plan, the State's proportion at December 31, 2017 was 19.13 percent based on employer contributions of $9.8 million, as compared to the December 31, 2016, proportion of 19.67 percent. The proportion for the Traditional Plan for Ohio State University discretely presented component unit was 9.4 percent based on employer contributions totaling $201.1 million compared to 9.1 percent for the previous fiscal year. For purposes

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

of measuring the net pension liability/asset, Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions, and pension expense, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, deductions are recorded when the liability is incurred, and revenues are recognized when earned. Refunds are payable two months after termination of the member's employment. All investments are reported at fair value.

For the year ended June 30, 2018, the State recognized pension expense of $690.2 million for the Traditional Plan, and $4 million for the Combined Plan. Ohio State University discretely presented component unit, recognized $219.1 million in pension expense.

At June 30, 2018, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):

	Pension	
Traditional Plan	Primary Government	Ohio State University
Deferred Outflow of Resources:		
Differences Between Expected and Actual Experience	$ 3,344	$ 2,277
Changes of Assumptions	391,421	171,962
Change in Employers' Proportionate share	17,708	4,061
Contributions Subsequent to the Measurement Date	195,207	99,914
Total	$ 607,680	$ 278,214
Deferred Inflow of Resources:		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$ (701,472)	$ (332,347)
Change in Employers' Proportionate share	(6,098)	(54)
Differences Between Expected and Actual Experience	(64,720)	(34,978)
Total	$ (772,290)	$ (367,379)

Combined Plan	Primary Government
Deferred Outflow of Resources:	
Change in Employers' Proportionate Share	$ 157
Change in Assumptions	2,200
Contributions Subsequent to the Measurement Date	5,455
Total	$ 7,812
Deferred Inflow of Resources:	
Change in Employers' Proportionate Share	$ (10)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	(3,974)
Differences Between Expected and Actual Experience	(7,502)
Total	$ (11,486)

Deferred Outflows of Resources of $195.2 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, 2019. Deferred Outflows of Resources of $5.5 million resulting from State contributions subsequent to the measurement period for the Combined Plan will be recognized as an increase to the net pension asset in the year ended June 30, 2019. Ohio State University, a discretely presented component unit, will recognize $99.9 million resulting from contributions subsequent to the measurement period as a reduction of its net pension liability.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

	Pension	
Traditional Plan	Primary Government	Ohio State University
Year Ended June 30:		
2019	$ 304,838	$ 121,921
2020	(66,523)	(35,226)
2021	(309,367)	(141,775)
2022	(288,672)	(132,700)
2023	(30)	(503)
Thereafter	(63)	(796)

Combined Plan	Primary Government
Year Ended June 30:	
2019	$ (1,240)
2020	(1,349)
2021	(2,239)
2022	(2,145)
2023	(750)
Thereafter	(1,406)

OPEB Benefits

In addition to the pension plan, OPERS maintains a cost-sharing, multiple-employer postemployment health care plan for the Traditional Plan and Combined Plan, which includes hospitalization, medical expenses and prescription drugs for non-Medicare retirees and eligible dependents. Medicare Eligible retirees must select coverage through the OPERS Medicare Connector and may receive an allowance to offset a portion of the monthly premium to retirees and eligible dependents. The allowance is deposited into a Health Retirement Account to be used to reimburse eligible health care expenses. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage, but qualify for a Retiree Medical Account.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible recipients, with one exception. Ohio law currently requires OPERS to provide a Medicare Part A equivalent plan or reimbursement for members and dependents who do qualify for Medicare Part A. Authority to establish and amend OPEB benefits is provided in Chapter 145 of the Ohio Revised Code as well.

To qualify for postemployment health care coverage, age-and-service retirees under the Traditional and Combined plans must have 20 years of qualifying Ohio service credit with a minimum age of 60, or 30 or more years of qualifying service at any age. The Member Directed Plan participants can use vested retiree medical account funds upon retirement for reimbursement of qualified medical expenses. Currently, an employee's interest in the medical account for qualifying health care expenses vests based on length of service, with 100 percent vesting attained after five years of credited service for employees hired prior to July 1, 2015. Members who elect the Member-Directed Plan after July 1, 2015, will vest at 15 years of service at a rate of 10 percent each year starting with the sixth year of participation.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Medicare-eligible retirees who choose to become re-employed in an OPERS covered position must enroll in the employer's health care plan if the employer offers a plan. After the two-month forfeiture period, the retiree may continue participation in an OPERS health care plan. The coverage provided by the employer plan is primary coverage and the OPERS health care plan is secondary coverage. OPERS provides a monthly allowance to offset a portion of the monthly premium. Medicare eligible spouses and dependents can also enroll in this plan if the retiree is enrolled. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Spouses eligible for Medicare will have access to OPERS Medicare Connector and, if not yet eligible for Medicare, will have access to OPERS group coverage at full cost to the spouse through 2020.

The Ohio Revised Code provides the statutory authority which allows public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside for the funding of post-retirement health care benefits. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The OPEB contribution rates for regular and law enforcement employees for 2017 and 2018 were one and zero percent, respectively, for the Traditional and Combined Plans. The employer contribution to the Member Directed Plan participants health care accounts for 2017 was four percent (last year available). Employers make no further contributions to a member's health care account after retirement, nor do employers have any further obligation to provide postemployment health care benefits.

A new accounting pronouncement, GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), was implemented for the year ended June 30, 2017. GASB Statement No. 74 uses terminology such as the total OPEB liability and net OPEB liability which has been modeled after GASB Statement No. 67 for pensions. GASB Statement No. 75, Postemployment Benefit Plans Other Than Pensions was effective for periods beginning after June 15, 2017 and has an impact on the financial statements of contributing employer systems by requiring employers to record a net OPEB liability based on their proportionate share of total net OPEB liability.

At June 30, 2018, the State reports a liability of $2.25 billion for its proportionate share of the net OPEB liability. Ohio State University discretely presented component unit reports liabilities of $1.06 billion, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017. The Plan's total OPEB liability used to calculate the Plan's net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The State's proportion of the net OPEB liability is determined by a measure of the State's proportionate relationship of employer contributions made to OPERS to the total contributions made to OPERS by all employers. At December 31, 2017, the State's proportion was 20.74 percent based on employer contributions of $411.2 million, of which $31.9 million was contributed to OPEB. The proportion for the Ohio State University discretely presented component unit was 9.7 percent based on employer contributions totaling $201.1 million. For purposes of measuring the net OPEB liability, Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB, and OPEB expense, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, deductions are recorded when the liability is incurred, and revenues are recognized when earned.

For the year ended June 30, 2018, the State recognized OPEB expense of $190.2 million. Ohio State University discretely presented component unit, recognized $74.7 million in OPEB expense. At June 30, 2018, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (dollars in thousands):

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

	OPEB	
	Primary Government	Ohio State University
Deferred Outflow of Resources:		
Differences Between Expected and Actual Experience	$ 1,755	$ 822
Changes of Assumptions	164,001	76,832
Change in Employers' Proportionate share	330	-
Total	$ 166,086	$ 77,654
Deferred Inflow of Resources:		
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	$ (167,791)	$ (78,608)
Change in Employers' Proportionate share	(219)	-
Total	$ (168,010)	$ (78,608)

There were no State contributions related to OPEB subsequent to the measurement date and therefore, there will be no reduction of the net OPEB liability resulting from state contributions subsequent to the measurement date recognized in the year ended June 30, 2019.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

	OPEB	
	Primary Government	Ohio State University
Year Ended June 30:		
2019............	$ 37,352	$ 17,475
2020............	37,352	17,475
2021............	(34,683)	(16,251)
2022............	(41,945)	(19,653)

Actuarial Assumptions for Pension and OPEB Liabilities

The total pension and OPEB liabilities were determined using the following actuarial assumptions listed in the individual tables below, applied to all periods included in the measurement:

	Pension	
	Traditional Plan	Combined Plan
Wage Inflation	3.25%	3.25%
Salary Increases (including wage inflation)	3.25-10.75%	3.25-8.25%
Investment Rate of Return	7.50%	7.50%
COLA or Ad Hoc COLA*	3.00%	3.00%
Actuarial Cost Method	Individual Entry Age	

*The COLA, for both the Traditional and Combined Plans, for retirees prior to January 7, 2013, is three percent simple. For retirees after that date, the COLA is three percent simple through 2018, and then becomes 2.15 percent simple.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

	OPEB
Wage Inflation	3.25%
Salary Increases (including wage inflation)	3.25%-10.75%
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.5% initial, 3.25% ultimate in 2028
Actuarial Cost Method	Individual Entry Age

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at statutory contribution rates. In each period of the projection, employer contributions were assumed to be applied first to the service cost of all members, with any remaining amount included in projected employer contributions for current members. Therefore, the long-term expected rate of return of 7.5 percent was applied to all periods of projected benefit payments to determine the total liability.

A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects a long-term expected rate of return on OPEB plan investments and tax-exempt municipal bond rates based on an index of 20-year general obligation bonds with an average AA credit rating. This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.5 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at the actuarily determined rate; therefore, the contributions were sufficient for health care costs to 2034. The health care investment rate was applied to projected costs to 2034, and the municipal bond rate applied thereafter.

For both tables, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For disabled retirees, mortality rates are based on the PR-2014 Disabled mortality table. The Healthy Annuitant Mortality tables were adjusted for mortality improvements back to the observation period base year of 2006, and then established the base year as 2010 for females, and 2015 for males.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted in 2016, for the five-year period 2011 through 2015.

An estimate range for investment return assumption for pension and OPEB is developed and based on the target allocation adopted by the OPERS Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

	Pension		OPEB	
Asset Class	Target Allocation	Weighted, Average Long-Term Expected Real Rate of Return*	Target Allocation	Weighted, Average Long-Term Expected Real Rate of Return*
Fixed Income	23%	2.20%	34%	1.88%
Domestic Equity	19%	6.37%	21%	6.37%
Real Estate	10%	5.26%	6%	5.91%
Private Equity	10%	8.97%	0%	0.00%
International Equities	20%	7.88%	22%	7.88%
Other Investments	18%	5.26%	17%	5.39%
Total Fund	100%	5.66%	100%	4.98%

*Arithmetic.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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/(asset) as of December 31, 2017, calculated using the current period discount rate assumption of 7.5 percent. Also shown is what the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current assumption (dollars in thousands):

	Pension		
Traditional Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability:			
Primary Government	$ 5,809,143	$ 3,271,382	$ 1,155,657
Ohio State University	2,621,235	1,466,955	505,528
Combined Plan			
Net Pension (Asset):			
Primary Government	$ (14,154)	$ (26,038)	$ (34,236)

The table below represents sensitivity of the State's proportionate share of the net OPEB liability to changes in the current period single discount rate assumption of 3.85 percent, as of December 31, 2017. The table below shows the expected net OPEB liability if it were calculated using a discount rate that is one percentage point lower (2.85 percent) or one percentage point higher (4.85 percent) than the current single discount rate (dollars in thousands):

	OPEB		
	1% Decrease (2.85%)	Current Single Discount Rate (3.85%)	1% Increase (4.85%)
Net OPEB Liability:			
Primary Government	$ 2,992,448	$ 2,252,428	$ 1,653,758
Ohio State University	1,401,965	1,055,239	774,788

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. Retiree health care valuations use a health care cost trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. The actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation. The following table represents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current health care cost trend rate assumption (dollars in thousands):

	OPEB		
	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Net OPEB Liability:			
Primary Government	$ 2,155,093	$ 2,252,428	$ 2,352,972
Ohio State University	1,009,663	1,055,239	1,102,370

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Early Retirement Incentives (ERI)
State agencies, or departments within agencies, may offer voluntary ERI under Section 145.297, Ohio Revised Code. Through the ERI Program, the State can offer to purchase up to a maximum of five years' worth of service credit from OPERS on behalf of employees who would then meet the age and service requirements to qualify for retirement. The ERI plan must remain in effect for at least one year and the employees must be given at least thirty days' notice before terminating the plan.

State agencies are also required under Section 145.298, Ohio Revised Code, to offer a generally similar ERI when the terminations equal or exceed the lesser of 350 employees or 40 percent of the agency's workforce, as a result of a closure of the agency or a lay-off within a six-month period. Under these circumstances, qualifying employees must decide whether to accept the offer in the time between the announcement of the layoffs and the effective date. The amount of service credit offered cannot exceed five years or 20 percent of the total service credited to any participant. The ERI agreements establish an obligation to pay specific amounts on fixed dates.

As of June 30, 2018, the State had no significant liability balances relative to existing ERI agreements with state employees covered by OPERS. During fiscal year 2018, the State did not incur any significant expenditures/expenses related to ERI agreements.

B. State Teachers Retirement System of Ohio (STRS)
Pension Benefits
STRS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – the Defined Benefit Plan, the Defined Contribution Plan, and the Combined Plan with features of both the defined benefit plan and the defined contribution plan. STRS benefits are established under Chapter 3307, Ohio Revised Code.

STRS also provides death, survivor, and disability benefits to members in the Defined Benefit and Combined Plans.

STRS issues a stand-alone financial report, copies of which may be obtained by making a written request to State Teachers Retirement System of Ohio, Attention: Chief Financial Officer, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877 or by visiting the STRS Website at https://www.strsoh.org.

For retirement dates between August 1, 2017 and July 1, 2019, participants in the Defined Benefit Plan may retire with an unreduced benefit after 32 years of credited service regardless of age, or age 65 with five years of credited service. Participants may also retire with a percentage reduction in benefit amounts at any age with 30 years of credited service, or at age 55 with 27 years of credited service, or at age 60 with 5 years of credited service. Benefits are based on the final average salary based on the five highest years of earnings, and by multiplying 2.2 percent times the number of years of service credit. Retirees are entitled to a maximum annual retirement benefit, payable in monthly installments for life, equal to the "formula benefit" calculation.

For members who were eligible to retire on August 1, 2015, or later, the annual benefit amount will be the greater of either the benefit amount calculated under the current benefit formula as described above, or the benefit amount calculated as of July 1, 2015, under the previous benefit formula, as described below.

For members who were eligible to retire on or before July 1, 2015, the annual retirement allowance is the greater of the benefit amount calculated upon retirement under the current benefit formula or the previous benefit formula, which is frozen as of July 1, 2015. The previous benefit formula was based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.2 percent for the first 30 years of credited service. Each year over 30 years is incrementally increased by 0.1 percent, starting at 2.5 percent for the 31st year of contributing service up to a maximum allowance of 100 percent of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5 percent, and each year over 31 years is incrementally increased by 0.1 percent starting at 2.6 percent for the 32nd year.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Retirees choose from one of four payment options, including annuity options and a "partial lump-sum" option. 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, 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. All employee contributions and 9.53 percent of employer contributions are placed into individual member accounts (the remaining 4.47 percent of employer contributions is allocated to the defined benefit unfunded liability), and members direct the investment of their accounts by selecting from various professionally managed investment options. Members vest 20 percent per year in employer contributions, including associated gains and losses on those contributions. Employee contributions vest immediately. Retirees may select from various annuity payment plans or a lump-sum payment option.

Participants in the Combined Plan may start to collect the unreduced defined benefit portion of the plan at age 60 with five years of service, or participants may collect a reduced defined benefit portion of the plan before age 60 with five years of service. Of employee contributions, 12 percent are deposited into the defined contribution portion of the plan, while the remaining two percent is deposited into the defined benefit portion of the plan. The annual allowance for the defined benefit portion of the Plan is determined by multiplying the final average salary by one percent for each year of Ohio contributing service credit. Participants in the Combined Plan may also participate in the partial lump-sum option plan, as described previously, for the portion of their retirement benefit that is provided through the defined benefit portion of the plan. The defined contribution portion of the Plan may be taken as a lump sum 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 2018 were 14 percent for employers and 14 percent for employees for the Defined Benefit, Defined Contribution, and Combined Plans.

At June 30, 2018, the State reports a liability of $90.4 million for its proportionate share of the net pension liability, as compared to $126.9 million at June 30, 2017. Ohio State University discretely presented component unit reports a net pension liability of $1.08 billion for its proportionate share, as compared to $1.51 billion at June 30, 2017. The net pension liability was measured as of June 30, 2017. The Plan's total pension liability was used to calculate the net pension liability, as determined by an actuarial valuation as of July 1, 2017. 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, 2018, the State's proportion was .381 percent based on employer contributions totaling $5.9 million as compared to the State's proportion at June 30, 2017, of .379 percent. Ohio State University had a proportionate share of 4.6 percent based on employer contributions of $74.4 million as compared to 4.5 percent for June 30, 2017.

For purposes of measuring the net pension liability, and related deferred inflows and outflows of resources and pension expenses, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by STRS. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

For the year ended June 30, 2018, the State recognized pension expense of $(36.3) million and Ohio State University discretely presented component unit recognized pension expense of $(481.1) million.

At June 30, 2018, the State and Ohio State University reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):

	Pension	
	Primary Government	Ohio State University
Deferred Outflows of Resources		
Differences Between Expected and Actual Experience	$ 3,492	$ 41,745
Changes of Assumptions	19,775	236,438
Change in Employer Proportionate Share of NPL	305	1,036
Employer Contributions Subsequent to the Measurement Date	5,888	74,173
Total	$ 29,460	$ 353,392
Deferred Inflows of Resources		
Differences Between Expected and Actual Experience	$ (729)	$ (8,713)
Change in Employer Proportionate Share of NPL	(4,028)	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	(2,984)	(35,676)
Total	$ (7,741)	$ (44,389)

Deferred Outflows of Resources of $5.9 million related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Ohio State University discretely presented component unit will recognize $74.2 million as a reduction of its net pension liability. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

	Pension	
	Primary Government	Ohio State University
YEAR ENDED JUNE 30:		
2019	$ 2,421	$ 49,592
2020	6,481	96,547
2021	5,273	69,287
2022	1,656	19,404

OPEB Benefits

Additionally, STRS offers a cost-sharing, multiple employer health care plan which provides access to health care to eligible retirees who participate in the Defined Benefit Plan or Combined Plan. Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of a portion of the monthly Medicare Part B premiums. Medicare part B premium reimbursements will be discontinued effective January 1, 2019. Retirees enrolled in the Defined Contribution Plan receive no postemployment health care benefits.

Ohio Revised Code Chapter 3307 gives the STRS board discretionary authority over how much, if any, of associated health care costs are absorbed by the health care plan. All benefit recipients of the health care plan, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Medicare Part D allows STRS Ohio to recover part of the health care cost for providing prescription coverage through its health care plans which include creditable prescription drug coverage. For the Defined Benefit and Combined Plans, all employer contributions are used to fund pension obligations, and none was allocable to postemployment health care benefits for 2018. Under Ohio law, funding for the postemployment health care may be deducted from employer

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

contributions. This action will reduce the amortization period for the pension fund. The Board has authority to direct part of the employer contribution back to the Health Care Fund in the future.

At June 30, 2018, the State reports a net OPEB liability of $14.9 million for its proportionate share. Ohio State University discretely presented component unit reports a net OPEB liability of $177.6 million. The net OPEB liability was measured as of June 30, 2017. The Plan's total OPEB liability was used to calculate the net OPEB liability, respectively, determined by an actuarial valuation as of June 30, 2017. The State's proportion of the net OPEB liability is determined by a measure of the State's proportionate relationship of employer contributions made to STRS to the total contributions made to STRS by all employers to the plan. At June 30, 2018, the State's proportion was .381 percent based on employer contributions totaling $5.9 million. Ohio State University had a proportionate share of 4.6 percent based on employer contributions of $74.4 million.

For purposes of measuring the net OPEB liability, related deferred inflows and outflows of resources and expenses, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by STRS. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

For the year ended June 30, 2018, the State recognized OPEB expense of $(4.5) million and Ohio State University discretely presented component unit recognized OPEB expense of $(54.2) million.

At June 30, 2018, the State and Ohio State University reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (dollars in thousands):

	OPEB	
	Primary Government	Ohio State University
Deferred Outflows of Resources		
Differences Between Expected and Actual Experience	$ 857	$ 10,250
Change in Employer Proportionate Share of NOL	67	-
Total	$ 924	$ 10,250
Deferred Inflows of Resources		
Changes of Assumptions	$ (1,196)	$ (14,303)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	(635)	(7,589)
Total	$ (1,831)	$ (21,892)

There were no State contributions to OPEB subsequent to the measurement date and therefore, there will be no reduction of the net OPEB liability resulting from subsequent contributions recognized in the year ended June 30, 2019. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

	OPEB			
	Primary Government		Ohio State University	
YEAR ENDED JUNE 30:				
2019	$	(204)	$	(2,573)
2020		(204)		(2,573)
2021		(204)		(2,573)
2022		(204)		(2,573)
2023		(45)		(675)
Thereafter		(46)		(675)

Actuarial Assumptions for Pension and OPEB Liabilities

The total pension liability in the July 1, 2017 actuarial valuation, and total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, respectively, applied to all periods included in the measurement:

	Pension	
Actuarial Cost Method	Entry Age Normal	
Inflation	2.50	percent
Salary Increases	12.50	percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45	percent, net of pension plan investment expense, including inflation
COLA or Ad Hoc COLA	0	percent

	OPEB	
Actuarial Cost Method	Entry Age Normal	
Inflation	2.50	percent
Salary Increases	12.50	percent at age 20 to 2.50 percent at age 65
Payroll Increases	3.00	percent
Blended Discount Rate of Return	4.13	percent
Investment Rate of Return	7.45	percent, net of OPEB plan investment expense, including inflation
COLA or Ad Hoc COLA	0	percent
Health Care Cost Trends	6-11	percent initial, 4.5 percent ultimate

Pension and OPEB mortality rates were based on the RP-2014 Annuitant mortality table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. The disabled rates are based on the RP-2014 Disabled mortality table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. The actuarial assumptions used in the valuation were adopted by the board based on the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

Certain changes to the pension actuarial assumptions since the prior measurement date were approved in 2017. The long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. The inflation assumption was lowered from 2.75 percent to 2.50 percent. The total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

In addition, benefit terms were changed since the prior measurement date. Effective July 1, 2017, the COLA was reduced to zero.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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:

	Pension and OPEB	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28%	7.35%
International Equity	23%	7.55%
Alternatives	17%	7.09%
Fixed Income	21%	3.00%
Real Estate	10%	6.00%
Liquidity Reserves	1%	2.25%
Total Fund	100%	

*10-year annualized geometric nominal returns, which include the real rate of return and inflation, and does not include investment expenses.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at statutory contribution rates. Only employer contributions that are intended to fund benefits of current plan members and beneficiaries are included. Projected employer contributions that are intended to fund the costs of future plan members and beneficiaries, and projected contributions from future plan members, are not included. In each period of the projection, employer contributions are assumed to be applied first to the service cost of all members, with any remaining amount included in projected employer contributions for current members. Therefore, the long-term expected rate of return of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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, 2017, measurement date, calculated using the current period discount rate assumption of 7.45 percent. Also shown in the table below is what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption (dollars in thousands):

	Pension		
	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Net Pension Liability:			
Primary Government	$ 129,611	$ 90,418	$ 57,404
Ohio State University Discretely Presented Component Unit	1,549,653	1,081,053	686,328

The projection of cash flows used to determine the net OPEB liability discount rates assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, a blended discount rate of 4.13 percent which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2017. Shown in the table below is what the net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption (dollars in thousands):

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

	OPEB		
	1% Decrease (3.13%)	Current Single Discount Rate (4.13%)	1% Increase (5.13%)
Net OPEB Liability:			
Primary Government	$ 19,937	$ 14,850	$ 10,831
Ohio State University	238,366	177,556	129,496

Sensitivity of the net OPEB liability to changes in the health care cost trend rates calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher is presented below (dollars in thousands):

	OPEB		
	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Net OPEB Liability:			
Primary Government	$ 10,317	$ 14,850	$ 20,816
Ohio State University	123,358	177,556	248,886

Assumptions changes updated were the valuation year per capita health care costs and the salary scale, since the prior measurement date for the current health care cost trend rate. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. In addition, the discount rate increased from 3.26 percent and the long term expected rate of return was reduced from 7.75 percent.

C. State Highway Patrol Retirement System (SHPRS)

Pension Benefits

SHPRS, a component unit of the State, was established in 1941 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State. The plan covers all employees of the State Highway Patrol.

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan as a pension trust fund. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 1900 Polaris Parkway, Suite 201, Columbus, Ohio 43240-4037, or by calling (614) 431-0781 or (800) 860-2268. SHPRS's Comprehensive Annual Financial Report for the year ended December 31, 2017, may also be found at https://www.ohprs.org.

SHPRS is authorized under Chapter 5505, Ohio Revised Code, to provide retirement and disability benefits to retired members and survivor benefits to qualified dependents of deceased members of the Ohio State Highway Patrol.

Chapter 5505, Ohio Revised Code, requires contributions by active members and the Ohio State Highway Patrol. The employer and employee contribution rates are established by the General Assembly, and any change in the rates requires legislative action. By law, the employer rate may not exceed three times the employee contribution rate, nor be less than the employee rate paid by contributing members.

SHPRS' investments are reported at fair value. Fair value is the amount that the plan can reasonably expect to receive for an investment in a current sale, between a willing buyer and a willing seller – that is, other than in a forced or liquidation sale.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. The fair value of real estate and private equity investments are based on information provided by the Fund's managers or by independent appraisals. For actuarial purposes, assets are valued with a method that amortizes the difference between actual and assumed return over a closed, four-year period.

Employees are eligible for an age and service pension, and health care benefits, upon reaching both an age and service requirement. Employees with at least 20 years of service credit, but less than 25 years of service credit may retire at age 52 with unreduced benefits, or age 48 with reduced benefits. Employees with more than 25 years of service may retire at age 48 with unreduced benefits. The pension benefit is a percentage of the member's final average salary, which is the average of the member's five highest salary years. For members with 20 or more years of service credit, the percentage is determined by multiplying 2.5 percent for the first 20 years of service, plus 2.25 percent for the next five years of service, plus two percent for each year in excess of 25 years of service. A member's pension may not exceed 79.25 percent of the final average salary.

Employees who left SHPRS prior to meeting the requirements for receiving an age and service pension, but who have at least 15 years of service credit, are eligible for a deferred pension. Such employees who have less than 20 years of service credit, may collect a pension at age 55, at a percentage of their final average salary determined by multiplying 1.5 percent times the number of years of service credit. These employees are not eligible for health care benefits. Employees who are eligible for the deferred pension and who have at least 20 years of service credit, may receive a pension once they meet the age requirements for the age and service pension, calculated in the same manner as the age and service pension described above.

Membership data for SHPRS is presented in the table below:

Membership Data as of December 31, 2017	
Active Members	1,650
Retirees receiving benefits	1,637
Retirees not receiving benefits	11
	3,298

The SHPRS Board sets employee contribution rates and cost-of-living adjustment rates. Employee contribution rates may range between 10 and 14 percent and cost-of-living adjustments range between zero and three percent. The Board may set the cost-of-living adjustments annually, but in no case shall it exceed three percent. The cost-of-living adjustment eligibility is 60 years of age, or age 53 for members retired prior to January 7, 2013.

The employer and employee contribution rates, as of December 31, 2017, were 26.5 percent and 12.5 percent, respectively. During calendar year 2017, employer's contributions funded 22.5 percent of pension benefits and all the employees' contributions funded pension benefits.

The State's net pension liability was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total pension liability to December 31, 2017. Detailed information about SHPRS' pension plan fiduciary net position and the OPEB plan fiduciary net position is available in the separately issued SHPRS financial report. SHPRS uses the accrual basis of accounting, under which expenses are recorded when incurred and revenues are recorded when earned and measurable. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded at the trade date.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

The Schedule of Changes in Net Pension Liability is presented below (dollars in thousands):

Fiscal year ending December 31, 2017	Pension
Total Pension Liability:	
Service Cost	$ 19,635
Interest on the Total Pension Liability	85,936
Benefit Changes	(5,681)
Difference Between Expected and Actual Experience	17,854
Benefit Payments	(75,393)
Refunds	(1,075)
Net Change in Total Pension Liability	41,276
Total Pension Liability - Beginning	1,137,269
Total Pension Liability - Ending (a)	$ 1,178,545
Plan Fiduciary Net Position:	
Employer Contributions	$ 26,110
Employee Contributions	14,505
Pension Plan Net Investment Income	101,482
Benefit Payments	(75,393)
Refunds	(1,075)
Pension Plan Administrative Expense	(1,437)
Other	479
Net Change in Plan Fiduciary Net Position	64,671
Plan Fiduciary Net Position - Beginning	721,685
Plan Fiduciary Net Position - Ending (b)	$ 786,356
Net Pension Liability - Ending (a) - (b)	$ 392,189
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.72%
Covered Employee Payroll*	112,705
Net Pension Liability as a Percentage of Covered Employee Payroll	347.98%
Notes to Schedule:	N/A

*Includes members of the DROP.

For the year ended June 30, 2018, the State recognized pension expense of $47.3 million. The amount of employer contributions from the State for the calendar year ended December 31, 2017, totaled $26.1 million for pension. At June 30, 2018, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):

Deferred Outflows of Resources	Pension
Differences Between Expected and Actual Experience	$ 14,436
Changes of Assumptions	17,449
Contributions subsequent to measurement date	15,432
Total	$ 47,317
Deferred Inflows of Resources	
Difference between Expected and Actual experience	$ (8,036)
Net difference between projected and actual earnings on Pension plan investments	(5,498)
Total	$ (13,534)

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Deferred Outflows of Resources of $15.4 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, 2019. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

YEAR ENDED June 30:	Pension
2019	$ 15,449
2020	13,074
2021	(4,628)
2022	(6,308)
2023	764

OPEB Benefits

In addition to providing pension benefits, SHPRS, a single employer plan, is authorized by Chapter 5505, Ohio Revised Code, to provide a postemployment health care plan which includes medical, hospitalization and prescription drug coverage. Health care benefits are not guaranteed and are subject to change at any time, as determined by the Board and certified by the Office of Budget and Management. 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. Qualifications for postemployment health care coverage are described along with pension qualifications under the Pension Plan section.

During calendar year 2017, four percent of the employer's contributions funded postemployment health care benefits. Beginning January 1, 2018, the portion of employer contributions allocated to postemployment health care decreased to zero. None of the employees' contributions funded postemployment health care. The cost of retiree health care benefits is recognized as claims are incurred and premiums are paid.

The pension and OPEB plans' fiduciary net position has been determined on the same basis used by the pension plan.

The Schedule of Changes in Net OPEB Liability is presented as follows (dollars in thousands):

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Fiscal year ending December 31, 2017	OPEB
Total OPEB Liability:	
Service Cost	$ 23,657
Interest on the Total OPEB Liability	19,243
Benefit Changes	709
Difference Between Expected and Actual Experience	(1,204)
Assumption Changes	46,862
Benefit Payments	(9,434)
Net Change in Total OPEB Liability	79,833
Total OPEB Liability - Beginning	486,297
Total OPEB Liability - Ending (a)	$ 566,130
Plan Fiduciary Net Position:	
Employer Contributions	$ 4,640
Net Investment Income	14,467
Benefit Payments (includes refunds of employee contributions)	(9,433)
OPEB Plan Administrative Expense	(204)
Net Change in Plan Fiduciary Net Position	9,470
Plan Fiduciary Net Position - Beginning	102,329
Plan Fiduciary Net Position - Ending (b)	$ 111,799
Net OPEB Liability - Ending (a) - (b)	$ 454,331
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	19.8%
Covered Employee Payroll*	112,705
Net OPEB Liability as a Percentage of Covered Employee Payroll	403.1%
Notes to Schedule:	N/A

For the year ended June 30, 2018, the State recognized OPEB expense of $41.7 million. The amount of employer contributions from the State for the calendar year ended December 31, 2017, totaled $4.6 million to OPEB. At June 30, 2018, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (dollars in thousands):

Deferred Outflows of Resources	OPEB
Changes of Assumptions	$ 39,676
Total	$ 39,676
Deferred Inflows of Resources	
Difference between Expected and Actual experience	$ (1,019)
Net difference between projected and actual earnings on OPEB plan investments	(5,384)
Total	$ (6,403)

There were no State contributions to OPEB subsequent to the measurement date and therefore, there will be no reduction of the net OPEB liability resulting from subsequent state contributions recognized in the year ended June 30, 2019. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

YEAR ENDED June 30:	OPEB
2019	$ 5,655
2020	5,655
2021	5,655
2022	5,655
2023	7,002
Thereafter	3,651

Actuarial Assumptions for Pension and OPEB Liabilities

The total pension and OPEB liabilities at December 31, 2017, were 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 10 percent attributable to seniority and merit, and price inflation of 2.75 percent annually. The actuarial assumptions were based off a December 31, 2016 actuarial valuation date and rolled forward to December 31, 2017. A five-year experience study covering the five-year period ending December 31, 2014 was the basis for the assumptions.

Mortality rates were based on the RP-2014 Healthy Annuitant mortality and the RP-2014 Disabled mortality tables for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for females was then established to be 2012. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale.

An estimate range for investment return assumptions is developed and based on the target allocation adopted by the SHPRS' Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

	Pension and OPEB	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Cash	1%	-0.21%
Domestic Equity - Large Cap	25%	5.62%
Domestic Equity - Small Cap	5%	5.78%
International Equity	15%	6.00%
Emerging Markets	8%	8.78%
Domestic Corporate Fixed Income	10%	1.11%
Domestic Government Fixed Income	3%	0.43%
Treasury Inflation Protected Securities	0%	0.77%
High Yield Bonds	3%	2.92%
Real Estate	0%	4.32%
Private Equity	10%	8.21%
Hedge Funds	10%	4.22%
Other Alternatives	10%	4.18%
Total Fund	100%	

*Long-Term expected rates of return as shown were calculated arithmetically.

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumes employer contribution rates allocated to pensions will be 22.5 percent in 2017 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, 2017.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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, 2017, 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 (dollars in thousands):

Pension		
1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
$ 523,822	$ 392,189	$ 282,395

Net OPEB Liability uses a single discount rate of 3.42 percent. This Single Discount Rate was based on an expected rate of return on OPEB plan investments of 7.75 percent and a municipal (fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds) bond rate of 3.31 percent. The projection of cash flows used to determine this Single Discount Rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate; if these assumptions were met, the net position and contributions were sufficient through 2027. Therefore, the long-term expected rate of return was applied through 2027 and the municipal rate was applied thereafter. Shown in the table below is what the net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower (2.42 percent) or one percentage point higher (4.42 percent) than the current assumption (dollars in thousands):

OPEB		
1% Decrease 2.42%	Current Discount Rate 3.42%	1% Increase 4.42%
$ 573,757	$ 454,331	$ 362,441

It is expected that health care premium rates will continue to exceed wage inflation for the next 10 years leveling off at an ultimate rate of four percent. This information is determined from historical trends. The sensitivity of the net OPEB liability to changes in the health care cost trend rates calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher is presented below (dollars in thousands):

OPEB		
1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
$ 367,873	$ 454,331	$ 555,494

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

D. Alternative Retirement Plan (ARP)
Pension Benefits
The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least four or more alternative retirement plans for academic and administrative employees of Ohio's institutions of higher education, who otherwise would be covered by OPERS or STRS. Unclassified civil service employees hired on or after August 1, 2005, are also eligible to participate in the ARP.

The Board of Trustees of each public institution of higher education enters into contracts with each approved retirement plan provider. Once established, full-time faculty and unclassified employees who are hired subsequent to the establishment of the ARP, or who had less than five years of service credit under the existing retirement plans, may choose to enroll in the ARP. The choice is irrevocable for as long as the employee remains continuously employed in a position for which the ARP is available. For those employees that choose to join the ARP, any prior employee contributions that had been made to OPERS or STRS would be transferred to the ARP. The Ohio Department of Higher Education has designated the companies that are eligible to serve as plan providers for the ARP.

Ohio law requires that employee contributions be made to the ARP in an amount equal to those that would otherwise have been required by the retirement system that applies to the employee's position. For the fiscal year ended June 30, 2018, these contribution rates are 10 percent for OPERS and 14 percent for STRS. Employees may also voluntarily make additional contributions to the ARP.

For the year ended June 30, 2018, each public institution of higher education was required to contribute 2.44 percent of a participating employee's salary to OPERS in cases when the employee would have otherwise been enrolled in OPERS.

Ohio law also requires each public institution of higher education to contribute 4.47 percent of a participating employee's gross salary, for the year ended June 30, 2018, to STRS in cases when the employee would have otherwise been enrolled in STRS.

The employer contribution amount is subject to actuarial review every fifth year to determine if the rate needs to be adjusted to mitigate any negative financial impact that the loss of contributions may have on OPERS and STRS. The Board of Trustees of each public institution of higher education may also make additional payments to the ARP based on the gross salaries of employees multiplied by a percentage the respective Board of Trustees approves.

The ARP vesting of all contributions made on behalf of participants is based on the employer's vesting requirements. The contributions are directed to one of the investment management companies as chosen by the participants. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits. Benefits are entirely dependent on the sum of the contributions and related investment income generated by each participant's choice of investment options.

For the State's major discretely presented component unit, employer and employee contributions required and made for the year ended June 30, 2018, for the ARP follow (dollars in thousands):

Major Component Unit:	OPERS	STRS
Ohio State University:		
Employer Contributions	$ 27,707	$ 28,762
Employee Contributions	23,972	42,252

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, 2018, the General Assembly had authorized the issuance of $5.55 billion in Common Schools Capital Facilities Bonds, of which $5.07 billion has been issued. As of June 30, 2018, the General Assembly had also authorized the issuance of $4.45 billion in Higher Education Capital Facilities Bonds, of which $3.83 billion has been issued.

Through the approval of the November 1995 amendment, voters authorized the issuance of Highway Capital Improvements Bonds in amounts up to $220 million in any fiscal year (plus any prior fiscal years' principal amounts not issued under the new authorization), with no more than $1.2 billion outstanding at any time. As of June 30, 2018, the General Assembly has authorized the issuance of approximately $3.68 billion in Highway Capital Improvements Bonds, of which $3.13 billion has been issued.

Constitutional amendments in 1995, 2005, and 2014 allowed for the issuance of $5.63 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds). Not more than $175 million of Infrastructure Bonds may be issued in each fiscal year beginning in 2018 through fiscal year 2022 and $200 million in each fiscal year beginning in fiscal year 2023 through fiscal year 2027, plus any obligations unissued from previous fiscal years. As of June 30, 2018, the General Assembly had authorized $4.43 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which $3.92 billion had been issued (net of $214 million in unaccreted discounts at issuance).

Coal Research and Development Bonds and Parks, Recreation, and Natural Resources Bonds may be issued as long as the outstanding principal amounts do not exceed $100 and $200 million, respectively. Not more than $50 million of Natural Resources Bonds may be issued in any fiscal year. As of June 30, 2018, the General Assembly had authorized the issuance of $260 million in Coal Research and Development Bonds, of which $246 million had been issued. Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled $482 million, as of June 30, 2018, of which $453.1 million had been issued.

Constitutional amendments in 2000 and 2008 allowed for outstanding Conservation Projects Bonds of up to $400 million. No more than $50 million may be issued during a fiscal year (plus any obligations unissued from previous fiscal years). As of June 30, 2018, the General Assembly had authorized the issuance of approximately $700 million in Conservation Projects Bonds of which $500 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, 2018, the General Assembly had authorized the issuance of $1.2 billion in Third Frontier Research and Development Bonds, of which $851 million had been issued.

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, 2018, 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, 2018, the General Assembly had authorized all $200 million in Veterans' Compensation Bonds, of which $83.9 million had been issued.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2018, are presented in the table below. For the variable-rate bonds, using the assumption that current interest rates remain the same over their term, the interest and net swap payment amounts are based on rates as of June 30, 2018. As rates vary, variable-rate bond interest payments and net swap payments vary.

Primary Government-Governmental Activities
Summary of General Obligation Bonds
and Future Funding Requirements
As of June 30, 2018
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities	2004-18	2.5%-5.5%	2038	$3,154,673	$ 475,000
Higher Education Capital Facilities	2009-18	1.4%-5.3%	2038	2,610,855	615,000
Highw ay Capital Improvements	2010-18	1.3%-5.0%	2033	1,057,684	557,170
Infrastructure Improvements	2002-18	2.0%-5.5%	2038	1,936,145	500,014
Coal Research and Development	2010-18	1.5%-5.0%	2028	43,371	14,000
Natural Resources Capital Facilities	2010-18	2.0%-5.0%	2033	158,321	28,870
Conservation Projects	2010-18	2.0%-5.0%	2032	294,021	200,000
Third Frontier Research and Development	2009-18	1.1%-5.0%	2028	399,072	349,000
Site Development	2010-14	2.5%-4.6%	2023	47,789	-
Veterans' Compensation	2011-12	3.2%-4.9%	2027	32,430	116,090
Total General Obligation Bonds				$9,734,361	$2,855,144

Future Funding of Fixed-Rate Bonds:

Year Ending June 30,	Principal	Interest	Total
2019..	$ 797,105	$ 382,784	$ 1,179,889
2020..	799,880	349,339	1,149,219
2021..	791,050	313,560	1,104,610
2022..	757,060	277,873	1,034,933
2023..	708,870	243,598	952,468
2024-2028...	2,372,150	822,871	3,195,021
2029-2033...	1,618,015	371,495	1,989,510
2034-2038...	665,775	79,129	744,904
Total Fixed-Rate Bonds	$ 8,509,905	$ 2,840,649	$11,350,554

Future Funding of Variable-Rate Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Sw aps, Net	Total
2019..	$ 46,335	$ 7,175	$ 4,457	$ 57,967
2020..	50,465	6,048	3,890	60,403
2021..	52,305	5,000	3,072	60,377
2022..	54,300	3,916	2,222	60,438
2023..	46,560	2,864	1,490	50,914
2024-2028...	78,995	2,989	1,524	83,508
Total Variable-Rate Bonds..........................	$ 328,960	$ 27,992	$ 16,655	$ 373,607

Total General Obligation Bonds	$ 8,838,865
Unamortized Premium/(Discount), Net.........	895,496
Total..	$ 9,734,361

For the year ended June 30, 2018, NOTE 15 summarizes changes in general obligation bonds.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Hedging Derivatives

As of June 30, 2018, approximately $236.7 million of Infrastructure Improvement Bonds and Common Schools Bonds have associated cash flow hedges with a fair value of ($12.2) million. The value of these bonds is reported as part of the Bonds and Notes Payable section and the negative fair value of the cash flow hedges is reported in the Other Noncurrent Liabilities section on the Statement of Net Position. The fair value increased $9.8 million during fiscal year 2018. This increase is reported on the Statement of Net Position as part of Deferred Outflows of Resources. Fair value of the cash flow hedges is determined using the zero-coupon method. For information on the State's Deferred Outflows of Resources and Deferred Inflows of Resources, see NOTE 18.

Terms and objectives of the State's hedging derivatives are provided in the following table:

Hedging Derivatives
As of June 30, 2018
(dollars in thousands)

Issue	Type of Cash Flow Hedge	Notional Amount	Underlying Index	Counterparty's Swap Rate at 06/30/2018	State's Swap Rate at 06/30/2018	Effective Date	Termination (Maturity) Date
Infrastructure Improvements, Series 2001B	Pay-fixed interest rate swap	$34,800	SIFMA Index	1.51%	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/A+/AA- Wells Fargo							
Infrastructure Improvements, Refunding Series 2004A	Pay-fixed interest rate swap	$39,660	LIBOR (See terms below)	1.57%	3.51%	3/3/2004	2/1/2023
Objective: Convert Series 2004A variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty: Aa2/A+/AA- Wells Fargo							
Terms: 63% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2003D	Pay-fixed interest rate swap	$67,000	LIBOR (see terms below)	1.61%	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/A+/AA- Wells Fargo							
Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006B	Pay-fixed interest rate swap	$47,610	LIBOR (see terms below)	1.61%	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	$47,610	LIBOR (see terms below)	1.61%	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: A1/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, 2018. 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 2018, there were five advance refundings of general obligations bonds. Proceeds of the refunding (new) bonds were 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. Details on the advance refundings are presented in the table on the following page.

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. At June 30, 2018, Conservation Bonds of $22.6 million, Common School Bonds of $143.2 million, Higher Education Bonds of $70.6 million, Infrastructure Improvement Bonds of $55.2 million, Natural Resources Bonds of $13.6 million, and Third Frontier Bonds of $22.6 million are outstanding and considered defeased.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Primary Government — Governmental Activities
General Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2018
(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
Highway Capital, Series U................	10/3/2017	$ 136,265	1.98%	$ 142,950	$ 168,470	$ 12,033/11 yrs	$ 10,851
Common Schools, Series 2017B	12/21/2017	203,535	1.92%	227,570	253,577	34,857/12 yrs	28,158
Higher Education, Series 2017C.......	12/21/2017	194,955	1.92%	210,840	243,468	31,381/12 yrs	25,435
Infrastructure, Series 2017B............	12/21/2017	68,630	2.05%	77,990	86,905	16,260/14 yrs	13,682
Natural Resources, Series V............	12/21/2017	23,765	1.90%	25,820	29,393	3,484 / 11 yrs	2,835
Total		$ 627,150		$ 685,170	$ 781,813		$ 80,961

NOTE 11 REVENUE BONDS AND NOTES

The State Constitution permits state agencies and authorities to issue bonds and notes that are not supported by the full faith and credit of the State. These bonds and notes pledge income derived from user fees and rentals on the acquired or constructed assets to pay the debt service.

The Treasurer of State and the Buckeye Tobacco Settlement Financing Authority (BTSFA) issue revenue bonds and notes for the primary government. The Treasurer of State issues bonds and notes on behalf of the Ohio Department of Transportation. The Ohio State University issues revenue bonds and notes as a major discretely presented component unit.

A. Primary Government

The Treasurer of State, since fiscal year 1998, has issued a total of $2.74 billion in State Infrastructure Bank Bonds for various transportation construction projects financed by the Department of Transportation. The State has pledged federal highway receipts and loan repayments received under the State Infrastructure Bank Loan Program as the primary source of moneys for meeting the principal and interest requirements on the bonds.

Issuances for the State Infrastructure Bank are, in part, used for the acquisition, construction, or improvement of capital assets. Total pledged federal highway receipts and loan repayments through the maturity of the bonds in 2030 are estimated at approximately $1.23 billion. For fiscal year 2018, principal and interest payments on the revenue bonds was $151.7 million and pledged receipts was $149.2 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, 2018, the total principal and interest payments remaining to be paid on the bonds were $16.58 billion. Principal and interest paid and total net tobacco settlement receipts for fiscal year 2018 were $335.2 million and $337.2 million, respectively. In the event the assets of BTSFA have been exhausted, no amounts thereafter will be paid on the bonds. After the bonds and any related operating expenses have been fully paid, any remaining tobacco settlement receipts will become payable to the State. The bonds include fixed rate serial bonds, fixed rate current interest turbo term bonds, and capital appreciation turbo term bonds which will convert to fixed rate current interest turbo term bonds. They were issued to fund long-lived capital projects at state-

NOTE 11 REVENUE BONDS AND NOTES (Continued)

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, 2018, are presented in the following tables:

Primary Government-Governmental Activities
Summary of Revenue Bonds and Notes
As of June 30, 2018
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Treasurer of State: State Infrastructure Bank	2007-18	2.0%-6.0%	2030	$1,104,627
Buckeye Tobacco Settlement Financing Authority.......	2008	6.3%-7.5%	2052	5,584,710
Total Revenue Bonds and Notes				$6,689,337

Primary Government-Governmental Activities
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2018
(dollars in thousands)

Year Ending June 30,	Principal	Interest	Total
2019..................	$ 460,250	$ 336,816	$ 797,066
2020..................	259,595	310,568	570,163
2021..................	241,550	298,508	540,058
2022..................	207,010	286,908	493,918
2023..................	214,065	276,328	490,393
2024-2028..................	929,520	1,222,713	2,152,233
2029-2033..................	710,425	993,594	1,704,019
2034-2038..................	690,520	804,899	1,495,419
2039-2043..................	1,050,840	553,092	1,603,932
2044-2048..................	1,347,390	3,196,772	4,544,162
2049-2052..................	128,183	3,289,117	3,417,300
	6,239,348	11,569,315	17,808,663
Unamortized Premium/(Discount), Net........	449,989	-	449,989
Total	$6,689,337	$11,569,315	$18,258,652

For the year ended June 30, 2018, NOTE 15 summarizes changes in revenue bonds and notes.

In prior years, the Treasurer of State defeased certain bond issues by placing cash and other monetary assets and proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. At June 30, 2018, $87.6 million of Economic Development Bonds and $3.3 million of Revitalization Bonds outstanding are considered defeased.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

B. Major Discretely Presented Component Units

Future bond service requirements for revenue bonds and notes reported for the major discretely presented component units, as of June 30, 2018, are shown in the following table:

Major Discretely Presented Component Units
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2018
(dollars in thousands)

	Ohio State University		
Year Ending June 30,	Principal	Interest	Total
2019	$ 637,230	$ 134,456	$ 771,686
2020	36,761	123,783	160,544
2021	35,157	122,181	157,338
2022	35,317	120,626	155,943
2023	44,304	119,148	163,452
2024-2028	186,215	568,194	754,409
2029-2033	140,919	532,720	673,639
2034-2038	100,559	507,086	607,645
2039-2043	794,705	348,686	1,143,391
2044-2048	387,166	219,355	606,521
2049-2053	-	170,600	170,600
2054-2058	250,000	155,420	405,420
2059-2063	-	120,000	120,000
2064-2068	-	122,589	122,589
2069-2073	-	120,000	120,000
2074-2078	-	120,000	120,000
2079-2083	-	120,000	120,000
2084-2088	-	120,000	120,000
2089-2093	-	120,000	120,000
2094-2098	-	120,000	120,000
2099-2103	-	120,000	120,000
2104-2108	-	120,000	120,000
2109-2113	500,000	72,000	572,000
	3,148,333	4,396,844	7,545,177
Unamortized Premium/(Discount), Net	81,211	-	81,211
Total	$ 3,229,544	$ 4,396,844	$ 7,626,388

The bonds and notes of the state universities and state community colleges are payable from the institutions' available receipts, including student fees, rental income, and gifts and donations, as may be provided for in the respective bond and note agreements. The proceeds of the bonds and notes are used for the construction of educational and student resident facilities and auxiliary facilities such as dining halls, hospitals, parking facilities, bookstores and athletic facilities. The State is not obligated for the debt of its discretely presented component units.

NOTE 12 SPECIAL OBLIGATION BONDS

Under the authority of Chapter 154, Ohio Revised Code, the Treasurer of State is the issuer of special obligation bonds that finance the cost of capital facilities for mental health and developmental disabilities institutions, parks and recreation, cultural and sports facilities, correctional facilities, office buildings for state departments and agencies, transportation, and, in some cases, related facilities for local governments. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

Pledges of lease rental payments from appropriations made to the General Fund and the Highway Safety and Highway Operating special revenue funds, moneys held by trustees pursuant to related trust agreements, and other receipts, as required by the respective bond documents, secure the special obligation bonds. The lease rental payments are reported in the fund financial statements as interfund transfers.

Special obligation bonds outstanding, bonds authorized but unissued, and future debt service requirements, as of June 30, 2018, are presented in the following tables:

Primary Government-Governmental Activities
Summary of Special Obligation Bonds
As of June 30, 2018
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized but Unissued
Treasurer of State Lease Rental Bonds..........	2001-18	1.2%-5.4%	2038	$ 2,237,096	$ 1,173,135
Total Special Obligation Bonds........				$ 2,237,096	$ 1,173,135

Future Funding of Special Obligation Bonds:			
Year Ending June 30,	Principal	Interest	Total
2019........	$ 220,820	$ 91,126	$ 311,946
2020........	196,710	81,437	278,147
2021........	190,905	72,569	263,474
2022........	174,825	63,867	238,692
2023........	173,135	55,715	228,850
2024-2028........	600,865	172,751	773,616
2029-2033........	349,495	62,898	412,393
2034-2038........	104,555	9,674	114,229
	2,011,310	610,037	2,621,347
Unamortized Premium/(Discount), Net...........	225,786	-	225,786
Total	$ 2,237,096	$ 610,037	$ 2,847,133

For the year ended June 30, 2018, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2018, Treasure of State Lease Rental had four current/advance refunding issues. 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. Details on advanced refunding for fiscal year 2018 are presented in the following table.

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

Primary Government — Governmental Activities
Special Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2018
(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, Series 2017B..	11/7/2017	$ 62,320	2.25%	$ 67,125	$ 74,805	$ 8,334/14 yrs	$ 6,720
Administrative Facilities, Series 2017B........	11/7/2017	30,790	2.11%	32,935	36,330	3,768/13 yrs	2,996
Mental Health Facilities, Series 2017A.........	11/7/2017	17,765	1.65%	18,315	20,421	1,182 / 7 yrs	1,104
Juvenile Correctional, Series 2017A............	12/14/2017	10,515	2.20%	10,640	11,785	500 / 10 yrs	391
Total		$121,390		$129,015	$143,341		$ 11,211

In prior years, the Treasurer of State defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. At June 30, 2018, $196.7 million of lease rental special obligations bonds outstanding are considered defeased.

NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 2018, approximately $204.6 million in certificate of participation (COP) obligations were reported in governmental activities.

Beginning in fiscal year 2015, the Ohio Department of Administrative Services participated in the issuance of $59.6 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 $204.3 million of COP obligations to finance the acquisition of the Ohio Administrative Knowledge System (OAKS), a statewide Enterprise Resource Planning (ERP) system. These issuances are, in part, used for the acquisition, construction, or improvement of capital assets.

Beginning in fiscal year 2008, the Ohio Department of Administrative Services participated in the issuance of $67.1 million of COP obligations to finance the cost of acquisition of the State Taxation Accounting and Revenue System (STARS).

In fiscal year 2015, the Ohio Treasurer of State's Office participated in the issuance of $8.8 million of COP obligations to finance the cost of acquisition of the Treasury Management System (TMS).

In fiscal year 2017, the Ohio Attorney General's Office participated in the issuance of $19.6 million of COP obligations to finance the cost of acquisition of the Bureau of Criminal Investigation Records System (BCIRS).

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.

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Obligations outstanding and future commitments for the primary government under COP financing arrangements, as of June 30, 2018, are presented in the following tables:

Primary Government — Governmental Activities
Summary of Certificate of Participation Obligations
As of June 30, 2018
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Attorney General:				
Bureau of Criminal Investigation Records System (BCIRS)..	2017	4.0%-5.0%	2027	$ 19,942
Department of Administrative Services:				
Enterprise Data Center Solutions (EDCS)................................	2015-17	5.0%	2027	55,366
Multi-Agency Radio Communications System (MARCS)	2013-15	3.0%-5.0%	2028	59,670
Ohio Administrative Knowledge System (OAKS)	2014-17	4.0%-5.0%	2027	33,117
State Taxation Accounting and Revenue System (STARS).....	2008-17	3.0%-5.0%	2027	29,229
Treasurer of State:				
Treasury Management Systems (TMS).....................................	2015	5.0%	2025	7,296
Total Certificates of Participation				$ 204,620

Future Commitments for Certificate of Participation Obligations:			
Year Ending June 30,	Principal	Interest	Total
2019...	$ 33,615	$ 8,194	$ 41,809
2020...	16,900	7,030	23,930
2021...	17,755	6,176	23,931
2022...	18,640	5,289	23,929
2023...	19,570	4,363	23,933
2024-2028...	78,930	8,022	86,952
	185,410	39,074	224,484
Unamortized Premium, Net.........................	19,210	-	19,210
Total	$ 204,620	$ 39,074	$ 243,694

For the year ended June 30, 2018, NOTE 15 summarizes changes in COP obligations.

NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2018, in addition to bonds, notes, and certificates of participation obligations discussed in NOTES 10 through 13, the State reports the following noncurrent liabilities in its financial statements (dollars in thousands):

Non-Current Liabilities	
Governmental Activities:	
Compensated Absences	$ 479,706
Net Pension Liability	3,508,205
Net OPEB Liability	2,552,677
Capital Leases Payable	19,632
Derivatives	18,228
Pollution Remediation Liabilities	1,870
Infrastructure, Capital Assets	413,394
Estimated Claims Payable	679
Liability for Escheat Property	317,173
Total Governmental Activities	7,311,564
Business-Type Activities:	
Compensated Absences	41,739
Net Pension Liability	245,784
Net OPEB Liability	168,931
Capital Leases Payable	3,164
Workers' Compensation:	
Benefits Payable	14,153,709
Other	3,476,325
Prize Awards Payable	409,578
Tuition Benefits Payable	205,500
Total Business-Type Activities	18,704,730
Total Primary Government	$ 26,016,294

For the year ended June 30, 2018, 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, 2018, was $521.4 million, of which $479.7 million is allocable to governmental activities and $41.7 million is allocable to business-type activities.

As of June 30, 2018, major discretely presented component units reported a total of $186.1 million in compensated absences liabilities, as detailed by major discretely presented component unit in NOTE 15.

B. Net Pension Liability and Net OPEB Liability

The State recognizes a net pension liability in the amount of $3.76 billion, as of June 30, 2018, for the primary government of which $3.51 billion is allocable to governmental activities and $245.8 million is allocable to business-type activities. The net pension liability represents the State's proportionate share of the difference between the total pension liability and the fiduciary net position for OPERS, STRS, and SHPRS.

For the primary government, the State recognizes a net OPEB liability in the amount of $2.72 billion as of June 30, 2018, of which $2.55 billion is allocable to government activities and $168.9 million is allocable to business-type activities. The net OPEB liability represents the State's proportionate share of the difference between the total OPEB liability and the fiduciary net position for OPERS, STRS and SHPRS. See NOTE 9 for further details.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

C. Lease Agreements

The State's primary government leases office buildings, computers and office equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment, remote, then the lease is considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or as a liability for capital leases.

Operating leases (leases on assets not recorded in the Statement of Net Position) contain various renewable options as well as some purchase options. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. The primary government's total operating lease expenditures/expenses for fiscal year 2018 were approximately $108.4 million. Fiscal year 2019 future minimum lease commitments for operating leases judged to be noncancelable, as of June 30, 2018, were $4.1 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, 2018, are as follows (dollars in thousands):

	Capital Leases		
Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2019	$ 5,740	$ 1,552	$ 7,292
2020	5,213	1,612	6,825
2021	4,380	-	4,380
2022	3,526	-	3,526
2023	1,721	-	1,721
2024-2025	401	-	401
Total Minimum Lease Payments	20,981	3,164	24,145
Amount for Interest	(1,349)	-	(1,349)
Present Value of Net Minimum Lease Payments	$ 19,632	$ 3,164	$ 22,796

As of June 30, 2018, the primary government had the following capital assets under capital leases (dollars in thousands):

	Capital Assets		
	Governmental Activities	Business-Type Activities	Total
Equipment	$ 8,985	$ 108,815	$ 117,800
Vehicles	28,806	-	28,806
Total	$ 37,791	$ 108,815	$ 146,606

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, 2018, are presented in the table on the following page (dollars in thousands):

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

Capital Leases

Major Discretely Presented Component Units	
Year Ending June 30,	Ohio State University
2019	$ 5,065
2020	4,918
2021	5,131
2022	1,125
Total Minimum Lease Payments	16,239
Amount for Interest	(813)
Present Value of Net Minimum Lease Payments	$ 15,426
Equipment & Vehicles	$ 22,903
Total	$ 22,903

D. Derivatives
For governmental activities, the State has reported $(18.2) million of investment and hedging derivatives as of June 30, 2018. Additional information regarding the State's derivatives is included in NOTE 4, NOTE 10, and NOTE 18.

E. Pollution Remediation Liabilities
The State recognizes a liability for pollution remediation in the amount of $1.9 million, as of June 30, 2018. 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. As of June 30, 2018, the liability totaled approximately $413.4 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, 2018, no noncurrent liabilities ultimately payable from various governmental funds have been recorded for this purpose. For more information on the State's loss contingencies arising from pending litigation, see NOTE 20.

H. Estimated Claims Payable
The State reported $679 thousand in estimated claims for defaulted loans under the Ohio Enterprise Bond Programs at the Development Services Agency, Office of Loan Administration, as of June 30, 2018. The program is included in governmental activities and is accounted for in the General fund. See NOTE 16 for additional information.

The following table reflects the Ohio Enterprise Bond Fund future debt service obligations as of June 30, 2018 (dollars in thousands):

Year Ending June 30,	Principal Due
2019	$ 542
2020	137
Total	$ 679

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

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, 2018, the liability totaled approximately $317.2 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, 2018, in the amount of approximately $14.15 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, 2018, the prize awards payable totals $409.6 million.

Future payments of prize awards, stated at present value, as of June 30, 2018, follow (dollars in thousands):

Year Ending June 30,	
2019	$ 67,277
2020	54,967
2021	49,838
2022	44,861
2023	37,645
2024-2028	131,333
2029-2033	92,219
2034-2038	21,265
2039-2043	6,311
2044-2048	200
	505,916
Unamortized Discount	(96,338)
Net Prize Liability	$ 409,578

L. Tuition Benefits Payable
The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately $205.5 million, as of June 30, 2018. 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: 3.5 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, 2018, the market value of actuarial net position available for the payment of the tuition benefits payable was $269.2 million.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

M. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately $3.48 billion in other noncurrent liabilities, as of June 30, 2018, of which 1) $1.76 billion is comprised of the compensation adjustment expenses liability for estimated future expenses to be incurred in the settlement of claims, as discussed further in NOTE 21, 2) $1.24 billion consists of the premium rebate due to private employers and public taxing district employers, 3) $437.1 million consists of retrospective rating adjustments for employers within similar industries that are enrolled in group experience rating plans, 4) $4.5 million is contingent liabilities, and 5) $39.9 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, 2018, are presented for the primary government in the following table:

Primary Government
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

Governmental Activities:	Balance June 30, 2017 (Restated)	Additions	Reductions	Balance June 30, 2018	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	$ 9,297,641	$ 2,104,794	$ 1,668,074	$ 9,734,361	$ 850,904
Revenue Bonds and Notes (NOTE 11)	6,394,647	473,115	178,425	6,689,337	140,998
Special Obligation Bonds (NOTE 12)	2,016,991	613,704	393,599	2,237,096	255,970
Total Bonds and Notes Payable	17,709,279	3,191,613	2,240,098	18,660,794	1,247,872
Certificates of Participation (NOTE 13)	241,627	-	37,007	204,620	34,072
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	460,688	361,854	342,836	479,706	57,975
Net Pension Liability	4,920,398	-	1,412,193	3,508,205	-
Net OPEB Obligation (Prior to GASB 75)	197,327	-	197,327	-	-
Net OPEB Liability	2,342,456	210,498	277	2,552,677	-
Capital Leases Payable	17,361	2,271	-	19,632	5,203
Derivatives	30,919	-	12,691	18,228	-
Pollution Remediation Liabilities	6,083	115	4,328	1,870	120
Infrastructure, Capital Assets	345,477	67,917	-	413,394	-
Litigation Liabilities	17,500	-	17,500	-	-
Estimated Claims Payable	1,201	-	522	679	542
Liability for Escheat Property	276,034	130,747	89,608	317,173	90,263
Total Other Noncurrent Liabilities	8,615,444	773,402	2,077,282	7,311,564	154,103
Total Noncurrent Liabilities	$ 26,566,350	$ 3,965,015	$ 4,354,387	$ 26,176,978	$ 1,436,047
Business-Type Activities:					
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	$ 41,065	$ 28,096	$ 27,422	$ 41,739	$ 4,085
Net Pension Liability	358,757	-	112,973	245,784	-
Net OPEB Liability	156,637	12,294	-	168,931	-
Capital Leases Payable	6,277	-	3,113	3,164	1,552
Workers' Compensation:					
Benefits Payable	15,084,910	784,538	1,715,739	14,153,709	1,477,596
Other:					
Adjustment Expenses Liability	1,781,700	19,462	42,562	1,758,600	399,521
Miscellaneous	1,135,749	668,651	86,675	1,717,725	1,437,340
Prize Awards Payable	449,169	32,307	71,898	409,578	52,900
Tuition Benefits Payable	243,500	-	38,000	205,500	37,200
Total Other Noncurrent Liabilities	19,257,764	1,545,348	2,098,382	18,704,730	3,410,194
Total Noncurrent Liabilities	$ 19,257,764	$ 1,545,348	$ 2,098,382	$ 18,704,730	$ 3,410,194

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 2018, 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.

	(in 000s)
Governmental Activities:	
Primary, Secondary and Other Education	$ 400,176
Higher Education Support	162,088
Health and Human Services	1,576
Environmental Protection and Natural Resources	1,330
Transportation	34,154
Community and Economic Development	101,348
Total Interest Expense Charged to Governmental Functions	$ 700,672

B. Major Discretely Presented Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2018, 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, 2018
(dollars in thousands)

	Balance June 30, 2017 (Restated)	Additions	Reductions	Balance June 30, 2018	Amount Due Within One Year
Ohio Facilities Construction Commission:					
Intergovernmental Payable	$ 845,999	$ 368,691	$ 411,163	$ 803,527	$ 470,088
Compensated Absences*	351	941	226	1,066	113
Total	$ 846,350	$ 369,632	$ 411,389	$ 804,593	$ 470,201
Ohio State University:					
Compensated Absences*	$ 177,207	$ 22,576	$ 14,779	$ 185,004	$ 14,779
Capital Leases Payable* (NOTE 14)	8,548	10,660	3,782	15,426	4,681
Net Pension Liability*	3,565,744	-	1,017,499	2,548,245	-
Net OPEB Liability*	1,225,012	24,662	-	1,249,674	-
Advance from Concessionaire*	-	1,046,342	-	1,046,342	-
Other Liabilities*	364,706	375,339	382,607	357,438	74,071
Revenue Bonds & Notes Payable (NOTE 11)	3,300,262	89,169	159,887	3,229,544	637,230
Total	$ 8,641,479	$1,568,748	$1,578,554	$ 8,631,673	$ 730,761

*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.

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, 2018, a liability of $679 thousand has been recorded in the accompanying financial statements for guarantees extended to defaulted organizations. See NOTE 14H for additional information. The cumulative guarantee payments made for defaulted organizations with bonds currently outstanding is $4.8 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, 2018.

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 2041, when the bonds mature, and no circumstances presently exist that indicate the State will be required to make any payments as a result of these guarantees.

As of June 30, 2018, revenue bonds and notes outstanding that represent conduit debt for the State were as follows (dollars in thousands):

	Outstanding Amount
Primary Government:	
Development Services Agency:	
Ohio Enterprise Bond Program	$ 114,445
Hospital Facilities Bonds	3,250
Ohio Department of Transportation:	
State Transportation Infrastructure Bond Fund Program	37,310
Total Primary Government	$ 155,005

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, 2018, 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				
	General	Job, Family & Other Human Services	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total
Fund Balance:					
Nonspendable					
Inventories	$ 21,478	$ -	$ -	$ 84,330	$ 105,808
Noncurrent Portion of Loans Receivable	1,288	-	-	-	1,288
Advances to Local Government	29,501	-	-	-	29,501
Total Nonspendable	52,267	-	-	84,330	136,597
Restricted					
Primary, Secondary and Other Education	19	67	-	123,899	123,985
Higher Education Support	325,682	-	-	24,315	349,997
Public Assistance and Medicaid	-	128,745	-	217,212	345,957
Health and Human Services	-	-	-	55,826	55,826
Justice and Public Protection	33,133	1,343	-	60,179	94,655
Environmental Protection and Natural Resources	12,083	-	-	153,921	166,004
Transportation	-	-	-	10,119	10,119
Transit Project Loans	-	-	-	233,124	233,124
Highway Construction/Preservation	-	-	-	801,307	801,307
General Government	5,889	21,330	-	113,694	140,913
Community and Economic Development	74,025	9	-	332,602	406,636
Grants/Loans-Local Government Capital Improvements	794,948	-	-	-	794,948
Local Government Road/Bridge Improvements	219,681	-	-	-	219,681
Capital Outlay	-	-	-	910,051	910,051
Debt Service	-	-	4,515,448	8,679	4,524,127
Total Restricted	1,465,460	151,494	4,515,448	3,044,928	9,177,330
Committed					
Primary, Secondary and Other Education	2	-	-	84,149	84,151
Higher Education Support	-	-	-	1,808	1,808
Public Assistance and Medicaid	-	107,885	-	68,991	176,876
Health and Human Services	1,144	-	-	13,150	14,294
Justice and Public Protection	996	-	-	83,409	84,405
Environmental Protection and Natural Resources	-	-	-	192,520	192,520
Transportation	-	-	-	1,324	1,324
General Government	20,010	16,047	-	95,068	131,125
Community and Economic Development	21,998	-	-	112,679	134,677
Business Development Loans	728,378	-	-	-	728,378
Total Committed	772,528	123,932	-	653,098	1,549,558
Assigned					
Primary, Secondary and Other Education	50,737	-	-	-	50,737
Higher Education Support	9,267	-	-	-	9,267
Public Assistance and Medicaid	483,696	-	-	-	483,696
Health and Human Services	92,428	-	-	-	92,428
Justice and Public Protection	102,492	-	-	-	102,492
Environmental Protection and Natural Resources	27,707	-	-	-	27,707
General Government	449,349	-	-	-	449,349
Escheat Investments used for Mortgage Insurance/ Minority Contractor Bonding/Housing Finance Loans	1,242,482	-	-	-	1,242,482
Community and Economic Development	81,249	-	-	-	81,249
Total Assigned	2,539,407	-	-	-	2,539,407
Unassigned	667,887	(1,937)	-	-	665,950
Total Fund Balance	$ 5,497,549	$ 273,489	$ 4,515,448	$ 3,782,356	$ 14,068,842

NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING (Continued)

As of June 30, 2018, the Budget Stabilization Fund had a fund balance of $2.03 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, 2018 (dollars in thousands):

Primary Government:	
Nonmajor Proprietary Funds:	
Office of Auditor of State	$ (67,251)
Total Primary Government	$ (67,251)
Discretely Presented Component Units:	
Major Component Units:	
Ohio Facilities Construction Commission	$ (3,826,286)
Nonmajor Component Units:	
Ohio Capital Fund	(72,525)
Cincinnati State Community College	(21,766)
Total Component Units	$ (3,920,577)

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, 2018, follow (dollars in thousands):

Primary Government - Deferred Outflows of Resources

	Net Pension and OPEB Liability/Asset	Hedging Derivatives	Loss on Debt Refundings	Resources of a Future Period	Total
Governmental Activities:					
Major Governmental Funds:					
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	$ -	$ -	$ -	$4,138,761	$ 4,138,761
Total Governmental Activities	-	-	-	4,138,761	4,138,761
Reconciliation of fund level statements to government-wide statements due to basis differences	838,648	12,248	131,779	-	982,675
Total Governmental Activities	$ 838,648	$ 12,248	$ 131,779	$4,138,761	$ 5,121,436
Business-Type Activities:					
Major Proprietary Funds:					
Workers' Compensation	$ 66,462	$ -	$ -	$ -	$ 66,462
Lottery Commission	6,380	-	-	-	6,380
Nonmajor Proprietary Funds	14,622	-	-	-	14,622
Total Business-Type Activities	$ 87,464	$ -	$ -	$ -	$ 87,464
Total Primary Government					$ 5,208,900

As of June 30, 2018, The Ohio State University, a major discretely presented component unit, reported Deferred Outflows of Resources totaling approximately $719.6 million for net pension and OPEB liability/asset and $18.4 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, 2018, are comprised of the following (dollars in thousands):

Primary Government - Deferred Inflows of Resources

	Net Pension and OPEB Liability/Asset	Resources from the Sale of Future Revenues	Unavailable Resources	Debt Refundings	Total
Governmental Activities:					
Major Governmental Funds:					
General	$ -	$ 768,569	$ 445,434	$ -	$1,214,003
Job, Family and Other Human Services	-	-	62,943	-	62,943
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	-	572,482	-	572,482
Nonmajor Governmental Funds	-	34,100	22,865	-	56,965
Total Governmental Activities	-	802,669	1,103,724	-	1,906,393
Reconciliation of fund level statements to government-wide statements due to basis differences	905,980	1,112,313	(1,103,724)	2,431	917,000
Total Governmental Activities	$ 905,980	$ 1,914,982	$ -	$ 2,431	$2,823,393
Business-Type Activities:					
Major Proprietary Funds:					
Workers' Compensation	$ 77,373	$ -	$ -	$ -	$ 77,373
Lottery Compensation	7,428	-	-	-	7,428
Nonmajor Proprietary Funds	16,897	-	-	-	16,897
Total Business-Type Activities	$ 101,698	$ -	$ -	$ -	$ 101,698
Total Primary Government					$2,925,091

As of June 30, 2018, the Ohio Facilities Construction Commission, a major discretely presented component unit, reported Deferred Inflows of Resources totaling approximately $3.37 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 $512.3 million for net pension and OPEB liability/asset, $18.9 million for gains on debt-related transactions, $14.8 million for irrevocable split-interest agreements, and $426.2 million related to service concession arrangements.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

The Great Lakes Protection Fund is an Illinois non-profit organization that was formed to further federal and state commitments to the restoration and maintenance of the Great Lakes Basin's ecosystem. The governors of seven of the eight states that border on the Great Lakes comprise the GLPF's membership. Under the GLPF's articles of incorporation, each state is required to make a financial contribution. Income earned on the contributions provides grants to projects that advance the goals of the Great Lakes Toxic Substances Control Agreement and the binational Great Lakes Water Quality Agreement.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Each governor nominates two individuals to the GLPF's board of directors who serve staggered two-year terms. All budgetary and financial decisions rest with the board, except when they are restricted by the GLPF's articles of incorporation.

Annually, one-third of the GLPF's net earnings is allocated and paid to the member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the state's contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio applies its distribution (approximately $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, 2017 (the GLPF's year-end), are presented below (dollars in thousands):

	Contribution Required	Contribution Received	Contribution Percentage
Michigan	$ 25,000	$ 25,000	30.9%
Indiana*	16,000	-	-
Illinois	15,000	15,000	18.4%
Ohio	14,000	14,000	17.3%
New York	12,000	12,000	14.8%
Wisconsin	12,000	12,000	14.8%
Minnesota	1,500	1,500	1.9%
Pennsylvania	1,500	1,500	1.9%
Total	$ 97,000	$ 81,000	100.0%

*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, 2017, was as follows (dollars in thousands):

Cash and Investments	$ 138,331
Other Assets	94
Total Assets	$ 138,425
Total Liabilities	$ 1,280
Total Net Position	137,145
Total Liabilities and Net Position	$ 138,425
Total Revenues and Other Additions...........................	$ 18,482
Total Expenditures and Other Deductions....................	(5,591)
Change in Net Position	$ 12,891

In the event of the Fund's dissolution, the State of Ohio would receive a residual portion of the Fund's assets equal to the lesser of the amount of such assets multiplied by the ratio of its required contribution to the required contributions of all member states, or the amount of its required contribution.

Local Community and Technical Colleges

The State's primary government has an ongoing financial responsibility for the funding of six local community colleges and eight technical colleges. With respect to the local community colleges, State of Ohio officials appoint three members of each college's respective nine-member board of trustees; county officials appoint the remaining six members.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

The governing boards of the technical colleges consist of either seven or nine trustees, of which State officials appoint two or three members, respectively; the remaining members are appointed by the local school boards located in the respective technical college district.

The Ohio General Assembly appropriates moneys to these institutions from the General Fund to subsidize operations so that higher education can become more financially accessible to Ohio residents. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the Tobacco Settlement revenue bonds issued by the Buckeye Tobacco Settlement Financing Authority, the Higher Education Capital Facilities general obligation bonds issued by the Ohio Public Facilities Commission (OPFC), and the Higher Education Facilities special obligation bonds, previously issued by the OPFC, for these purposes. The bonds provide funding for capital appropriations, which are available to the local community and technical colleges for spending on capital construction.

Fiscal year 2018 expenses that were included in the "Higher Education Support" function under governmental activities in the Statement of Activities for state assistance to the local community and technical colleges are presented below (dollars in thousands):

	Operating Subsidies	Capital Subsidies	Total
Local Community Colleges:			
Cuyahoga	$ 72,106	$ 11,794	$ 83,900
Eastern Gateway	8,837	1,318	10,155
Lakeland	20,433	4,128	24,561
Lorain County	28,824	2,698	31,522
Rio Grande	6,359	798	7,157
Sinclair	50,293	4,466	54,759
Total Local Community Colleges	186,852	25,202	212,054
Technical Colleges:			
Belmont	4,740	2,620	7,360
Central Ohio	12,430	336	12,766
Hocking	12,500	1,111	13,611
James A. Rhodes	10,382	1,549	11,931
Marion	7,461	1,022	8,483
Zane	8,395	1,873	10,268
North Central	7,990	1,604	9,594
Stark	29,499	6,140	35,639
Total Technical Colleges	93,397	16,255	109,652
Total	$ 280,249	$ 41,457	$ 321,706

Information for obtaining complete financial statements for each of the primary government's joint ventures is available from the Ohio Office of Budget and Management.

B. Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Ohio Housing Finance Agency, the Ohio Water Development Authority, the Petroleum Underground Storage Tank Release Compensation Board, the Higher Education Facility Commission, and the Ohio Legal Assistance Foundation. However, the primary government's accountability for these organizations does not extend beyond making the appointments.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

During fiscal year 2018, the State had the following related-party transactions with its related organizations:

- The General Fund reports a $323.3 million loans receivable balance due from the Ohio Housing Finance Agency. The State made the loans to finance and support the agency's housing programs.
- Separate funds, established for the Ohio Housing Finance Agency, the Petroleum Underground Storage Tank Release Compensation Board, and the Higher Education Facility Commission, were accounted for on the primary government's Ohio Administrative Knowledge System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the agency funds.
- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid the Ohio Legal Assistance Foundation approximately $4.1 million for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies.

NOTE 20 CONTINGENCIES AND COMMITMENTS

A. Litigation
The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations. There are no legal proceedings, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the State's financial position.

B. Federal Awards
The State of Ohio receives significant awards from the Federal Government in the form of grants and entitlements, including certain non-cash programs. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the spending of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit or to financial compliance audits by the grantor agencies of the federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities to the State.

Federal Single Audit
As a result of the fiscal year 2017 State of Ohio Single Audit (issued in February 2018), $78 thousand plus an undetermined amount of federal expenditures were in question as not being appropriate under the terms of the respective grants. No provision for any liability or adjustments has been recognized for these questioned costs in the state's financial statements for the fiscal year ended June 30, 2018.

C. Tobacco Settlement
In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers. This signaled the end of litigation brought by the Attorneys General against the manufacturers in 1996 for state healthcare expenses attributed to smoking–related claims. The remaining four states (Florida, Minnesota, Mississippi, and Texas) settled separately.

According to the MSA, participating tobacco manufacturers are required to adhere to a variety of new marketing and lobbying restrictions and provide payments to the states in perpetuity.

As of October 23, 2007, the State transferred future rights to the Master Settlement Agreement revenue to the Buckeye Tobacco Settlement Financing Authority (BTSFA).

While BTSFA's share of the total base payments to the states through 2052 will not change over time, estimating the amount of annual payments that actually will be received in any given year can be complex, since under the terms of the MSA, payments are subject to a number of adjustment factors, including an inflation adjustment, a volume adjustment, and a potential adjustment for market share losses of participating manufacturers. Some of these adjustments, such as the inflation adjustment, result in BTSFA receiving higher payments. Other factors, such as the volume adjustment and the market share adjustment can work to reduce the amount of the State's annual payments.

NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

In addition to the base payments in 2008 through 2017, BTSFA received payments from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the fund are based on a state's contribution to the litigation and settlement with the tobacco companies. These payments are also subject to the adjustment factors outlined in the MSA. Strategic contribution payments ended in 2017. Beginning in 2018, payments consist solely of the base payment plus amounts, if any, paid by participating manufacturers relating to prior years and amounts, if any, released from the disputed payment account.

During fiscal year 2018, Ohio received $331.8 million, which is approximately $99.5 million or 23.08 percent less than the pre-adjusted base payment for the year.

As of June 30, 2018, the estimated tobacco settlement receivable in the amount of $606.4 million is included in "Other Receivables" reported for the governmental funds. The receivable includes $390.9 million for payments withheld from BTSFA beginning fiscal year 2008 and $34.1 million for payments withheld from the State for fiscal years 2006 and 2007. These amounts were withheld by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. The moneys are on deposit in an escrow account until pending litigation between the States and the manufacturers is resolved. Both the Authority and the State contend that they have met their obligations under the MSA and are due the payments withheld.

The Tobacco Settlement receipts provide funding for the construction of primary and secondary school capital facilities, education technology for primary and secondary education and for higher education, programs for smoking cessation and other health-related purposes, biomedical research and technology, and assistance to tobacco-growing areas in Ohio.

The BTSFA revenue bonds are secured by and payable solely from the tobacco settlement receipts and other collateral pledged under an indenture between BTSFA and U.S. Bank National Association, as trustee. In the event that the assets of BTSFA have been exhausted, no amounts will thereafter be paid on the bonds.

The enforcement of the terms of the MSA has been challenged by lawsuits and may continue to be challenged in the future. In the event of an adverse court ruling, BTFSA may not have adequate financial resources to make payment on the bonds.

A schedule of pre-adjusted base payments for the State of Ohio in future years follows (dollars in thousands):

Year Ending June 30,	Pre-adjusted MSA Base Payments
2019	$ 436,331
2020	441,189
2021	446,563
2022	451,881
2023	457,447
2024-2028	2,376,767
2029-2033	2,539,413
2034-2038	2,708,501
2039-2043	2,884,757
2044-2048	3,068,685
2049-2052	2,599,051
Total	$ 18,410,585

NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

D. Construction Commitments
As of June 30, 2018, the Ohio Department of Transportation had total contractual commitments of approximately $2.91 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 $1.38 billion, $734.3 million, $719.5 million, and $80.3 million, respectively.

As of June 30, 2018, 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):

Primary Government	
Mental Health/Developmental Disabilities Facilities Improvements	$ 29,760
Parks and Recreation Improvements	42,129
Administrative Services Building Improvements	45,536
Youth Services Building Improvements	23,753
Adult Correctional Building Improvements	171,797
Ohio Parks and Natural Resources	14,669
Transportation Building Improvements	103,750
Total	$ 431,394

Major Discretely Presented Component Units	
Ohio State University	$ 330,460

E. Pollution Remediation Activities
During fiscal year 2018, the State was involved in remediation activities for pollution as described in the following paragraph. These activities include site investigation, cleanup, and monitoring. The associated estimated cost of remediation activities is shown below (in general, projects with a liability of less than $1 million at June 30 are not listed).

The Ohio Department of Transportation has been named as a responsible party to remediate pollution resulting from contaminated soil on the agency-owned property and contaminated groundwater on the surrounding properties. The June 30 liability to eliminate the pollution and continue monitoring activities is estimated to be $1.9 million. Cost was estimated by the onsite coordinators using actual invoices to date.

The liability described above is reported as "Other Noncurrent Liabilities-Due in One Year" and "Other Noncurrent Liabilities-Due in More Than One Year" for governmental activities in the government-wide Statement of Net Position. The reported liability for this activity is an estimate and subject to change over time. Variances in the final costs may result from changes in technology, changes in responsible parties, results of environmental studies, and changes in laws and regulations. Future recoveries from other responsible parties may also reduce the final cost paid by the State.

Capital assets may be created during the pollution remediation process. These capital assets will be reported in accordance with the State's capital assets policy. As of June 30, 2018, no capital assets were created nor reported as a result of any pollution remediation process.

F. Encumbrances
At June 30, 2018, the State has significant encumbrances of $735.3 million in the General Fund, $999.1 million in the Job, Family and Other Human Services Special Revenue Fund, and $4.26 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 $14.15 billion is reported in the Fund as of June 30, 2018. 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 $1.76 billion, is an estimate of future expenses to be incurred in the settlement of claims. The estimate for this liability is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, nonincremental adjustment expense, and the reserve for compensation.

Management of the Bureau of Workers' Compensation and the Industrial Commission believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.

Benefits payable and the compensation adjustment expenses liability have been discounted at four percent to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with durations similar to the expected claims underlying the Fund's reserves.

The undiscounted reserves for the benefits and compensation adjustment expenses totaled $26.6 billion, as of June 30, 2018, and $28.2 billion, as of June 30, 2017. For additional information, refer to the Fund's separately audited financial report, for the fiscal year ended June 30, 2018.

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 2018	Fiscal Year 2017
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	$ 16,866	$ 17,493
Incurred Compensation and Compensation Adjustment Benefits	804	1,199
Incurred Compensation and Compensation Adjustment Benefit Payments and Other Adjustments	(1,758)	(1,826)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	$ 15,912	$ 16,866

NOTE 21 RISK FINANCING (Continued)

B. State Employee Healthcare Plan
Employees of the State's primary government have the option of participating in the Ohio Med PPO Plan (Plan). The Plan is managed by three third party administrators (TPAs), Medical Mutual of Ohio (MMO), Aetna and Anthem. The three TPAs are responsible for processing claims for separate regions throughout the State.

When it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, liabilities are reported in the governmental and proprietary funds for claims that have been incurred but not reported. The Plan's actuaries calculate estimated claims liabilities based on prior claims data, employee enrollment figures, medical trends, and experience.

Governmental and proprietary funds pay a share of the costs for claims settlement based on the number of employees opting for plan participation and the type of coverage selected by participants. The payments are reported in the Payroll Withholding and Fringe Benefits Agency Fund (Agency Fund) until such time that the accumulated resources are distributed to MMO, Aetna or Anthem for claims settlement.

For governmental funds, claims are recognized as expenditures to the extent that the amounts are payable with expendable available financial resources. For governmental and business-type activities, claims are recognized in the Statement of Activities as expenses when incurred.

As of June 30, 2018, approximately $68.5 million in total assets was available in the Agency Fund to cover healthcare claims. Changes in the balance of claims liabilities for the Plan during the past two fiscal years were as follows (dollars in thousands):

Ohio Med PPO		
	Fiscal Year 2018	Fiscal Year 2017
Claims Liabilities, as of July 1	$ 59,938	$ 53,990
Incurred Claims	591,261	534,804
Claims Payments	(576,123)	(528,856)
Claims Liabilities, as of June 30	$ 75,076	$ 59,938

As of June 30, 2018, the resources on deposit in the Agency Fund were less than the estimated claims liability by approximately $6.6 million, thereby resulting in a funding deficit. Eighty-five percent or $5.6 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, 2018, the State issued major debt as detailed in the table below:

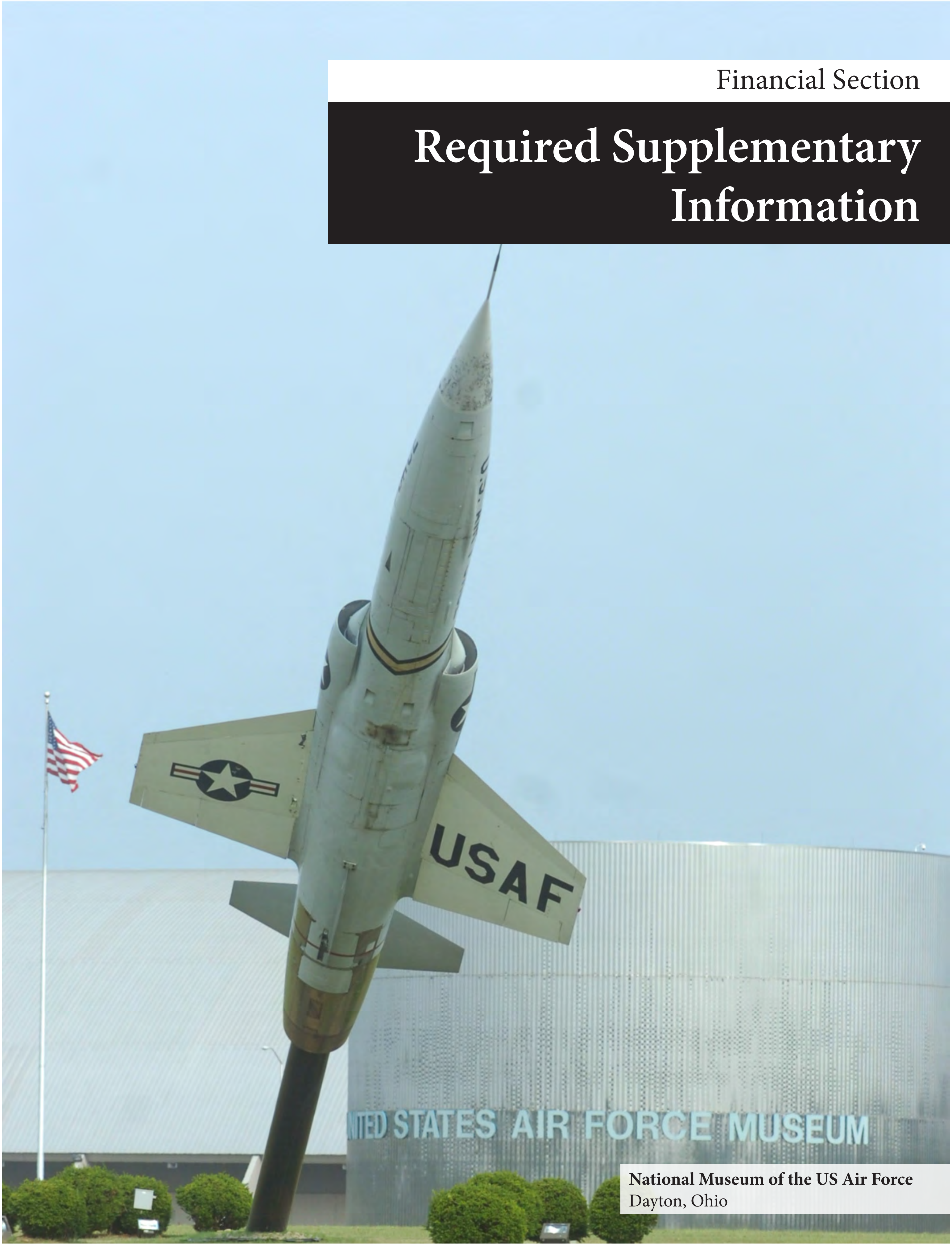
Debt Issuances
Subsequent to June 30, 2018
(dollars in thousands)

	Date Issued	Net Interest Rate or True Interest Cost	Amount
Primary Government:			
Ohio Public Facilities Commission (OPFC)- General Obligation Bonds:			
Infrastructure Improvements, Series 2018A	10/23/18	3.47%	$160,000
Treasurer of State-General Obligation Bonds:			
Highway Capital Improvement, Series V	11/28/18	3.02%	187,125
Total General Obligation Bonds			347,125
Treasurer of State-Special Obligation Bonds:			
State Facilities (Administrative Building), Series 2018A	10/30/18	3.68%	63,000
State Facilities (Administrative Building)-Taxable, Series 2018B	10/30/18	3.49%	7,000
Parks and Recreation Facilities, Series 2018A	10/30/18	3.65%	100,000
Total Special Obligation Bonds			170,000
Department of Administrative Services - Certificates of Participation:			
Enterprise Data Center Solutions, Series 2018	11/14/18	2.72%	26,815
Secretary of State - Certificates of Participation:			
Voting Systems Acquisition, Series 2018	11/14/18	2.71%	72,435
Total Certificates of Participation			99,250
Total Primary Government			$616,375

[THIS PAGE LEFT BLANK INTENTIONALLY]

Financial Section

Required Supplementary Information



National Museum of the US Air Force
Dayton, Ohio

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

	Pavement Condition Ratings (PCR)									
	Excellent PCR = 85-100		Good PCR = 75-84		Fair PCR = 65-74		Poor PCR = Below 65		Total	
Fiscal Year	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%
2018	8,236	59.47	3,856	27.85	1,331	9.61	426	3.07	13,849	100.00
2017	8,103	59.06	4,345	31.67	990	7.22	282	2.05	13,720	100.00
2016	8,245	59.97	4,309	31.34	933	6.79	261	1.90	13,748	100.00
2015	8,724	63.51	3,944	28.71	901	6.56	168	1.22	13,737	100.00
2014	9,172	67.19	3,528	25.85	797	5.84	153	1.12	13,650	100.00

General Subsystem

	Pavement Condition Ratings (PCR)									
	Excellent PCR = 85-100		Good PCR = 75-84		Fair PCR = 55-74		Poor PCR = Below 55		Total	
Fiscal Year	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%
2018	15,589	52.87	7,395	25.08	6,090	20.65	413	1.40	29,487	100.00
2017	14,022	47.58	8,472	28.74	6,755	22.92	224	0.76	29,473	100.00
2016	12,940	43.91	8,884	30.15	7,480	25.38	166	0.56	29,470	100.00
2015	14,213	48.25	8,556	29.04	6,506	22.08	186	0.63	29,461	100.00
2014	15,341	51.98	7,838	26.56	6,087	20.63	246	0.83	29,512	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
2018	$447,590	$504,877
2017	416,249	491,309
2016	619,382	533,788
2015	482,291	526,202
2014	504,669	482,849

General Subsystem

Fiscal Year	Estimated	Actual
2018	$303,715	$404,677
2017	314,433	427,531
2016	283,059	369,117
2015	287,411	361,582
2014	266,985	344,005

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)

	General Appraisal Condition Ratings (GACR)									
	Excellent GACR = 7-9		Good GACR = 5-6		Fair GACR = 3-4		Poor GACR = 0-2		Total	
Fiscal Year	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%
2018	70,768	65.91	34,831	32.44	1,772	1.65	0	0.00	107,371	100.00
2017	69,581	64.73	35,891	33.39	2,017	1.88	0	0.00	107,489	100.00
2016	67,201	63.05	37,216	34.92	2,163	2.03	0	0.00	106,580	100.00
2015	64,945	61.15	38,702	36.44	2,541	2.39	18	0.02	106,206	100.00
2014	62,239	58.46	40,626	38.15	3,609	3.39	0	0.00	106,474	100.00

Infrastructure Assets Accounted for Using the Modified Approach (Continued)

Bridge Network
Comparison of Estimated-to-Actual Maintenance and Preservation Costs
(dollars in thousands)

Fiscal Year	Estimated	Actual
2018	$462,821	$452,276
2017	469,804	526,003
2016	499,522	552,021
2015	534,578	571,689
2014	550,629	528,001

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO

SCHEDULE OF PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY/ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST FOUR YEARS (A)

(dollars in thousands)

Traditional Plan:	2017	2016	2015
Employer's Proportion of the Collective Net Pension Liability	20.85%	20.95%	20.65%
Employer's Proportionate Share of the Collective Net Pension Liability	$ 3,271,382	$ 4,736,652	$ 3,561,458
Covered Payroll	$ 2,791,773	$ 2,754,860	$ 2,589,575
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	117.18%	171.94%	137.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%
Combined Plan:			
Employer's Proportion of the Collective Net Pension (Asset)	19.13%	19.67%	19.64%
Employer's Proportionate Share of the Collective Net Pension (Asset)	$ (26,038)	$ (10,623)	$ (9,355)
Covered Payroll	$ 81,048	$ 77,885	$ 72,010
Employer's Proportionate Share of the Collective Net Pension (Asset) as a Percentage of the Employer's Covered Payroll	32.13%	13.64%	12.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%	116.55%	116.90%

Notes:

(A) This table will present ten years of information as it becomes available.

2014
20.73%
$ 2,496,359
$ 2,608,075
95.72%
86.45%
20.23%
$ (7,577)
$ 69,383
10.92%
114.83%

STATE OF OHIO

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR THE LAST FOUR FISCAL YEARS *(A)(B)*
(dollars in thousands)

	2018	2017	2016
Traditional Plan:			
Statutorily Required Employer Contribution	$ 383,973	$ 343,330	$ 314,599
Actual Employer Contributions Received	383,973	343,330	314,599
Difference	$ -	$ -	$ -
Covered Payroll	$ 2,834,015	$ 2,794,847	$ 2,613,331
Actual Employer Contributions Received as a Percentage of Covered Payroll	13.55%	12.28%	12.04%
Combined Plan:			
Statutorily Required Employer Contribution	$ 11,345	$ 9,977	$ 9,366
Actual Employer Contributions Received	11,345	9,977	9,366
Difference	$ -	$ -	$ -
Covered Payroll	$ 83,734	$ 81,219	$ 77,801
Actual Employer Contributions Received as a Percentage of Covered Payroll	13.55%	12.28%	12.04%

Notes:

(A) This table will present ten years of information as it becomes available.

(B) Starting in fiscal year 2017, the 2015 and 2016 data presented was adjusted to reflect fiscal year rather than measurement date.

2015
$ 308,797
308,797
$ -
$ 2,573,692
12.00%
$ 8,587
8,587
$ -
$ 71,573
12.00%

STATE OF OHIO

SCHEDULE OF PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM
AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST FOUR YEARS *(A)*
(dollars in thousands)

	2017	2016	2015
Employer's Proportion of the Collective Net Pension Liability	0.38%	0.38%	0.39%
Employer's Proportionate Share of the Collective Net Pension Liability	$ 90,418	$ 126,919	$ 107,522
Covered Payroll	$ 41,881	$ 39,990	$ 40,509
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	215.89%	317.38%	265.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.29%	66.78%	72.10%

Notes:

(A) This table will present ten years of information as it becomes available.

	2014
	0.41%
$	99,431
$	41,996
	236.76%
	74.71%

STATE OF OHIO

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM
FOR THE LAST FOUR FISCAL YEARS *(A)(B)*
(dollars in thousands)

	2018	2017	2016
Statutorily Required Employer Contribution	$ 5,888	$ 5,863	$ 5,692
Actual Employer Contributions Received	5,888	5,863	5,692
Difference	$ -	$ -	$ -
Covered Payroll	$ 42,066	$ 41,881	$ 39,990
Actual Employer Contributions Received as a Percentage of Covered Payroll	14.00%	14.00%	14.23%

Notes:

(A) This table will present ten years of information as it becomes available.

(B) Starting in fiscal year 2017, the 2015 and 2016 data presented was adjusted to reflect the State's fiscal reporting year rather than measurement date.

	2015
$	5,671
	5,671
$	-
$	40,509
	14.00%

STATE OF OHIO

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
STATE HIGHWAY PATROL RETIREMENT SYSTEM
AS OF THE CURRENT MEASUREMENT DATE FOR THE LAST FOUR YEARS (A)

(dollars in thousands)

	2017	2016	2015
Total Pension Liability:			
Service Cost	$ 19,635	$ 18,094	$ 17,805
Interest on the Total Pension Liability	85,936	84,195	81,577
Benefit Changes	(5,681)	-	-
Difference between Expected and Actual Experience	17,854	(8,633)	(6,366)
Assumption Changes	-	-	40,773
Benefit Payments	(75,393)	(65,720)	(66,213)
Refunds	(1,075)	(1,731)	(858)
Net Change in Total Pension Liability	41,276	26,205	66,718
Total Pension Liability - Beginning	1,137,269	1,111,064	1,044,346
Total Pension Liability - Ending (a)	$ 1,178,545	$ 1,137,269	$ 1,111,064
Plan Fiduciary Net Position:			
Employer Contributions	$ 26,110	$ 25,384	$ 22,895
Employee Contributions	14,505	14,101	13,686
Pension Plan Net Investment Income	101,482	46,423	(5,702)
Benefit Payments	(75,393)	(65,721)	(66,213)
Refunds	(1,075)	(1,731)	(858)
Pension Plan Administrative Expense	(1,437)	(1,353)	(1,084)
Other	479	357	839
Net Change in Plan Fiduciary Net Position	64,671	17,460	(36,437)
Plan Fiduciary Net Position - Beginning	721,685	704,225	740,662
Plan Fiduciary Net Position - Ending (b)	$ 786,356	$ 721,685	$ 704,225
Net Pension Liability - Ending (a) - (b)	$ 392,189	$ 415,584	$ 406,839
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.72%	63.46%	63.38%
Covered Employee Payroll (B)	$ 112,705	$ 108,789	$ 99,983
Net Pension Liability as a Percentage of Covered Employee Payroll	347.98%	382.01%	406.91%

Notes:

(A) This table will present ten years of information as it becomes available.

(B) Covered payroll includes Deferred Retirement Option Program (DROP) employees.

2014
$ 17,657
79,175
-
-
-
(64,526)
(2,177)
30,129
1,014,217
$ 1,044,346
$ 22,325
11,577
45,105
(64,526)
(2,177)
(1,031)
421
11,694
728,968
$ 740,662
$ 303,684
70.92%
$ 99,212
306.10%

STATE OF OHIO

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
STATE HIGHWAY PATROL RETIREMENT SYSTEM
FOR THE LAST TEN CALENDAR YEARS

(dollars in thousands)

	2017	2016	2015	2014	2013
Actuarially Determined Contribution..............	$ 25,349	$ 24,407	$ 22,446	$ 29,767	$ 35,430
Actual Employer Contributions Received.......	26,110	25,383	22,895	22,325	22,908
Difference..	$ (761)	$ (976)	$ (449)	$ 7,442	$ 12,522
Covered Payroll.. *(A)*	$ 112,705	$ 108,789	$ 99,983	$ 99,212	$ 98,520
Actual Employer Contributions Received as a Percentage of Covered Payroll..........	23.17%	23.33%	22.90%	22.50%	23.25%

Notes:

(A) Covered payroll includes Deferred Retirement Option Program (DROP) employees.

Actuarial Assumptions

Valuation Date	December 31, 2016
Notes	Actuarially determined contribution rates are calculated as of December 31, which is one day prior to the beginning of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age
Amortization Method	Level-Percentage Closed
Remaining Amortization Period	29 years
Asset Valuation Method	Four-year smoothed market
Inflation	3.5 percent wage inflation; 2.75 percent price inflation
Salary Increases	3.8 percent to 13.5 percent including inflation
Investment Rate of Return	7.75 percent
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Mortality Table and RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for females was then established to be 2012. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.
Other Information	There were no assumption changes during the year. There were benefit changes beginning with the December 31, 2017 annual actuarial valuation, which include changes to age and service pension eligibility, off-duty disability, and survivor benefits.

2012	2011	2010	2009	2008
$ 30,488	$ 26,956	$ 22,872	$ 19,978	$ 21,221
23,766	22,966	21,212	20,454	20,302
$ 6,722	$ 3,990	$ 1,660	$ (476)	$ 919
$ 98,117	$ 93,126	$ 94,768	$ 94,825	$ 94,302
24.22%	24.66%	22.38%	21.57%	21.53%

STATE OF OHIO

SCHEDULE OF PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY/ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
AS OF THE CURRENT MEASUREMENT DATE (A)

(dollars in thousands)

All Plans:	2017
Employer's Proportion of the Collective Net OPEB Liability	20.74%
Employer's Proportionate Share of the Collective Net OPEB Liability	$ 2,252,428
Covered Payroll	$ 2,915,630
Employer's Proportionate Share of the Collective Net OPEB Liability as a Percentage of the Employer's Covered Payroll	77.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%

Notes:

(A) This table will present ten years of information as it becomes available.

STATE OF OHIO

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR THE CURRENT FISCAL YEAR (A)

(dollars in thousands)

	2018
Actuarially Determined Employer Contribution	$ 153,362
Actual Employer Contributions Received	18,802
Difference	$ 134,560
Covered Payroll	$ 2,994,040
Actual Employer Contributions Received as a Percentage of Covered Payroll	0.63%

Notes:

(A) This table will present ten years of information as it becomes available.

STATE OF OHIO

SCHEDULE OF PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM
AS OF THE CURRENT MEASUREMENT DATE (A)

(dollars in thousands)

	2017
Employer's Proportion of the Collective Net OPEB Liability	0.38%
Employer's Proportionate Share of the Collective Net OPEB Liability	$ 14,850
Covered Payroll	$ 40,918
Employer's Proportionate Share of the Collective Net OPEB Liability as a Percentage of the Employer's Covered Payroll	36.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.11%

Notes:

(A) This table will present ten years of information as it becomes available.

STATE OF OHIO

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM
FOR THE CURRENT FISCAL YEAR (A)

(dollars in thousands)

	2018
Actuarially Determined Employer Contribution	$ 910
Actual Employer Contributions Received	-
Difference	$ 910
Covered Payroll	$ 42,066
Actual Employer Contributions Received as a Percentage of Covered Payroll	0.00%

Notes:

(A) This table will present ten years of information as it becomes available.

STATE OF OHIO

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
STATE HIGHWAY PATROL RETIREMENT SYSTEM
AS OF THE CURRENT MEASUREMENT DATE (A)

(dollars in thousands)

		2017
Total OPEB Liability:		
Service Cost		$ 23,657
Interest on the Total OPEB Liability		19,243
Benefit Changes		709
Difference between Expected and Actual Experience		(1,204)
Assumption Changes		46,862
Benefit Payments, including refunds of employee contributions		(9,434)
Net Change in Total OPEB Liability		79,833
Total OPEB Liability - Beginning		486,297
Total OPEB Liability - Ending (a)		$ 566,130
Plan Fiduciary Net Position:		
Employer Contributions		$ 4,640
Employee Contributions		-
Net Investment Income		14,467
Benefit Payments, including refunds of employee contributions		(9,433)
Administrative Expense		(204)
Net Change in Plan Fiduciary Net Position		9,470
Plan Fiduciary Net Position - Beginning		102,329
Plan Fiduciary Net Position - Ending (b)		$ 111,799
Net OPEB Liability - Ending (a) - (b)		$ 454,331
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		19.75%
Covered Employee Payroll	(B)	$ 112,705
Net OPEB Liability as a Percentage of Covered Employee Payroll		403.11%

Notes:

(A) This table will present ten years of information as it becomes available.
(B) Covered payroll includes Deferred Retirement Option Program (DROP) employees.

STATE OF OHIO

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
STATE HIGHWAY PATROL RETIREMENT SYSTEM
AS OF THE CURRENT CALENDAR YEAR *(A)*

(dollars in thousands)

		2017
Actuarially Determined Contribution..............		$ 30,774
Actual Employer Contributions Received.......		4,640
Difference..		$ 26,134
Covered Payroll...	*(B)*	$ 112,705
Actual Employer Contributions Received as a Percentage of Covered Payroll..........		4.12%

Notes:

(A) This table will present ten years of information as it becomes available.
(B) Covered payroll includes Deferred Retirement Option Program (DROP) employees.

Actuarial Assumptions	
Valuation Date	December 31, 2015 and December 31, 2016
Notes	Actuarially determined contribution rate for the period July 1, 2016 through June 30, 2017 was based upon the December 31, 2015 valuation. The actuarially determined contribution rate for the period July 1, 2017 through June 30, 2018 was based upon the December 31, 2016 valuation. The calendar year actuarially determined contribution is an average
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level percent of pay - open
Remaining Amortization Period	30 years
Asset Valuation Method	Four-year smoothed market
Inflation	3.5 percent wage inflation; 2.75 percent price inflation
Salary Increases	3.8 percent to 13.5 percent including inflation
Investment Rate of Return	5.00 percent, net of OPEB plan investment expense, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Mortality Table and RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for females was then established to be 2012. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

STATE OF OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(dollars in thousands)

	GENERAL			
	BUDGET			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:				
Income Taxes	$ 8,362,165	$ 8,362,165	$ 8,795,985	$ 433,820
Sales Taxes	10,248,155	10,248,155	10,368,428	120,273
Corporate and Public Utility Taxes	2,720,224	2,720,224	2,767,784	47,560
Motor Vehicle Fuel Taxes	1,121,304	1,121,304	1,121,415	111
Cigarette Taxes	944,400	944,400	939,757	(4,643)
Other Taxes	717,724	717,724	694,837	(22,887)
Licenses, Permits and Fees	1,182,615	1,182,615	1,184,666	2,051
Sales, Services and Charges	143,637	143,637	162,993	19,356
Federal Government	9,819,350	9,819,350	9,545,226	(274,124)
Tobacco Settlement	117	117	117	—
Investment Income	78,053	78,053	82,516	4,463
Other	2,011,325	2,011,325	1,931,752	(79,573)
TOTAL REVENUES	**37,349,069**	**37,349,069**	**37,595,476**	**246,407**
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education	9,657,550	9,658,123	9,604,279	53,844
Higher Education Support	3,228,371	3,231,929	2,797,419	434,510
Public Assistance and Medicaid	16,552,926	16,843,333	16,406,094	437,239
Health and Human Services	834,345	840,855	800,798	40,057
Justice and Public Protection	3,276,758	3,294,612	3,228,986	65,626
Environmental Protection and Natural Resources	137,072	139,850	121,440	18,410
Transportation	27,207	27,207	26,896	311
General Government	1,431,568	1,549,415	1,388,962	160,453
Community and Economic Development	3,340,751	3,554,037	2,830,444	723,593
CAPITAL OUTLAY	—	—	—	—
DEBT SERVICE	1,378,350	1,378,350	1,346,339	32,011
TOTAL BUDGETARY EXPENDITURES	**39,864,898**	**40,517,711**	**38,551,657**	**1,966,054**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES	**(2,515,829)**	**(3,168,642)**	**(956,181)**	**2,212,461**
OTHER FINANCING SOURCES (USES):				
Bonds, Notes, and COPs Issued	575,007	575,007	574,981	(26)
Transfers-in	1,921,957	1,921,957	1,117,711	(804,246)
Transfers-out	(1,912,719)	(1,912,719)	(1,204,999)	707,720
TOTAL OTHER FINANCING SOURCES (USES)	**584,245**	**584,245**	**487,693**	**(96,552)**
NET CHANGE IN FUND BALANCES	**$ (1,931,584)**	**$ (2,584,397)**	**(468,488)**	**$ 2,115,909**
BUDGETARY FUND BALANCES (DEFICITS), JULY 1			4,419,047	
Outstanding Encumbrances at Beginning of Fiscal Year			979,498	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30			**$ 4,930,057**	

The notes to the financial statements are an integral part of this statement.

JOB, FAMILY AND OTHER HUMAN SERVICES			
BUDGET			VARIANCE WITH FINAL BUDGET
ORIGINAL	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
		$ —	
		—	
		—	
		—	
		—	
		1,276	
		2,098,411	
		—	
		7,374,149	
		—	
		7,858	
		1,638,897	
		11,120,591	
$ 38	$ 38	37	$ 1
628	628	618	10
12,628,167	12,737,267	11,635,482	1,101,785
390,264	396,472	334,001	62,471
73,619	73,968	72,130	1,838
—	—	—	—
—	—	—	—
3,226	3,227	2,686	541
—	—	—	—
26,072	26,072	2,688	23,384
—	—	—	—
$ 13,122,014	**$ 13,237,672**	**12,047,642**	**$ 1,190,030**
		(927,051)	
		—	
		10,741	
		(360,677)	
		(349,936)	
		(1,276,987)	
		(729,985)	
		1,281,132	
		$ (725,840)	

Note: GAAP versus NON-GAAP BUDGETARY BASIS

In the accompanying *Schedule of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Fund*, actual revenues, transfers-in, expenditures, encumbrances, and transfers-out reported on the non-GAAP budgetary basis do not equal those reported on the GAAP basis in the *Statement of Revenues, Expenditures and Changes in Fund Balances — Major Governmental Funds*.

This inequality results primarily from basis differences in the recognition of accruals, deferred resources, interfund transactions, and loan transactions, and from timing differences in the budgetary basis of accounting for encumbrances. On the non-GAAP budgetary basis, the State recognizes encumbrances as expenditures in the year encumbered, while on the modified accrual basis, the State recognizes expenditures when goods or services are received regardless of the year encumbered.

Original Budget amounts in the accompanying budgetary schedules have been taken from the first complete appropriated budget for fiscal year 2018. 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 2018, whenever signed into law or otherwise legally authorized.

For fiscal year 2018, no excess expenditures over appropriations were reported in individual funds.

A reconciliation of the fund balances reported under the GAAP basis and budgetary basis for the General Fund and the major special revenue fund is presented on the following page.

Note: GAAP versus NON-GAAP BUDGETARY BASIS (Continued)

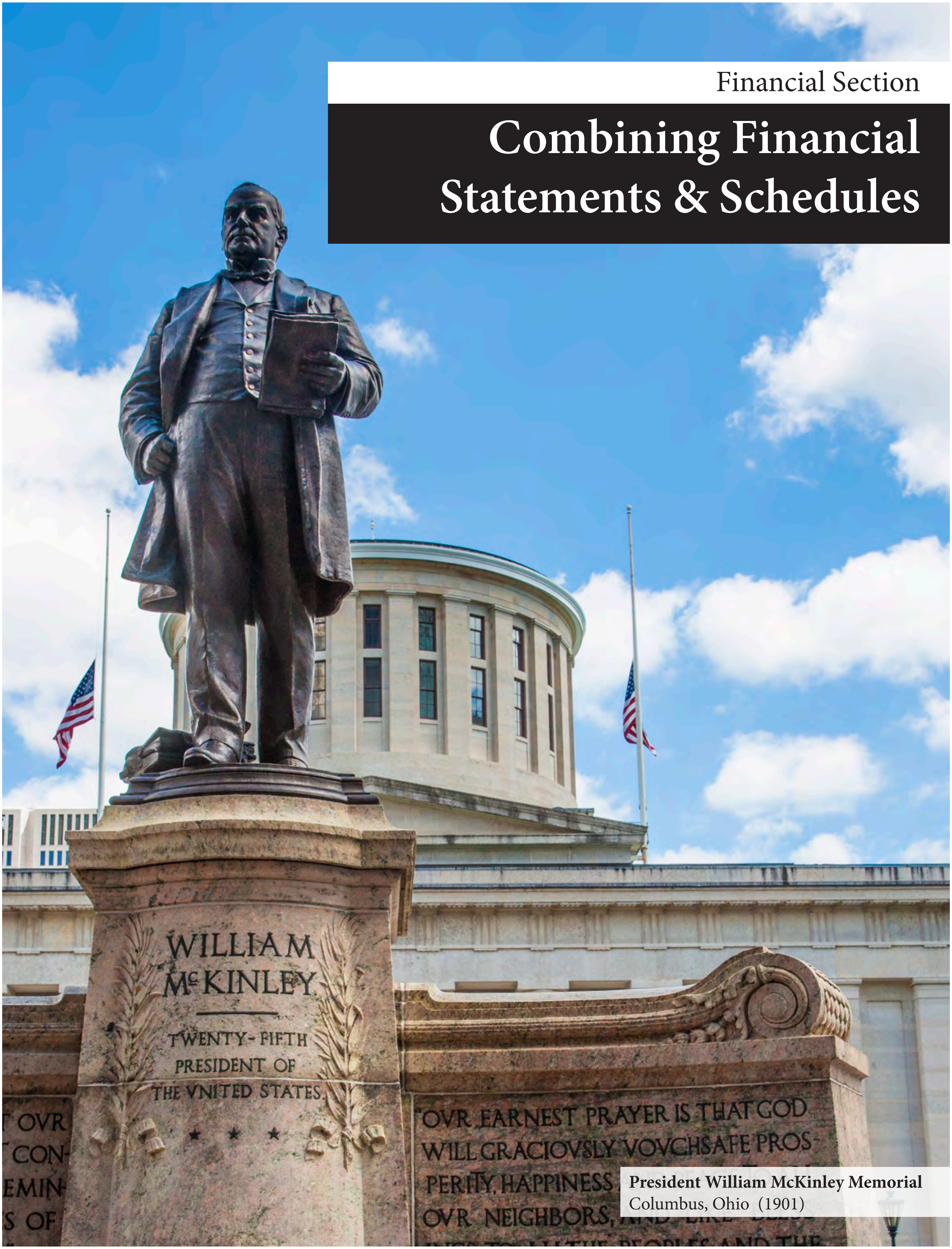
Primary Government
Reconciliation of GAAP Basis Fund Balances to Non-GAAP Budgetary Basis Fund Balances
For the General Fund and Major Special Revenue Fund
As of June 30, 2018
(dollars in thousands)

	General	Job, Family & Other Human Services
Total Fund Balances — GAAP Basis	$ 5,497,549	$ 273,489
Less: Nonspendable Fund Balances	52,267	-
Less: Restricted Fund Balances	1,465,460	151,494
Less: Committed Fund Balances	772,528	123,932
Less: Assigned Fund Balances	2,539,407	-
Unassigned Fund Balances — GAAP Basis	667,887	(1,937)
BASIS DIFFERENCES		
Revenue Accruals/Adjustments:		
Cash Equity with Treasurer	16,926	(47,782)
Taxes Receivable	(1,591,195)	-
Intergovernmental Receivable	(729,206)	(187,555)
Loans Receivable, Net	(1,103,092)	-
Other Receivables	(260,433)	(505,776)
Unearned Revenue	-	397,543
Total Revenue Accruals/Adjustments	(3,667,000)	(343,570)
Expenditure Accruals/Adjustments:		
Cash Equity with Treasurer	(32,877)	(4,365)
Inventories	(21,478)	-
Other Assets	(82)	-
Accounts Payable	266,181	161,703
Accrued Liabilities	165,162	22,323
Medicaid Claims Payable	1,064,641	7,456
Intergovernmental Payable	727,551	117,337
Interfund Payable	425,715	11,903
Payable to Component Units	19,174	538
Refund and Other Liabilities	1,237,506	6,658
Liability for Escheat Property	317,173	-
Total Expenditure Accruals/Adjustments	4,168,666	323,553
Deferred Inflows of Resources	1,214,003	62,943
Other Adjustments:		
Fund Balance Reclassifications:		
From Unassigned (Non-GAAP Budgetary Basis) to:		
Nonspendable	52,267	-
Restricted	1,465,460	151,494
Committed	772,528	123,932
Assigned	2,539,407	-
Cash and Investments Held Outside State Treasury	(1,365,063)	(3,329)
Other	(1)	-
Total Other Adjustments	3,464,598	272,097
Total Basis Differences	5,180,267	315,023
TIMING DIFFERENCES		
Encumbrances	(918,097)	(1,038,926)
Budgetary Fund Balances (Deficits) — Non-GAAP Basis	$ 4,930,057	$ (725,840)

[THIS PAGE LEFT BLANK INTENTIONALLY]

Financial Section

Combining Financial Statements & Schedules



President William McKinley Memorial
Columbus, Ohio (1901)

[THIS PAGE LEFT BLANK INTENTIONALLY]

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

Debt Service Funds

The Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Capital Projects Funds

The Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018
(dollars in thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS
ASSETS:			
Cash Equity with Treasurer	$ 2,895,986	$ 481	$ 959,282
Cash and Cash Equivalents	56,481	904	597
Investments	4,771	8,057	36,330
Collateral on Lent Securities	821,428	137	272,093
Taxes Receivable	129,099	—	—
Intergovernmental Receivable	465,232	—	—
Loans Receivable, Net	181,269	—	—
Interfund Receivable	1,402	—	—
Receivable from Component Units	4,960	—	—
Other Receivables	53,120	—	—
Inventories	84,330	—	—
TOTAL ASSETS	**$ 4,698,078**	**$ 9,579**	**$ 1,268,302**
LIABILITIES:			
Accounts Payable	$ 271,052	$ 81	$ 86,161
Accrued Liabilities	61,796	—	—
Medicaid Claims Payable	231,922	—	—
Obligations Under Securities Lending	821,428	137	272,093
Intergovernmental Payable	185,411	—	—
Interfund Payable	110,416	—	—
Payable to Component Units	1,284	—	—
Unearned Revenue	94,177	—	—
Refund and Other Liabilities	—	680	—
TOTAL LIABILITIES	1,777,486	898	358,254
DEFERRED INFLOWS OF RESOURCES	56,965	—	—
FUND BALANCES (DEFICITS):			
Nonspendable	84,330	—	—
Restricted	2,126,199	8,681	910,048
Committed	653,098	—	—
TOTAL FUND BALANCES (DEFICITS)	2,863,627	8,681	910,048
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 4,698,078**	**$ 9,579**	**$ 1,268,302**

TOTAL	
$	3,855,749
	57,982
	49,158
	1,093,658
	129,099
	465,232
	181,269
	1,402
	4,960
	53,120
	84,330
$	**5,975,959**
$	357,294
	61,796
	231,922
	1,093,658
	185,411
	110,416
	1,284
	94,177
	680
	2,136,638
	56,965
	84,330
	3,044,928
	653,098
	3,782,356
$	**5,975,959**

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(dollars in thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS
REVENUES:			
Income Taxes	$ 111	$ —	$ —
Corporate and Public Utility Taxes	66,109	—	—
Motor Vehicle Fuel Taxes	751,898	—	—
Other Taxes	328,276	—	—
Licenses, Permits and Fees	672,659	—	—
Sales, Services and Charges	31,283	—	—
Federal Government	6,200,262	—	—
Investment Income	21,426	1,882	9,076
Other	595,125	5	69
TOTAL REVENUES	**8,667,149**	**1,887**	**9,145**
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	3,018,150	—	—
Higher Education Support	29,923	—	—
Public Assistance and Medicaid	2,110,059	—	—
Health and Human Services	660,167	—	—
Justice and Public Protection	328,909	—	—
Environmental Protection and Natural Resources	367,618	—	—
Transportation	2,511,726	—	—
General Government	358,944	—	—
Community and Economic Development	702,206	—	—
CAPITAL OUTLAY	25,049	—	744,601
DEBT SERVICE	—	1,667,689	—
TOTAL EXPENDITURES	**10,112,751**	**1,667,689**	**744,601**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(1,445,602)**	**(1,665,802)**	**(735,456)**
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued	101,604	—	980,885
Refunding Bonds and COPs Issued	—	724,775	23,765
Payment to Refunded Bond and COPs Escrow Agents	—	(895,768)	(29,393)
Premiums/Discounts	1,710	201,250	157,467
Transfers-in	1,796,918	1,619,235	9
Transfers-out	(447,938)	(9)	—
TOTAL OTHER FINANCING SOURCES (USES)	**1,452,294**	**1,649,483**	**1,132,733**
NET CHANGE IN FUND BALANCES	**6,692**	**(16,319)**	**397,277**
FUND BALANCES (DEFICITS), July 1	2,874,499	25,000	512,771
Increase (Decrease) for Changes in Inventories	(17,564)	—	—
FUND BALANCES (DEFICITS), JUNE 30	**$ 2,863,627**	**$ 8,681**	**$ 910,048**

TOTAL
$ 111
66,109
751,898
328,276
672,659
31,283
6,200,262
32,384
595,199
8,678,181
3,018,150
29,923
2,110,059
660,167
328,909
367,618
2,511,726
358,944
702,206
769,650
1,667,689
12,525,041
(3,846,860)
1,082,489
748,540
(925,161)
360,427
3,416,162
(447,947)
4,234,510
387,650
3,412,270
(17,564)
$ 3,782,356

[THIS PAGE LEFT BLANK INTENTIONALLY]

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

Education Fund

The Education Fund accounts for programs administered by the Department of Education, the Department of Higher Education, and other various state agencies, which prescribe the State's minimum educational requirements and which provide funding and assistance to local school districts for basic instruction and vocation and technical job training, and to the State's colleges and universities for post-secondary education.

Highway Operating Fund

The Highway Operating Fund accounts for programs administered by the Department of Transportation, which is responsible for the planning and design, construction, and maintenance of Ohio's highways, roads, and bridges and for Ohio's public transportation programs.

Community and Economic Development Fund

The Community and Economic Development Fund accounts for programs administered by the Development Services Agency and other various state agencies, which were created to assure the efficient use of resources for the State's community and economic growth and development.

Health Fund

The Health Fund accounts for public health programs primarily administered by the Department of Health, which promotes the prevention and treatment of diseases and illnesses through technical assistance, health education, and research.

Mental Health and Developmental Disabilities Fund

The Mental Health and Developmental Disabilities Fund accounts for mental health care and developmental disabilities programs primarily administered by the Department of Mental Health and Addiction Services and the Department of Developmental Disabilities, which provide assistance, services, and medical care to those individuals with mental health and developmental disability problems.

Highway Safety Fund

The Highway Safety Fund accounts for public safety programs primarily administered by the Department of Public Safety, which enforces traffic-related laws for the purpose of reducing accidents, deaths, injuries, and property damages on Ohio's highways.

Natural Resources Fund

The Natural Resources Fund accounts for environmental programs administered by the Department of Natural Resources, the Environmental Protection Agency, and other various state agencies, which promote, protect, and manage the State's natural resources and environment.

Wildlife and Waterways Safety Fund

The Wildlife and Waterways Safety Fund accounts for programs administered by the Department of Natural Resources' Divisions of Wildlife and Watercraft, which promote, protect, and manage the State's wildlife and waterways and which provide technical assistance and education to the public.

Tobacco Settlement Fund

The Tobacco Settlement Fund accounts for various health, education, economic, and law enforcement-related programs funded with moneys received under the Master Settlement Agreement with the nation's largest tobacco companies.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018
(dollars in thousands)

	EDUCATION	HIGHWAY OPERATING	COMMUNITY AND ECONOMIC DEVELOPMENT
ASSETS:			
Cash Equity with Treasurer	$ 256,779	$ 903,002	$ 742,150
Cash and Cash Equivalents	8	7	50,287
Investments	459	—	—
Collateral on Lent Securities	72,834	256,131	210,506
Taxes Receivable	—	109,091	16,904
Intergovernmental Receivable	90,887	145,931	13,290
Loans Receivable, Net	2,750	127,488	51,031
Interfund Receivable	—	—	—
Receivable from Component Units	—	4,960	—
Other Receivables	5	7,192	28
Inventories	15,718	49,152	—
TOTAL ASSETS	**$ 439,440**	**$ 1,602,954**	**$ 1,084,196**
LIABILITIES:			
Accounts Payable	$ 14,182	$ 172,070	$ 49,227
Accrued Liabilities	1,552	26,723	9,010
Medicaid Claims Payable	—	—	—
Obligations Under Securities Lending	72,834	256,131	210,506
Intergovernmental Payable	63,599	—	93,083
Interfund Payable	1,416	57,799	7,455
Payable to Component Units	184	60	758
Unearned Revenue	30,770	—	17,603
TOTAL LIABILITIES	184,537	512,783	387,642
DEFERRED INFLOWS OF RESOURCES	—	6,588	—
FUND BALANCES (DEFICITS):			
Nonspendable	15,718	49,152	—
Restricted	153,067	1,034,431	456,380
Committed	86,118	—	240,174
TOTAL FUND BALANCES (DEFICITS)	254,903	1,083,583	696,554
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 439,440**	**$ 1,602,954**	**$ 1,084,196**

HEALTH	MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES	HIGHWAY SAFETY	NATURAL RESOURCES	WILDLIFE AND WATERWAYS SAFETY	TOBACCO SETTLEMENT
$ 83,481	$ 431,580	$ 98,375	$ 313,533	$ 64,998	$ 2,088
41	—	104	5,671	4	359
—	—	—	—	—	4,312
23,679	122,415	27,903	88,932	18,436	592
62	—	—	—	3,042	—
14,717	200,407	—	—	—	—
—	—	—	—	—	—
1,402	—	—	—	—	—
—	—	—	—	—	—
4,721	19	9	7,010	12	34,124
19,460	—	—	—	—	—
$ 147,563	**$ 754,421**	**$ 126,391**	**$ 415,146**	**$ 86,492**	**$ 41,475**
$ 8,477	$ 17,308	$ 2,122	$ 5,174	$ 2,300	$ 192
4,026	5,733	2,477	8,761	3,423	91
—	231,922	—	—	—	—
23,679	122,415	27,903	88,932	18,436	592
13,036	15,693	—	—	—	—
2,273	30,607	2,356	4,269	4,232	9
103	56	—	50	73	—
—	35,132	—	10,672	—	—
51,594	458,866	34,858	117,858	28,464	884
—	16,264	—	—	—	34,113
19,460	—	—	—	—	—
66,124	206,954	51,958	135,867	20,840	578
10,385	72,337	39,575	161,421	37,188	5,900
95,969	279,291	91,533	297,288	58,028	6,478
$ 147,563	**$ 754,421**	**$ 126,391**	**$ 415,146**	**$ 86,492**	**$ 41,475**

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018
(dollars in thousands)
(continued)

		TOTAL
ASSETS:		
Cash Equity with Treasurer	$	2,895,986
Cash and Cash Equivalents		56,481
Investments		4,771
Collateral on Lent Securities		821,428
Taxes Receivable		129,099
Intergovernmental Receivable		465,232
Loans Receivable, Net		181,269
Interfund Receivable		1,402
Receivable from Component Units		4,960
Other Receivables		53,120
Inventories		84,330
TOTAL ASSETS	**$**	**4,698,078**
LIABILITIES:		
Accounts Payable	$	271,052
Accrued Liabilities		61,796
Medicaid Claims Payable		231,922
Obligations Under Securities Lending		821,428
Intergovernmental Payable		185,411
Interfund Payable		110,416
Payable to Component Units		1,284
Unearned Revenue		94,177
TOTAL LIABILITIES		1,777,486
DEFERRED INFLOWS OF RESOURCES		56,965
FUND BALANCES (DEFICITS):		
Nonspendable		84,330
Restricted		2,126,199
Committed		653,098
TOTAL FUND BALANCES (DEFICITS)		2,863,627
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$**	**4,698,078**

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(dollars in thousands)

	EDUCATION	HIGHWAY OPERATING	COMMUNITY AND ECONOMIC DEVELOPMENT
REVENUES:			
Income Taxes	$ —	$ —	$ 111
Corporate and Public Utility Taxes	—	—	66,109
Motor Vehicle Fuel Taxes	—	726,758	6,364
Other Taxes	—	—	270,767
Licenses, Permits and Fees	316	47,888	342,119
Sales, Services and Charges	16	452	18,627
Federal Government	1,906,291	1,465,661	430,061
Investment Income	2,788	10,969	2,454
Other	11,006	97,978	36,105
TOTAL REVENUES	**1,920,417**	**2,349,706**	**1,172,717**
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	3,018,138	—	12
Higher Education Support	23,002	—	6,921
Public Assistance and Medicaid	9	—	—
Health and Human Services	855	—	—
Justice and Public Protection	7,112	—	246,503
Environmental Protection and Natural Resources	—	—	395
Transportation	—	2,509,813	1,913
General Government	275	—	353,128
Community and Economic Development	—	—	685,708
CAPITAL OUTLAY	—	—	13,080
TOTAL EXPENDITURES	**3,049,391**	**2,509,813**	**1,307,660**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(1,128,974)**	**(160,107)**	**(134,943)**
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued	—	—	101,604
Premiums/Discounts	—	—	1,710
Transfers-in	1,172,646	564,711	20,163
Transfers-out	(3,915)	(337,194)	(50,904)
TOTAL OTHER FINANCING SOURCES (USES)	**1,168,731**	**227,517**	**72,573**
NET CHANGE IN FUND BALANCES	**39,757**	**67,410**	**(62,370)**
FUND BALANCES (DEFICITS), July 1	215,146	1,033,583	758,924
Increase (Decrease) for Changes in Inventories	—	(17,410)	—
FUND BALANCES (DEFICITS), JUNE 30	**$ 254,903**	**$ 1,083,583**	**$ 696,554**

HEALTH	MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES	HIGHWAY SAFETY	NATURAL RESOURCES	WILDLIFE AND WATERWAYS SAFETY	TOBACCO SETTLEMENT
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
—	—	—	—	18,776	—
5,458	—	—	52,051	—	—
18,655	48,137	14,364	158,848	42,332	—
—	461	4,199	7,072	456	—
520,758	1,743,968	28,685	57,537	47,301	—
34	2,633	1,194	768	486	100
41,938	338,775	31,988	34,776	2,545	14
586,843	**2,133,974**	**80,430**	**311,052**	**111,896**	**114**
—	—	—	—	—	—
—	—	—	—	—	—
24,084	2,085,966	—	—	—	—
594,350	64,734	228	—	—	—
—	—	72,336	201	—	2,757
—	—	—	269,370	95,944	1,909
—	—	—	—	—	—
327	—	—	5,141	—	73
4,536	—	—	9,032	—	2,930
—	—	3,295	—	8,674	—
623,297	**2,150,700**	**75,859**	**283,744**	**104,618**	**7,669**
(36,454)	**(16,726)**	**4,571**	**27,308**	**7,278**	**(7,555)**
—	—	—	—	—	—
—	—	—	—	—	—
6,964	23,526	124	6,076	295	2,413
—	(927)	(42,621)	(12,344)	(33)	—
6,964	**22,599**	**(42,497)**	**(6,268)**	**262**	**2,413**
(29,490)	**5,873**	**(37,926)**	**21,040**	**7,540**	**(5,142)**
125,613	273,418	129,459	276,248	50,488	11,620
(154)	—	—	—	—	—
$ 95,969	**$ 279,291**	**$ 91,533**	**$ 297,288**	**$ 58,028**	**$ 6,478**

(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, 2018
(dollars in thousands)
(continued)

	TOTAL
REVENUES:	
Income Taxes	$ 111
Corporate and Public Utility Taxes	66,109
Motor Vehicle Fuel Taxes	751,898
Other Taxes	328,276
Licenses, Permits and Fees	672,659
Sales, Services and Charges	31,283
Federal Government	6,200,262
Investment Income	21,426
Other	595,125
TOTAL REVENUES	**8,667,149**
EXPENDITURES:	
CURRENT OPERATING:	
Primary, Secondary and Other Education	3,018,150
Higher Education Support	29,923
Public Assistance and Medicaid	2,110,059
Health and Human Services	660,167
Justice and Public Protection	328,909
Environmental Protection and Natural Resources	367,618
Transportation	2,511,726
General Government	358,944
Community and Economic Development	702,206
CAPITAL OUTLAY	25,049
TOTAL EXPENDITURES	**10,112,751**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(1,445,602)**
OTHER FINANCING SOURCES (USES):	
Bonds, Notes, and COPs Issued	101,604
Premiums/Discounts	1,710
Transfers-in	1,796,918
Transfers-out	(447,938)
TOTAL OTHER FINANCING SOURCES (USES)	**1,452,294**
NET CHANGE IN FUND BALANCES	**6,692**
FUND BALANCES (DEFICITS), July 1	2,874,499
Increase (Decrease) for Changes in Inventories	(17,564)
FUND BALANCES (DEFICITS), JUNE 30	**$ 2,863,627**

[THIS PAGE LEFT BLANK INTENTIONALLY]

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, 2018
(dollars in thousands)

	EDUCATION		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Income Taxes		$ —	
Corporate and Public Utility Taxes		—	
Motor Vehicle Fuel Taxes		—	
Other Taxes		—	
Licenses, Permits and Fees		316	
Sales, Services and Charges		16	
Federal Government		1,861,601	
Investment Income		2,782	
Other		21,867	
TOTAL REVENUES		**1,886,582**	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	$ 3,222,697	3,013,319	$ 209,378
Higher Education Support	34,768	29,081	5,687
Public Assistance and Medicaid	750	9	741
Health and Human Services	2,128	1,049	1,079
Justice and Public Protection	15,043	12,781	2,262
Environmental Protection and Natural Resources	—	—	—
Transportation	—	—	—
General Government	15,168	2,048	13,120
Community and Economic Development	—	—	—
CAPITAL OUTLAY	—	—	—
DEBT SERVICE	—	—	—
TOTAL BUDGETARY EXPENDITURES	**$ 3,290,554**	**3,058,287**	**$ 232,267**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES		**(1,171,705)**	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued		—	
Transfers-in		1,173,076	
Transfers-out		(4,415)	
TOTAL OTHER FINANCING SOURCES (USES)		**1,168,661**	
NET CHANGE IN FUND BALANCES		**(3,044)**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		178,634	
Outstanding Encumbrances at Beginning of Fiscal Year		47,203	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		**$ 222,793**	

HIGHWAY OPERATING			COMMUNITY AND ECONOMIC DEVELOPMENT		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	$ —			$ 111	
	—			67,521	
	691,916			6,177	
	—			269,935	
	47,888			325,508	
	452			18,620	
	1,447,851			444,906	
	10,969			2,454	
	214,136			49,764	
	2,413,212			**1,184,996**	
$ —	—	$ —	$ 500	120	$ 380
—	—	—	12,264	8,512	3,752
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	403,313	293,589	109,724
—	—	—	597	389	208
6,341,821	5,041,860	1,299,961	7,349	5,226	2,123
—	—	—	387,420	370,377	17,043
—	—	—	1,470,161	1,150,140	320,021
—	—	—	60,299	35,499	24,800
175,755	157,368	18,387	—	—	—
$ 6,517,576	**5,199,228**	**$ 1,318,348**	**$ 2,341,903**	**1,863,852**	**$ 478,051**
	(2,786,016)			**(678,856)**	
	—			103,314	
	564,888			131,066	
	(188,158)			(161,796)	
	376,730			**72,584**	
	(2,409,286)			**(606,272)**	
	(1,430,587)			181,900	
	2,289,008			564,748	
	$ (1,550,865)			**$ 140,376**	

(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, 2018

(dollars in thousands)
(continued)

	HEALTH		
	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES:			
Income Taxes		$ —	
Corporate and Public Utility Taxes		—	
Motor Vehicle Fuel Taxes		—	
Other Taxes		5,410	
Licenses, Permits and Fees		18,685	
Sales, Services and Charges		—	
Federal Government		396,658	
Investment Income		34	
Other		105,493	
TOTAL REVENUES		**526,280**	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	$ —	—	$ —
Higher Education Support	—	—	—
Public Assistance and Medicaid	26,539	26,235	304
Health and Human Services	626,065	557,494	68,571
Justice and Public Protection	—	—	—
Environmental Protection and Natural Resources	—	—	—
Transportation	—	—	—
General Government	645	465	180
Community and Economic Development	7,710	7,612	98
CAPITAL OUTLAY	—	—	—
DEBT SERVICE	—	—	—
TOTAL BUDGETARY EXPENDITURES	**$ 660,959**	**591,806**	**$ 69,153**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES		**(65,526)**	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued		—	
Transfers-in		6,963	
Transfers-out		(31)	
TOTAL OTHER FINANCING SOURCES (USES)		**6,932**	
NET CHANGE IN FUND BALANCES		**(58,594)**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		8,014	
Outstanding Encumbrances at Beginning of Fiscal Year		70,528	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		**$ 19,948**	

MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES			HIGHWAY SAFETY		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	$ —			$ —	
	—			—	
	—			—	
	—			—	
	48,137			14,199	
	461			4,199	
	1,808,401			28,685	
	2,633			1,194	
	440,591			32,540	
	2,300,223			**80,817**	
$ —	—	$ —	$ —	—	$ —
—	—	—	—	—	—
2,500,235	2,417,036	83,199	—	—	—
156,185	141,883	14,302	300	228	72
—	—	—	160,584	125,842	34,742
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	13,306	6,915	6,391
—	—	—	—	—	—
$ 2,656,420	**2,558,919**	**$ 97,501**	**$ 174,190**	**132,985**	**$ 41,205**
	(258,696)			**(52,168)**	
	—			—	
	72,878			127	
	(52,911)			(40,218)	
	19,967			**(40,091)**	
	(238,729)			**(92,259)**	
	228,894			114,336	
	164,183			43,465	
	$ 154,348			**$ 65,542**	

(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, 2018

(dollars in thousands)

(continued)

	NATURAL RESOURCES		
	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES:			
Income Taxes		$ —	
Corporate and Public Utility Taxes		—	
Motor Vehicle Fuel Taxes		—	
Other Taxes		66,119	
Licenses, Permits and Fees		154,779	
Sales, Services and Charges		7,271	
Federal Government		58,182	
Investment Income		768	
Other		37,057	
TOTAL REVENUES		**324,176**	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	$ —	—	$ —
Higher Education Support	—	—	—
Public Assistance and Medicaid	—	—	—
Health and Human Services	—	—	—
Justice and Public Protection	332	198	134
Environmental Protection and Natural Resources	357,385	330,733	26,652
Transportation	—	—	—
General Government	5,983	5,893	90
Community and Economic Development	10,002	9,779	223
CAPITAL OUTLAY	—	—	—
DEBT SERVICE	—	—	—
TOTAL BUDGETARY EXPENDITURES	**$ 373,702**	**346,603**	**$ 27,099**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES		**(22,427)**	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued		—	
Transfers-in		17,228	
Transfers-out		(21,997)	
TOTAL OTHER FINANCING SOURCES (USES)		**(4,769)**	
NET CHANGE IN FUND BALANCES		**(27,196)**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		237,090	
Outstanding Encumbrances at Beginning of Fiscal Year		42,891	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		**$ 252,785**	

WILDLIFE AND WATERWAYS SAFETY			***TOBACCO SETTLEMENT***		
		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)			***VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)***
BUDGET FINAL	***ACTUAL***		***BUDGET FINAL***	***ACTUAL***	
	$ —			*$ —*	
	—			*—*	
	18,099			*—*	
	—			*—*	
	42,307			*—*	
	456			*—*	
	47,301			*—*	
	486			*—*	
	2,879			*191*	
	111,528			***191***	
$ —	*—*	*$ —*	*$ —*	*—*	*$ —*
—	*—*	*—*	*—*	*—*	*—*
—	*—*	*—*	*—*	*—*	*—*
—	*—*	*—*	*—*	*—*	*—*
—	*—*	*—*	*3,282*	*3,086*	*196*
120,710	*112,676*	*8,034*	*2,344*	*1,874*	*470*
—	*—*	*—*	*—*	*—*	*—*
—	*—*	*—*	*—*	*—*	*—*
—	*—*	*—*	*353*	*257*	*96*
51,445	*10,432*	*41,013*	*—*	*—*	*—*
—	*—*	*—*	*—*	*—*	*—*
$ 172,155	***123,108***	***$ 49,047***	***$ 5,979***	***5,217***	***$ 762***
	(11,580)			***(5,026)***	
	—			*—*	
	295			*2,344*	
	(33)			*—*	
	262			***2,344***	
	(11,318)			***(2,682)***	
	31,925			*3,953*	
	22,503			*632*	
	$ 43,110			***$ 1,903***	

(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, 2018

(dollars in thousands)

(continued)

	TOTAL		
	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES:			
Income Taxes		$ 111	
Corporate and Public Utility Taxes		67,521	
Motor Vehicle Fuel Taxes		716,192	
Other Taxes		341,464	
Licenses, Permits and Fees		651,819	
Sales, Services and Charges		31,475	
Federal Government		6,093,585	
Investment Income		21,320	
Other		904,518	
TOTAL REVENUES		**8,828,005**	
BUDGETARY EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	$ 3,223,197	3,013,439	$ 209,758
Higher Education Support	47,032	37,593	9,439
Public Assistance and Medicaid	2,527,524	2,443,280	84,244
Health and Human Services	784,678	700,654	84,024
Justice and Public Protection	582,554	435,496	147,058
Environmental Protection and Natural Resources	481,036	445,672	35,364
Transportation	6,349,170	5,047,086	1,302,084
General Government	409,216	378,783	30,433
Community and Economic Development	1,488,226	1,167,788	320,438
CAPITAL OUTLAY	125,050	52,846	72,204
DEBT SERVICE	175,755	157,368	18,387
TOTAL BUDGETARY EXPENDITURES	**$ 16,193,438**	**13,880,005**	**$ 2,313,433**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES		**(5,052,000)**	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued		103,314	
Transfers-in		1,968,865	
Transfers-out		(469,559)	
TOTAL OTHER FINANCING SOURCES (USES)		**1,602,620**	
NET CHANGE IN FUND BALANCES		**(3,449,380)**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		(445,841)	
Outstanding Encumbrances at Beginning of Fiscal Year		3,245,161	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		**$ (650,060)**	

[THIS PAGE LEFT BLANK INTENTIONALLY]

NONMAJOR DEBT SERVICE FUNDS

Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Coal Research/Development General Obligations Fund
The Coal Research/Development General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 15 of Article VIII, Ohio Constitution, to finance coal research and development projects.

Improvements General Obligations Fund
The Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2f of Article VIII, Ohio Constitution, to finance the improvement of higher education facilities, public schools, and natural resources.

Highway Improvements General Obligations Fund
The Highway Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2g of Article VIII, Ohio Constitution, to finance the acquisition of rights-of-way and the construction and reconstruction of the State's highways and urban extensions.

Development General Obligations Fund
The Development General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2h of Article VIII, Ohio Constitution, to finance the construction, improvement, and development of higher education facilities, public schools, and natural resources.

Highway General Obligations Fund
The Highway General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the construction of the State's highways.

Public Improvements General Obligations Fund
The Public Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance water pollution controls and improvements at higher education facilities, parks, and natural resources.

Vietnam Conflict Compensation General Obligations Fund
The Vietnam Conflict Compensation General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2j of Article VIII, Ohio Constitution, to provide funding for the compensation to Ohioans that served in the military during the Vietnam Conflict.

Local Infrastructure Improvements General Obligations Fund
The Local Infrastructure Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2k of Article VIII, Ohio Constitution, to finance the cost of local government's public infrastructure improvement projects.

State Projects General Obligations Fund

The State Projects General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2l of Article VIII, Ohio Constitution, to finance capital improvements at state and local parks and other natural resources-related projects.

Highway Capital Improvements General Obligations Fund

The Highway Capital Improvements General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2m of Article VIII, Ohio Constitution, to finance capital improvements to the state highway system.

Higher Education Capital Facilities General Obligations Fund

The Higher Education Capital Facilities General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of capital facilities for state-supported and state-assisted institutions of higher education, including those for technical education.

Common Schools Capital Facilities General Obligations Fund

The Common Schools Capital Facilities General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of facilities for a system of common schools throughout Ohio.

Conservation Projects General Obligations Fund

The Conservation Projects General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2o of Article VIII, Ohio Constitution, to finance the purchase of additional "greenspace" land or interest in land devoted to natural areas, open spaces, and agriculture.

Third Frontier Research/Development General Obligations Fund

The Third Frontier Research/Development General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2p of Article VIII, Ohio Constitution, to finance research and development in support of Ohio industry, commerce, and business.

Job Ready Site Development General Obligations Fund

The Job Ready Site Development General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2p of Article VIII, Ohio Constitution, to finance the development of sites for industry, distribution, commerce, and research and development.

Persian Gulf Conflict Compensation General Obligations Fund

The Persian Gulf Conflict Compensation General Obligations Fund accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2r of Article VIII, Ohio Constitution, to pay compensation to veterans of the Persian Gulf, Afghanistan, and Iraq Conflicts.

Infrastructure Bank Revenue Bonds Fund

The Infrastructure Bank Revenue Bonds Fund accounts for the payment of principal and interest on revenue bonds issued to finance various highway construction projects sponsored by the Department of Transportation.

Lease Rental Special Obligations Fund

The Lease Rental Special Obligations Fund accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of higher education facilities, mental health facilities, parks and recreation projects and facilities, and Ohio Facilities Construction Commission projects.

MARCS Certificates of Participation Fund

The MARCS Certificates of Participation Fund accounts for the payment of certificate of participation-related obligations that finance the State's statewide public service wireless communication system, known as the Multi Agency Radio Communications (MARCS).

OAKS Certificates of Participation Fund

The OAKS Certificates of Participation Fund accounts for the payment of certificate of participation-related obligations that finance the State's enterprise resource planning system project, known as the Ohio Administrative Knowledge System (OAKS).

STARS Certificates of Participation Fund

The STARS Certificates of Participation Fund accounts for the payment of certificates of participation related obligations that finance the State's Taxation Accounting and Revenue System, known as STARS.

TMS Certificates of Participation Fund

The TMS Certificates of Participation Fund accounts for the payment of certificates of participation related obligations that finance the State's Treasury Management System, known as TMS.

EDCS Certificates of Participation Fund

The EDCS Certificates of Participation Fund accounts for the payment of certificates of participation related obligations that finance the Enterprise Data Center Solutions, known as EDCS.

BCIRS Certificates of Participation Fund

The BCIRS Certificates of Participation Fund accounts for the payment of certificates of participation related obligations that finance the State's Bureau of Criminal Investigation Records System, known as BCIRS.

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2018
(dollars in thousands)

	COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS	IMPROVEMENTS GENERAL OBLIGATIONS	HIGHWAY IMPROVEMENTS GENERAL OBLIGATIONS
ASSETS:			
Cash Equity with Treasurer	$ 6	$ —	$ —
Cash and Cash Equivalents	—	115	55
Investments	—	—	—
Collateral on Lent Securities	2	—	—
TOTAL ASSETS	**$ 8**	**$ 115**	**$ 55**
LIABILITIES:			
Accounts Payable	$ —	$ —	$ —
Obligations Under Securities Lending	2	—	—
Refund and Other Liabilities	—	115	55
TOTAL LIABILITIES	2	115	55
FUND BALANCES (DEFICITS):			
Restricted	6	—	—
TOTAL FUND BALANCES (DEFICITS)	6	—	—
TOTAL LIABILITIES AND FUND BALANCES	**$ 8**	**$ 115**	**$ 55**

DEVELOPMENT GENERAL OBLIGATIONS		HIGHWAY GENERAL OBLIGATIONS		PUBLIC IMPROVEMENTS GENERAL OBLIGATIONS		VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS		LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS		STATE PROJECTS GENERAL OBLIGATIONS	
$	—	$	—	$	—	$	—	$	41	$	3
	224		170		91		28		—		—
	—		—		—		—		—		—
	—		—		—		—		11		1
$	**224**	**$**	**170**	**$**	**91**	**$**	**28**	**$**	**52**	**$**	**4**
$	—	$	—	$	—	$	—	$	—	$	—
	—		—		—		—		11		1
	224		170		91		25		—		—
	224		170		91		25		11		1
	—		—		—		3		41		3
	—		—		—		3		41		3
$	**224**	**$**	**170**	**$**	**91**	**$**	**28**	**$**	**52**	**$**	**4**

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2018
(dollars in thousands)
(continued)

	HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS	HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS	COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS
ASSETS:			
Cash Equity with Treasurer	$ 379	$ 13	$ 17
Cash and Cash Equivalents	—	—	—
Investments	—	—	—
Collateral on Lent Securities	107	4	5
TOTAL ASSETS	**$ 486**	**$ 17**	**$ 22**
LIABILITIES:			
Accounts Payable	$ —	$ —	$ —
Obligations Under Securities Lending	107	4	5
Refund and Other Liabilities	—	—	—
TOTAL LIABILITIES	107	4	5
FUND BALANCES (DEFICITS):			
Restricted	379	13	17
TOTAL FUND BALANCES (DEFICITS)	379	13	17
TOTAL LIABILITIES AND FUND BALANCES	**$ 486**	**$ 17**	**$ 22**

CONSERVATION PROJECTS GENERAL OBLIGATIONS	THIRD FRONTIER RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS	JOB READY SITE DEVELOPMENT GENERAL OBLIGATIONS	INFRASTRUCTURE BANK REVENUE BONDS	LEASE RENTAL SPECIAL OBLIGATIONS	MARCS CERTIFICATES OF PARTICIPATION
$ 6	$ 14	$ 2	$ —	$ —	$ —
—	—	—	—	210	—
—	—	—	8,052	—	1
2	4	1	—	—	—
$ 8	**$ 18**	**$ 3**	**$ 8,052**	**$ 210**	**$ 1**
$ —	$ —	$ —	$ 21	$ 60	$ —
2	4	1	—	—	—
—	—	—	—	—	—
2	4	1	21	60	—
6	14	2	8,031	150	1
6	14	2	8,031	150	1
$ 8	**$ 18**	**$ 3**	**$ 8,052**	**$ 210**	**$ 1**

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2018
(dollars in thousands)
(continued)

	OAKS CERTIFICATES OF PARTICIPATION	STARS CERTIFICATES OF PARTICIPATION	EDCS CERTIFICATES OF PARTICIPATION
ASSETS:			
Cash Equity with Treasurer	$ —	$ —	$ —
Cash and Cash Equivalents	—	8	—
Investments	2	—	2
Collateral on Lent Securities	—	—	—
TOTAL ASSETS	**$ 2**	**$ 8**	**$ 2**
LIABILITIES:			
Accounts Payable	$ —	$ —	$ —
Obligations Under Securities Lending	—	—	—
Refund and Other Liabilities	—	—	—
TOTAL LIABILITIES	—	—	—
FUND BALANCES (DEFICITS):			
Restricted	2	8	2
TOTAL FUND BALANCES (DEFICITS)	2	8	2
TOTAL LIABILITIES AND FUND BALANCES	**$ 2**	**$ 8**	**$ 2**

BCIRS CERTIFICATES OF PARTICIPATION		TOTAL	
$	—	$	481
	3		904
	—		8,057
	—		137
$	**3**	**$**	**9,579**
$	—	$	81
	—		137
	—		680
	—		898
	3		8,681
	3		8,681
$	**3**	**$**	**9,579**

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(dollars in thousands)

	COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS	VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS	LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS
REVENUES:			
Investment Income	$ 2	$ —	$ 95
Other	5	—	—
TOTAL REVENUES	**7**	**—**	**95**
EXPENDITURES:			
DEBT SERVICE	6,422	—	228,917
TOTAL EXPENDITURES	**6,422**	**—**	**228,917**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(6,415)**	**—**	**(228,822)**
OTHER FINANCING SOURCES (USES):			
Refunding Bonds and COPs Issued	—	—	68,630
Payment to Refunded Bond and COPs Escrow Agents	—	—	(86,905)
Premiums/Discounts	102	—	31,089
Transfers-in	6,318	—	216,031
Transfers-out	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	**6,420**	**—**	**228,845**
NET CHANGE IN FUND BALANCES	**5**	**—**	**23**
FUND BALANCES (DEFICITS), July 1	1	3	18
FUND BALANCES (DEFICITS), JUNE 30	**$ 6**	**$ 3**	**$ 41**

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
$ 8	$ 511	$ 90	$ 48	$ 9	$ 29
—	—	—	—	—	—
8	**511**	**90**	**48**	**9**	**29**
25,346	116,681	265,261	373,396	38,037	84,891
25,346	**116,681**	**265,261**	**373,396**	**38,037**	**84,891**
(25,338)	**(116,170)**	**(265,171)**	**(373,348)**	**(38,028)**	**(84,862)**
—	136,265	194,955	203,535	—	—
—	(168,470)	(243,468)	(253,577)	—	—
193	36,997	49,811	51,666	3,312	396
25,146	111,450	248,856	369,936	34,719	84,472
—	—	—	—	—	—
25,339	**116,242**	**250,154**	**371,560**	**38,031**	**84,868**
1	**72**	**(15,017)**	**(1,788)**	**3**	**6**
2	307	15,030	1,805	3	8
$ 3	**$ 379**	**$ 13**	**$ 17**	**$ 6**	**$ 14**

(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, 2018

(dollars in thousands)

(continued)

	JOB READY SITE DEVELOPMENT GENERAL OBLIGATIONS	PERSIAN GULF CONFLICT COMPENSATION GENERAL OBLIGATIONS	INFRASTRUCTURE BANK REVENUE BONDS
REVENUES:			
Investment Income	$ 6	$ —	$ 1,075
Other	—	—	—
TOTAL REVENUES	**6**	**—**	**1,075**
EXPENDITURES:			
DEBT SERVICE	15,657	7,118	151,764
TOTAL EXPENDITURES	**15,657**	**7,118**	**151,764**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(15,651)**	**(7,118)**	**(150,689)**
OTHER FINANCING SOURCES (USES):			
Refunding Bonds and COPs Issued	—	—	—
Payment to Refunded Bond and COPs Escrow Agents	—	—	—
Premiums/Discounts	—	—	1,875
Transfers-in	15,650	7,118	149,213
Transfers-out	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	**15,650**	**7,118**	**151,088**
NET CHANGE IN FUND BALANCES	**(1)**	**—**	**399**
FUND BALANCES (DEFICITS), July 1	3	—	7,632
FUND BALANCES (DEFICITS), JUNE 30	**$ 2**	**$ —**	**$ 8,031**

LEASE RENTAL SPECIAL OBLIGATIONS	MARCS CERTIFICATES OF PARTICIPATION	OAKS CERTIFICATES OF PARTICIPATION	STARS CERTIFICATES OF PARTICIPATION	TMS CERTIFICATES OF PARTICIPATION	EDCS CERTIFICATES OF PARTICIPATION
$ —	$ 1	$ 2	$ 1	$ —	$ 2
—	—	—	—	—	—
—	**1**	**2**	**1**	**—**	**2**
312,487	6,764	15,242	8,517	1,113	7,564
312,487	**6,764**	**15,242**	**8,517**	**1,113**	**7,564**
(312,487)	**(6,763)**	**(15,240)**	**(8,516)**	**(1,113)**	**(7,562)**
121,390	—	—	—	—	—
(143,348)	—	—	—	—	—
25,809	—	—	—	—	—
308,629	6,764	15,238	8,516	1,113	7,558
—	—	—	—	—	(9)
312,480	**6,764**	**15,238**	**8,516**	**1,113**	**7,549**
(7)	**1**	**(2)**	**—**	**—**	**(13)**
157	—	4	8	—	15
$ 150	**$ 1**	**$ 2**	**$ 8**	**$ —**	**$ 2**

(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, 2018

(dollars in thousands)

(continued)

	BCIRS CERTIFICATES OF PARTICIPATION	TOTAL
REVENUES:		
Investment Income	$ 3	$ 1,882
Other	—	5
TOTAL REVENUES	**3**	**1,887**
EXPENDITURES:		
DEBT SERVICE	2,512	1,667,689
TOTAL EXPENDITURES	**2,512**	**1,667,689**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(2,509)**	**(1,665,802)**
OTHER FINANCING SOURCES (USES):		
Refunding Bonds and COPs Issued	—	724,775
Payment to Refunded Bond and COPs Escrow Agents	—	(895,768)
Premiums/Discounts	—	201,250
Transfers-in	2,508	1,619,235
Transfers-out	—	(9)
TOTAL OTHER FINANCING SOURCES (USES)	**2,508**	**1,649,483**
NET CHANGE IN FUND BALANCES	**(1)**	**(16,319)**
FUND BALANCES (DEFICITS), July 1	4	25,000
FUND BALANCES (DEFICITS), JUNE 30	**$ 3**	**$ 8,681**

[THIS PAGE LEFT BLANK INTENTIONALLY]

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, 2018

(dollars in thousands)

	COAL RESEARCH/DEVELOPMENT GENERAL OBLIGATIONS		
	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income		$ 2	
Other		6,322	
TOTAL REVENUES		**6,324**	
BUDGETARY EXPENDITURES:			
DEBT SERVICE	$ 6,320	6,319	$ 1
TOTAL BUDGETARY EXPENDITURES	**$ 6,320**	**6,319**	**$ 1**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES		**5**	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued		—	
Transfers-in		—	
TOTAL OTHER FINANCING SOURCES (USES)		**—**	
NET CHANGE IN FUND BALANCES		**5**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		1	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		**$ 6**	

LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS			STATE PROJECTS GENERAL OBLIGATIONS		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	$ 95			$ 8	
	216,031			25,145	
	216,126			**25,153**	
$ 232,380	228,191	$ 4,189	$ 25,450	25,153	$ 297
$ 232,380	**228,191**	**$ 4,189**	**$ 25,450**	**25,153**	**$ 297**
	(12,065)			**—**	
	12,087			—	
	—			—	
	12,087			**—**	
	22			**—**	
	18			2	
	$ 40			**$ 2**	

(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, 2018

(dollars in thousands)

(continued)

	HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS		
	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income		$ 511	
Other		—	
TOTAL REVENUES		**511**	
BUDGETARY EXPENDITURES:			
DEBT SERVICE	$ 117,607	114,658	$ 2,949
TOTAL BUDGETARY EXPENDITURES	**$ 117,607**	**114,658**	**$ 2,949**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES		**(114,147)**	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued		2,769	
Transfers-in		111,450	
TOTAL OTHER FINANCING SOURCES (USES)		**114,219**	
NET CHANGE IN FUND BALANCES		**72**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		307	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		**$ 379**	

HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS			COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS		
BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	$ 90			$ 48	
	248,856			369,935	
	248,946			**369,983**	
$ 268,158	263,962	$ 4,196	$ 376,083	371,772	$ 4,311
$ 268,158	**263,962**	**$ 4,196**	**$ 376,083**	**371,772**	**$ 4,311**
	(15,016)			**(1,789)**	
	—			—	
	—			—	
	—			**—**	
	(15,016)			**(1,789)**	
	15,030			1,805	
	$ 14			**$ 16**	

(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, 2018

(dollars in thousands)

(continued)

	CONSERVATION PROJECTS GENERAL OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income		$ 9	
Other		34,719	
TOTAL REVENUES		**34,728**	
BUDGETARY EXPENDITURES:			
DEBT SERVICE	$ 37,708	37,705	$ 3
TOTAL BUDGETARY EXPENDITURES	**$ 37,708**	**37,705**	**$ 3**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES		**(2,977)**	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued		2,980	
Transfers-in		—	
TOTAL OTHER FINANCING SOURCES (USES)		**2,980**	
NET CHANGE IN FUND BALANCES		**3**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		3	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		**$ 6**	

THIRD FRONTIER RESEARCH/DEVELOPMENT GENERAL OBLIGATIONS			JOB READY SITE DEVELOPMENT GENERAL OBLIGATIONS		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	$ 29			$ 6	
	84,471			11,086	
	84,500			**11,092**	
$ 85,574	84,495	$ 1,079	$ 15,657	15,657	$ —
$ 85,574	**84,495**	**$ 1,079**	**$ 15,657**	**15,657**	**$ —**
	5			**(4,565)**	
	—			—	
	—			4,564	
	—			**4,564**	
	5			**(1)**	
	8			3	
	$ 13			**$ 2**	

(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, 2018

(dollars in thousands)

(continued)

	PERSIAN GULF CONFLICT COMPENSATION GENERAL OBLIGATIONS		
	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income		$ —	
Other		7,118	
TOTAL REVENUES		**7,118**	
BUDGETARY EXPENDITURES:			
DEBT SERVICE	$ 7,118	7,118	$ —
TOTAL BUDGETARY EXPENDITURES	**$ 7,118**	**7,118**	**$ —**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES		**—**	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued		—	
Transfers-in		—	
TOTAL OTHER FINANCING SOURCES (USES)		**—**	
NET CHANGE IN FUND BALANCES		**—**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		—	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		**$ —**	

TOTAL		
BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	$ 798	
	1,003,683	
	1,004,481	
$ 1,172,055	1,155,030	$ 17,025
$ 1,172,055	**1,155,030**	**$ 17,025**
	(150,549)	
	17,836	
	116,014	
	133,850	
	(16,699)	
	17,177	
	$ 478	

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Infrastructure Bank Obligations Fund
The Infrastructure Bank Obligations Fund accounts for revenue bond proceeds that finance various highway construction projects sponsored by the Department of Transportation.

Mental Health/Developmental Disabilities Facilities Improvements Fund
The Mental Health/Developmental Disabilities Facilities Improvements Fund accounts for special obligation bond proceeds that finance the construction of mental health and developmental disabilities facilities.

Parks and Recreation Improvements Fund
The Parks and Recreation Improvements Fund accounts for special obligation bond proceeds that finance the capital improvement of parks and recreation facilities.

Administrative Services Building Improvements Fund
The Administrative Services Building Improvements Fund accounts for special obligation bond proceeds that finance capital improvements for the Department of Administrative Services.

Youth Services Building Improvements Fund
The Youth Services Building Improvements Fund accounts for special obligation bond proceeds that finance capital improvements for the Department of Youth Services.

Adult Correctional Building Improvements Fund
The Adult Correctional Building Improvements Fund accounts for special obligation bond proceeds that finance capital improvements for the Department of Rehabilitation and Correction.

Ohio Parks and Natural Resources Fund
The Ohio Parks and Natural Resources Fund accounts for general obligation bond proceeds that finance capital improvements for state and local parks and other natural resources-related projects.

Highway Capital Improvement Fund
The Highway Capital Improvement Fund accounts for general obligation bond proceeds that finance capital improvements to the state highway system.

Transportation Building Improvements Fund
The Transportation Building Improvements Fund accounts for special obligation bond proceeds that finance capital improvements for the Department of Transportation.

OAKS Project Fund
The OAKS Project Fund accounts for certificates of participation proceeds that finance the costs of the Ohio Administrative Knowledge System (OAKS) project for the statewide enterprise resource planning system.

STARS Project Fund

The STARS Project Fund accounts for certificate of participation proceeds that finance the costs of the State's Taxation Accounting and Revenue System (STARS) technology project.

TMS Project Fund

The TMS Project Fund accounts for certificate of participation proceeds that finance the costs of the State's Treasury Management System (TMS) technology project.

EDCS Project Fund

The EDCS Project Fund accounts for certificate of participation proceeds that finance the costs of the State's Enterprise Data Center Solutions (EDCS) technology project.

BCIRS Project Fund

The BCIRS Project Fund accounts for certificate of participation proceeds that finance the costs of the State's Bureau of Criminal Investigation Records System (BCIRS) technology project.

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018
(dollars in thousands)

	INFRASTRUCTURE BANK OBLIGATIONS	MENTAL HEALTH/ DEVELOPMENTAL DISABILITIES FACILITIES IMPROVEMENTS	PARKS AND RECREATION IMPROVEMENTS
ASSETS:			
Cash Equity with Treasurer	$ 383,781	$ 59,393	$ 74,240
Cash and Cash Equivalents	—	—	—
Investments	—	—	—
Collateral on Lent Securities	108,857	16,846	21,058
TOTAL ASSETS	**$ 492,638**	**$ 76,239**	**$ 95,298**
LIABILITIES:			
Accounts Payable	$ 26,152	$ 2,252	$ 13,959
Obligations Under Securities Lending	108,857	16,846	21,058
TOTAL LIABILITIES	135,009	19,098	35,017
FUND BALANCES (DEFICITS):			
Restricted	357,629	57,141	60,281
TOTAL FUND BALANCES (DEFICITS)	357,629	57,141	60,281
TOTAL LIABILITIES AND FUND BALANCES	**$ 492,638**	**$ 76,239**	**$ 95,298**

ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS	YOUTH SERVICES BUILDING IMPROVEMENTS	ADULT CORRECTIONAL BUILDING IMPROVEMENTS	OHIO PARKS AND NATURAL RESOURCES	HIGHWAY CAPITAL IMPROVEMENT	TRANSPORTATION BUILDING IMPROVEMENTS
$ 34,073	$ 31,806	$ 93,628	$ 34,914	$ 141,622	$ 105,825
—	—	—	—	—	—
—	—	—	—	—	—
9,665	9,021	26,557	9,903	40,170	30,016
$ 43,738	**$ 40,827**	**$ 120,185**	**$ 44,817**	**$ 181,792**	**$ 135,841**
$ 4,108	$ 4,193	$ 5,074	$ 1,935	$ 18,818	$ 2,604
9,665	9,021	26,557	9,903	40,170	30,016
13,773	13,214	31,631	11,838	58,988	32,620
29,965	27,613	88,554	32,979	122,804	103,221
29,965	27,613	88,554	32,979	122,804	103,221
$ 43,738	**$ 40,827**	**$ 120,185**	**$ 44,817**	**$ 181,792**	**$ 135,841**

(continued)

STATE OF OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

(dollars in thousands)

(continued)

	OAKS PROJECT	STARS PROJECT	TMS PROJECT
ASSETS:			
Cash Equity with Treasurer	$ —	$ —	$ —
Cash and Cash Equivalents	—	54	254
Investments	10,355	490	—
Collateral on Lent Securities	—	—	—
TOTAL ASSETS	**$ 10,355**	**$ 544**	**$ 254**
LIABILITIES:			
Accounts Payable	$ 2,917	$ 514	$ 133
Obligations Under Securities Lending	—	—	—
TOTAL LIABILITIES	2,917	514	133
FUND BALANCES (DEFICITS):			
Restricted	7,438	30	121
TOTAL FUND BALANCES (DEFICITS)	7,438	30	121
TOTAL LIABILITIES AND FUND BALANCES	**$ 10,355**	**$ 544**	**$ 254**

EDCS PROJECT	BCIRS PROJECT	TOTAL
$ —	$ —	$ 959,282
—	289	597
7,706	17,779	36,330
—	—	272,093
$ 7,706	**$ 18,068**	**$ 1,268,302**
$ 3,502	$ —	$ 86,161
—	—	272,093
3,502	—	358,254
4,204	18,068	910,048
4,204	18,068	910,048
$ 7,706	**$ 18,068**	**$ 1,268,302**

STATE OF OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(dollars in thousands)

	INFRASTRUCTURE BANK OBLIGATIONS	MENTAL HEALTH/ DEVELOPMENTAL DISABILITIES FACILITIES IMPROVEMENTS	PARKS AND RECREATION IMPROVEMENTS
REVENUES:			
Investment Income	$ 1,963	$ 403	$ 998
Other	—	—	—
TOTAL REVENUES	**1,963**	**403**	**998**
EXPENDITURES:			
CAPITAL OUTLAY	192,989	34,562	104,790
TOTAL EXPENDITURES	**192,989**	**34,562**	**104,790**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(191,026)**	**(34,159)**	**(103,792)**
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued	369,975	50,000	100,000
Refunding Bonds and COPs Issued	—	—	—
Payment to Refunded Bond and COPs Escrow Agents	—	—	—
Premiums/Discounts	50,025	6,667	17,264
Transfers-in	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	**420,000**	**56,667**	**117,264**
NET CHANGE IN FUND BALANCES	**228,974**	**22,508**	**13,472**
FUND BALANCES (DEFICITS), July 1	128,655	34,633	46,809
FUND BALANCES (DEFICITS), JUNE 30	**$ 357,629**	**$ 57,141**	**$ 60,281**

ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS	YOUTH SERVICES BUILDING IMPROVEMENTS	ADULT CORRECTIONAL BUILDING IMPROVEMENTS	OHIO PARKS AND NATURAL RESOURCES	HIGHWAY CAPITAL IMPROVEMENT	TRANSPORTATION BUILDING IMPROVEMENTS
$ 771	$ 186	$ 1,113	$ 272	$ 1,986	$ 707
68	—	—	1	—	—
839	**186**	**1,113**	**273**	**1,986**	**707**
49,512	27,653	61,420	17,381	194,833	24,034
49,512	**27,653**	**61,420**	**17,381**	**194,833**	**24,034**
(48,673)	**(27,467)**	**(60,307)**	**(17,108)**	**(192,847)**	**(23,327)**
—	35,000	100,000	35,000	204,420	86,490
—	—	—	23,765	—	—
—	—	—	(29,393)	—	—
—	5,192	18,029	11,200	35,580	13,510
—	—	—	—	—	—
—	**40,192**	**118,029**	**40,572**	**240,000**	**100,000**
(48,673)	**12,725**	**57,722**	**23,464**	**47,153**	**76,673**
78,638	14,888	30,832	9,515	75,651	26,548
$ 29,965	**$ 27,613**	**$ 88,554**	**$ 32,979**	**$ 122,804**	**$ 103,221**

(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, 2018
(dollars in thousands)
(continued)

	OAKS PROJECT	STARS PROJECT	TMS PROJECT
REVENUES:			
Investment Income	$ 176	$ 49	$ 1
Other	—	—	—
TOTAL REVENUES	**176**	**49**	**1**
EXPENDITURES:			
CAPITAL OUTLAY	10,344	5,784	632
TOTAL EXPENDITURES	**10,344**	**5,784**	**632**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(10,168)**	**(5,735)**	**(631)**
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued	—	—	—
Refunding Bonds and COPs Issued	—	—	—
Payment to Refunded Bond and COPs Escrow Agents	—	—	—
Premiums/Discounts	—	—	—
Transfers-in	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	**—**	**—**	**—**
NET CHANGE IN FUND BALANCES	**(10,168)**	**(5,735)**	**(631)**
FUND BALANCES (DEFICITS), July 1	17,606	5,765	752
FUND BALANCES (DEFICITS), JUNE 30	**$ 7,438**	**$ 30**	**$ 121**

EDCS PROJECT	BCIRS PROJECT	TOTAL
$ 190	$ 261	$ 9,076
—	—	69
190	**261**	**9,145**
16,668	3,999	744,601
16,668	**3,999**	**744,601**
(16,478)	**(3,738)**	**(735,456)**
—	—	980,885
—	—	23,765
—	—	(29,393)
—	—	157,467
9	—	9
9	**—**	**1,132,733**
(16,469)	**(3,738)**	**397,277**
20,673	21,806	512,771
$ 4,204	**$ 18,068**	**$ 910,048**

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, 2018
(dollars in thousands)

	INFRASTRUCTURE BANK OBLIGATIONS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income		$ 1,963	
Other		—	
TOTAL REVENUES		**1,963**	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY	$ 720,340	697,941	$ 22,399
TOTAL BUDGETARY EXPENDITURES	**$ 720,340**	**697,941**	**$ 22,399**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES		**(695,978)**	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued		420,000	
TOTAL OTHER FINANCING SOURCES (USES)		**420,000**	
NET CHANGE IN FUND BALANCES		**(275,978)**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		(125,833)	
Outstanding Encumbrances at Beginning of Fiscal Year		261,813	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		**$ (139,998)**	

MENTAL HEALTH/DEVELOPMENTAL DISABILITIES FACILITIES IMPROVEMENTS			PARKS AND RECREATION IMPROVEMENTS		
BUDGET		*VARIANCE WITH FINAL BUDGET*	*BUDGET*		*VARIANCE WITH FINAL BUDGET*
FINAL	*ACTUAL*	*POSITIVE/ (NEGATIVE)*	*FINAL*	*ACTUAL*	*POSITIVE/ (NEGATIVE)*
	$ 403			$ 999	
	—			—	
	403			**999**	
$ 138,967	65,183	$ 73,784	$ 337,466	140,006	$ 197,460
$ 138,967	**65,183**	**$ 73,784**	**$ 337,466**	**140,006**	**$ 197,460**
	(64,780)			**(139,007)**	
	56,667			117,264	
	56,667			**117,264**	
	(8,113)			**(21,743)**	
	5,578			(62,934)	
	32,134			116,788	
	$ 29,599			**$ 32,111**	

(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, 2018

(dollars in thousands)

(continued)

	ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS		
	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income		$ 771	
Other		68	
TOTAL REVENUES		**839**	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY	$ 178,653	93,633	$ 85,020
TOTAL BUDGETARY EXPENDITURES	**$ 178,653**	**93,633**	**$ 85,020**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES		**(92,794)**	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued		—	
TOTAL OTHER FINANCING SOURCES (USES)		**—**	
NET CHANGE IN FUND BALANCES		**(92,794)**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		56,977	
Outstanding Encumbrances at Beginning of Fiscal Year		24,207	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		**$ (11,610)**	

YOUTH SERVICES BUILDING IMPROVEMENTS			ADULT CORRECTIONAL BUILDING IMPROVEMENTS		
BUDGET		VARIANCE WITH FINAL BUDGET	BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	$ 187			$ 1,114	
	—			—	
	187			***1,114***	
$ 78,111	47,218	$ 30,893	$ 322,821	231,038	$ 91,783
$ 78,111	***47,218***	***$ 30,893***	***$ 322,821***	***231,038***	***$ 91,783***
	(47,031)			***(229,924)***	
	40,192			118,029	
	40,192			***118,029***	
	(6,839)			***(111,895)***	
	(27,058)			(48,020)	
	41,950			81,747	
	$ 8,053			***$ (78,168)***	

(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, 2018

(dollars in thousands)

(continued)

	HIGHWAY SAFETY BUILDING IMPROVEMENTS		
	BUDGET		VARIANCE WITH FINAL BUDGET
	FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income		$ —	
Other		—	
TOTAL REVENUES		**—**	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY	$ 311	—	$ 311
TOTAL BUDGETARY EXPENDITURES	**$ 311**	**—**	**$ 311**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES		**—**	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued		—	
TOTAL OTHER FINANCING SOURCES (USES)		**—**	
NET CHANGE IN FUND BALANCES		**—**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		(1)	
Outstanding Encumbrances at Beginning of Fiscal Year		1	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		**$ —**	

OHIO PARKS AND NATURAL RESOURCES			HIGHWAY CAPITAL IMPROVEMENTS		
BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
	$ 272			$ 1,987	
	2			—	
	274			**1,987**	
$ 57,274	31,466	$ 25,808	$ 410,240	387,055	$ 23,185
$ 57,274	**31,466**	**$ 25,808**	**$ 410,240**	**387,055**	**$ 23,185**
	(31,192)			**(385,068)**	
	40,452			240,000	
	40,452			**240,000**	
	9,260			**(145,068)**	
	(9,307)			(139,293)	
	20,290			230,234	
	$ 20,243			**$ (54,127)**	

(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, 2018

(dollars in thousands)

(continued)

	TRANSPORTATION BUILDING IMPROVEMENTS		
	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES:			
Investment Income		$ 707	
Other		—	
TOTAL REVENUES		**707**	
BUDGETARY EXPENDITURES:			
CAPITAL OUTLAY	$ 129,254	129,251	$ 3
TOTAL BUDGETARY EXPENDITURES	**$ 129,254**	**129,251**	**$ 3**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES		**(128,544)**	
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued		100,000	
TOTAL OTHER FINANCING SOURCES (USES)		**100,000**	
NET CHANGE IN FUND BALANCES		**(28,544)**	
BUDGETARY FUND BALANCES (DEFICITS), JULY 1		23,649	
Outstanding Encumbrances at Beginning of Fiscal Year		6,970	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30		**$ 2,075**	

TOTAL		
BUDGET		VARIANCE WITH FINAL BUDGET
FINAL	ACTUAL	POSITIVE/ (NEGATIVE)
	$ 8,403	
	70	
	8,473	
$ 2,373,437	1,822,791	$ 550,646
$ 2,373,437	**1,822,791**	**$ 550,646**
	(1,814,318)	
	1,132,604	
	1,132,604	
	(681,714)	
	(326,242)	
	816,134	
	$ (191,822)	

[THIS PAGE LEFT BLANK INTENTIONALLY]

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services.

Tuition Trust Authority Fund

The Tuition Trust Authority Fund accounts for the operations of the Ohio Tuition Trust Authority, including the sale of tuition credits under its guaranteed return option program.

Office of Auditor of State Fund

The Office of Auditor of State Fund accounts for the operations of the Ohio Auditor of State's Office, which provides government audit and management advisory services to Ohio's public offices.

STATE OF OHIO

COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2018
(dollars in thousands)

	TUITION TRUST AUTHORITY	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 933	$ 35,606	$ 36,539
Cash and Cash Equivalents	35,479	—	35,479
Collateral on Lent Securities	264	—	264
Restricted Assets:			
Investments	37,200	—	37,200
Intergovernmental Receivable	—	6,534	6,534
Interfund Receivable	—	1,508	1,508
Other Receivables	1,891	15	1,906
TOTAL CURRENT ASSETS	75,767	43,663	119,430
NONCURRENT ASSETS:			
Restricted Assets:			
Investments	231,986	—	231,986
Other Assets	35	—	35
Capital Assets Being Depreciated, Net	40	938	978
TOTAL NONCURRENT ASSETS	232,061	938	232,999
TOTAL ASSETS	307,828	44,601	352,429
DEFERRED OUTFLOWS OF RESOURCES	597	14,025	14,622
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**308,425**	**58,626**	**367,051**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	927	169	1,096
Accrued Liabilities	365	4,451	4,816
Obligations Under Securities Lending	264	—	264
Unearned Revenue	—	768	768
Benefits Payable	37,200	—	37,200
Refund and Other Liabilities	—	1,815	1,815
TOTAL CURRENT LIABILITIES	38,756	7,203	45,959
NONCURRENT LIABILITIES:			
Benefits Payable	168,300	—	168,300
Refund and Other Liabilities	3,005	102,735	105,740
TOTAL NONCURRENT LIABILITIES	171,305	102,735	274,040
TOTAL LIABILITIES	210,061	109,938	319,999
DEFERRED INFLOWS OF RESOURCES	958	15,939	16,897
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**211,019**	**125,877**	**336,896**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	40	938	978
Unrestricted	97,366	(68,189)	29,177
TOTAL NET POSITION (DEFICITS)	**$ 97,406**	**$ (67,251)**	**$ 30,155**

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, 2018

(dollars in thousands)

	TUITION TRUST AUTHORITY	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
OPERATING REVENUES:			
Charges for Sales and Services	$ 8,892	$ 45,668	$ 54,560
Investment Income	10,827	—	10,827
Other	38,000	394	38,394
TOTAL OPERATING REVENUES	**57,719**	**46,062**	**103,781**
OPERATING EXPENSES:			
Costs of Sales and Services	—	75,973	75,973
Administration	9,561	5,309	14,870
Benefits and Claims	47,545	—	47,545
Depreciation	9	292	301
TOTAL OPERATING EXPENSES	**57,115**	**81,574**	**138,689**
OPERATING INCOME (LOSS)	**604**	**(35,512)**	**(34,908)**
NONOPERATING REVENUES (EXPENSES):			
Investment Income	—	15	15
TOTAL NONOPERATING REVENUES (EXPENSES)	**—**	**15**	**15**
INCOME (LOSS) BEFORE GAIN (LOSS) AND TRANSFERS	**604**	**(35,497)**	**(34,893)**
Transfers-in	—	22,117	22,117
TOTAL GAIN (LOSS) AND TRANSFERS	**—**	**22,117**	**22,117**
NET INCOME (LOSS)	**604**	**(13,380)**	**(12,776)**
NET POSITION (DEFICITS), JULY 1 (as restated)	96,802	(53,871)	42,931
NET POSITION (DEFICITS), JUNE 30	**$ 97,406**	**$ (67,251)**	**$ 30,155**

STATE OF OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(dollars in thousands)

	TUITION TRUST AUTHORITY	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ —	$ 35,843	$ 35,843
Cash Received from Interfund Services Provided	—	8,952	8,952
Other Operating Cash Receipts	8,290	393	8,683
Cash Payments to Suppliers for Goods and Services	(7,037)	(1,325)	(8,362)
Cash Payments to Employees for Services	(2,466)	(74,385)	(76,851)
Cash Payments for Interfund Services Used	(361)	(3,957)	(4,318)
Other Operating Cash Payments	(47,546)	—	(47,546)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**(49,120)**	**(34,479)**	**(83,599)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	29,117	29,117
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**—**	**29,117**	**29,117**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(1)	(33)	(34)
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(1)**	**(33)**	**(34)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(194,068)	—	(194,068)
Proceeds from the Sales and Maturities of Investments	240,375	—	240,375
Investment Income Received	4,141	16	4,157
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**50,448**	**16**	**50,464**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**1,327**	**(5,379)**	**(4,052)**
CASH AND CASH EQUIVALENTS, JULY 1	35,085	40,985	76,070
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 36,412**	**$ 35,606**	**$ 72,018**

STATE OF OHIO
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(dollars in thousands)

	TUITION TRUST AUTHORITY	OFFICE OF AUDITOR OF STATE	TOTAL NONMAJOR PROPRIETARY FUNDS
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	$ 604	$ (35,512)	$ (34,908)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	(10,827)	—	(10,827)
Depreciation	9	292	301
Decrease (Increase) in Assets:			
Intergovernmental Receivable	—	4,604	4,604
Interfund Receivable	—	7,000	7,000
Other Receivables	(602)	156	(446)
Increase (Decrease) in Liabilities:			
Accounts Payable	(904)	(3,715)	(4,619)
Accrued Liabilities	19	(221)	(202)
Interfund Payable	—	(6,765)	(6,765)
Unearned Revenue	—	(277)	(277)
Benefits Payable	(38,000)	—	(38,000)
Refund and Other Liabilities	581	(41)	540
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (49,120)**	**$ (34,479)**	**$ (83,599)**

[THIS PAGE LEFT BLANK INTENTIONALLY]

AGENCY FUNDS

Agency Funds account for resources the State holds in a purely custodial capacity (assets equal liabilities) for individuals, private organizations, or other governments.

Holding and Distribution Fund
The Holding and Distribution Fund accounts for assets held until such time that a determination has been made to refund amounts to the individuals, private organizations, or other governments.

Centralized Child Support Collections Fund
The Centralized Child Support Collections Fund accounts for assets temporarily held for custodial parents.

Retirement Systems Fund
The Retirement Systems Fund accounts for assets held in the custody of the Treasurer of State for the Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and State Teachers Retirement System of Ohio. While legal custodian, the Treasurer of State does not manage or provide investment services to the foregoing retirement systems.

Payroll Withholding and Fringe Benefits Fund
The Payroll Withholding and Fringe Benefits Fund primarily accounts for assets held to liquidate the State's payroll withholding obligations.

Other Fund
The Other Fund accounts for assets held for others, which are not accounted for in another agency fund.

STATE OF OHIO
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018
(dollars in thousands)

	HOLDING AND DISTRIBUTION	CENTRALIZED CHILD SUPPORT COLLECTIONS	RETIREMENT SYSTEMS
ASSETS:			
Cash Equity with Treasurer	$ 19,119	$ —	$ —
Cash and Cash Equivalents	2,270	57,801	—
Investments (at fair value):			
U.S. Government and Agency Obligations	—	—	17,561,553
Common and Preferred Stock	—	—	47,585,601
Corporate Bonds and Notes	—	—	11,552,349
Foreign Stocks and Bonds	—	—	50,454,986
Commercial Paper	—	—	2,114,840
Repurchase Agreements	—	—	1,480,000
Mutual Funds	—	—	10,609,926
Real Estate	—	—	21,177,736
Venture Capital	—	—	22,656,673
Direct Mortgage Loans	—	—	7,041,969
Partnership and Hedge Funds	—	—	18,891,388
State Treasury Asset Reserve of Ohio (STAR Ohio)	—	6,254	—
Collateral on Lent Securities	5,423	—	—
Other Assets	—	—	—
TOTAL ASSETS	**$ 26,812**	**$ 64,055**	**$ 211,127,021**
LIABILITIES:			
Obligations Under Securities Lending	$ 5,423	$ —	$ —
Intergovernmental Payable	10,390	—	—
Refund and Other Liabilities	10,999	64,055	211,127,021
TOTAL LIABILITIES	**$ 26,812**	**$ 64,055**	**$ 211,127,021**

PAYROLL WITHHOLDING AND FRINGE BENEFITS	OTHER	TOTAL
$ 129,481	$ 196,293	$ 344,893
—	56,244	116,315
—	15,912	17,577,465
—	—	47,585,601
—	—	11,552,349
—	—	50,454,986
—	—	2,114,840
—	—	1,480,000
—	2,996	10,612,922
—	—	21,177,736
—	—	22,656,673
—	—	7,041,969
—	—	18,891,388
—	54,189	60,443
36,726	55,677	97,826
—	449,477	449,477
$ 166,207	**$ 830,788**	**$ 212,214,883**
$ 36,726	$ 55,677	$ 97,826
—	199,650	210,040
129,481	575,461	211,907,017
$ 166,207	**$ 830,788**	**$ 212,214,883**

STATE OF OHIO
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(dollars in thousands)

	BALANCE July 1, 2017	ADDITIONS	DEDUCTIONS	BALANCE June 30, 2018
HOLDING AND DISTRIBUTION				
ASSETS				
Cash Equity with Treasurer	$ 17,226	$ 4,823,560	$ 4,821,667	$ 19,119
Cash and Cash Equivalents	2,161	16,327	16,218	2,270
Collateral on Lent Securities	4,708	5,423	4,708	5,423
Total Assets	**$ 24,095**	**$ 4,845,310**	**$ 4,842,593**	**$ 26,812**
LIABILITIES				
Obligations Under Securities Lending	$ 4,708	$ 5,423	$ 4,708	$ 5,423
Intergovernmental Payable	7,509	45,397	42,516	10,390
Refund and Other Liabilities	11,878	4,794,490	4,795,369	10,999
Total Liabilities	**$ 24,095**	**$ 4,845,310**	**$ 4,842,593**	**$ 26,812**
CENTRALIZED CHILD SUPPORT COLLECTIONS				
ASSETS				
Cash and Cash Equivalents	$ 59,884	$ 1,826,706	$ 1,828,789	$ 57,801
Investments	6,164	90	—	6,254
Total Assets	**$ 66,048**	**$ 1,826,796**	**$ 1,828,789**	**$ 64,055**
LIABILITIES				
Refund and Other Liabilities	$ 66,048	$ 1,826,796	$ 1,828,789	$ 64,055
Total Liabilities	**$ 66,048**	**$ 1,826,796**	**$ 1,828,789**	**$ 64,055**
RETIREMENT SYSTEMS				
ASSETS				
Investments	$ 196,107,133	$ 679,086,869	$ 664,066,981	$ 211,127,021
Total Assets	**$ 196,107,133**	**$ 679,086,869**	**$ 664,066,981**	**$ 211,127,021**
LIABILITIES				
Liability to:				
Public Employees Retirement System	$ 89,995,695	$ 563,958,276	$ 553,077,245	$ 100,876,726
Police and Fire Pension Fund	14,598,247	34,469,096	33,201,846	15,865,497
School Employees Retirement System	13,866,158	41,527,826	40,883,367	14,510,617
State Teachers Retirement System	77,647,033	39,131,671	36,904,523	79,874,181
Total Liabilities	**$ 196,107,133**	**$ 679,086,869**	**$ 664,066,981**	**$ 211,127,021**

	BALANCE July 1, 2017	ADDITIONS	DEDUCTIONS	BALANCE June 30, 2018
PAYROLL WITHHOLDING AND FRINGE BENEFITS				
ASSETS				
Cash Equity with Treasurer	*$ 80,801*	*$ 1,709,381*	*$ 1,660,701*	*$ 129,481*
Cash and Cash Equivalents	*—*	*593,063*	*593,063*	*—*
Collateral on Lent Securities	*22,084*	*36,726*	*22,084*	*36,726*
Total Assets	***$ 102,885***	***$ 2,339,170***	***$ 2,275,848***	***$ 166,207***
LIABILITIES				
Obligations Under Securities Lending	*$ 22,084*	*$ 36,726*	*$ 22,084*	*$ 36,726*
Refund and Other Liabilities	*80,801*	*1,716,773*	*1,668,093*	*129,481*
Total Liabilities	***$ 102,885***	***$ 1,753,499***	***$ 1,690,177***	***$ 166,207***
OTHER				
ASSETS				
Cash Equity with Treasurer	*$ 181,202*	*$ 3,328,883*	*$ 3,313,792*	*$ 196,293*
Cash and Cash Equivalents	*44,875*	*81,061,869*	*81,050,500*	*56,244*
Investments	*74,052*	*63,735*	*64,690*	*73,097*
Collateral on Lent Securities	*49,524*	*55,677*	*49,524*	*55,677*
Other Assets	*437,299*	*72,464*	*60,286*	*449,477*
Total Assets	***$ 786,952***	***$ 84,582,628***	***$ 84,538,792***	***$ 830,788***
LIABILITIES				
Obligations Under Securities Lending	*$ 49,524*	*$ 55,677*	*$ 49,524*	*$ 55,677*
Intergovernmental Payable	*188,449*	*3,320,687*	*3,309,486*	*199,650*
Refund and Other Liabilities	*548,979*	*81,206,264*	*81,179,782*	*575,461*
Total Liabilities	***$ 786,952***	***$ 84,582,628***	***$ 84,538,792***	***$ 830,788***
TOTAL AGENCY				
ASSETS				
Cash Equity with Treasurer	*$ 279,229*	*$ 9,861,824*	*$ 9,796,160*	*$ 344,893*
Cash and Cash Equivalents	*106,920*	*83,497,965*	*83,488,570*	*116,315*
Investments	*196,187,349*	*679,150,694*	*664,131,671*	*211,206,372*
Collateral on Lent Securities	*76,316*	*97,826*	*76,316*	*97,826*
Other Assets	*437,299*	*72,464*	*60,286*	*449,477*
Total Assets	***$ 197,087,113***	***$ 772,680,773***	***$ 757,553,003***	***$ 212,214,883***
LIABILITIES				
Obligations Under Securities Lending	*$ 76,316*	*$ 97,826*	*$ 76,316*	*$ 97,826*
Intergovernmental Payable	*195,958*	*3,366,084*	*3,352,002*	*210,040*
Refund and Other Liabilities	*196,814,839*	*768,631,192*	*753,539,014*	*211,907,017*
Total Liabilities	***$ 197,087,113***	***$ 772,095,102***	***$ 756,967,332***	***$ 212,214,883***

NONMAJOR DISCRETELY PRESENTED COMPONENT UNIT FUNDS

Nonmajor Discretely Presented Component Unit Funds account for the financial activities of the State of Ohio's component units, organizations that are legally separate from the State's primary government and for which the primary government is financially accountable.

Ohio Turnpike and Infrastructure Commission Fund
The Ohio Turnpike and Infrastructure Commission Fund accounts for the operations of the Ohio Turnpike and Infrastructure Commission, including its projects to construct, maintain and operate public roadways, express or limited excess 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, 2016. 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, 2016.

Ohio Capital Fund
The Ohio Capital Fund accounts for the operations of the State's venture capital program.

JobsOhio Fund
The JobsOhio Fund accounts for the operations of the nonprofit corporation, JobsOhio, including promoting economic development, job creation, job retention, job training, and the recruitment of business to the State of Ohio.

University of Cincinnati Fund
The University of Cincinnati Fund accounts for the operations of University of Cincinnati and The University of Cincinnati Foundation. The university is located in Cincinnati, Ohio.

Ohio University Fund
The Ohio University Fund accounts for the operations of Ohio University and the Ohio University Foundation. The university is located in Athens, Ohio.

Miami University Fund
The Miami University Fund accounts for the operations of Miami University and the Miami University Foundation. The university is located in Oxford, Ohio.

University of Akron Fund
The University of Akron Fund accounts for the operations of the University of Akron, the University of Akron Foundation, and the University of Akron Research Foundation.

Bowling Green State University Fund
The Bowling Green State University Fund accounts for the operations of Bowling Green State University and the Bowling Green State University Foundation.

Kent State University Fund
The Kent State University Fund accounts for the operations of Kent State University and the Kent State University Foundation.

University of Toledo Fund
The University of Toledo Fund accounts for the operations of the University of Toledo, the University of Toledo Foundation, and the University of Toledo Physicians, Clinical Faculty, Inc.

Cleveland State University Fund
The Cleveland State University Fund accounts for the operations of Cleveland State University, the Cleveland State University Foundation, and the Euclid Avenue Housing Corporation.

Youngstown State University Fund
The Youngstown State University Fund accounts for the operations of Youngstown State University and the Youngstown State University Foundation.

Wright State University Fund
The Wright State University Fund accounts for the operations of Wright State University and the Wright State University Foundation. The university is located in Dayton, Ohio.

Shawnee State University Fund
The Shawnee State University Fund accounts for the operations of Shawnee State University and the Shawnee State University Development Foundation. The university is located in Portsmouth, Ohio.

Northeast Ohio Medical University Fund
The Northeast Ohio Medical University Fund accounts for the operations of Northeast Ohio Medical University and NEOMED Foundation. The college is located in Rootstown, Ohio.

Central State University Fund
The Central State University Fund accounts for the operations of Central State University and the Central State University Foundation. The university is located in Wilberforce, Ohio with a branch campus in Dayton, Ohio.

Terra State Community College Fund
The Terra State Community College Fund accounts for the operations of Terra State Community College and Terra College Foundation. The college is located in Fremont, Ohio.

Columbus State Community College Fund
The Columbus State Community College Fund accounts for the operations of Columbus State Community College and the Columbus State Community College Development Foundation, Inc.

Clark State Community College Fund
The Clark State Community College Fund accounts for the operations of Clark State Community College and the Clark State Community College Foundation. The college is located in Springfield, Ohio.

Edison State Community College Fund
The Edison State Community College Fund accounts for the operations of Edison State Community College and the Edison Foundation, Inc. The college is located in Piqua, Ohio.

Southern State Community College Fund
The Southern State Community College Fund accounts for the operations of Southern State Community College and the Southern State Community College Foundation. The college is located in Hillsboro, Ohio.

Washington State Community College Fund

The Washington State Community College Fund accounts for the operations of Washington State Community College and the Washington State Foundation. The college is located in Marietta, Ohio.

Cincinnati State Community College Fund

The Cincinnati State Community College Fund accounts for the operations of Cincinnati State Technical and Community College.

Northwest State Community College Fund

The Northwest State Community College Fund accounts for the operations of Northwest State Community College and the Northwest State Community College Foundation. The college is located in Archbold, Ohio.

Owens State Community College Fund

The Owens State Community College Fund accounts for the operations of Owens State Community College and the Owens State Community College Foundation. The college is located in Toledo, Ohio with a branch campus in Findlay, Ohio.

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO
COMBINING STATEMENT OF NET POSITION
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2018
(dollars in thousands)

	OHIO TURNPIKE AND INFRASTRUCTURE COMMISSION (as of 12/31/17)	OHIO AIR QUALITY DEVELOPMENT AUTHORITY (as of 12/31/17)	OHIO CAPITAL FUND
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ —	$ 2,508	$ —
Cash and Cash Equivalents	103,631	2,264	1,708
Investments	89,308	2,097	—
Restricted Assets:			
Cash and Cash Equivalents	12,276	—	—
Investments	57,023	—	—
Intergovernmental Receivable	—	—	—
Loans Receivable, Net	—	1,701	—
Receivable from Primary Government	—	—	—
Other Receivables	18,547	23	12
Inventories	4,428	—	—
Other Assets	2,081	8	—
TOTAL CURRENT ASSETS	287,294	8,601	1,720
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	—	119	—
Investments	177,255	—	—
Investments	—	3,703	92,252
Loans Receivable, Net	—	—	—
Other Receivables	—	—	—
Other Assets	204	—	—
Capital Assets Being Depreciated, Net	1,417,771	1	—
Capital Assets Not Being Depreciated	61,675	—	—
TOTAL NONCURRENT ASSETS	1,656,905	3,823	92,252
TOTAL ASSETS	1,944,199	12,424	93,972
DEFERRED OUTFLOWS OF RESOURCES	53,540	150	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	1,997,739	12,574	93,972
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	14,772	186	—
Accrued Liabilities	26,059	9	3,467
Intergovernmental Payable	—	—	—
Unearned Revenue	—	—	—
Refund and Other Liabilities	27,609	—	—
Payable to Primary Government	8,354	112	—
Bonds and Notes Payable	34,775	—	13,677
TOTAL CURRENT LIABILITIES	111,569	307	17,144
NONCURRENT LIABILITIES:			
Intergovernmental Payable	—	—	—
Unearned Revenue	—	—	—
Refund and Other Liabilities	98,430	286	22,816
Bonds and Notes Payable	1,574,659	—	126,537
TOTAL NONCURRENT LIABILITIES	1,673,089	286	149,353
TOTAL LIABILITIES	1,784,658	593	166,497
DEFERRED INFLOWS OF RESOURCES	896	20	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,785,554	613	166,497
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	981,297	1	—
Restricted for:			
Transportation	172,358	—	—
Community and Economic Development	—	1,711	—
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	(941,470)	10,249	(72,525)
TOTAL NET POSITION (DEFICITS)	$ 212,185	$ 11,961	$ (72,525)

JOBSOHIO	UNIVERSITY OF CINCINNATI	OHIO UNIVERSITY	MIAMI UNIVERSITY	UNIVERSITY OF AKRON	BOWLING GREEN STATE UNIVERSITY
$ —	$ —	$ —	$ —	$ —	$ —
274,322	99,867	99,051	110,456	17,115	11,714
460,682	158,237	339,028	609,414	186,317	221,474
143,464	—	—	—	—	—
—	—	—	—	—	—
—	—	6,433	2,967	—	—
6,401	5,791	1,198	4,669	1,454	9,821
—	1,212	1,679	427	—	—
6,061	105,304	65,862	27,280	37,544	4,567
75,997	2,120	2,728	2,104	516	1,549
2,322	24,153	10,244	5,952	2,015	3,388
969,249	396,684	526,223	763,269	244,961	252,513
—	—	69,732	38,891	312	—
—	1,025,260	—	479,129	6,166	30,417
—	392,231	768,368	—	262,829	183,351
84,543	21,884	11,210	3,425	8,136	6,740
—	77,259	6,683	34,650	13,109	9,121
1,080,940	429,276	20,386	932	—	2,486
2,233	1,438,798	968,200	1,143,035	665,877	551,794
—	269,890	84,689	212,691	57,237	63,691
1,167,716	3,654,598	1,929,268	1,912,753	1,013,666	847,600
2,136,965	4,051,282	2,455,491	2,676,022	1,258,627	1,100,113
—	187,502	117,929	92,676	119,155	55,991
2,136,965	**4,238,784**	**2,573,420**	**2,768,698**	**1,377,782**	**1,156,104**
19,013	89,979	30,733	43,240	4,782	9,458
154,022	23,243	44,120	16,834	29,464	10,918
—	—	—	—	—	—
—	38,043	39,356	12,719	16,800	11,399
10	87,909	10,501	15,412	6,060	7,755
—	—	—	—	—	—
45,845	35,595	18,352	31,450	26,679	10,177
218,890	274,769	143,062	119,655	83,785	49,707
—	21,705	—	—	—	8,062
—	—	—	—	—	—
8	870,313	539,303	417,759	486,030	271,488
1,333,921	1,142,795	618,030	659,571	392,750	287,431
1,333,929	2,034,813	1,157,333	1,077,330	878,780	566,981
1,552,819	2,309,582	1,300,395	1,196,985	962,565	616,688
—	87,233	62,288	43,215	68,418	31,205
1,552,819	**2,396,815**	**1,362,683**	**1,240,200**	**1,030,983**	**647,893**
2,233	529,188	673,005	710,249	308,972	359,364
—	—	—	—	—	—
—	—	—	—	—	—
—	171,652	—	—	—	58,630
—	62,961	—	—	—	486
—	478,401	246,876	318,051	163,447	8,796
—	428,179	—	—	—	28,710
—	63,375	12,826	43,277	854	30,719
—	110,702	3,028	1,852	38,279	726
—	36,516	35,239	20,221	—	34,968
—	60,661	3,660	3,259	—	—
—	29,172	5,699	44,749	—	—
—	—	—	—	684	—
—	34,007	1,842	—	2,532	29,111
—	71,977	258,613	—	88,893	3,202
—	—	12,568	13,756	—	—
—	134,275	14,830	74,737	—	—
581,913	(369,097)	(57,449)	298,347	(256,862)	(46,501)
$ 584,146	**$ 1,841,969**	**$ 1,210,737**	**$ 1,528,498**	**$ 346,799**	**$ 508,211**

(continued)

STATE OF OHIO
COMBINING STATEMENT OF NET POSITION
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2018
(dollars in thousands)

(continued)

	KENT STATE UNIVERSITY	UNIVERSITY OF TOLEDO	CLEVELAND STATE UNIVERSITY
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ —	$ —	$ —
Cash and Cash Equivalents	37,255	41,994	154,897
Investments	551,303	—	19,840
Restricted Assets:			
Cash and Cash Equivalents	—	—	—
Investments	—	—	—
Intergovernmental Receivable	3,198	10,312	—
Loans Receivable, Net	—	1,834	1,434
Receivable from Primary Government	326	2,155	—
Other Receivables	36,675	124,537	30,534
Inventories	963	8,669	975
Other Assets	6,586	6,225	1,295
TOTAL CURRENT ASSETS	636,306	195,726	208,975
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	12,834	986	—
Investments	—	352,987	—
Investments	89,807	215,233	89,874
Loans Receivable, Net	51,028	9,991	11,546
Other Receivables	11,006	11,749	11,784
Other Assets	6,275	9,304	—
Capital Assets Being Depreciated, Net	846,119	547,732	479,747
Capital Assets Not Being Depreciated	85,615	43,898	72,898
TOTAL NONCURRENT ASSETS	1,102,684	1,191,880	665,849
TOTAL ASSETS	1,738,990	1,387,606	874,824
DEFERRED OUTFLOWS OF RESOURCES	133,385	137,335	56,157
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**1,872,375**	**1,524,941**	**930,981**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	44,243	29,245	6,377
Accrued Liabilities	36,200	46,837	2,638
Intergovernmental Payable	—	104	—
Unearned Revenue	26,850	35,071	9,010
Refund and Other Liabilities	11,956	30,721	20,093
Payable to Primary Government	—	—	—
Bonds and Notes Payable	23,297	10,215	9,269
TOTAL CURRENT LIABILITIES	142,546	152,193	47,387
NONCURRENT LIABILITIES:			
Intergovernmental Payable	—	—	—
Unearned Revenue	—	—	1,089
Refund and Other Liabilities	636,244	640,873	292,044
Bonds and Notes Payable	406,484	281,830	241,271
TOTAL NONCURRENT LIABILITIES	1,042,728	922,703	534,404
TOTAL LIABILITIES	1,185,274	1,074,896	581,791
DEFERRED INFLOWS OF RESOURCES	65,538	89,762	28,124
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**1,250,812**	**1,164,658**	**609,915**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	453,102	302,144	267,434
Restricted for:			
Transportation	—	—	—
Community and Economic Development	—	—	—
Nonexpendable:			
Scholarships and Fellowships	—	67,368	55,785
Research	—	11,080	887
Endowments and Quasi-Endowments	65,533	—	5,752
Loans, Grants and Other College and University Purposes	—	58,447	2,285
Expendable:			
Scholarships and Fellowships	—	98,434	21,312
Research	—	6,939	666
Instructional Department Uses	—	—	8,726
Student and Public Services	—	—	5,187
Academic Support	—	70,585	—
Debt Service	—	17,782	—
Capital Purposes	—	29,838	—
Endowments and Quasi-Endowments	—	—	234
Current Operations	—	—	—
Loans, Grants and Other College and University Purposes	166,209	33,758	36,236
Unrestricted	(63,281)	(336,092)	(83,438)
TOTAL NET POSITION (DEFICITS)	**$ 621,563**	**$ 360,283**	**$ 321,066**

YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY	SHAWNEE STATE UNIVERSITY	NORTHEAST OHIO MEDICAL UNIVERSITY	CENTRAL STATE UNIVERSITY	TERRA STATE COMMUNITY COLLEGE
$ —	$ —	$ —	$ —	$ —	$ —
27,397	41,474	1,147	7,643	4,526	1,066
219,051	768	—	27,649	—	477
—	—	—	—	—	—
—	—	—	—	—	—
1,466	13,916	—	3,428	—	93
479	3,135	81	454	—	66
2,544	3,084	481	253	—	250
11,010	19,298	4,958	3,228	6,929	2,324
211	127	32	173	—	13
1,593	4,041	139	1,629	217	94
263,751	85,843	6,838	44,457	11,672	4,383
25	5,450	791	1,929	5,607	—
74,710	—	24,552	46,877	—	—
14,027	135,227	13,836	—	3,856	6,080
778	7,353	—	4,666	—	—
7,119	5,180	544	828	—	—
1	1,307	988	—	—	—
194,667	357,942	68,990	188,256	131,551	28,518
21,594	5,165	22,486	2,635	10,432	1,083
312,921	517,624	132,187	245,191	151,446	35,681
576,672	603,467	139,025	289,648	163,118	40,064
38,026	69,553	11,254	15,798	7,713	4,309
614,698	**673,020**	**150,279**	**305,446**	**170,831**	**44,373**
3,522	13,532	1,994	1,631	1,307	681
6,896	10,358	2,418	2,290	2,785	56
2,058	—	—	—	—	—
5,342	22,955	1,832	5,973	2,748	482
4,417	17,359	2,118	18	1,841	331
—	—	—	—	—	—
3,195	7,678	880	2,951	2,159	196
25,430	71,882	9,242	12,863	10,840	1,746
—	—	—	40,553	—	—
—	1,281	584	—	—	—
168,303	296,591	50,084	30,826	34,143	20,447
78,413	70,634	23,674	145,968	35,814	5,510
246,716	368,506	74,342	217,347	69,957	25,957
272,146	440,388	83,584	230,210	80,797	27,703
26,870	42,938	8,208	6,858	5,648	4,774
299,016	**483,326**	**91,792**	**237,068**	**86,445**	**32,477**
136,184	285,233	66,291	48,788	106,342	24,016
—	—	—	—	—	—
—	—	—	—	—	—
—	20,272	4,363	7,548	997	2,765
—	5,937	—	—	—	—
86,841	—	137	13,700	—	—
—	19,667	6,223	—	1,500	—
10,859	23,078	1,944	—	1,078	1,686
287	3,551	22	—	—	—
2,605	22,910	—	—	—	—
1,855	1,313	—	—	—	72
1,490	15,205	—	—	558	—
—	—	—	—	—	—
9,383	2,357	—	—	—	773
20,310	—	777	—	—	—
1,581	—	—	8,949	—	—
2,349	25,597	6,647	—	1,430	135
41,938	(235,426)	(27,917)	(10,607)	(27,519)	(17,551)
$ 315,682	**$ 189,694**	**$ 58,487**	**$ 68,378**	**$ 84,386**	**$ 11,896**

(continued)

STATE OF OHIO
COMBINING STATEMENT OF NET POSITION
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2018
(dollars in thousands)

(continued)

	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE	EDISON STATE COMMUNITY COLLEGE
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ —	$ —	$ —
Cash and Cash Equivalents	8,385	11,630	6,856
Investments	82,699	22,062	3,087
Restricted Assets:			
Cash and Cash Equivalents	—	—	—
Investments	—	—	—
Intergovernmental Receivable	—	644	—
Loans Receivable, Net	—	94	—
Receivable from Primary Government	103	1,748	—
Other Receivables	16,770	3,884	1,742
Inventories	1,517	78	4
Other Assets	1,994	469	90
TOTAL CURRENT ASSETS	111,468	40,609	11,779
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	1,631	—	—
Investments	—	—	1,334
Investments	64,069	—	2,090
Loans Receivable, Net	—	—	—
Other Receivables	2,388	877	—
Other Assets	—	39	—
Capital Assets Being Depreciated, Net	120,647	44,171	14,787
Capital Assets Not Being Depreciated	32,371	3,690	1,414
TOTAL NONCURRENT ASSETS	221,106	48,777	19,625
TOTAL ASSETS	332,574	89,386	31,404
DEFERRED OUTFLOWS OF RESOURCES	48,769	8,463	3,969
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**381,343**	**97,849**	**35,373**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	3,877	2,609	173
Accrued Liabilities	3,182	1,466	775
Intergovernmental Payable	—	24	—
Unearned Revenue	7,882	193	556
Refund and Other Liabilities	6,654	162	—
Payable to Primary Government	—	—	—
Bonds and Notes Payable	1,665	730	235
TOTAL CURRENT LIABILITIES	23,260	5,184	1,739
NONCURRENT LIABILITIES:			
Intergovernmental Payable	—	—	—
Unearned Revenue	—	—	—
Refund and Other Liabilities	230,612	41,760	16,235
Bonds and Notes Payable	17,448	11,780	2,170
TOTAL NONCURRENT LIABILITIES	248,060	53,540	18,405
TOTAL LIABILITIES	271,320	58,724	20,144
DEFERRED INFLOWS OF RESOURCES	15,642	3,693	2,529
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**286,962**	**62,417**	**22,673**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	148,553	34,931	14,219
Restricted for:			
Transportation	—	—	—
Community and Economic Development	—	—	—
Nonexpendable:			
Scholarships and Fellowships	3,362	—	—
Research	—	—	—
Endowments and Quasi-Endowments	—	10,174	126
Loans, Grants and Other College and University Purposes	—	—	—
Expendable:			
Scholarships and Fellowships	9,417	8,940	—
Research	—	—	—
Instructional Department Uses	—	55	—
Student and Public Services	—	939	—
Academic Support	—	—	—
Debt Service	—	145	532
Capital Purposes	40,345	4,191	—
Endowments and Quasi-Endowments	—	—	2,941
Current Operations	—	—	—
Loans, Grants and Other College and University Purposes	—	—	87
Unrestricted	(107,296)	(23,943)	(5,205)
TOTAL NET POSITION (DEFICITS)	**$ 94,381**	**$ 35,432**	**$ 12,700**

SOUTHERN STATE COMMUNITY COLLEGE	WASHINGTON STATE COMMUNITY COLLEGE	CINCINNATI STATE COMMUNITY COLLEGE	NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL NONMAJOR COMPONENT UNITS
$ —	$ —	$ —	$ —	$ —	$ 2,508
6,111	8,368	1,930	3,945	5,105	1,089,857
—	—	18,349	2,836	20,521	3,035,199
—	—	—	—	—	155,740
—	—	—	—	—	57,023
—	—	663	310	315	43,745
—	—	—	—	—	38,612
—	—	615	134	3	15,014
3,825	3,997	11,260	3,341	4,467	553,979
9	—	143	415	—	102,771
672	191	482	39	1,256	77,175
10,617	12,556	33,442	11,020	31,667	5,171,623
546	—	2,630	—	—	141,483
2,483	—	—	—	—	2,221,170
—	1,069	4,754	7,392	8,362	2,358,410
—	—	—	—	42	221,342
—	—	130	—	27	192,454
—	—	—	—	—	1,552,138
24,194	13,437	73,049	17,092	69,654	9,408,262
4,569	980	2,273	2,117	11,061	1,074,154
31,792	15,486	82,836	26,601	89,146	17,169,413
42,409	28,042	116,278	37,621	120,813	22,341,036
4,699	3,344	24,427	6,214	17,722	1,218,080
47,108	**31,386**	**140,705**	**43,835**	**138,535**	**23,559,116**
—	1,355	1,201	968	2,135	327,013
350	36	6,484	315	3,506	434,728
—	—	—	—	—	2,186
—	2,073	3,213	595	3,438	246,530
4,559	40	2,613	323	2,128	260,589
—	—	—	—	—	8,466
1,000	—	2,749	—	310	283,079
5,909	3,504	16,260	2,201	11,517	1,562,591
—	—	—	—	—	70,320
—	—	—	—	—	2,954
20,287	14,317	100,866	25,826	85,873	5,411,764
13,550	—	30,648	—	—	7,500,888
33,837	14,317	131,514	25,826	85,873	12,985,926
39,746	17,821	147,774	28,027	97,390	14,548,517
4,865	1,984	14,697	2,757	23,044	641,206
44,611	**19,805**	**162,471**	**30,784**	**120,434**	**15,189,723**
14,837	14,417	42,251	19,209	80,405	5,622,665
—	—	—	—	—	172,358
—	—	—	—	—	1,711
—	475	—	1,024	1,735	395,976
—	—	—	—	—	81,351
2,469	—	6,845	—	—	1,407,148
—	—	—	—	451	545,462
107	544	—	5,118	974	334,542
—	—	—	—	—	166,052
—	—	—	15	—	161,255
—	—	—	—	—	76,946
—	—	—	—	—	167,458
—	—	1,525	—	—	20,668
—	916	—	395	—	155,690
—	—	3,819	—	—	450,766
924	—	—	13	—	37,791
—	—	—	100	530	496,920
(15,840)	(4,771)	(76,206)	(12,823)	(65,994)	(1,925,366)
$ 2,497	**$ 11,581**	**$ (21,766)**	**$ 13,051**	**$ 18,101**	**$ 8,369,393**

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(dollars in thousands)

	OHIO TURNPIKE AND INFRASTRUCTURE COMMISSION (as of 12/31/17)	OHIO AIR QUALITY DEVELOPMENT AUTHORITY (as of 12/31/17)	OHIO CAPITAL FUND
EXPENSES:			
Transportation	$ 241,440	$ —	$ —
Community and Economic Development	—	11,407	937
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	78,848	—	7,247
Depreciation	76,095	1	—
Other	—	—	—
TOTAL EXPENSES	**396,383**	**11,408**	**8,184**
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures	321,907	725	—
Operating Grants, Contributions and Restricted Investment Income	—	320	—
Capital Grants, Contributions and Restricted Investment Income	—	—	—
TOTAL PROGRAM REVENUES	**321,907**	**1,045**	**—**
NET PROGRAM (EXPENSE) REVENUE	**(74,476)**	**(10,363)**	**(8,184)**
GENERAL REVENUES:			
Unrestricted Investment Income	4,657	141	5,649
State Assistance	3,023	—	—
Other	—	95	—
TOTAL GENERAL REVENUES	**7,680**	**236**	**5,649**
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL	—	—	—
GAIN (LOSS) ON EXTINGUISHMENT OF DEBT	—	—	(11)
CHANGE IN NET POSITION	**(66,796)**	**(10,127)**	**(2,546)**
NET POSITION (DEFICITS), JULY 1 (as restated)	278,981	22,088	(69,979)
NET POSITION (DEFICITS), JUNE 30	**$ 212,185**	**$ 11,961**	**$ (72,525)**

JOBSOHIO	UNIVERSITY OF CINCINNATI	OHIO UNIVERSITY	MIAMI UNIVERSITY	UNIVERSITY OF AKRON	BOWLING GREEN STATE UNIVERSITY
$ —	$ —	$ —	$ —	$ —	$ —
1,055,130	—	—	—	—	—
—	188,813	214,963	109,922	66,187	108,144
—	136,914	42,949	11,822	21,091	7,740
—	84,178	22,884	2,590	3,455	3,964
—	123,378	68,372	61,539	21,083	22,832
—	72,435	38,079	30,232	9,849	13,345
—	148,104	50,861	62,775	28,942	26,276
—	52,858	34,777	34,253	19,323	17,692
—	46,305	16,478	20,400	28,978	17,440
—	123,056	79,813	117,314	43,124	68,021
—	—	—	—	—	—
54,771	43,995	27,683	26,725	18,957	8,314
322	121,510	54,260	59,810	47,773	37,806
—	793	12,684	10,460	499	54,455
1,110,223	**1,142,339**	**663,803**	**547,842**	**309,261**	**386,029**
1,195,912	900,419	338,879	537,884	223,502	239,060
—	229,949	42,184	56,710	34,693	64,188
—	15,435	1,285	4,895	1,563	850
1,195,912	**1,145,803**	**382,348**	**599,489**	**259,758**	**304,098**
85,689	**3,464**	**(281,455)**	**51,647**	**(49,503)**	**(81,931)**
2,569	9,855	60,183	34,449	18,082	22,737
—	237,147	185,640	96,250	119,103	84,372
3,290	—	198,152	—	34,630	24,238
5,859	**247,002**	**443,975**	**130,699**	**171,815**	**131,347**
—	534	9,690	14,990	22,627	3,690
—	—	—	—	—	—
91,548	**251,000**	**172,210**	**197,336**	**144,939**	**53,106**
492,598	1,590,969	1,038,527	1,331,162	201,860	455,105
$ 584,146	**$ 1,841,969**	**$ 1,210,737**	**$ 1,528,498**	**$ 346,799**	**$ 508,211**

(continued)

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(dollars in thousands)
(continued)

	KENT STATE UNIVERSITY	UNIVERSITY OF TOLEDO	CLEVELAND STATE UNIVERSITY
EXPENSES:			
Transportation	$ —	$ —	$ —
Community and Economic Development	—	—	—
Education and General:			
Instruction and Departmental Research	201,517	208,039	86,911
Separately Budgeted Research	13,753	37,675	7,418
Public Service	11,162	6,421	5,411
Academic Support	52,107	42,852	22,661
Student Services	30,326	23,386	15,187
Institutional Support	52,706	—	31,969
Operation and Maintenance of Plant	39,278	36,845	22,920
Scholarships and Fellowships	44,951	23,208	18,561
Auxiliary Enterprises	59,072	64,394	30,218
Hospitals	—	354,587	—
Interest on Long-Term Debt	16,561	12,747	9,152
Depreciation	52,178	57,257	30,877
Other	—	14,610	—
TOTAL EXPENSES	**573,611**	**882,021**	**281,285**
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures	396,885	634,931	193,858
Operating Grants, Contributions and Restricted Investment Income	81,327	88,248	35,117
Capital Grants, Contributions and Restricted Investment Income	—	555	—
TOTAL PROGRAM REVENUES	**478,212**	**723,734**	**228,975**
NET PROGRAM (EXPENSE) REVENUE	**(95,399)**	**(158,287)**	**(52,310)**
GENERAL REVENUES:			
Unrestricted Investment Income	41,803	30,856	8,587
State Assistance	171,799	137,674	102,293
Other	14,383	88,993	23,257
TOTAL GENERAL REVENUES	**227,985**	**257,523**	**134,137**
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL	—	—	—
GAIN (LOSS) ON EXTINGUISHMENT OF DEBT	—	—	—
CHANGE IN NET POSITION	**132,586**	**99,236**	**81,827**
NET POSITION (DEFICITS), JULY 1 (as restated)	488,977	261,047	239,239
NET POSITION (DEFICITS), JUNE 30	**$ 621,563**	**$ 360,283**	**$ 321,066**

YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY	SHAWNEE STATE UNIVERSITY	NORTHEAST OHIO MEDICAL UNIVERSITY	CENTRAL STATE UNIVERSITY	TERRA STATE COMMUNITY COLLEGE
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
22,382	61,819	8,891	17,370	9,956	166
4,694	43,129	—	13,589	2,779	—
6,716	10,782	2,077	2,076	4,506	527
16,037	31,022	2,677	9,665	5,841	471
11,388	17,025	4,287	2,874	4,245	1,674
27,425	34,437	12,525	14,003	1,700	3,945
18,137	17,045	4,794	7,456	6,211	1,309
21,409	18,947	5,331	855	2,695	219
30,419	20,080	6,526	9,120	8,618	539
—	—	—	—	—	—
3,812	3,145	438	8,202	1,463	184
12,745	21,760	3,651	11,036	6,973	1,304
15	1,375	1,635	101	946	633
175,179	**280,566**	**52,832**	**96,347**	**55,933**	**10,971**
116,521	156,081	24,899	34,563	21,332	4,507
29,500	89,405	3,524	22,220	21,470	1,144
3,308	1,207	—	—	—	—
149,329	**246,693**	**28,423**	**56,783**	**42,802**	**5,651**
(25,850)	**(33,873)**	**(24,409)**	**(39,564)**	**(13,131)**	**(5,320)**
22,248	1,624	2,189	4,006	439	329
49,921	99,708	17,080	27,321	24,170	7,488
383	20,298	11,261	12,353	193	2,951
72,552	**121,630**	**30,530**	**43,680**	**24,802**	**10,768**
9,962	—	—	419	—	—
—	—	—	—	—	—
56,664	**87,757**	**6,121**	**4,535**	**11,671**	**5,448**
259,018	101,937	52,366	63,843	72,715	6,448
$ 315,682	**$ 189,694**	**$ 58,487**	**$ 68,378**	**$ 84,386**	**$ 11,896**

(continued)

STATE OF OHIO

COMBINING STATEMENT OF ACTIVITIES
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(dollars in thousands)

(continued)

	COLUMBUS STATE COMMUNITY COLLEGE	CLARK STATE COMMUNITY COLLEGE	EDISON STATE COMMUNITY COLLEGE
EXPENSES:			
Transportation	$ —	$ —	$ —
Community and Economic Development	—	—	—
Education and General:			
Instruction and Departmental Research	47,572	6,945	6,287
Separately Budgeted Research	—	—	—
Public Service	7,713	2,114	424
Academic Support	5,703	828	636
Student Services	10,669	2,338	1,937
Institutional Support	21,125	4,702	1,368
Operation and Maintenance of Plant	9,807	2,481	1,413
Scholarships and Fellowships	11,151	4,192	282
Auxiliary Enterprises	7,548	900	8
Hospitals	—	—	—
Interest on Long-Term Debt	96	436	77
Depreciation	8,177	1,909	1,026
Other	2,205	281	—
TOTAL EXPENSES	**131,766**	**27,126**	**13,458**
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures	109,378	11,025	4,564
Operating Grants, Contributions and Restricted Investment Income	11,721	11,579	888
Capital Grants, Contributions and Restricted Investment Income	—	2	26
TOTAL PROGRAM REVENUES	**121,099**	**22,606**	**5,478**
NET PROGRAM (EXPENSE) REVENUE	**(10,667)**	**(4,520)**	**(7,980)**
GENERAL REVENUES:			
Unrestricted Investment Income	1,567	1,563	61
State Assistance	71,283	16,164	8,784
Other	—	—	3,438
TOTAL GENERAL REVENUES	**72,850**	**17,727**	**12,283**
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL	—	365	—
GAIN (LOSS) ON EXTINGUISHMENT OF DEBT	—	—	—
CHANGE IN NET POSITION	**62,183**	**13,572**	**4,303**
NET POSITION (DEFICITS), JULY 1 (as restated)	32,198	21,860	8,397
NET POSITION (DEFICITS), JUNE 30	**$ 94,381**	**$ 35,432**	**$ 12,700**

SOUTHERN STATE COMMUNITY COLLEGE	WASHINGTON STATE COMMUNITY COLLEGE	CINCINNATI STATE COMMUNITY COLLEGE	NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL NONMAJOR COMPONENT UNITS
$ —	$ —	$ —	$ —	$ —	$ 241,440
—	—	—	—	—	1,067,474
4,367	1,110	11,659	10,704	13,932	1,407,656
8	—	—	—	101	343,662
618	—	2,190	78	1,321	181,207
1,563	884	3,662	558	986	495,357
1,577	932	2,851	763	2,702	298,101
1,435	3,172	12,688	2,444	8,645	551,247
1,377	1,205	5,971	1,937	4,480	341,569
2,749	899	864	1,550	1,034	288,498
1,150	101	3,229	1,407	651	675,308
—	—	—	—	—	354,587
501	—	791	—	17	324,162
1,308	852	4,064	1,593	5,749	620,036
—	—	1,039	78	45	101,854
16,653	**9,155**	**49,008**	**21,112**	**39,663**	**7,292,158**
7,143	6,251	23,638	12,355	27,906	5,544,125
1,274	1,808	16,903	4,272	4,088	852,532
747	—	—	—	—	29,873
9,164	**8,059**	**40,541**	**16,627**	**31,994**	**6,426,530**
(7,489)	**(1,096)**	**(8,467)**	**(4,485)**	**(7,669)**	**(865,628)**
287	169	424	487	690	275,651
8,007	5,723	31,575	11,969	34,645	1,551,139
4,440	—	7,121	—	12,023	461,499
12,734	**5,892**	**39,120**	**12,456**	**47,358**	**2,288,289**
5	—	—	—	97	62,379
—	—	—	—	—	(11)
5,250	**4,796**	**30,653**	**7,971**	**39,786**	**1,485,029**
(2,753)	6,785	(52,419)	5,080	(21,685)	6,884,364
$ 2,497	**$ 11,581**	**$ (21,766)**	**$ 13,051**	**$ 18,101**	**$ 8,369,393**

STATE OF OHIO
BALANCE SHEET
OHIO FACILITIES CONSTRUCTION COMMISSION
DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2018
(dollars in thousands)

	OHIO FACILITIES CONSTRUCTION COMMISSION
ASSETS:	
Cash Equity with Treasurer	$ 354,550
Investments	1,081
Collateral on Lent Securities	100,566
Other Receivables	1
TOTAL ASSETS	**$ 456,198**
LIABILITIES:	
Accounts Payable	$ 1,533
Accrued Liabilities	261
Obligations Under Securities Lending	100,566
Intergovernmental Payable	808,257
Refund and Other Liabilities	1,080
TOTAL LIABILITIES	911,697
DEFERRED INFLOWS OF RESOURCES	3,370,193
FUND BALANCES (DEFICITS):	
Restricted for:	
Community and Economic Development	23,583
Unassigned	(3,849,275)
TOTAL FUND BALANCES (DEFICITS)	(3,825,692)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 456,198**

STATE OF OHIO
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION OHIO FACILITIES CONSTRUCTION COMMISSION DISCRETELY PRESENTED COMPONENT UNIT JUNE 30, 2018
(dollars in thousands)

	OHIO FACILITIES CONSTRUCTION COMMISSION
Total Fund Balances (Deficits)	***$ (3,825,692)***
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:	
Machinery and Equipment, net of $3,443 accumulated depreciation	*472*
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds:	
Refund and Other Liabilities-Compensated Absences	*(1,066)*
Total Net Position	***$ (3,826,286)***

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, 2018
(dollars in thousands)

		OHIO FACILITIES CONSTRUCTION COMMISSION
REVENUES:		
State Assistance	$	480,201
Investment Income		4,117
Other		28,443
TOTAL REVENUES		512,761
EXPENDITURES:		
CURRENT OPERATING:		
Primary, Secondary and Other Education		393,650
Community and Economic Development		32,389
TOTAL EXPENDITURES		426,039
NET CHANGE IN FUND BALANCES		86,722
FUND BALANCES (DEFICITS), JULY 1		(3,912,414)
FUND BALANCES (DEFICITS), JUNE 30	$	(3,825,692)

STATE OF OHIO

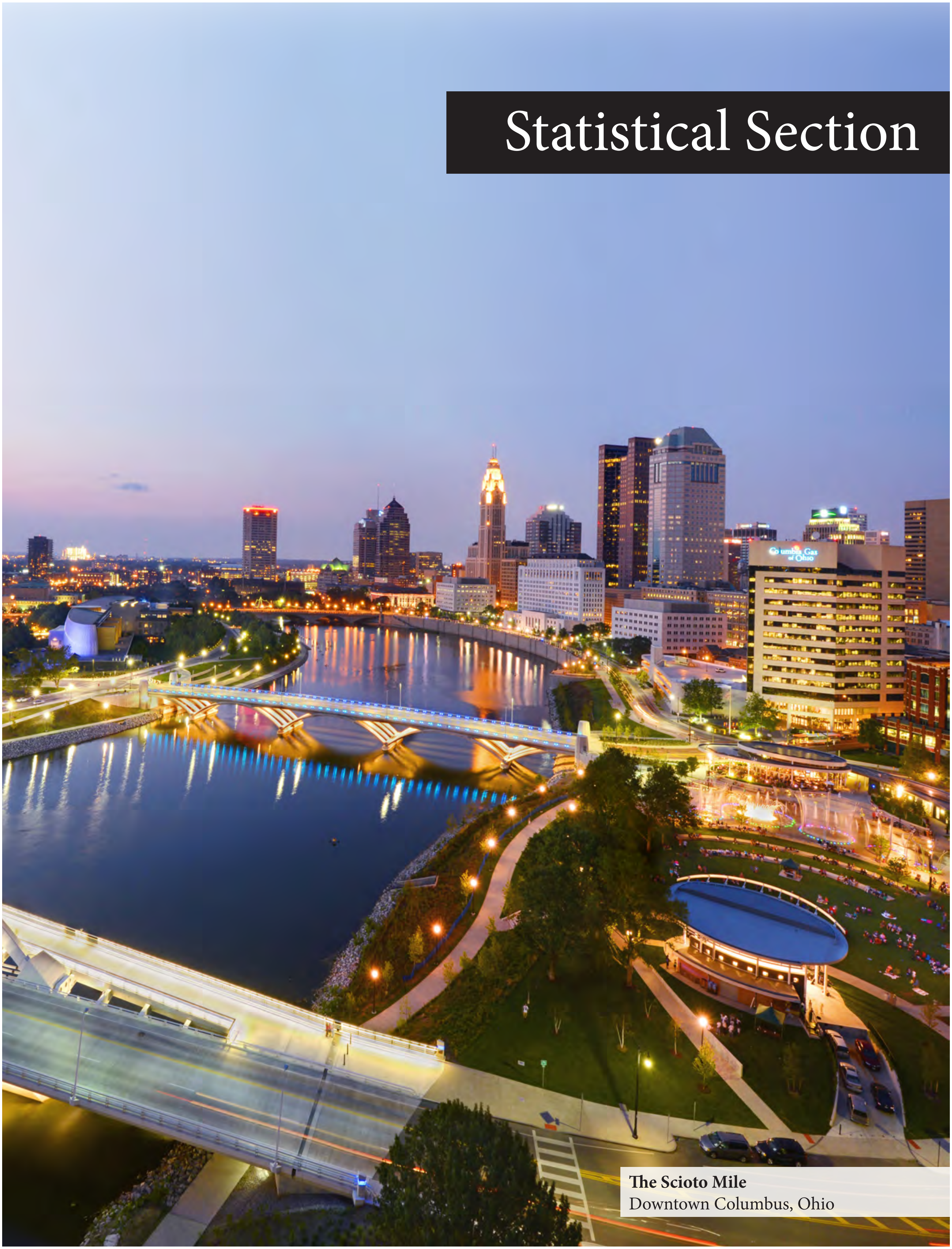
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES OHIO FACILITIES CONSTRUCTION COMMISSION DISCRETELY PRESENTED COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(dollars in thousands)

	OHIO FACILITIES CONSTRUCTION COMMISSION
Net Change in Fund Balances	***$ 86,722***
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	*(394)*
Effects of Capital Asset Transfer to Primary Government	*(42,998)*
Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds	*(715)*
Change in Net Position	***$ 42,615***

[THIS PAGE LEFT BLANK INTENTIONALLY]

Statistical Section



The Scioto Mile
Downtown Columbus, Ohio

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATISTICAL SECTION

This section of the State of Ohio's Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information.

	Pages
Financial Trends	278-291

These schedules contain trend information to assist the reader in understanding how the State's financial performance and condition have changed over time.

Revenue Capacity	292-305

These schedules contain information to assist the reader in assessing the State's two most significant own-source revenues: income taxes and sales taxes.

Debt Capacity	306-313

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.

Economic and Demographic Information..	314-317

These schedules offer economic and demographic indicators to assist the reader in understanding the environment within which the State's financial activities take place.

Operating Information	318-325

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.

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)

	2018	2017	2016	2015
GOVERNMENTAL ACTIVITIES:				
Net Investment in Capital Assets	$ 24,363,007	$ 24,140,366	$ 23,925,328	$ 23,396,447
Restricted for:				
Primary, Secondary and Other Education	139,583	95,110	148,740	110,978
Higher Education Support	23,579	25,999	26,255	25,974
Public Assistance and Medicaid	500,747	736,002	810,132	746,730
Health and Human Services	116,726	143,264	103,534	81,982
Justice and Public Protection	159,884	160,990	132,257	122,305
Environmental Protection and Natural Resources	275,626	191,591	199,490	199,409
Transportation	2,534,052	3,369,425	3,191,913	3,370,828
General Government	277,782	266,681	169,286	200,748
State and Local Highway Construction	—	—	—	—
Federal Programs	—	—	—	—
Clean Ohio Program	—	—	—	—
Community and Economic Development	529,084	424,992	329,909	243,166
Enterprise Bond Program	—	—	—	—
Total Restricted Net Position	4,557,063	5,414,054	5,111,516	5,102,120
Unrestricted	(12,787,140)	(10,571,925)	(9,089,117)	(9,180,751)
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	$ 16,132,930	$ 18,982,495	$ 19,947,727	$ 19,317,816
BUSINESS-TYPE ACTIVITIES:				
Net Investment in Capital Assets	$ 162,367	$ 176,237	$ 186,037	$ 159,466
Restricted for:				
Workers' Compensation	9,791,094	9,603,996	8,596,001	9,125,985
Lottery Prizes	27,954	46,998	77,464	66,332
Unemployment Compensation	974,990	644,872	315,980	—
Ohio Building Authority	—	—	—	—
Tuition Trust Authority	97,366	97,985	74,559	89,896
Total Restricted Net Position	10,891,404	10,393,851	9,064,004	9,282,213
Unrestricted	64,432	154,915	131,660	(163,314)
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	$ 11,118,203	$ 10,725,003	$ 9,381,701	$ 9,278,365
PRIMARY GOVERNMENT:				
Net Investment in Capital Assets	$ 24,525,374	$ 24,316,603	$ 24,111,365	$ 23,555,913
Restricted	15,448,467	15,807,905	14,175,520	14,384,333
Unrestricted	(12,722,708)	(10,417,010)	(8,957,457)	(9,344,065)
TOTAL PRIMARY GOVERNMENT NET POSITION	$ 27,251,133	$ 29,707,498	$ 29,329,428	$ 28,596,181

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 or material, net position reported on the above table has been restated for prior period adjustments, corrections, and reclassifications. However, restatements do not include changes in reporting entity. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expense activity reported for the applicable fiscal years on the "Changes in Net Position" table may not have been determined for presentation on that table.

2014	2013	2012	2011	2010	2009
$ 22,627,911	$ 22,489,929	$ 22,147,262	$ 23,157,156	$ 22,578,727	$ 22,325,346
137,427	236,391	129,353	99,169	38,495	37,174
26,320	—	—	5,936	—	—
508,588	535,410	219,153	492,122	—	—
54,834	100,424	101,056	107,431	—	—
30,570	42,623	29,516	86,822	—	—
160,607	147,955	148,200	140,229	—	—
3,238,716	3,064,127	2,613,620	2,439,080	1,601,532	1,031,932
133,877	131,823	93,089	82,615	—	—
—	—	—	—	117,769	113,009
—	—	—	—	85,232	61,929
—	—	—	—	47,254	44,060
164,784	250,797	245,631	403,151	1,001,840	1,045,542
—	—	—	—	10,000	10,000
4,455,723	4,509,550	3,579,618	3,856,555	2,902,122	2,343,646
(5,828,679)	(5,784,139)	(7,128,873)	(8,249,343)	(7,384,680)	(6,110,855)
$ 21,254,955	$ 21,215,340	$ 18,598,007	$ 18,764,368	$ 18,096,169	$ 18,558,137
$ 129,804	$ 92,290	$ 67,331	$ 54,430	$ 51,578	$ 37,059
9,334,215	6,690,414	7,760,634	5,728,951	—	—
73,751	85,085	123,724	77,142	86,616	57,059
—	—	—	—	—	—
—	—	—	27,021	—	23,072
73,631	39,379	—	11,838	—	—
9,481,597	6,814,878	7,884,358	5,844,952	86,616	80,131
(670,679)	(1,085,302)	(1,383,125)	(1,820,494)	1,966,583	1,789,789
$ 8,940,722	$ 5,821,866	$ 6,568,564	$ 4,078,888	$ 2,104,777	$ 1,906,979
$ 22,757,715	$ 22,582,219	$ 22,214,593	$ 23,211,586	$ 22,630,305	$ 22,362,405
13,937,320	11,324,428	11,463,976	9,701,507	2,988,738	2,423,777
(6,499,358)	(6,869,441)	(8,511,998)	(10,069,837)	(5,418,097)	(4,321,066)
$ 30,195,677	$ 27,037,206	$ 25,166,571	$ 22,843,256	$ 20,200,946	$ 20,465,116

STATE OF OHIO

CHANGES IN NET POSITION
FOR THE LAST TEN FISCAL YEARS

(accrual basis of accounting)
(dollars in thousands)

	2018	2017	2016
EXPENSES:			
GOVERNMENTAL ACTIVITIES:			
Primary, Secondary and Other Education	$ 13,244,868	$ 13,227,781	$ 12,728,780
Higher Education Support	2,771,493	2,760,035	2,603,480
Public Assistance and Medicaid	30,454,468	29,873,408	29,103,304
Health and Human Services	1,744,243	1,636,753	1,656,750
Justice and Public Protection	3,670,780	3,883,836	3,587,845
Environmental Protection and Natural Resources	567,788	571,532	586,001
Transportation	2,598,688	2,860,338	2,602,708
General Government	951,063	946,923	948,796
Community and Economic Development	3,458,487	3,256,655	3,353,699
Interest on Long-Term Debt (excludes interest charged as program expense)	97,799	94,290	99,819
TOTAL GOVERNMENTAL ACTIVITIES EXPENSES	**59,559,677**	**59,111,551**	**57,271,182**
BUSINESS-TYPE ACTIVITIES:			
Workers' Compensation	2,227,977	2,419,185	3,322,700
Lottery Commission	3,022,690	2,882,887	2,866,920
Unemployment Compensation	929,460	985,624	1,021,152
Ohio Building Authority	—	—	—
Tuition Trust Authority	57,115	63,711	67,385
Liquor Control	—	—	—
Office of Auditor of State	81,574	91,100	78,917
TOTAL BUSINESS-TYPE ACTIVITIES EXPENSES	**6,318,816**	**6,442,507**	**7,357,074**
TOTAL PRIMARY GOVERNMENT EXPENSES	**$ 65,878,493**	**$ 65,554,058**	**$ 64,628,256**
PROGRAM REVENUES:			
GOVERNMENTAL ACTIVITIES:			
Charges for Services, Fees, Fines and Forfeitures:			
Public Assistance and Medicaid	$ 2,680,920	$ 1,746,969	$ 1,946,102
Justice and Public Protection	1,129,008	1,135,411	1,103,131
General Government	460,910	532,489	557,775
Community and Economic Development	343,546	500,766	571,317
Other Activities	615,324	641,013	749,346
Operating Grants, Contributions and Restricted Investment Income/(Loss)	25,162,423	25,070,684	24,721,794
Capital Grants, Contributions and Restricted Investment Income/(Loss)	1,424,697	1,442,906	1,430,936
TOTAL GOVERNMENTAL ACTIVITIES PROGRAM REVENUES	**31,816,828**	**31,070,238**	**31,080,401**
BUSINESS-TYPE ACTIVITIES:			
Charges for Services, Fees, Fines and Forfeitures:			
Workers' Compensation	1,172,347	1,554,566	1,451,585
Lottery Commission	4,153,363	3,933,361	3,987,235
Unemployment Compensation	1,253,015	1,311,094	1,178,304
Liquor Control	—	—	—
Other Activities	54,954	55,109	57,035
Operating Grants, Contributions and Restricted Investment Income/(Loss)	1,402,895	1,959,320	1,444,535
TOTAL BUSINESS-TYPE ACTIVITIES PROGRAM REVENUES	**8,036,574**	**8,813,450**	**8,118,694**
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	**$ 39,853,402**	**$ 39,883,688**	**$ 39,199,095**

2015	2014	2013	2012	2011	2010	2009
$ 12,767,328	$ 12,287,325	$ 11,461,600	$ 12,340,848	$ 12,126,435	$ 12,259,233	$ 11,888,145
2,536,850	2,474,851	2,403,149	2,348,154	2,726,016	2,771,611	2,967,485
28,265,942	25,283,157	21,624,298	21,206,515	20,111,691	18,828,082	17,903,102
1,576,185	1,579,156	3,504,235	3,835,369	4,295,483	4,003,033	4,061,765
3,210,965	3,385,337	3,136,239	3,202,970	3,184,345	3,077,704	3,251,316
507,889	419,539	437,297	407,379	350,870	416,071	413,398
2,660,362	2,706,248	2,657,961	2,564,702	2,186,332	2,187,406	2,171,475
921,426	835,785	921,636	599,639	795,899	623,845	645,271
3,518,678	3,448,735	3,510,004	3,867,888	4,479,010	4,491,643	4,265,827
102,980	103,283	114,859	118,902	134,888	133,335	165,908
56,068,605	**52,523,416**	**49,771,278**	**50,492,366**	**50,390,969**	**48,791,963**	**47,733,692**
2,533,883	2,417,674	3,428,859	1,945,190	2,354,296	2,861,222	2,158,753
2,724,306	2,310,169	2,100,887	2,001,671	1,911,105	1,816,213	1,774,308
1,034,060	1,444,870	1,976,518	2,754,835	4,094,207	5,605,830	3,485,942
—	—	—	13,010	22,076	22,492	26,837
71,801	72,215	80,560	80,157	79,671	81,119	94,888
—	—	310,209	543,729	507,800	489,087	479,919
70,032	70,586	65,845	69,183	69,185	70,637	85,575
6,434,082	**6,315,514**	**7,962,878**	**7,407,775**	**9,038,340**	**10,946,600**	**8,106,222**
$ 62,502,687	**$ 58,838,930**	**$ 57,734,156**	**$ 57,900,141**	**$ 59,429,309**	**$ 59,738,563**	**$ 55,839,914**
$ 1,438,860	$ 1,506,096	$ 1,152,467	$ 1,289,463	$ 1,045,698	$ 1,302,439	$ 966,010
1,071,484	1,030,928	1,078,277	943,142	1,163,286	996,420	938,297
480,796	548,649	418,085	543,699	344,451	686,825	594,532
519,685	506,511	594,030	406,022	504,275	479,727	388,895
709,606	632,883	950,819	852,501	722,459	652,449	763,620
23,965,473	21,454,316	20,189,757	20,053,479	22,041,874	20,839,257	18,225,838
1,398,463	1,523,237	1,695,846	1,573,765	1,465,484	1,241,422	1,198,200
29,584,367	**27,202,620**	**26,079,281**	**25,662,071**	**27,287,527**	**26,198,539**	**23,075,392**
1,962,587	2,093,962	1,504,112	1,958,593	1,950,169	2,133,439	2,378,127
3,776,450	3,288,039	2,939,773	2,781,737	2,608,235	2,498,785	2,425,832
1,228,403	1,270,232	1,342,217	1,674,456	1,587,385	1,304,308	1,172,554
—	—	485,607	791,454	733,573	706,736	689,283
52,811	57,531	60,028	73,707	74,657	76,158	81,291
609,269	3,398,375	1,697,735	3,568,089	5,002,792	5,403,777	1,028,750
7,629,520	**10,108,139**	**8,029,472**	**10,848,036**	**11,956,811**	**12,123,203**	**7,775,837**
$ 37,213,887	**$ 37,310,759**	**$ 34,108,753**	**$ 36,510,107**	**$ 39,244,338**	**$ 38,321,742**	**$ 30,851,229**

(continued)

STATE OF OHIO

CHANGES IN NET POSITION
FOR THE LAST TEN FISCAL YEARS

(accrual basis of accounting)
(dollars in thousands)
(continued)

	2018	2017	2016
NET (EXPENSE) REVENUE:			
Governmental Activities	$ (27,742,849)	$ (28,041,313)	$ (26,190,781)
Business-Type Activities	1,717,758	2,370,943	761,620
TOTAL PRIMARY GOVERNMENT NET (EXPENSE)	**$ (26,025,091)**	**$ (25,670,370)**	**$ (25,429,161)**
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:			
GOVERNMENTAL ACTIVITIES:			
TAXES:			
Income	$ 8,474,637	$ 8,021,202	$ 7,984,708
Sales	10,358,501	10,804,340	10,548,038
Corporate and Public Utility	2,843,017	2,754,290	2,737,316
Cigarette	939,953	979,973	1,008,677
Other	1,024,397	1,019,058	1,006,342
Restricted for Transportation Purposes:			
Motor Vehicle Fuel Taxes	1,891,116	1,952,512	1,798,483
TOTAL TAXES	**25,531,621**	**25,531,375**	**25,083,564**
Tobacco Settlement	352,355	350,378	341,130
Escheat Property	158,770	159,585	161,904
Unrestricted Investment Income	24,741	2,975	70,897
Other	17	30	1,683
Gain (Loss) on Extinguishment of Debt	—	—	—
Transfers-Internal Activities	1,168,236	1,031,738	1,160,878
TOTAL GOVERNMENTAL ACTIVITIES	**27,235,740**	**27,076,081**	**26,820,056**
BUSINESS-TYPE ACTIVITIES:			
Unrestricted Investment Income	15	12	8
Other	—	—	—
Gain on Extinguishment of Debt	—	4,085	502,586
Transfers-Internal Activities	(1,168,236)	(1,031,738)	(1,160,878)
TOTAL BUSINESS-TYPE ACTIVITIES	**(1,168,221)**	**(1,027,641)**	**(658,284)**
TOTAL PRIMARY GOVERNMENT	**$ 26,067,519**	**$ 26,048,440**	**$ 26,161,772**
CHANGE IN NET POSITION:			
Governmental Activities	$ (507,109)	$ (965,232)	$ 629,275
Business-Type Activities	549,537	1,343,302	103,336
TOTAL PRIMARY GOVERNMENT	**$ 42,428**	**$ 378,070**	**$ 732,611**

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 or material.

2015	2014	2013	2012	2011	2010	2009
$ (26,484,238)	$ (25,320,796)	$ (23,691,997)	$ (24,830,295)	$ (23,103,442)	$ (22,593,424)	$ (24,658,300)
1,195,438	3,792,625	66,594	3,440,261	2,918,471	1,176,603	(330,385)
$ (25,288,800)	**$ (21,528,171)**	**$ (23,625,403)**	**$ (21,390,034)**	**$ (20,184,971)**	**$ (21,416,821)**	**$ (24,988,685)**
$ 8,906,476	$ 8,356,216	$ 9,826,097	$ 9,017,760	$ 8,815,468	$ 7,760,084	$ 8,228,349
10,170,995	9,386,554	8,635,076	8,304,263	7,793,045	7,295,428	7,276,288
2,687,540	2,682,274	2,560,420	2,501,140	2,462,681	2,351,084	2,443,059
808,270	813,056	828,812	843,180	855,610	886,875	924,764
953,339	888,059	993,217	708,041	699,907	647,999	648,284
1,827,134	1,782,437	1,774,781	1,800,473	1,759,421	1,766,204	1,743,151
25,353,754	**23,908,596**	**24,618,403**	**23,174,857**	**22,386,132**	**20,707,674**	**21,263,895**
284,267	362,472	336,255	333,148	334,665	336,259	366,197
220,486	192,184	167,140	153,556	101,289	160,755	117,172
36,462	1,733	25,881	3,702	2,688	(52,677)	(8,765)
275	839	239,435	48,078	1,323	592	134
1,276	—	(154,607)	—	—	—	—
1,082,061	955,721	1,082,887	949,952	945,551	978,327	899,385
26,978,581	**25,421,545**	**26,315,394**	**24,663,293**	**23,771,648**	**22,130,930**	**22,638,018**
5	3	3	3	1,184	—	—
—	11	—	5	—	48	321
402,562	281,938	273,851	—	—	—	—
(1,082,061)	(955,721)	(1,082,887)	(949,952)	(945,551)	(978,327)	(899,385)
(679,494)	**(673,769)**	**(809,033)**	**(949,944)**	**(944,367)**	**(978,279)**	**(899,064)**
$ 26,299,087	**$ 24,747,776**	**$ 25,506,361**	**$ 23,713,349**	**$ 22,827,281**	**$ 21,152,651**	**$ 21,738,954**
$ 494,343	$ 100,749	$ 2,623,397	$ (167,002)	$ 668,206	$ (462,494)	$ (2,020,282)
515,944	3,118,856	(742,439)	2,490,317	1,974,104	198,324	(1,229,449)
$ 1,010,287	**$ 3,219,605**	**$ 1,880,958**	**$ 2,323,315**	**$ 2,642,310**	**$ (264,170)**	**$ (3,249,731)**

STATE OF OHIO

CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS
FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)
(dollars in thousands)

	2018	2017	2016	2015	2014
REVENUES:					
Income Taxes	$ 8,463,731	$ 8,035,064	$ 7,996,349	$ 8,906,259	$ 8,411,694
Sales Taxes	10,358,501	10,804,340	10,548,038	10,170,995	9,386,554
Corporate and Public Utility Taxes	2,843,017	2,754,290	2,737,316	2,687,540	2,682,274
Motor Vehicle Fuel Taxes	1,891,116	1,952,512	1,798,483	1,827,134	1,782,437
Cigarette Taxes	939,953	979,973	1,008,677	808,270	813,056
Other Taxes	1,024,397	1,019,058	1,006,342	953,339	888,059
Licenses, Permits and Fees	4,004,408	3,281,235	3,498,903	3,000,470	3,058,221
Sales, Services and Charges	152,991	149,800	145,147	115,672	107,676
Federal Government	26,294,572	26,258,500	26,281,700	24,533,971	22,920,755
Tobacco Settlement	331,911	270,680	300,051	285,916	331,129
Escheat Property	158,770	159,585	161,904	220,486	208,508
Investment Income	157,172	74,314	113,375	62,431	21,356
Other	1,194,775	1,219,676	1,392,958	1,307,559	1,126,759
TOTAL REVENUES	57,815,314	56,959,027	56,989,243	54,880,042	51,738,478
EXPENDITURES:					
Current Operating:					
Primary, Secondary and Other Education	12,881,773	12,836,664	12,383,787	12,385,866	11,908,976
Higher Education Support	2,627,892	2,620,509	2,467,060	2,400,039	2,335,509
Public Assistance and Medicaid	30,327,824	29,666,058	28,937,506	28,632,189	25,302,660
Health and Human Services	1,643,314	1,528,658	1,560,412	1,519,151	1,586,232
Justice and Public Protection	3,495,950	3,444,724	3,324,692	3,195,731	3,091,789
Environmental Protection and Natural Resources	442,004	420,190	411,046	413,028	403,119
Transportation	2,518,937	2,689,150	2,841,556	2,835,705	2,647,937
General Government	898,737	827,684	875,371	782,777	794,985
Community and Economic Development	3,344,971	3,156,209	3,226,354	3,431,424	3,329,205
Capital Outlay	771,797	673,399	678,594	510,109	379,698
Debt service:					
Principal	1,196,470	1,209,865	1,199,620	1,229,971	1,177,305
Interest	806,468	796,699	802,556	729,002	732,849
TOTAL EXPENDITURES	60,956,137	59,869,809	58,708,554	58,064,992	53,690,264
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,140,823)	(2,910,782)	(1,719,311)	(3,184,950)	(1,951,786)

2013	2012	2011	2010	2009
$ 9,811,982	$ 9,076,284	$ 8,785,047	$ 7,818,405	$ 8,404,218
8,643,468	8,304,705	7,791,128	7,299,285	7,265,514
2,555,959	2,500,905	2,463,512	2,348,948	2,449,060
1,774,781	1,800,473	1,759,421	1,766,204	1,743,151
828,812	843,180	855,610	886,875	924,764
993,217	708,041	699,907	647,999	648,284
3,207,414	3,002,172	2,796,122	2,887,560	2,419,459
95,686	96,982	96,717	92,600	88,089
21,537,101	21,395,852	23,301,445	21,969,544	18,905,780
295,086	295,736	289,293	306,144	366,895
175,284	151,601	124,026	113,131	102,347
38,255	30,121	44,207	18,925	284,400
1,207,030	1,091,765	970,999	1,145,925	1,132,565
51,164,075	49,297,817	49,977,434	47,301,545	44,734,526
11,029,898	11,928,522	11,711,365	11,849,154	11,474,274
2,263,026	2,210,547	2,589,416	2,635,983	2,815,624
21,660,378	21,211,351	20,207,348	18,872,273	17,882,194
3,369,506	3,723,084	4,166,075	3,899,232	3,974,954
3,062,006	3,073,862	3,004,953	3,022,427	3,177,545
416,875	390,474	375,810	369,124	396,812
2,637,989	2,510,742	2,369,967	1,995,280	2,077,597
821,512	525,706	527,377	533,326	579,457
3,376,928	3,717,160	4,331,441	4,337,066	4,139,904
352,670	377,983	503,314	542,529	565,799
1,813,180	702,345	693,006	703,380	1,108,850
72,103	805,399	775,491	735,721	794,302
50,876,071	51,177,175	51,255,563	49,495,495	48,987,312
288,004	(1,879,358)	(1,278,129)	(2,193,950)	(4,252,786)

(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)

	2018	2017	2016	2015	2014
OTHER FINANCING SOURCES (USES):					
Bonds, Notes and COPs Issued..............	$ 1,937,489	$ 1,391,350	$ 1,070,000	$ 1,110,591	$ 1,347,005
Refunding Bonds and COPs Issued..........	748,540	-	473,270	254,590	407,540
Payment to Refunded Bond and COPs Escrow Agents.......................................	(925,161)	-	(584,504)	(382,933)	(479,249)
Premiums..	454,339	220,157	273,422	219,999	207,372
Discounts...	-	-	—	—	—
Capital Leases...	198	540	—	—	2,196
Transfers-in...	4,055,349	3,579,105	3,751,704	3,673,216	3,426,036
Transfers-out...	(2,887,113)	(2,547,367)	(2,590,826)	(2,591,155)	(2,470,315)
TOTAL OTHER FINANCING SOURCES (USES)..........................	3,383,641	2,643,785	2,393,066	2,284,308	2,440,585
SPECIAL ITEMS.....................................	-	-	-	-	-
NET CHANGE IN FUND BALANCES..............................	$ 242,818	$ (266,997)	$ 673,755	$ (900,642)	$ 488,799
Debt Service as a Percentage of Noncapital Expenditures...................	3.3%	3.4%	3.5%	3.4%	3.6%
Additional Information:					
Increase (Decrease) for Changes in Inventories.........................	$ (16,831)	$ (19,689)	$ 26,495	$ 924	$ 14,593

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 or material.

2013	2012	2011	2010	2009
$ 712,470	$ 1,357,640	$ 1,332,425	$ 1,008,029	$ 1,000,770
470,520	1,374,660	544,775	1,154,210	506,480
(1,465,468)	(1,604,658)	(621,223)	(1,319,366)	(555,025)
209,381	379,506	123,831	162,697	74,345
—	—	—	—	(2,732)
108	560	915	708	600
4,448,253	2,803,070	3,030,096	3,497,705	3,470,851
(3,365,366)	(1,853,118)	(2,084,545)	(2,519,378)	(2,571,466)
1,009,898	2,457,660	2,326,274	1,984,605	1,923,823
1,463,506	-	-	-	-
$ 2,761,408	$ 578,302	$ 1,048,145	$ (209,345)	$ (2,328,963)
3.7%	3.0%	2.9%	2.9%	3.9%
$ (21,245)	$ 14,982	$ 126	$ (1,699)	$ 19,833

STATE OF OHIO

FUND BALANCES OF GOVERNMENTAL FUNDS FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)
(dollars in thousands)

	2018	2017	2016	2015	2014
GENERAL FUND:					
Nonspendable	$ 52,267	$ 43,576	$ 45,953	$ 49,655	$ 69,787
Restricted	1,465,460	1,370,010	1,270,315	1,153,828	1,462,971
Committed	772,528	739,749	820,878	803,551	773,730
Assigned	2,539,407	2,995,792	2,653,290	2,585,575	2,366,979
Unassigned	667,887	239,478	863,925	411,190	1,255,489
TOTAL GENERAL FUND	**5,497,549**	**5,388,605**	**5,654,361**	**5,003,799**	**5,928,956**
ALL OTHER GOVERNMENTAL FUNDS:					
Nonspendable, reported in:					
Special Revenue Funds	84,330	94,241	109,665	80,141	76,987
Restricted, reported in:					
Special Revenue Funds	2,277,693	2,348,843	2,326,231	2,197,584	2,460,777
Debt Service Funds	4,524,129	4,634,898	4,764,200	4,869,269	4,989,278
Capital Projects Funds	910,048	512,771	528,827	672,113	474,897
Committed, reported in:					
Special Revenue Funds	777,030	864,815	746,685	606,055	631,086
Unassigned, reported in:					
Special Revenue Funds	(1,937)	(1,318)	(428)	(306)	(163)
Capital Projects Funds	-	-	-	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	**8,571,293**	**8,454,250**	**8,475,180**	**8,424,856**	**8,632,862**
TOTAL GOVERNMENTAL FUNDS	**$ 14,068,842**	**$ 13,842,855**	**$ 14,129,541**	**$ 13,428,655**	**$ 14,561,818**

	2010	2009
GENERAL FUND:		
Reserved	$ 634,254	$ 560,762
Unreserved	(141,212)	213,054
TOTAL GENERAL FUND	**493,042**	**773,816**
ALL OTHER GOVERNMENTAL FUNDS:		
Reserved	12,975,477	11,549,682
Unreserved, reported in:		
Special Revenue Funds	(3,599,509)	(2,289,388)
Capital Projects Funds	(194,099)	(148,155)
TOTAL ALL OTHER GOVERNMENTAL FUNDS	**9,181,869**	**9,112,139**
TOTAL GOVERNMENTAL FUNDS	**$ 9,674,911**	**$ 9,885,955**

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 or material, fund balances reported on the above table have been restated for prior period adjustments, corrections, and reclassifications; however, restatements do not include changes in reporting entity. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expenditure activity reported for the applicable fiscal years on the "Changes in Fund Balances for Governmental Funds" table and the "Condensed Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund" table may not have been determined for presentation on each of the two respective tables.

2013	2012	2011
$ 59,896	$ 86,982	$ 65,080
1,126,686	1,027,885	1,078,652
751,615	824,607	671,210
2,042,246	1,666,177	1,616,695
1,259,670	(415,658)	(1,208,029)
5,240,113	**3,189,993**	**2,223,608**
59,902	86,691	99,806
2,671,751	2,039,390	2,091,135
5,087,771	5,216,312	5,295,937
387,874	222,778	490,806
613,984	561,849	521,915
(395)	(547)	(25)
(5,388)	—	—
8,815,499	**8,126,473**	**8,499,574**
$ 14,055,612	**$ 11,316,466**	**$ 10,723,182**

STATE OF OHIO

CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE GENERAL FUND FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)
(dollars in thousands)

	2018	2017	2016	2015	2014
REVENUES:					
Income Taxes	$ 8,463,620	$ 8,034,901	$ 7,995,959	$ 8,895,192	$ 8,398,840
Sales Taxes	10,358,501	10,804,340	10,547,926	10,166,332	9,380,762
Corporate and Public Utility Taxes	2,776,908	2,697,003	2,670,854	2,597,993	2,680,923
Motor Vehicle Fuel Tax	1,139,218	1,175,285	1,109,241	1,114,542	1,091,123
Cigarette Taxes	939,953	979,973	1,008,677	808,270	813,056
Other Taxes	694,845	706,841	691,250	648,099	661,870
Licenses, Permits and Fees	1,186,458	748,344	706,064	734,839	722,403
Sales, Services and Charges	121,708	93,120	85,579	76,208	68,918
Federal Government	9,239,529	11,593,813	11,309,010	8,942,561	8,313,226
Tobacco Settlement	117	449	2,953	94	38,620
Escheat Property	158,770	159,585	161,904	220,486	208,508
Investment Income	111,458	41,986	93,014	47,438	8,662
Other	309,746	270,734	354,151	244,296	246,632
TOTAL REVENUES	**35,500,831**	**37,306,374**	**36,736,582**	**34,496,350**	**32,633,543**
EXPENDITURES:					
Current Operating	34,908,401	36,730,447	34,842,685	33,941,965	30,970,485
Capital Outlay	-	-	-	-	734
TOTAL EXPENDITURES	**34,908,401**	**36,730,447**	**34,842,685**	**33,941,965**	**30,971,219**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**592,430**	**575,927**	**1,893,897**	**554,385**	**1,662,324**
OTHER FINANCING SOURCES (USES):					
Bonds, Notes and COPs Issued	855,000	849,941	530,000	460,000	800,000
Premiums	93,912	71,161	56,696	48,536	28,310
Capital Leases	198	540	-	-	2,196
Transfers-in	629,232	292,078	286,624	321,156	221,697
Transfers-out	(2,062,561)	(2,054,788)	(2,116,780)	(2,072,234)	(2,026,789)
TOTAL OTHER FINANCING SOURCES (USES)	**(484,219)**	**(841,068)**	**(1,243,460)**	**(1,242,542)**	**(974,586)**
SPECIAL ITEMS	**-**	**-**	**-**	**-**	**-**
NET CHANGE IN FUND BALANCES	**108,211**	**(265,141)**	**650,437**	**(688,157)**	**687,738**
FUND BALANCES, JULY 1 (as restated)	5,388,605	5,654,361	5,004,435	5,695,511	5,240,486
Increase (Decrease) for Changes in Inventories	733	(615)	(511)	(3,555)	732
FUND BALANCES, JUNE 30	**$ 5,497,549**	**$ 5,388,605**	**$ 5,654,361**	**$ 5,003,799**	**$ 5,928,956**

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 or material.

	2013	2012	2011	2010	2009
	$ 9,798,658	$ 9,063,827	$ 8,771,965	$ 7,172,356	$ 7,705,081
	8,637,501	8,297,544	7,785,452	7,108,573	7,062,149
	2,554,965	2,499,601	2,462,363	549,596	814,415
	1,087,748	1,104,127	1,070,014	-	-
	828,812	843,180	855,610	886,875	924,764
	747,882	670,831	682,637	589,121	587,806
	816,564	781,717	657,629	237,690	435,849
	59,839	64,025	63,323	51,811	51,653
	7,225,992	7,131,978	8,122,729	6,753,767	6,848,974
	-	-	-	-	-
	175,284	151,601	124,026	113,131	102,347
	26,454	19,654	20,997	(12,331)	170,371
	283,339	300,150	297,932	498,261	455,254
	32,243,038	**30,928,235**	**30,914,677**	**23,948,850**	**25,158,663**
	29,451,874	29,972,837	29,837,914	23,719,349	26,290,239
	42	-	-	-	67
	29,451,916	**29,972,837**	**29,837,914**	**23,719,349**	**26,290,306**
	2,791,122	**955,398**	**1,076,763**	**229,501**	**(1,131,643)**
	178,000	1,109,228	624,890	97,739	30,000
	7,911	60,983	1,200	3,560	500
	108	560	915	708	600
	545,356	314,048	477,418	373,807	446,576
	(2,928,231)	(1,472,254)	(1,574,293)	(990,195)	(1,173,439)
	(2,196,856)	**12,565**	**(469,870)**	**(514,381)**	**(695,763)**
	1,463,506	**-**	**-**	**-**	**-**
	2,057,772	**967,963**	**606,893**	**(284,880)**	**(1,827,406)**
	3,188,956	2,223,608	1,612,899	773,816	2,601,372
	(6,615)	(1,578)	3,816	4,106	(150)
	$ 5,240,113	**$ 3,189,993**	**$ 2,223,608**	**$ 493,042**	**$ 773,816**

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	2018	2017	2016	2015	2014
Personal Income Tax Revenue...........................	$8,464	$8,035	$7,996	$8,906	$8,412
Personal Income(A)..	$544,828	$517,918	$505,950	$489,695	$472,846
Average Effective State Income Tax Rate...........	1.55%	1.55%	1.58%	1.82%	1.78%

SALES TAX	2018	2017	2016	2015	2014
State Sales Tax Revenue..................................	$10,359	$10,804	$10,548	$10,171	$9,387

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis
Ohio Office of Budget and Management

Note:

(A)-Data presented is as of December 31 of the given fiscal year.

2013	2012	2011	2010	2009
$9,812	$9,076	$8,785	$7,818	$8,404
$462,424	$436,818	$417,376	$408,395	$407,874
2.12%	2.08%	2.10%	1.91%	2.06%

2013	2012	2011	2010	2009
$8,643	$8,305	$7,791	$7,299	$7,266

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)	2017	2016	2015	2014	2013
Services	$ 157,563	$ 149,264	$ 147,288	$ 142,532	$ 137,541
Manufacturing	55,478	54,677	54,536	52,490	50,541
Government	58,272	57,702	56,281	54,715	53,485
Wholesale and Retail Trade	43,680	42,530	42,141	40,997	39,565
Finance, Insurance, and Real Estate	30,219	27,024	26,349	28,766	27,397
Construction	23,727	20,997	19,967	18,837	17,523
Transportation and Public Utilities	19,090	19,605	17,363	15,129	15,207
Other	156,799	146,119	142,025	136,229	131,587
Total Personal Income	$ 544,828	$ 517,918	$ 505,950	$ 489,695	$ 472,846
Average Effective State Income Tax Rate	1.55%	1.55%	1.58%	1.82%	1.78%

EXEMPTIONS BY CALENDAR YEAR

Exemptions	2017	2016	2015	2014	2013
Personal/Dependent Exemption:					
$0-$40,000	2,300	2,250	2,200	2,200	1,700
$40,001-80,000	2,050	2,000	1,950	1,950	1,700
$80,001 and above	1,800	1,750	1,700	1,700	1,700
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) The $20 personal and dependent exemption credit is only available to taxpayers with Ohio income of less than $30,000.

2012	2011	2010	2009	2008
$ 132,344	$ 123,939	$ 118,820	$ 115,300	$ 112,598
50,024	48,612	47,291	43,948	54,155
53,886	49,969	49,452	49,779	47,866
38,687	37,048	35,684	35,015	36,065
25,873	24,116	22,307	21,526	22,440
16,341	15,473	14,244	14,279	14,742
14,837	13,813	13,229	13,558	14,056
130,432	123,848	116,349	114,990	105,952
$ 462,424	$ 436,818	$ 417,376	$ 408,395	$ 407,874
2.12%	2.08%	2.10%	1.91%	2.06%

2012	2011	2010	2009	2008
1,700	1,650	1,600	1,550	1,500
1,700	1,650	1,600	1,550	1,500
1,700	1,650	1,600	1,550	1,500
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)	2017 (B)	2016	2015	2014
Tax Bracket 1................................	0.000%	0.495%	0.495%	0.528%
Tax Bracket 2................................	1.980%	0.990%	0.990%	1.057%
Tax Bracket 3................................	2.476%	1.980%	1.980%	2.113%
Tax Bracket 4................................	2.969%	2.476%	2.476%	2.642%
Tax Bracket 5................................	3.465%	2.969%	2.969%	3.169%
Tax Bracket 6................................	3.960%	3.465%	3.465%	3.698%
Tax Bracket 7................................	4.597%	3.960%	3.960%	4.226%
Tax Bracket 8................................	4.997%	4.597%	4.597%	4.906%
Tax Bracket 9................................	(C)	4.997%	4.997%	5.333%

TAX BRACKETS BY CALENDAR YEAR

Ohio Income Tax Brackets (A)	2017 (B)	2016	2015	2014
Tax Bracket 1................................	$0- $10,650	$0- $5,250	$0- $5,200	$0- $5,200
Tax Bracket 2................................	10,651- 16,000	5,250- 10,500	5,200- 10,400	5,200- 10,400
Tax Bracket 3................................	16,000- 21,350	10,500- 15,800	10,400- 15,650	10,400- 15,650
Tax Bracket 4................................	21,350- 42,650	15,800- 21,100	15,650- 20,900	15,650- 20,900
Tax Bracket 5................................	42,650- 85,300	21,100- 42,100	20,900- 41,700	20,900- 41,700
Tax Bracket 6................................	85,300- 106,650	42,100- 84,200	41,700- 83,350	41,700- 83,350
Tax Bracket 7................................	106,650- 213,350	84,200- 105,300	83,350- 104,250	83,350- 104,250
Tax Bracket 8................................	213,350 & above	105,300- 210,600	104,250- 208,500	104,250- 208,500
Tax Bracket 9................................	(C)	210,600 & above	208,500 & above	208,500 & above

Source:
Ohio Department of Taxation

Note:

(A) - O.R.C. 5747.02 (A) directs that the Tax Commission will adjust the income brackets for inflation.

(B) - Calendar year 2017 is most recent year for which data available.

(C) - Calendar year 2017 had only eight tax brackets.

2013	2012	2011	2010	2009	2008
0.537%	0.587%	0.587%	0.618%	0.618%	0.618%
1.074%	1.174%	1.174%	1.236%	1.236%	1.236%
2.148%	2.348%	2.348%	2.473%	2.473%	2.473%
2.686%	2.935%	2.935%	3.091%	3.091%	3.091%
3.222%	3.521%	3.521%	3.708%	3.708%	3.708%
3.760%	4.109%	4.109%	4.327%	4.327%	4.327%
4.296%	4.695%	4.695%	4.945%	4.945%	4.945%
4.988%	5.451%	5.451%	5.741%	5.741%	5.741%
5.421%	5.925%	5.925%	6.240%	6.240%	6.240%

2013	2012	2011	2010	2009-2008
$0- $5,200	$0- $5,200	$0- $5,100	$0- $5,050	$0 - $5,000
5,200- 10,400	5,200- 10,400	5,101- 10,200	5,050- 10,100	5,001 - 10,000
10,400- 15,650	10,400- 15,650	10,201- 15,350	10,100- 15,150	10,001 - 15,000
15,650- 20,900	15,650- 20,900	15,351- 20,450	15,150- 20,200	15,001 - 20,000
20,900- 41,700	20,900- 41,700	20,451- 40,850	20,200- 40,350	20,001 - 40,000
41,700- 83,350	41,700- 83,350	40,851- 81,650	40,350- 80,700	40,001 - 80,000
83,350- 104,250	83,350- 104,250	81,651- 102,100	80,700- 100,900	80,001 - 100,000
104,250- 208,500	104,250- 208,500	102,101- 204,200	100,900- 201,800	100,001 - 200,000
208,500 & above	208,500 & above	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 2016 WITH COMPARATIVES FOR TAX YEAR 2007 (NINE YEARS PRIOR)

2016 TAX YEAR (most recent information available)

Income Level	Federal Adjusted Gross Income (in thousands)	Ohio Tax Returns Number	Ohio Tax Returns Percentage of Total Returns
$200,001 & Above	$185,701,371	220,381	4.03%
$100,001-$200,000	83,735,155	630,427	11.54%
$80,001-$100,000	35,217,112	393,841	7.21%
$40,001-$80,000	81,902,298	1,432,273	26.21%
$20,001-$40,000	37,970,135	1,286,705	23.55%
$15,001-$20,000	6,465,063	370,146	6.77%
$10,001-$15,000	4,863,521	388,471	7.11%
$5,001-$10,000	2,882,902	384,161	7.03%
$5,000 & Under	948,297	357,426	6.54%
	$439,685,854	5,463,831	100.00%

2007 TAX YEAR

Income Level	Federal Adjusted Gross Income (in thousands)	Ohio Tax Returns Number	Ohio Tax Returns Percentage of Total Returns
$200,001 & Above	$149,337,302	144,642	2.63%
$100,001-$200,000	56,802,090	433,452	7.88%
$80,001-$100,000	31,103,082	348,908	6.34%
$40,001-$80,000	80,866,143	1,418,885	25.78%
$20,001-$40,000	40,440,543	1,374,389	24.97%
$15,001-$20,000	7,281,775	416,741	7.57%
$10,001-$15,000	5,466,148	437,711	7.95%
$5,001-$10,000	3,482,907	467,370	8.49%
$5,000 & Under	1,234,072	461,073	8.38%
	$376,014,062	5,503,171	100.00%

Source:

Ohio Department of Taxation

Note:

(A) The effective tax rate is calculated by dividing Ohio income tax receipts by federal adjusted gross income.

Ohio Income Tax Liability		
Tax Receipts (in thousands)	Percentage of Total Taxes	Effective Tax Rate (A)
$2,658,964	36.14%	1.43%
2,059,569	28.00%	2.46%
748,527	10.18%	2.13%
1,464,859	19.91%	1.79%
386,120	5.25%	1.02%
27,590	0.38%	0.43%
10,597	0.14%	0.22%
210	0.00%	0.01%
93	0.00%	0.01%
$7,356,529	100.00%	1.67%

Ohio Income Tax Liability		
Tax Receipts (in thousands)	Percentage of Total Taxes	Effective Tax Rate (A)
$3,504,709	37.14%	2.35%
2,078,930	22.03%	3.66%
967,273	10.25%	3.11%
2,088,329	22.13%	2.58%
715,004	7.58%	1.77%
62,747	0.66%	0.86%
19,871	0.21%	0.36%
75	0.00%	0.00%
196	0.00%	0.02%
$9,437,134	100.00%	2.51%

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)

	2018	2017	2016	2015
Vendors' Sales..	$ 8,865,860	$ 9,370,739	$ 9,128,017	$ 8,816,637
Motor Vehicles and Watercraft................	1,461,660	1,413,448	1,363,324	1,332,239
Alcoholic Beverages................................	61,751	58,688	55,005	50,285
Delinquencies and Assessments............	64,119	65,500	90,158	60,793
Permissive Taxes:				
County Levies......................................	20,862	21,288	20,848	19,221
Transit Authorities................................	4,592	4,789	4,691	4,474
Total Sales Tax Revenue.................	$ 10,478,844	$ 10,934,452	$ 10,662,043	$ 10,283,649

Base State Sales Tax Rates...................	5.75%	5.75%	5.75%	5.75%

Source:

Ohio Department of Taxation
Ohio Office of Budget and Management

2014	2013	2012	2011	2010	2009
$ 8,132,482	$ 7,485,702	$ 7,190,870	$ 6,752,244	$ 6,349,058	$ 6,430,446
1,224,236	1,110,055	1,066,141	988,447	894,332	885,234
46,087	41,683	38,814	36,218	35,051	33,676
62,726	63,708	74,956	63,582	62,046	52,204
17,163	16,046	14,970	14,249	13,644	13,763
4,180	4,008	3,845	3,635	3,383	3,436
$ 9,486,874	$ 8,721,202	$ 8,389,596	$ 7,858,375	$ 7,357,514	$ 7,418,759
5.75%	5.75%	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

	2018	2017	2016	2015	2014
Active Employers by Type					
Private	236,591	237,249	239,331	247,829	249,602
Public (Local)	3,784	3,796	3,796	3,807	3,815
Public (State)	115	121	121	121	121
Self-Insured	1,173	1,166	1,178	1,180	1,197
Black Lung	28	28	31	34	36
Marine Fund	121	114	138	135	146
Total	241,812	242,474	244,595	253,106	254,917
Premium & Assessment Income *(dollars in thousands)*					
Premium & Assessment Income	$ 1,202,517	$ 1,574,212	$ 1,456,855	$ 1,993,706	$ 2,142,549
Provision for Uncollectibles	(39,577)	(29,662)	(17,712)	(39,532)	(56,728)
Total Premium & Assessment Income	$ 1,162,940	$ 1,544,550	$ 1,439,143	$ 1,954,174	$ 2,085,821
Average Published Rate per $100 of Payroll:					
Private Employers	$0.95	$1.10	$1.07	$1.17	$1.30
Public Employers-Taxing Districts	0.97	1.03	1.03	1.12	1.23

Sources:
Ohio Bureau of Workers' Compensation Year-End Statistics Report

2013	2012	2011	2010	2009
249,085	249,668	250,432	251,009	257,012
3,794	3,801	3,802	3,790	3,791
129	122	125	124	124
1,205	1,196	1,203	1,202	1,188
36	35	39	37	38
139	132	120	106	98
254,388	254,954	255,721	256,268	262,251
$ 1,533,153	$ 1,992,018	$ 1,983,255	$ 2,148,280	$ 2,469,550
(40,764)	(47,540)	(48,075)	(29,859)	(108,620)
$ 1,492,389	$ 1,944,478	$ 1,935,180	$ 2,118,421	$ 2,360,930
$1.43	$1.43	$1.49	$1.49	$1.55
1.24	1.31	1.38	1.46	1.76

STATE OF OHIO
LOTTERY COMMISSION ENTERPRISE FUND
TICKET SALES BY MAJOR GAME TYPE
FOR THE LAST TEN FISCAL YEARS
(dollars in millions)

	2018	2017	2016	2015	2014
Online Games:					
Pick 3	$ 340.1	$ 340.0	$ 343.0	$ 338.0	$ 339.0
Pick 4	205.1	201.0	200.3	192.8	185.8
Pick 5 (C)	40.8	38.1	36.4	33.3	27.9
Rolling Cash 5	53.0	55.5	60.3	62.6	63.4
Classic Lotto/Kicker(B)	34.4	30.9	35.8	31.0	54.1
Raffle	-	3.6	-	7.0	1.0
Kicker(B)	-	-	-	4.7	6.0
Mega Millions/Megaplier(B)	120.1	93.3	102.2	113.3	133.4
EZPLAY	113.2	120.2	115.2	99.8	84.8
Ten-OH!(C)	-	-	-	-	-
Keno	421.1	396.3	365.9	329.5	298.1
Power Ball/Power Play(A)	148.1	129.8	193.5	105.0	122.8
EZPLAY TAP(D)	31.8	30.0	31.5	24.0	-
EZPLAY Touch & Win(E)(F)	19.5	16.0	0.7	-	-
Lucky for Life(E)	20.7	19.9	14.1	-	-
The Lucky One(G)	11.6	-	-	-	-
Total Online Games	1,559.5	1,474.6	1,498.9	1,341.0	1,316.3
Instant Games	1,600.6	1,527.1	1,560.7	1,551.0	1,426.8
Total Ticket Sales	$ 3,160.1	$ 3,001.7	$ 3,059.6	$ 2,892.0	$ 2,743.1

Source:

Ohio Lottery Commission

Notes:

(A) - In fiscal year 2010, the Power Ball / Power Play was introduced.
(B) - 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.
(C) - August 2012, the Ten-Oh game was replaced by Pick 5.
(D) - In fiscal year 2015, the EZPLAY TAP game was introduced.
(E) - In fiscal year 2016, the EZPLAY QUICKENO and Lucky for Life was introduced.
(F) - In fiscal year 2018, EZPLAY QUICKENO was rebranded to EZPLAY Touch & Win.
(G) - In fiscal year 2018, the Lucky One was introduced.

2013	2012	2011	2010	2009
$ 345.2	$ 357.4	$ 364.4	$ 366.7	$ 382.5
189.8	207.9	209.0	201.3	205.9
28.0	-	-	-	-
61.5	63.8	62.4	67.1	67.2
41.5	42.3	42.7	42.8	43.9
9.1	10.0	10.0	9.1	9.3
5.1	0.9	10.3	24.1	21.4
102.8	179.3	165.0	215.8	193.0
68.0	46.5	30.9	30.4	34.3
0.8	8.3	9.2	9.7	11.0
251.5	209.8	157.9	120.6	99.8
166.6	105.3	76.4	23.6	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,269.9	1,231.5	1,138.2	1,111.2	1,068.3
1,428.0	1,507.5	1,462.8	1,379.0	1,349.4
$ 2,697.9	$ 2,739.0	$ 2,601.0	$ 2,490.2	$ 2,417.7

STATE OF OHIO
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS

(dollars in thousands)

	Governmental Activities				
As of June 30,	General Obligation Bonds	Revenue Bonds and Notes	Special Obligation Bonds	Certificates of Participation	Capital Leases
2018	$ 9,734,361	$ 6,689,337	$ 2,237,096	$ 204,620	$ 19,632
2017	9,297,641	6,394,647	2,016,991	241,627	17,361
2016	9,283,156	6,261,882	1,930,592	194,899	8,806
2015	9,149,055	6,409,774	1,906,844	231,837	2,072
2014	9,366,348	6,355,222	1,836,136	173,603	3,055
2013	8,812,499	6,486,884	1,925,252	198,266	2,294
2012	8,888,085	7,129,786	2,090,889	156,664	4,199
2011	7,872,276	7,156,025	2,260,853	179,935	6,530
2010	7,343,289	6,891,331	2,338,094	200,428	8,624
2009	7,138,051	6,646,593	2,427,556	216,537	9,929

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
$ -	$ 3,164	$ 18,888,210	3.47%	1,620
-	6,277	17,974,544	3.47%	1,548
-	10,077	17,689,412	3.50%	1,523
-	13,094	17,712,676	3.62%	1,528
-	15,357	17,749,721	3.75%	1,534
15,422	33,009	17,473,626	3.78%	1,514
31,633	45,289	18,346,545	4.21%	1,589
47,889	58,007	17,581,515	4.21%	1,524
64,200	66,757	16,912,723	4.12%	1,465
80,657	3	16,519,326	4.05%	1,438

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO

RATIOS OF GENERAL AND SPECIAL OBLIGATION BONDED DEBT OUTSTANDING FOR THE LAST TEN FISCAL YEARS

	Bonded Debt *(dollars in thousands)*				
As of June 30,	General Obligation Bonds	Special Obligation Bonds	Total Bonded Debt	Percentage of Personal Income	Per Capita Total Bonded Debt
2018	$9,734,361	$2,237,096	$11,971,457	2.20%	1,027
2017	9,297,641	2,016,991	11,314,632	2.18%	974
2016	9,283,156	1,930,592	11,213,748	2.22%	966
2015	9,149,055	1,906,844	11,055,899	2.26%	954
2014	9,366,348	1,836,136	11,202,484	2.37%	968
2013	8,812,499	1,925,252	10,737,751	2.32%	930
2012	8,888,085	2,090,889	10,978,974	2.52%	951
2011	7,872,276	2,260,853	10,133,129	2.43%	878
2010	7,343,289	2,338,094	9,681,383	2.36%	839
2009	7,138,051	2,427,556	9,565,607	2.35%	833

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.

In fiscal year 2018, the table was restated to reflect Total Bonded Debt rather than Net Bonded Debt for the ten year period. The Total Bonded Debt, Percentage of Personal Income, and Per Capita Total Bonded Debt were restated accordingly.

Debt Service Fund:

Coal Research/Development General Obligations
Local Infrastructure Improvements General Obligations
State Projects General Obligations
Highway Capital Improvements General Obligations
Higher Education Capital Facilities General Obligations
Common Schools Capital Facilities General Obligations
Conservation Projects General Obligations
Third Frontier Research/Development General Obligations
Job Ready Site Development General Obligations
Persian Golf Conflict Compensation General Obligations
Lease Rental Special Obligations*

Capital Projects Fund:

Mental Health/Developmental Disabilities Facilities Improvements
Parks and Recreation Improvements
Adult Correctional Building Improvements
Ohio Parks and Natural Resources

* 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)

	2018	2017	2016	2015	2014
Debt Service Expenditures................	$ 1,338,396	$ 1,328,277	$ 1,314,513	$ 1,278,259	$ 1,237,701
General Revenue Fund (GRF) Revenues and Transfers from the Lottery Enterprise Fund............	$ 33,642,813	$ 35,218,700	$ 34,997,700	$ 32,463,100	$ 30,137,140
Calculation of Annual 5% Debt Service Cap....................	$ 1,682,141	$ 1,760,935	$ 1,749,885	$ 1,623,155	$ 1,506,857
Amount Under the Debt Service Expenditure Cap................	$ 343,745	$ 432,658	$ 435,372	$ 344,896	$ 269,156
Ratio of Debt Service Expenditures to Total GRF Revenues and Lottery Transfers....................	3.98%	3.77%	3.76%	3.94%	4.11%

Limitations on Debt

A 1999 amendment to the Ohio Constitution provides an annual debt service "cap" on general obligation bonds and other direct obligations payable from the General Revenue Fund (GRF) or net state lottery proceeds. Generally, such bonds may not be issued if the future fiscal year debt service on the new bonds and previously issued bonds exceeds five percent of total estimated GRF revenues plus net state lottery proceeds during the fiscal year of issuance. Application of the cap may be waived in a particular instance by a three-fifths vote of each house of the General Assembly and may be changed by future constitutional amendments. Direct obligations of the State include, for example, special obligation bonds issued by the Ohio Building Authority and the Treasurer of State that are paid from GRF appropriations, but exclude bonds such as highway bonds that are paid from highway user receipts.

Source:

Ohio Office of Budget and Management

Note:

(A) Debt Service Expenditures reflect the restructuring of net debt service payments into later fiscal years.

(B) Revenues and Transfers from the Lottery enterprise Fund excludes federal funds from the American Recovery Act of 2009.

2013	2012(A)	2011(A)(B)	2010(A)(B)	2009
$ 1,204,776	$ 692,776	$ 755,023	$ 710,284	$ 1,075,938
$ 30,362,815	$ 27,956,513	$ 26,777,100	$ 24,108,466	$ 27,386,792
$ 1,518,141	$ 1,397,826	$ 1,338,855	$ 1,205,423	$ 1,369,340
$ 313,365	$ 705,050	$ 583,832	$ 495,139	$ 293,402
3.97%	2.48%	2.82%	2.95%	3.93%

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
2018	$337,774	N/A	$337,774	$44,590	$290,659	$335,249	1.01
2017	282,512	N/A	282,512	38,995	292,609	331,604	0.85
2016	299,239	N/A	299,239	35,000	294,359	329,359	0.91
2015	286,914	N/A	286,914	26,640	295,691	322,331	0.89
2014	293,573	N/A	293,573	23,995	296,892	320,887	0.91
2013	296,261	N/A	296,261	12,320	285,700	298,020	0.99
2012	295,259	N/A	295,259	20,295	274,874	295,169	1.00
2011	291,908	N/A	291,908	23,760	275,967	299,727	0.97
2010	305,096	N/A	305,096	28,695	277,323	306,018	1.00
2009	374,674	N/A	374,674	98,585	282,012	380,597	0.98

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
2018	$149,213	N/A	$149,213	$117,555	$34,154	$151,709	0.98
2017	151,170	N/A	151,170	124,280	38,571	162,851	0.93
2016	176,933	N/A	176,933	144,405	35,414	179,819	0.98
2015	170,368	N/A	170,368	200,801	38,699	239,500	0.71
2014	167,653	N/A	167,653	136,415	41,511	177,926	0.94
2013	160,339	N/A	160,339	123,685	44,357	168,042	0.95
2012	152,561	N/A	152,561	123,235	50,338	173,573	0.88
2011	147,045	N/A	147,045	114,095	40,395	154,490	0.95
2010	145,094	N/A	145,094	111,080	36,632	147,712	0.98
2009	150,609	N/A	150,609	123,240	34,716	157,956	0.95

(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

	Liquor Control Enterprise Fund			Debt Service Requirements			
Fiscal Year	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

Bureau of Workers' Compensation Revenue Bonds
Issuer: Ohio Building Authority

	Workers' Compensation Enterprise Fund			Debt Service Requirements			
Fiscal Year	Gross Revenues (E)	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2014 (F)	$5,107,570	$2,408,977	$2,698,593	$15,200	$751	$15,951	169.18
2013 (G)	2,404,966	3,419,204	(1,014,238)	15,915	1,543	17,458	N/A
2012	4,002,237	1,934,524	2,067,713	15,890	2,326	18,216	113.51
2011	4,314,528	2,343,117	1,971,411	15,865	3,110	18,975	103.90
2010 (H)	4,183,060	2,849,661	1,333,399	15,930	3,866	19,796	67.36
2009	2,183,392	2,145,947	37,445	16,005	4,596	20,601	1.82

Source:

Ohio Office of Budget and Management

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 Bureau of Workers' Compensation Revenue Bonds were made during fiscal year 2014.

(G) During fiscal year 2013, the Bureau of Workers' Compensation (BWC) adjusted its premium rates and recorded a premium rebate.

(H) Investment income for fiscal year 2010 increased by approximately $2 billion as a result of the implementation of a strategy to diversify fixed and equity investments, a comprehensive update to BWC's investment policy, and the selection of investment managers to execute its passive investment strategy.

STATE OF OHIO
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS

	Population (in thousands)				Per Capita Personal Income		
Calendar Year	U.S.	Change from Prior Period	Ohio	Change from Prior Period	U.S.	Ohio	Ohio as a Percentage of U.S.
2017	325,719	2,591	11,659	45	$51,640	$46,732	90.5%
2016	323,128	1,709	11,614	1	$49,246	$44,593	90.6%
2015	321,419	2,562	11,613	19	48,112	43,566	90.6%
2014	318,857	2,728	11,594	23	46,049	42,236	91.7%
2013	316,129	2,215	11,571	27	44,543	40,865	91.7%
2012	313,914	2,322	11,544	(1)	42,693	40,057	93.8%
2011	311,592	2,242	11,545	9	41,663	37,791	90.7%
2010	309,350	2,343	11,536	(7)	39,945	36,180	90.6%
2009	307,007	2,947	11,543	57	39,138	35,381	90.4%
2008	304,060	2,439	11,486	19	39,751	35,511	89.3%

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)*			
Ohioans Employed	Ohio's Unemployment Rate	Public School Enrollment in Ohio (in thousands)	Motor Vehicles Registered in Ohio (in thousands)
6,995	5.0%	1,791	13,127
6,958	4.9%	1,790	13,157
6,886	4.9%	1,784	13,039
6,753	5.7%	1,799	11,443
6,663	7.4%	1,845	11,998
6,617	7.2%	1,850	11,840
6,521	8.6%	1,860	11,788
6,454	10.1%	1,872	12,027
6,469	10.2%	1,893	11,792
6,819	6.6%	1,882	11,945

[THIS PAGE LEFT BLANK INTENTIONALLY]

STATE OF OHIO
PRINCIPAL EMPLOYERS
FOR CALENDAR YEARS 2017 AND 2008

	2017			2008		
Employer	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
United States Government	78,517	1	1.12%	78,070	1	1.16%
Wal-Mart	50,500	2	0.72%	54,200	3	0.81%
Cleveland Clinic	49,050	3	0.70%	37,800	5	0.56%
State of Ohio	48,769	4	0.70%	57,273	2	0.85%
Kroger Company	43,850	5	0.63%	38,000	4	0.57%
The Ohio State University	32,100	6	0.46%	26,800	7	0.40%
Mercy Health	32,035	7	0.46%			0.00%
University Hospitals Health System	26,000	8	0.37%	21,800	8	0.32%
OhioHealth	22,340	9	0.32%			0.00%
JP Morgan Chase & Co	21,000	10	0.30%	17,500	9	0.26%
Catholic Healthcare Partners				28,200	6	0.42%
Giant Eagle				17,000	10	0.25%

Sources:
U.S. Department of Commerce, Bureau of Economic Analysis
Ohio Development Services Agency, Office of Strategic Research
State of Ohio Comprehensive Annual Report for Fiscal Year 2017 and 2008

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	2018	2017	2016	2015
Primary, Secondary and Other Education	982	997	1,014	950
Higher Education Support	68	69	72	71
Public Assistance and Medicaid	2,209	2,229	2,202	2,259
Health and Human Services	8,195	8,273	8,303	8,128
Justice and Public Protection	20,189	20,285	20,194	20,114
Environmental Protection and Natural Resources	2,630	2,662	2,606	2,651
Transportation	4,874	4,917	4,873	4,884
General Government	4,635	4,705	4,705	4,739
Community and Economic Development	861	990	870	853
Workers' Compensation	1,721	1,744	1,778	1,784
Lottery Commission	375	378	378	376
Unemployment Compensation	636	703	744	786
Other	821	817	818	805
Total	48,196	48,769	48,557	48,400

Source:
Ohio Department of Administrative Services
Ohio Department of Job and Family Services

Number of Employees					
2014	2013	2012	2011	2010	2009
971	971	970	1,034	1,045	1,122
73	70	70	77	76	92
2,638	2,621	2,769	2,811	2,880	2,772
8,290	8,301	8,604	9,018	9,401	9,671
19,827	19,974	20,196	21,477	21,906	22,465
2,700	2,712	2,745	2,796	2,900	3,004
4,913	4,964	5,218	5,507	5,562	5,549
4,826	4,839	4,984	5,183	5,305	5,214
870	860	820	852	902	924
1,842	1,847	1,882	2,019	2,231	2,335
355	335	326	330	353	346
524	587	611	599	622	554
806	799	818	896	922	959
48,635	48,880	50,013	52,599	54,105	55,007

STATE OF OHIO
OPERATING INDICATORS BY FUNCTION/PROGRAM
FOR THE LAST TEN FISCAL YEARS

Function/Program	2018	2017	2016	2015	2014
Primary, Secondary and Other Education					
Ohio Department of Education:					
Fall Student Enrollment (Public Schools)	1,791,218	1,790,089	1,784,397	1,799,107	1,845,441
Public School Districts (A)	610	610	611	612	612
Community School Districts (A)	340	362	372	382	393
Vocational School Districts	49	49	49	49	49
High School Graduation Rate (by School year)	(B)	84.1%	83.5%	83.0%	82.2%
Higher Education Support					
Ohio Department of Higher Education (K):					
Student Enrollment at State-Assisted Institutions	490,243	491,402	492,555	498,276	510,794
State-Assisted Institutions	37	37	37	37	37
Ohio Instructional Grant Recipients (C)(D)	—	—	—	—	—
Ohio College Opportunity Grant Recipients	69,454	68,495	76,171	80,344	86,435
Student Choice Grant Program Recipients (D)	—	—	—	—	—
Public Assistance and Medicaid					
Ohio Department of Job and Family Services:					
Individuals with Medicaid Coverage (I)(L)	—	—	—	—	—
Individuals Receiving Cash Assistance (OWF)	101,602	103,900	108,262	114,913	124,033
Individuals on Medicaid Waiver (I)(L)	—	—	—	—	—
Ohio Department of Medicaid:					
Individuals with Medicaid Coverage (I)	3,007,745	3,083,568	3,024,213	2,960,279	2,509,360
Individuals on Medicaid Waiver (I)	5,819	5,503	5,630	6,896	10,715
Ohio Department of Aging:					
Individuals on PASSPORT Waiver (L)	25,083	23,111	23,106	21,492	38,771
Ohio Department of Developmental Disabilities:					
Individuals on DDD Waiver	39,627	38,487	36,627	35,119	34,411
Health and Human Services					
Ohio Department of Aging:					
Clients Served-PASSPORT (J)	28,215	28,048	28,064	27,513	43,593
Clients Served-Congregate Meals (G)	45,085	45,435	46,473	47,225	47,384
Clients Served-Home Delivered Meals	39,546	38,781	38,130	37,441	35,298
Clients Served-Transportation Provided	18,968	19,691	20,818	20,058	20,095
Ohio Department of Health:					
Average Monthly Caseload-Women, Infants, & Children	212,420	224,816	237,987	246,142	252,253
Ohio Department of Mental Health & Addiction Services:					
Clients Served (Addiction Services) (H)	139,464	154,870	112,777	97,673	94,685
Facilities' Admissions	5,948	6,542	6,933	7,282	7,761
Facilities' Average Daily Residence Population	1,068	1,050	1,028	1,027	1,021
Individuals Served-Community Facilities(F)	535,022	415,639	417,963	—	—
Ohio Department of Developmental Disabilities:					
Individuals Served-Community Facilities(F)	92,980	93,892	94,056	514,579	546,041
Facilities' Average Daily Residence Population	661	701	806	926	942
Justice and Public Protection					
Ohio Department of Public Safety:					
Crashes Investigated	66,485	65,726	66,027	68,967	70,170
Total Arrests	634,084	578,579	642,268	606,888	603,094
Ohio Department of Rehabilitation and Correction:					
Inmate Population	49,379	50,174	51,001	50,407	50,420
Environmental Protection and Natural Resources					
Ohio Department of Natural Resources:					
Licenses and Registrations (E)	2,299,572	2,308,438	2,346,769	2,345,788	2,426,968

2013	2012	2011	2010	2009
1,850,281	1,859,821	1,872,370	1,895,768	1,881,631
612	612	612	612	612
369	341	295	310	318
49	49	49	49	49
82.2%	81.3%	79.7%	84.3%	83.0%
521,368	539,058	543,468	522,913	478,376
37	37	37	37	37
—	—	—	—	51,138
94,479	98,751	78,334	66,779	77,481
—	—	—	—	58,562
2,382,381	2,213,104	2,151,760	2,035,693	1,878,345
140,368	181,934	224,647	227,657	187,878
10,941	13,410	13,146	12,897	12,102
—	—	—	—	—
—	—	—	—	—
38,379	42,060	41,443	38,185	36,273
29,066	28,077	26,416	24,023	21,429
42,521	42,060	41,443	38,188	36,273
48,541	50,347	63,453	60,264	67,653
35,960	36,056	39,037	44,735	47,036
20,273	21,702	20,144	27,413	29,665
267,011	277,379	283,997	301,587	301,684
104,058	99,605	103,763	107,547	109,069
7,089	6,756	5,753	5,756	6,084
1,013	1,008	977	989	1,011
—	—	—	—	—
466,634	451,907	446,939	429,132	412,341
1,000	1,184	1,228	1,335	1,462
63,599	64,519	69,113	68,222	68,861
576,700	554,794	508,418	497,915	556,635
50,153	49,774	50,561	50,807	50,919
2,387,225	2,506,036	2,434,183	2,520,192	2,592,488

(continued)

STATE OF OHIO

OPERATING INDICATORS BY FUNCTION/PROGRAM
FOR THE LAST TEN FISCAL YEARS

(continued)

Function/Program	2018	2017	2016	2015	2014
Transportation					
Ohio Department of Transportation:					
Pavement Resurfacing (in miles):					
Two-Lane	3,103	4,029	3,347	2,843	2,362
Four-Lane	1,236	1,112	1,018	1,048	892
Interstate	980	1,145	1,147	680	1,024
Workers' Compensation					
Ohio Bureau of Workers' Compensation:					
Claims Filed	97,185	97,931	99,082	104,997	108,549
Open Claims	672,188	704,756	752,312	791,638	858,773
Lottery					
Ohio Lottery Commission:					
Prize Awards Paid (in billions)	$ 2.00	$ 1.91	$ 1.93	$ 1.88	$ 1.70
Bonuses and Commissions Paid (in millions)	$ 206.1	$ 185.7	$ 188.6	$ 179.2	$ 169.9
Transfers to					
Lottery Profits Education Fund (in millions)	$ 794.7	$ 739.4	$ 784.1	$ 990.0	$ 904.3
Unemployment Compensation					
Ohio Department of Job and Family Services:					
Initial Claims	384,578	414,766	440,484	472,813	548,361
Continuing Claims	3,009,916	3,250,737	3,400,000	3,647,400	4,492,364

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.
(L) Average total.

2013	2012	2011	2010	2009
2,296	2,683	2,237	3,551	2,673
624	1,098	942	1,220	1,076
1,589	1,417	703	897	921
108,090	112,613	116,378	116,042	132,549
958,625	1,070,056	1,129,873	1,221,302	1,321,214
$ 1.67	$ 1.68	$ 1.60	$ 1.51	$ 1.50
$ 166.9	$ 172.0	$ 161.3	$ 153.4	$ 150.1
$ 803.1	$ 771.0	$ 738.8	$ 728.6	$ 702.3
629,525	635,733	717,775	877,640	1,184,136
4,942,305	5,388,767	6,784,230	9,682,672	10,168,422

STATE OF OHIO
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
FOR THE LAST TEN FISCAL YEARS

Function/Program	2018	2017	2016	2015	2014
Primary, Secondary and Other Education					
Historical Sites Owned by the State	38	33	32	33	34
Historical Sites Jointly Owned by the State and the Ohio Historical Society	9	12	12	11	9
Health and Human Services					
Developmental Disabilities Institutions	10	10	10	10	10
Mental Health Institutions	6	6	6	6	6
Justice and Public Protection					
Rehabilitation and Correction Institutions	25	25	25	25	25
Youth Services Institutions	3	3	3	3	3
State Highway Patrol Structures	75	75	75	75	76
Number of Readiness Centers (B)	48	48	48	49	48
Environmental Protection and Natural Resources					
Number of State Parks	74	74	74	74	74
Area of State Parks, Natural & Wildlife Lands (in acres)	342,795	333,727	333,525	333,196	332,903
Area of State Forest Lands (in acres)	200,183	200,185	199,344	204,247	204,054
Transportation					
Buildings	805	819	809	818	828
Number of Rest Stops	88	89	91	96	96
Licensed Vehicles	4,987	4,265	4,247	4,029	4,428
Infrastructure Assets(A):					
Pavement (in lane-miles):					
Priority Subsystem	13,849	13,720	13,748	13,737	13,650
General Subsystem	29,487	29,473	29,470	29,461	29,512
Bridges:					
Number of Bridges	14,305	14,276	14,266	14,229	14,236
Deck Area (in thousand square feet)	107,372	107,489	106,580	106,206	106,474
General Government					
State Office Buildings (C)	10	5	5	5	5
Community and Economic Development					
Permanent Agricultural Easement Land (in acres)	71,420	65,860	62,942	56,761	54,214

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:

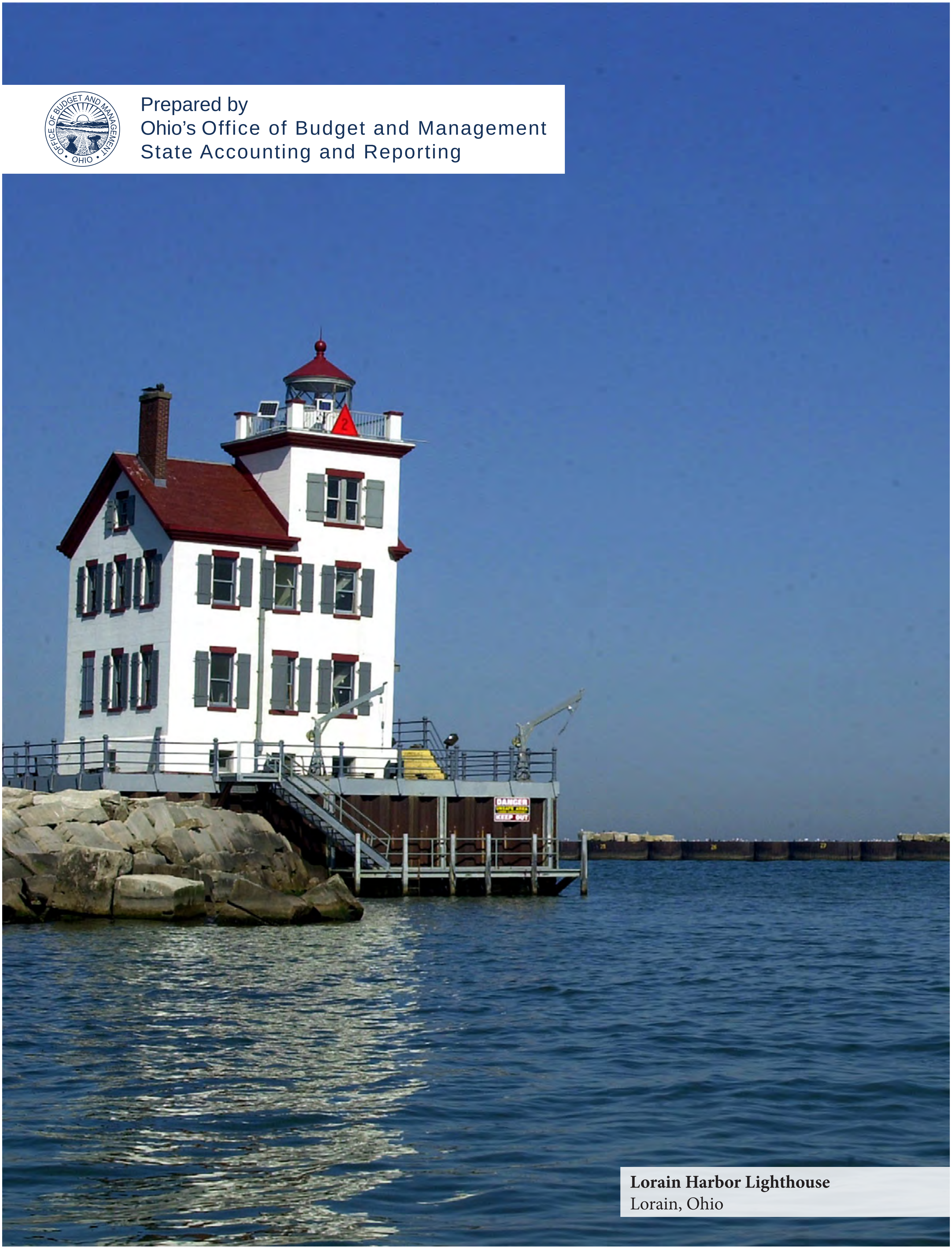
(A) The Priority Subsystem includes the interstate highways, freeways, and multi-lane portions of the National Highway System. The General Subsystem consists of two-lane routes outside of cities.

(B) Three buildings were previously classified as armories/readiness centers. In 2013 changes in federal regulation have changed the classifications of the three buildings.

(C) Prior to fiscal year 2018, State Office Buildings consisted of state owned office towers. Starting in fiscal year 2018, State Office Building includes state owned office towers and buildings.

2013	2012	2011	2010	2009
35	35	35	35	35
8	8	8	8	8
10	10	10	10	10
6	6	9	9	9
26	26	29	29	30
4	4	4	5	6
76	77	81	79	79
51	50	50	50	52
74	74	74	74	74
332,754	332,106	327,906	324,421	323,835
203,736	203,078	191,155	191,143	191,144
830	830	825	830	827
96	116	109	110	116
4,475	4,604	4,530	4,524	4,482
13,499	13,109	13,059	12,932	12,826
29,591	29,918	29,932	29,959	29,991
14,223	14,182	14,234	14,253	14,230
105,690	105,309	105,721	105,413	104,852
5	5	5	5	5
52,452	47,424	40,726	36,124	31,694

Prepared by
Ohio's Office of Budget and Management
State Accounting and Reporting



Lorain Harbor Lighthouse
Lorain, Ohio

OHIO AUDITOR OF STATE
KEITH FABER

STATE OF OHIO

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 7, 2019