OFFICE OF LOAN ADMINISTRATION

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2020

OHIO AUDITOR OF STATE
KEITH FABER

OFFICE OF LOAN ADMINISTRATION

FOR THE YEAR ENDED JUNE 30, 2020

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Office of Loan Administration
77 S. High Street, 29th Floor
Columbus, OH 43215

To the Office of Loan Administration:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Office of Loan Administration (the Office), an office within a department of the State of Ohio, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Office'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 the accounting principles generally accepted in the United States of America; this includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Office'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 Office'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Office of Loan Administration, State of Ohio, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

Presentation

As discussed in Note 1, the financial statements of the Office present only the financial position and changes in financial position, thereof of the State of Ohio attributable to the Office of Loan Administration. They do not present the financial position of the State of Ohio as of June 30, 2020, or the changes in financial position of the State of Ohio for the year then ended in accordance with the accounting principles generally accepted in the United States of America. Our opinion is not modified regarding this matter.

Subsequent Events

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent events of the Office. 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 M*anagement's discussion and analysis, Schedule of Proportionate Share of Net Pension Liability, Schedule of Proportionate Share of Net OPEB Liability*, and *Schedule of 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 Information

Our audit was conducted to opine on the Office's basic financial statements taken as a whole.

The financial section's combining statements present additional analysis and are not a required part of the basic financial statements.

The statements 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020, on our consideration of the Office of Loan Administration'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 Office's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

October 1, 2020

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OFFICE OF LOAN ADMINISTRATION
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended June 30, 2020
(Unaudited)

As management of the Office of Loan Administration (OLA) we are providing this overview of OLA's financial activities for the fiscal year ended June 30, 2020. Please read this overview in conjunction with the OLA's basic financial statements, which follow.

OLA, formerly Office of Financial Incentives, was created as part of the Ohio Development Services Agency (ODSA), formerly the Department of Development, on July 14, 1983, by action of the State of Ohio Legislature. OLA administers the 166 Direct Loan, Loan Guarantee, and Ohio Enterprise Bond Fund programs of the ODSA under Chapter 122 and 166 of the Ohio Revised Code, as well as the Urban Redevelopment, Rural Industrial, Rural Development Initiative, Research and Development, Innovation Ohio, and Logistics and Distribution Infrastructure loan and grant programs.

The 166 Direct Loan program provides direct loans for businesses locating or expanding in Ohio that demonstrate they will create or retain new jobs for Ohio citizens. The Ohio Enterprise Bond Fund program (OEBF) provides one-stop project financing for qualifying commercial, industrial, and manufacturing businesses in the State of Ohio. OEBF project amounts may range from $2 million to $10 million for up to 90% of the eligible project cost. The OEBF has achieved an investment grade rating of "AA+" by Standard & Poors (S&P). As a result, ODSA can issue, on behalf of all borrowers, investment grade economic development revenue bonds. The OEBF allows large and small creditworthy, but unrated, businesses access to national capital markets which they otherwise may not be able to independently enter.

OLA is included within the State of Ohio's Comprehensive Annual Financial Report as part of the primary government. OLA uses a special revenue fund to report its financial position and results of operations. These financial statements present all activities for which OLA is financially responsible.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2020 are as follows:

- The assets and deferred outflows of resources of the OLA exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately $683.5 million (net position).
- The OLA's total net position increased by approximately $5.7 million during the fiscal year.
- As of the close of the current fiscal year, the OLA's governmental funds reported combined ending fund balances of approximately $684.4 million, an increase of approximately $5.3 million in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to OLA's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the OLA's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the OLA's assets and deferred outflows of resources and all liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of OLA is improving or deteriorating.

The statement of activities presents information showing how OLA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash inflows or outflows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements

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. The OLA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. All of the OLA's funds are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The OLA maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Operating Fund, Facilities Establishment Fund, Regional Agency Fund, Innovation Ohio Fund, and Research and Development Fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The fund financial statements can be found on pages 14-20 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

In addition, GASB Statement No. 54, Fund Balance Reporting, became effective for years beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 1.M. for further discussion of the effect of this pronouncement.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning OLA's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found on pages 48-51 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. These combining statements can be found on pages 54-55 of this report.

FINANCIAL ANALYSIS OF THE OFFICE OF LOAN ADMINISTRATION

Government-wide Financial Analysis

The following is a summary of OLA's net position as of June 30, 2020 compared to June 30, 2019.

Net Position at June 30

	2020	2019	% Change
Assets			
Current and Other Non Current Assets	$ 747,432,267	$ 811,727,816	-7.9%
Capital Assets, Net	231,524	231,524	0.0%
Total Assets	747,663,791	811,959,340	-7.9%
Deferred Outflows of Resources	333,819	167,676	99.1%
Liabilities			
Current Liabilities	62,970,276	132,567,379	-52.5%
Long-term Liabilities	1,045,759	972,408	7.5%
Total Liabilities	64,016,035	133,539,787	-52.1%
Deferred Inflows of Resources	443,216	770,129	-42.4%
Net Position			
Net Investment in Capital Assets	231,524	231,524	0.0%
Restricted for Community and Economic Development	10,384,615	10,376,931	0.1%
Unrestricted	672,922,220	667,208,645	0.9%
Total Net Position	$ 683,538,359	$ 677,817,100	0.8%

Current and Other Non Current Assets decreased approximately $64.3 million in comparison with the prior fiscal year. This decrease primarily represents a $69.4 million decrease in Allocated Collateral on Lent Securities and a $24.2 million decrease in Loans Receivable offset by a $31.4 million increase in Cash Equity with Treasurer and Cash and Cash Equivalents.

Current Liabilities decreased $69.6 million in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in accounts payable and a $69.4 million decrease in Allocated Obligations Under Securities Lending.

OLA's entire restricted net position balance represents unspent bond proceeds related to the Ohio Enterprise Bond Fund Program and the Logistics and Distribution Infrastructure Grants Program.

FINANCIAL ANALYSIS OF THE OFFICE OF LOAN ADMINISTRATION (CONTINUED)

The following is a summary of OLA's Statement of Activities for the year ending June 30, 2020 compared to the year ending June 30, 2019.

Statement of Activity for the year ending June 30

	2020	2019	% Change
Revenues			
Program Revenues:			
Community and Economic Development	$ 4,392,319	$ 5,220,707	-15.9%
General Revenues			
Investment Income	9,307,199	9,526,785	-2.3%
Miscellaneous Revenues	30,505	13,150	132.0%
Total General Revenues	9,337,704	9,539,935	-2.1%
Program Expenses			
Community and Economic Development	(2,991,236)	153,206	-2052.4%
Transfers to Other Offices	(11,000,000)	(75,000,000)	85.3%
Change in Net Position	5,721,259	(60,392,564)	-109.5%
Net Position at Beginning of Year	677,817,100	738,209,664	
Net Position at End of Year	$ 683,538,359	$ 677,817,100	

Program revenues consist of loan fees and interest income. In fiscal year 2020, program revenues decreased, primarily as a result of a decrease in loan interest income due to declining loan balances and loan payment deferrals.

Program expenses decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a significant decrease in bad debt expense ($3.8 million) offset by significant increases in personnel expense ($349,322) and operating expense ($123,354). The negative bad debt expense in fiscal year 2020 is the result of a decrease in the allowance for doubtful accounts of approximately $8.8 million. Of this decrease, $10.4 million and $2.0 million are related to decreases in 166 loans and specific loan allowances, respectively, offset by increases of $1.0 million in Innovation Ohio Loans.

FINANCIAL ANALYSIS OF THE OFFICE OF LOAN ADMINISTRATION (CONTINUED)

Financial Analysis of the Government's Funds

The following is a summary of OLA's fund balances as of June 30, 2020 compared to June 30, 2019.

Fund Balance at June 30

	2020	2019	% Change
Operating Fund	$ 2,968,263	$ 4,432,982	-33.0%
Facilities Establishment Fund	481,938,079	477,452,725	0.9%
Regional Agency Fund	67,827,030	67,185,155	1.0%
Ohio Innovation Fund	56,332,326	54,949,474	2.5%
Research and Development Fund	74,027,962	73,777,224	0.3%
Nonmajor Governmental Funds	1,318,428	1,295,395	1.8%
Total Fund Balance	$ 684,412,088	$ 679,092,955	0.8%

The Operating Fund fund balance decreased significantly during fiscal year 2020. This decrease represents the amount in which personnel and operating expenditures, totaling $1.6 million exceeded fee revenue of $149,750.

The Facilities Establishment Fund fund balance increased by $4.5 million during the fiscal year. The key components of this increase are program revenues of $8.5 million and an increase in specific loan allowances, as estimated by program management, of $7.3 million, offset by transfers to other offices totaling $11 million.

The increases in the Ohio Innovation Fund and Research and Development Fund are primarily the result of fee revenue, loan interest income, and investment income offset by specific loan allowances, as estimated by program management.

BUDGET VARIANCES IN THE GENERAL FUND

Since OLA operates using only special revenue funds, an analysis of variations between original and final budget amounts for the General Fund has not been presented.

CAPITAL ASSETS

OLA has $231,524 invested in net capital assets as of June 30, 2020. There were no acquisitions or dispositions during the fiscal year.

CONTACTING THE OFFICE OF LOAN ADMINISTRATION MANAGEMENT

This financial report is designed to provide an overview of OLA's finances and its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sharon Anthony, Senior Servicing Officer, Finance and Internal Services Division, Ohio Development Services Agency, Office of Loan Administration, 77 South High Street, 28th Floor, Columbus, Ohio 43216-1001.

BASIC FINANCIAL STATEMENTS

OFFICE OF LOAN ADMINISTRATION
STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities
Assets	
Cash Equity with Treasurer	$ 438,053,070
Cash and Cash Equivalents	56,327,086
Investments	8,412,334
Allocated Collateral on Lent Securities	62,796,252
Loans Receivable, Net	179,972,320
Other Assets	61,206
Due from Other Offices	1,804,405
Capital Assets, Net	231,524
Net Pension Asset	5,594
Total Assets	**747,663,791**
Deferred Outflows of Resources	
Pension	192,675
OPEB	141,144
Total Deferred Outflows of Resources	**333,819**
Liabilities	
Accrued Liabilities	55,587
Allocated Obligations Under Securities Lending	62,796,252
Due to Other Offices	118,437
Long Term Liabilities:	
Due in One Year	31,577
Due in More Than One Year:	
Net Pension Liability	565,514
Net OPEB Liability	426,878
Other Amounts Due in More Than One Year	21,790
Total Liabilities	**64,016,035**
Deferred Inflows of Resources	
Pension	265,690
OPEB	177,526
Total Deferred Inflows of Resources	**443,216**
Net Position	
Net Investment in Capital Assets	231,524
Restricted for Community and Economic Development	10,384,615
Unrestricted	672,922,220
Total Net Position	**$ 683,538,359**

The notes to the financial statements are an integral part of this statement.

OFFICE OF LOAN ADMINISTRATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Position Primary Government Governmental Activities
Primary Government			
Governmental Activities			
Community and Economic Development	$ (2,991,236)	$ 4,392,319	$ 7,383,555
Total Governmental Activities	**(2,991,236)**	**4,392,319**	**7,383,555**
Total Primary Government	**$ (2,991,236)**	**$ 4,392,319**	**$ 7,383,555**

General Revenues:	
Investment Income	9,307,199
Miscellaneous Revenue	30,505
Total General Revenues	**9,337,704**
Transfers to Other Offices	**(11,000,000)**
Change in Net Position	**5,721,259**
Net Position, Beginning of Year	**677,817,100**
Net Position, End of Year	**$ 683,538,359**

The notes to the financial statements are an integral part of this statement.

OFFICE OF LOAN ADMINISTRATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	Operating Fund	Facilities Establishment Fund	Regional Agency Fund
ASSETS:			
Cash Equity with Treasurer	$ 3,023,850	$ 330,747,006	$ -
Cash and Cash Equivalents	-	11,940,641	43,452,632
Investments	-	8,412,334	-
Allocated Collateral on Lent Securities	433,478	47,413,598	-
Loans Receivable, Net	-	128,352,514	24,400,207
Other Assets	-	61,206	-
Due From Other Funds	-	1,874,193	103,217
Due From Other Offices	-	698,684	-
TOTAL ASSETS	$ 3,457,328	$ 529,500,176	$ 67,956,056
LIABILITIES:			
Accrued Liabilities	$ 55,587	$ -	$ -
Allocated Obligations Under Securities Lending	433,478	47,413,598	-
Due To Other Funds	-	104,092	124,351
Due To Other Offices	-	98	4,675
TOTAL LIABILITIES	489,065	47,517,788	129,026
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	44,309	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	44,309	-
FUND BALANCES:			
Restricted for Community and Economic Development	-	10,000,000	-
Committed	-	471,938,079	67,827,030
Assigned	2,968,263	-	-
TOTAL FUND BALANCES	2,968,263	481,938,079	67,827,030
TOTAL LIABILTIES AND FUND BALANCES	$ 3,457,328	$ 529,500,176	$ 67,956,056

The notes to the financial statements are an intergral part of this statement.

Innovation Ohio Fund	Research and Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 49,810,240	$ 54,087,359	$ 384,615	$ 438,053,070
-	-	933,813	56,327,086
-	-	-	8,412,334
7,140,451	7,753,589	55,136	62,796,252
7,418,660	19,800,939	-	179,972,320
-	-	-	61,206
875	-	-	1,978,285
955,137	150,584	-	1,804,405
$ 65,325,363	$ 81,792,471	$ 1,373,564	$ 749,404,958
$ -	$ -	$ -	$ 55,587
7,140,451	7,753,589	55,136	62,796,252
1,738,922	10,920	-	1,978,285
113,664	-	-	118,437
8,993,037	7,764,509	55,136	64,948,561
-	-	-	44,309
-	-	-	44,309
-	-	384,615	10,384,615
56,332,326	74,027,962	933,813	671,059,210
-	-	-	2,968,263
56,332,326	74,027,962	1,318,428	684,412,088
$ 65,325,363	$ 81,792,471	$ 1,373,564	$ 749,404,958

The notes to the financial statements are an intergral part of this statement.

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OFFICE OF LOAN ADMINISTRATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total Fund Balances for Governmental Funds	**$**	**684,412,088**
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		231,524
Some of the Office's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are reported as deferred in the funds.		44,309
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension		192,675
Deferred Inflows - Pension		(265,690)
Net Pension Asset		5,594
Net Pension Liability		(565,514)
Deferred Outflows - OPEB		141,144
Deferred Inflows - OPEB		(177,526)
Net OPEB Liability		(426,878)
Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated Absences		(53,367)
Total Net Position of Governmental Activities	**$**	**683,538,359**

The notes to the financial statements are an integral part of this statement.

OFFICE OF LOAN ADMINISTRATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020

	Operating Fund	Facilities Establishment Fund	Regional Agency Fund
REVENUES:			
Fee Revenue	$ 149,750	$ 353,434	$ 22,006
Loan Interest Income	-	1,254,334	745,106
Investment Income	-	6,875,005	448,034
Miscellaneous	-	17,505	-
TOTAL REVENUES	149,750	8,500,278	1,215,146
EXPENDITURES:			
Personnel	810,025	-	-
Operating	804,444	165,140	601,331
OEBF Loan Payments	-	136,960	-
Bad Debts	-	(7,287,176)	(28,060)
TOTAL EXPENDITURES	1,614,469	(6,985,076)	573,271
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,464,719)	15,485,354	641,875
OTHER FINANCING SOURCES (USES):			
Transfers to Other Offices	-	(11,000,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(11,000,000)	-
NET CHANGE IN FUND BALANCES	(1,464,719)	4,485,354	641,875
FUND BALANCES, JULY 1	4,432,982	477,452,725	67,185,155
FUND BALANCES, JUNE 30	$ 2,968,263	$ 481,938,079	$ 67,827,030

The notes to the financial statements are an integral part of this statement.

Innovation Ohio Fund	Research and Development Fund	Nonmajor Governmental Funds	Total
$ 562,345	$ 58,199	$ -	$ 1,145,734
905,276	341,869	-	3,246,585
973,306	1,009,285	23,033	9,328,663
13,000	-	-	30,505
2,453,927	1,409,353	23,033	13,751,487
-	-	-	810,025
28,313	-	-	1,599,228
-	-	-	136,960
1,042,762	1,158,615	-	(5,113,859)
1,071,075	1,158,615	-	(2,567,646)
1,382,852	250,738	23,033	16,319,133
-	-	-	(11,000,000)
-	-	-	(11,000,000)
1,382,852	250,738	23,033	5,319,133
54,949,474	73,777,224	1,295,395	679,092,955
$ 56,332,326	$ 74,027,962	$ 1,318,428	$ 684,412,088

The notes to the financial statements are an integral part of this statement.

OFFICE OF LOAN ADMINISTRATION
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	**$ 5,319,133**
The change in net position reported for governmental activities in the Statement of Activities is different because:	
Some of the Office's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.	
Accrued Interest Receivable	(21,464)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	36,364
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset and net pension liability are reported as pension expense in the statement of activities.	162,768
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.	111,922
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Change in Compensated Absences	(24,424)
Change in Ohio Enterprise Bond Fund Liability	136,960
Change in Net Position of Governmental Activities	**$ 5,721,259**

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Office of Loan Administration (OLA), as of June 30, 2020, and for the year then ended, conform with accounting principles generally accepted in the United States of America as applied to governments. The OLA is considered a single purpose governmental entity established to promote Community and Economic Development. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's *Codification of Governmental Accounting and Financial Reporting Standards* documents these principles. OLA's significant accounting policies are as follows:

A. Reporting Entity

The Office of Loan Administration, formerly the Office of Financial Incentives, was created as part of the Ohio Development Services Agency (ODSA), formerly the Department of Development, on July 14, 1983, by action of the State of Ohio Legislature. OLA administers the 166 Direct Loan, Loan Guarantee, and Ohio Enterprise Bond Fund (OEBF) programs of the ODSA under Chapter 122 and 166 of the Ohio Revised Code, as well as the Urban Redevelopment, Rural Industrial, Rural Development Initiative, Family Farm, Research and Development, Innovation Ohio, and Logistics and Distribution Infrastructure loan and grant programs. These programs loan money to qualified businesses throughout the state for the purpose of stimulating jobs and business within the state. The financial statements present only the financial position and results of operations of the transactions attributable to OLA, which is a part of the primary reporting entity of the State of Ohio, and they are not intended to present the financial position or the results of operations of the ODSA taken as a whole. The Comprehensive Annual Financial Report of the State of Ohio provides more extensive disclosure of the significant accounting policies of the State as a whole. Budgetary statements are not required since the budgetary level of control lies with the ODSA and not with the OLA.

B. Basis of Presentation

The Statement of Net Position and the Statement of Activities display information about OLA. These statements include the financial activities of the overall government and eliminations have been made for interfund transfers.

The Statement of Net Position reports all financial and capital resources using the economic resources measurement focus and the accrual basis of accounting. OLA presents the statement in a format that displays assets less liabilities equal net position. Net Position are displayed in three components:

- The *Net Investment in Capital Assets* component consists of land that OLA acquired.
- The *Restricted Net Position* component represents 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.
- The *Unrestricted Net Position* component consists of 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 OLA's governmental activities. 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. Generally, OLA does not incur expenses for which it has the option of first applying restricted or unrestricted resources for their payment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Program revenues include loan interest income and fee revenue. Revenues that are not classified as program revenues include all unrestricted investment income and miscellaneous revenue.

The fund financial statements provide information about OLA's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The remaining governmental fund is reported as non-major. The funds maintained by OLA are all governmental special revenue fund types. Each accounts for specific revenues that are legally restricted or committed to expenditure for designated purposes.

1. Major Governmental Funds

Operating Fund (OAKS Fund 4510) – Accounts for operating activities related to the administration of several OSDA programs, including operating activities related to loans and loan guarantees made pursuant to Revised Code Sections 122.39 to 122.62 and Chapter 166. Operations are primarily funded through transfers from the Facilities Establishment Fund.

Facilities Establishment Fund (OAKS Funds 7037 and 4Z60) – Accounts for proceeds deposited by the Treasurer of the State of Ohio with OLA from bond sales, fee income, interest income, loan receipts and disbursements for loans made pursuant to Chapter 166 of the Code. In addition, this fund accounts for the Rural Industrial Park and Urban Redevelopment loan programs. Finally, this Fund provides a reserve for the Ohio Enterprise Bond Fund in the event of bondholder default.

Development Enterprise Bond Reserve Account - This account is used to account for the accumulation of payments made on type 166 loans. Funds are held in the account for a six month period to provide a secondary reserve in the event the OEBF Program Reserve Account exceeds the $10,000,000 available balance.

OEBF Program Reserve Account - This reserve account was initially created from net proceeds of the 1988-1 State of Ohio bond issuance. The account is used to ensure adequate funds are available to repay Ohio Enterprise Bond Fund (OEBF) bondholders when due. The $10,000,000 OEBF fund balance reserve will remain for OEBF bondholders within the Facilities Establishment Fund.

Regional Agency Fund – Reports funds deposited with the regional agencies from fee income, interest income, loan receipts, and loans disbursements made pursuant to Chapter 166 of the Code and transfers of funds from the Facilities Establishment Fund.

Innovation Ohio Loan Fund (OAKS Fund 7009) – Created to assist existing Ohio companies develop next generation products within certain Targeted Industry Sectors by financing the acquisition, construction and related costs of technology, facilities and equipment.

Research and Development Investment Loan Fund (OAKS Fund 7010) – Created to position Ohio to compete aggressively for private-sector research and development investments that will create high wage jobs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

2. Non-major Governmental Fund

Loan Guarantee Fund - Records funds deposited with the Treasurer of the State of Ohio and accounts for payments made by OLA due to the default on contractual loan terms by borrowers on loans guaranteed pursuant to Chapter 166 of the Code. No payments were made during the fiscal year.

Logistics and Distribution Infrastructure Fund (OAKS Fund 7008) – Created to provide loans for eligible transportation, logistics, and infrastructure projects in the State of Ohio. Loans will be made on favorable terms, including interest at or below market rates, opportunities to earn forgiveness of principal and accrued interest based on attainment of defined performance measures and use of loan proceeds for construction financing.

C. Measurement Focus and Basis of Accounting – The government-wide financial statements (i.e. the statement of net position and the statement of activities) are reported 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 the timing of related cash flows. For revenues arising from exchange transactions (i.e., charges for goods or services), OLA defers revenue recognition when resources are received in advance of the exchange.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, OLA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and OEBF loan defaults are recorded only when payment is due.

Significant revenue sources subject to accrual under the modified accrual basis of accounting include investment income (including net increase or decrease in the fair value of investments), loan interest income (including net increase or decrease in allowance for doubtful loans), and fee revenue.

D. Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

E. Deposits and Investments – OLA's investments are stated at fair value in the accompanying statement of net position and the change in the fair value of the investments is recorded as Investment Income in the Statement of Activities.

During fiscal year 2020, OLA invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." OLA measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the fiscal year 2020, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Investments with an original maturity of three months or less at the time they are purchased by OLA are presented on the financial statements as Cash and Cash Equivalents. Investments with an initial maturity of more than three months are reported as Investments.

F. Securities Lending – In accordance with GASB Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions" ("GASB 28"), OLA reports cash received as collateral on securities lending transactions and any investments made with that cash as assets in the accompanying balance sheet. Liabilities to return the collateral to the borrower are also recognized. Securities received as collateral in connection with securities lending activities are not recorded as assets and liabilities of OLA, because OLA does not have the ability to pledge or sell the securities without borrower default.

G. Loans Receivable, Net and Allowance for Uncollectible Loans – Loans receivable includes amounts due to OLA for loans and loan guarantees entered into as part of its loan programs. Loans receivable is reported net of the allowance for uncollectible loans (See Note 4), which applies the following allowance methodology:

- 80% of loans certified to the Office of the Attorney General,
- 51% of loans outstanding within the Innovation Ohio Fund,
- 3% of loans outstanding 166 Direct loans within the Facilities Establishment Fund,
- 8% of loans outstanding within the Research and Development Fund,
- 2% of loans outstanding within the Regional Agency Fund,
- 0% of Rural Industrial Park and Urban Redevelopment loans outstanding within the Facilities Establishment Fund, and
- Varying percentages on specific loan balances as deemed necessary.

Direct loan write-offs are reported upon notification from the Attorney General that an account is uncollectible. Direct loan write-offs are charged against the allowance.

H. Other Assets – Other assets represents accrued interest receivable. Total other assets at fiscal year-end were $61,206.

I. Accrued Liabilities – Accrued liabilities include wages and benefits payable of $55,587 as of June 30, 2020.

J. Deferred Outflows/Inflows of Resources – In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the OLA, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 6 and 7.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For OLA, deferred inflows of resources include unavailable revenue, pension and OPEB. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For OLA, unavailable revenue includes accrued interest receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 6 and 7)

K. Pensions/Other Postemployment Benefits (OPEB) – For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

L. Compensated Absences – The State of Ohio, which governs employee leave benefits and policies, pays compensation to separated employees for leave balances accumulated during the employee's term of service. In accordance with Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences,* OLA calculated the compensated absences liability on employees' fiscal year-end balances for vacation, sick, and compensatory leaves. The total compensated absences balance for the period ending June 30, 2020 was $53,367.

M. Fund Balance/Net Position – GASB Statement No. 54, *Fund Balance Reporting* became effective for years beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

In accordance with this guidance, OLA classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. OLA may use the following categories:

Nonspendable – resources that cannot be spent because they are either (a) not in spendable form; or (b) legally or contractually required to be maintained intact.

Restricted – resources with constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources with constraints imposed by formal action (House or Senate Bill) of OLA's highest level of decision making authority (General Assembly).

Assigned – resources that are provided at the discretion of the Director of the Ohio Office of Budget and Management, as authorized by the General Assembly, but are neither restricted nor committed.

Unassigned – resources that are available for further appropriation and expenditure for general government purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OLA applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position is available. OLA considers committed and assigned balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

None of OLA's restricted net position at June 30, 2020 was due to enabling legislation.

N. Investment and Loan Interest Income – Investment income includes investment earnings from investments and the quarterly allocation of investment earnings from cash equity with treasurer and corresponding interest receivables. Loan interest income includes interest earned from the repayment of loans.

O. Fee Revenue and Miscellaneous Revenue – Fees include service fees for the administration of the loan processing and commitment and application fees paid by the borrower.

P. Personnel and Operating Expenditures/Expenses – Personnel expenditures/expenses include all payroll and fringe benefit costs paid by the OLA. Operating expenditures/expenses include various supplies and maintenance expenditures, equipment purchases, and regional agency trustee and administrative fees.

Q. Grant Expenditures/Expenses – The Logistics and Distribution Infrastructure Fund provides loans with opportunities to earn forgiveness of principal and accrued interest based on attainment of defined performance measures and use of loan proceeds for construction financing. No new disbursements were made in fiscal year 2020, however in prior fiscal years, OLA reported these disbursements as grants based on the high probability of forgiveness.

R. OEBF Loan Payment Expenditures/Expenses – The OLA guarantees Ohio Enterprise Bonds and makes loan payments for Bonds that are in default of monthly payments. As of June 30, 2020, there were no OEBF bonds in default (See Note 8).

S. Interfund Transfers and Transfers to Other Offices – The OLA interfund transfers consisted of transfers of delinquent loans and cash. Transfers to Other Offices represent transfers to the State's General Fund. These and other transfers are authorized by the General Assembly and require Controlling Board approval. Since the financial statements present only the financial information of OLA and do not present the consolidated financial information of the State of Ohio, taken as a whole, the total transfers to other offices would not reflect offsetting disbursements from state agencies. Transfers to other offices during the fiscal year totaled $11 million.

T. Self-Insurance – The State of Ohio serves as the OLA's primary government and is self-insured for claims covered under its traditional healthcare plan, vehicle liability, public fidelity blanket bonds, property losses, and tort liability. Additionally, the State of Ohio participates in a public entity risk pool which covers liabilities associated with claims submitted to the Bureau of Workers' Compensation.

NOTE 2 – DEPOSITS AND INVESTMENTS

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 a cash or near-cash status to meet current demands. Such moneys must be maintained either as cash in the State's treasury or in one of the following: a commercial account that is payable or withdrawable, 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:

- Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
- Repurchase agreements in the securities enumerated above;
- Interim deposits in the eligible institutions applying for interim moneys;
- Bonds and other obligations of the State of Ohio;
- The Treasurer of State's investment pool;
- Linked deposits, reduced-rate deposits at financial institutions that provide reduced-rate loans to small businesses, as authorized under Section 135.63, Ohio Revised Code;
- Agricultural linked deposits, reduced-rate deposits at financial institutions that provide reduced-rate loans to agricultural businesses, as authorized under Section 135.74, Ohio Revised Code;
- Reverse repurchase 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;
- 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;
- Commercial paper, rated in one of the two highest rating categories by two nationally recognized rating agencies and not exceeding five percent of the investment portfolio;
- Bankers' acceptances maturing in 270 days or less and not exceeding 10 percent of the investment portfolio;
- Debt of domestic corporations and foreign nations diplomatically recognized by the United States, rated investment grade by nationally recognized rating agencies and, in the aggregate, not exceeding five percent of the investment portfolio; and
- No-load money market funds consisting of U.S. government and agency obligations and repurchase agreements secured by such obligations.

Deposits – The primary government's deposits must be held in insured depositories approved by the State Board of Deposit. At fiscal year-end, the carrying amount of OLA's deposits was $11,537,353 and the bank balance was the same.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, OLA's deposits may not be returned to it. OLA maintains cash on deposit in two custodial accounts with the State Treasurer. The State Treasurer's office administers the Ohio Pooled Collateral System (OPCS) that allows eligible financial institutions to pool collateral to secure Ohio's public deposits. The total market value of pledged securities is 102 percent of all uninsured public deposits or at a percentage determined by the Treasurer's rules. At year end, OLA's deposits were not exposed to custodial credit risk.

Investments – At fiscal year-end, the fair values of OLA's investments were as follows:

Investment Type	Fair Value
U.S. Government Agency Obligations	$ 250,264
Municipal Bonds	2,440,799
Corporate Bonds	150,382
Negotiable Certificates of Deposit	5,570,889
Money Market Funds	37,676,059
STAR Ohio	7,113,674
Total Investments	$ 53,202,067

OLA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of OLA's investments are valued using Level 2 inputs.

Interest Rate Risk – Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. The reporting of effective duration in the table below quantifies, to the fullest extent possible, the interest rate risk of OLA's fixed income assets.

Investment Type	Investment Maturities (in years): Less than 1	Investment Maturities (in years): 1-5	Total Fair Value
U.S Government Agency Obligations	$ 250,264	$ -	$ 250,264
Municipal Bonds	1,722,279	718,520	2,440,799
Corporate Bonds	-	150,382	150,382
Negotiable Certificates of Deposit	683,367	4,887,522	5,570,889
Money Market Funds	37,676,059	-	37,676,059
STAR Ohio	7,113,674	-	7,113,674
Total Investments	$ 47,445,643	$ 5,756,424	$ 53,202,067

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. At fiscal year-end, OLA's U.S. Corporate Bonds and STAR Ohio were rated AAA. Of OLA's Municipal Bonds at fiscal year-end, $797,393 was rated AAA, $1,540,514 was rated AA and $102,892 was rated A. OLA's U.S. Government Agency Obligations at fiscal year-end were rated AAA. OLA's money market funds and negotiable certificates of deposit were not rated.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. At year end, OLA had no positions of 5 percent or more in any one issuer subject to credit risk.

Custodial Credit Risk - Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, OLA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. OLA's investments were not exposed to custodial credit risk at year end because all investments were registered in the OLA's name.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates between the U.S. Dollar and foreign currencies could adversely affect an investment's fair value. OLA had no exposure to foreign currency risk at fiscal year-end.

NOTE 3 – SECURITIES LENDING TRANSACTIONS

OLA through the Treasurer of State's Investment Department participates in a securities lending program for securities included in the "Equity in State of Ohio common cash and investments". The State's lending programs, authorized under Sections 135.143, 135.45 and 135.47, Ohio Revised Code, are administered by custodial agent banks, whereby certain securities are transferred to independent broker-dealers (borrowers) in exchange for collateral. OLA has minimized its exposure to credit risk due to borrower default by requiring the custodial agent to ensure that the lent securities are collateralized at no less than 102 percent of the market value at the time of the loan. At no point in time can the value of the collateral be less than 100 percent of the value of the underlying securities on loan. The market value of loaned securities shall not represent more than fifty percent (50%) of the Total Average Portfolio (TAP). TAP excludes all certificates of deposit and is equal to the numerical average of the five highest end-of-business day balances, based on market value, within the 12 month period immediately preceding the calculation date.

During the fiscal year, the State Treasurer lent Corporate Bonds and Notes and U.S. government and agency obligations. OLA cannot sell securities received as collateral unless the borrower defaults. At fiscal year-end, the collateral OLA had received for securities lent consisted entirely of cash. For State funds, the State Treasurer invests cash collateral in short-term obligations. At fiscal year-end, the weighted average maturity of all loans was 7.28 days while the weighted maturity of all collateral was 15.09 days.

For State funds, the securities lending agent shall indemnify the Treasurer of State for any losses resulting from the insolvency default of the lending counterparty. There were no recoveries during the fiscal year due to prior-period losses.

For the State funds lending program, since the lender owes the borrower more than the borrower owes the lender, there is no credit risk to the lender at year-end. The State's Office of Budget and Management allocates the State's pooled cash collateral to various funds within the State's Ohio Administrative Knowledge System (OAKS) based on cash balances at year-end. As a result, OLA's Allocated Collateral on Lent Securities and related Allocated Obligations Under Securities Lending at year-end was $62,796,252.

NOTE 4 – LOAN PROGRAM ACTIVITY

The following table summarizes loan repayments and new loan activity of the various funds during the fiscal year:

Fund	Beginning Balance	Loan Additions	Loan Reductions	Ending Balance
Facilities Establishment	$ 168,978,532	$ -	$ (22,554,993)	$ 146,423,539
Regional Agency	26,298,370	2,675,000	(4,075,200)	24,898,170
Innovation Ohio	31,056,476	193,121	(1,257,043)	29,992,554
Research and Development	34,541,021	-	(8,002,540)	26,538,481
Grand Total	$ 260,874,399	$ 2,868,121	$ (35,889,776)	$ 227,852,744

The allowance for loan losses is the result of management's review of loans, with consideration given to collateral values, borrower's financial condition and current economic environment. The allowance is maintained at the level management estimates adequately provide for potential loan losses. The total allowance for loan losses at fiscal year-end was $47,880,424 (Facilities Establishment Fund was $18,071,025; Regional Agency Fund was $497,963; Innovation Ohio Fund was $22,573,894; and Research and Development Fund was $6,737,542).

NOTE 5 – COMMITMENTS AND CONTINGENCIES

A. Ohio Enterprise Bond Fund - Loans

Ohio Enterprise Bond Fund (OEBF) bonds are issued through the Treasurer of State for the purpose of financing “eligible projects” of private industry organizations, such as a company’s purchase of manufacturing equipment. The actual bonds are sold through private placement. At June 30, 2020, outstanding loan balances under this program aggregated $74,965,000 with original terms up to 20 years at interest ranging from 2.0% to 10.0%. According to the Ohio Enterprise Bond Fund’s official bond statement, the 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 holders of the bonds to payments of amounts due there under are limited solely to the Ohio Enterprise Bond Fund Accounts. The scheduled payment of the bonds is, however, guaranteed through OLA. OLA only monitors OEBF activities and does not include the financial transactions within its financial statements.

All 22 Ohio Enterprise Bond Fund loans with outstanding principal balances were current in their repayment as of fiscal year-end. For more information regarding OEBF loans in default, see Note 8.

NOTE 5 – COMMITMENTS AND CONTINGENCIES (continued)

B. Loan Commitments

These commitments primary represent Chapter 166 loan commitments that were approved but not yet closed before fiscal year-end. Prior to September 24, 2012, these commitments were approved by the Development Financing Advisory Council (DFAC) and State's Controlling Board. After September 24, 2012, these commitments are approved by the ODSA Director and JobsOhio as part of the terms of services covered under the services agreement. Below is a summary of OLA's loan commitments outstanding at fiscal year-end:

Fund	Commitment
Facilities Establishment	$ 44,392,000
Innovation Ohio	850,099
Research and Development	2,875,000
Grand Total	$ 48,117,099

The encumbrances do not include each individual agency's pollution prevention program. These programs are administered by the local agencies on behalf of OLA.

C. Loan Guarantees

Under the Chapter 166 Loan Guarantee Program, OLA guarantees up to 75% of certain qualifying loans made by various financial institutions. The bonds issued by the State of Ohio to fund the loan and loan guarantee programs under 166 of the Code are to be repaid initially from revenue of the State. Repayment would come from the Facilities Establishment Fund only if such revenues were inadequate to service the debt. At fiscal year-end, OLA had no Chapter 166 loan guarantees outstanding.

NOTE 6 – DEFINED BENEFIT PENSION PLAN

The employees of OLA are covered by the Ohio Public Employees Retirement System. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

Net Pension (Asset)/Liability

The net pension (asset)/liability reported on the statement of net position represents a (asset)/liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension (asset)/liability represents OLA's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension (asset)/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits OLA's obligation for this (asset)/liability to annually required payments. OLA cannot control benefit terms or the manner in which pensions are financed; however, OLA does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year would be included in intergovernmental payable on both the accrual and modified accrual bases of accounting. OLA had no such liability at fiscal year-end.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - OLA employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 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. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

2020 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee	10.0	%
2020 Actual Contribution Rates		
Employer		
Pension	14.0	%
Post-employment Health Care Benefits	0.0	
Total Employer	14.0	%
Employee	10.0	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. OLA's contractually required pension contribution was $77,879 for 2020. The entire amount was used to fund pension benefit.

Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension asset and net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and net pension liability was determined by an actuarial valuation as of that date. OLA's proportion of the net pension asset and net pension liability was based on OLA's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPERS Combined Plan	Total
Proportionate Share of the Net Pension (Asset)/Liability	$565,514	($5,594)	$559,920
2019 Proportion of the Net Pension Liability/(Asset)	0.002861%	0.002683%	
2018 Proportion of the Net Pension Liability/(Asset)	0.001936%	0.001528%	
2019 Change in Proportionate Share	0.000925%	0.001155%	
Pension Expense	($162,734)	($34)	($162,768)

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

At June 30, 2020, OLA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	Total
Deferred Outflows of Resources			
Changes of assumptions	$ 30,204	$ 578	$ 30,782
Changes in proportionate share	121,844	3,685	125,529
OLA contributions subsequent to the measurement date	35,316	1,048	36,364
Total Deferred Outflows of Resources	$187,364	$5,311	$192,675
Deferred Inflows of Resources			
Differences between expected and actual experience	$7,150	$1,314	$8,464
Net difference between projected and actual earnings on pension plan investments	112,806	726	113,532
Changes in proportionate share	142,452	1,242	143,694
Total Deferred Inflows of Resources	$262,408	$3,282	$265,690

$36,364 reported as deferred outflows of resources related to pension resulting from OLA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	OPERS Traditional Plan	OPERS Combined Plan	Total
2021	$ (77,320)	$ 95	$ (77,225)
2022	7,080	105	7,185
2023	4,669	308	4,977
2024	(44,789)	49	(44,740)
2025	-	388	388
Thereafter	-	36	36
Total	$ (110,360)	$ 981	$ (109,379)

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions and methods applied to all prior periods included in the measurement:

Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
COLA or Ad Hoc COLA	Pre-1/7/13 Retirees: 3% Simple; Post-1/7/13 Retirees: 1.40% Simple through 2020, then 2.15% Simple
Investment Rate of Return	7.20%
Actuarial Cost Method	Individual entry age normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the 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 males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2019.

Discount Rate The discount rate used to measure the total pension (asset)/liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset)/liability.

Sensitivity of OLA's Proportionate Share of the Net Pension (Asset)/Liability to Changes in the Discount Rate The following table presents OLA's proportionate share of the net pension (asset)/liability calculated using the current period discount rate assumption of 7.2 percent, as well as what OLA's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
OLA's proportionate share of the net pension liability			
Traditional Plan	$ 932,686	$ 565,514	$ 235,403
Combined Plan	(3,381)	(5,594)	(7,190)

NOTE 7 – DEFINED BENEFIT OPEB PLAN

The employees of OLA are covered by the Ohio Public Employees Retirement System. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for other post-employment benefits (OPEB). OPEB is a component of exchange transactions-—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents OLA's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits OLA's obligation for this liability to annually required payments. OLA cannot control benefit terms or the manner in which OPEB are financed; however, OLA does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year would be included in intergovernmental payable on both the accrual and modified accrual bases of accounting. OLA had no such liability at fiscal year-end.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Health Care Plan Description - The Ohio Public Employees Retirement System (OPERS. OPERS administers three separate plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit plan with defined contribution features.

NOTE 7 – DEFINED BENEFIT OPEB PLAN (continued)

OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115Ttrust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2020, OLA contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. A portion of each employer contribution may be set aside for the funding of post-employment health care coverage. The portion of employer contributions allocated to health care was zero for 2020.

NOTE 7 – DEFINED BENEFIT OPEB PLAN (continued)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability for OPERS was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. OLA's proportion of the net OPEB liability was based on OLA's share of contributions to the retirement system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS Health Care Plan
Proportionate Share of the Net OPEB Liability	$426,878
2019 Proportion of the Net OPEB Liability	0.003090%
2018 Proportion of the Net OPEB Liability	0.002118%
2019 Change in Proportionate Share	0.000972%
OPEB Expense	($111,922)

At June 30, 2020, OLA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS Health Care Plan
Deferred Outflows of Resources	
Differences between expected and actual experience	$11
Net difference between projected and actual earnings on pension plan investments	0
Changes of assumptions	67,570
Changes in proportionate share	73,563
Total Deferred Outflows of Resources	$141,144
Deferred Inflows of Resources	
Differences between expected and actual experience	$39,040
Net difference between projected and actual earnings on pension plan investments	21,737
Changes in proportionate share	116,749
Total Deferred Inflows of Resources	$177,526

NOTE 7 – DEFINED BENEFIT OPEB PLAN (continued)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	OPERS Health Care Plan
2021	$ (59,032)
2022	31,919
2023	17
2024	(9,286)
Total	$ (36,382)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Single Discount Rate	3.16%
Investment Rate of Return	6.00%
Municipal Bond Rate	2.75%
Health Care Cost Trend Rate	10.5% initial, 3.50% ultimate in 2030
Actuarial Cost Method	Individual entry age normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the 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 males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

NOTE 7 – DEFINED BENEFIT OPEB PLAN (continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit.

The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
REITs	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

The long-term rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

Discount Rate The discount rate used to measure the total pension liability was 3.16 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

NOTE 7 – DEFINED BENEFIT OPEB PLAN (continued)

Sensitivity of OLA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following table presents OLA's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 3.16 percent, as well as what OLA's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Single Discount Rate (3.16%)	1% Increase (4.16%)
OLA's proportionate share of the net OPEB liability	$ 558,548	$ 426,878	$ 321,329

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents 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 1.0% lower or 1.0% higher than the current rate.

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 2020 is 10.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, 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 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
OLA's proportionate share of the net OPEB liability	$ 414,215	$ 426,878	$ 439,244

NOTE 8 – LONG TERM LIABILITIES

Long term liability activity for the year ended June 30, 2020 is as follows:

Type	Beginning Balance	Increase	Decrease	Ending Balance	Amount Due in One Year
Compensated Absences	$ 28,943	$ 77,183	$ (52,759)	$ 53,367	$ 31,577
Ohio Enterprise Bond Fund	136,960	-	(136,960)	-	-
Net Pension Liability	530,304	35,210	-	565,514	-
Net OPEB Liability	276,201	150,677	-	426,878	-
Total Long Term Liabilities	$ 972,408	$ 263,070	$ (189,719)	$ 1,045,759	$ 31,577

The compensated absences and pension liability will be paid from the operating fund.

OLA only made indemnification payments for Euclid & Wickliffe and cumulative payments made on behalf of Euclid & Wickliffe totaled $5,485,595. Amounts expected to be recovered from indemnification payments that have been made through the reporting date were $0.

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2020, OLA has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

NOTE 10 – SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of OLA. OLA's investment portfolio and the investments of the pension and other employee benefit plan in which OLA participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, as a result of the economic impact of COVID-19, OLA has deferred payments from April through September 2020 for loans with no impact on the interest payments related to outstanding balances. Administrative staff has also seen a reduce in pay for fiscal year 2021 by 3.50 percent. The impact on OLA's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

OFFICE OF LOAN ADMINISTRATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last Seven Years (1)

	2020	2019	2018	2017	2016	2015	2014
Proportion of the Net Pension (Asset)/Liability							
Traditional Plan	0.002861%	0.001936%	0.004575%	0.007213%	0.008662%	0.007377%	0.007377%
Combined Plan	0.002683%	0.001528%	0.003491%	0.005667%	0.011535%	0.011078%	0.011078%
Proportionate Share of the Net Pension (Asset)/Liability							
Traditional Plan	$ 565,514	$ 530,304	$ 717,698	$ 1,638,013	$ 1,500,406	$ 889,725	$ 869,629
Combined Plan	$ (5,594)	$ (1,709)	$ (4,752)	$ (3,154)	$ (5,613)	$ (4,265)	$ (1,162)
Covered Payroll	$ 466,910	$ 307,282	$ 712,866	$ 1,112,664	$ 1,291,037	$ 1,078,762	$ 1,239,977
Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of Covered Payroll	119.92%	172.02%	100.01%	146.93%	115.78%	82.08%	70.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability							
Traditional Plan	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%	104.56%

(1) Information prior to 2014 is not available.

Amounts presented as of OLA's measurement date, which is December 31.

OFFICE OF LOAN ADMINISTRATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last Four Years (1)

	2020	2019	2018	2017
Proportion of the Net OPEB Liability				
Health Care Plan	0.003090%	0.002118%	0.005033%	0.008051%
Proportionate Share of the Net OPEB Liability				
Health Care Plan	$ 426,878	$ 276,201	$ 546,531	$ 813,227
Covered Payroll	$ 466,910	$ 307,282	$ 712,866	$ 1,112,664
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	91.43%	89.89%	76.67%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability				
Health Care Plan	47.80%	46.33%	54.14%	68.52%

(1) Information prior to 2017 is not available.

Amounts presented as of OLA's measurement date, which is December 31.

OFFICE OF LOAN ADMINISTRATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last Eight Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution								
Pension	$ 77,879	$ 42,755	$ 62,554	$ 111,063	$ 150,749	$ 151,055	$ 132,496	$ 58,832
OPEB	-	-	2,317	13,328	25,125	25,176	15,900	12,790
Contributions in relation to the contractually required contribution	(77,879)	(42,755)	(64,871)	(124,391)	(175,874)	(176,231)	(148,396)	(71,622)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 556,409	$ 305,395	$ 463,363	$ 888,501	$ 1,256,238	$ 1,258,788	$ 1,059,968	$ 511,583
Contributions as a percentage of covered payroll								
Pension	14.00%	14.00%	13.50%	12.50%	12.00%	12.00%	12.50%	11.50%
OPEB	0.00%	0.00%	0.50%	1.50%	2.00%	2.00%	1.50%	2.50%

(1) Information prior to 2013 is not available.

Net Pension Liability – Ohio Public Employees Retirement System

Changes of benefit terms - There were no significant changes of benefit terms in 2020.

Changes of assumptions - Amounts reported in 2020 reflect changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed cost-of-living adjustments for post January 7, 2013 retirees from 3.00 percent simple through 2020 to 1.40 percent simple through 2020.

Net OPEB Liability – Ohio Public Employees Retirement System

Changes of benefit terms - There were no significant changes of benefit terms in 2020.

Changes of assumptions - Amounts reported in 2020 reflect changes in both demographic and economic assumptions. For 2020, the single discount rate changed from 3.96 percent to 3.16 percent and the municipal bond rate changed from 3.71 percent to 2.75 percent. The health care cost trend rate also changed from 10.00 percent initial and 3.25 percent ultimate in 2029 to 10.5 percent initial and 3.50 percent ultimate in 2030.

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SUPPLEMENTARY COMBINING FINANCIAL STATEMENTS

OFFICE OF LOAN ADMINISTRATION
BALANCE SHEET
NONMAJOR FUNDS
June 30, 2020

	Loan Guarantee Fund	Logistics and Distribution Infrastructure Fund	Totals
ASSETS:			
Cash Equity with Treasurer	$ -	$ 384,615	$ 384,615
Cash and Cash Equivalents	933,813	-	933,813
Allocated Collateral on Lent Securities	-	55,136	55,136
TOTAL ASSETS	$ 933,813	$ 439,751	$ 1,373,564
LIABILITIES:			
Allocated Obligations Under Securities Lending	$ -	$ 55,136	$ 55,136
TOTAL LIABILITIES	-	55,136	55,136
FUND BALANCES:			
Restricted for Community and Economic Development	-	384,615	384,615
Committed	933,813	-	933,813
TOTAL FUND BALANCES	933,813	384,615	1,318,428
TOTAL LIABILTIES AND FUND BALANCES	$ 933,813	$ 439,751	$ 1,373,564

OFFICE OF LOAN ADMINISTRATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
For the Fiscal Year Ended June 30, 2020

	Loan Guarantee Fund	Logistics and Distribution Infrastructure Fund	Totals
REVENUES:			
Investment Income	$ 15,349	$ 7,684	$ 23,033
TOTAL REVENUES	15,349	7,684	23,033
EXPENDITURES:			
TOTAL EXPENDITURES	-	-	-
NET CHANGE IN FUND BALANCES	15,349	7,684	23,033
FUND BALANCES, JULY 1	918,464	376,931	1,295,395
FUND BALANCES, JUNE 30	$ 933,813	$ 384,615	$1,318,428

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OHIO AUDITOR OF STATE
KEITH FABER

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

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

Office of Loan Administration
77 S. High Street, 29th Floor
Columbus, OH 43215

To the Office of Loan Administration:

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, each major fund, and the aggregate remaining fund information of the Office of Loan Administration (the Office), an office within a department of the State of Ohio, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements and have issued our report thereon dated October 1, 2020.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Office'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 Office'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 Office's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

October 1, 2020

OFFICE OF LOAN ADMINISTRATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	**Lack of Payroll Reconciliations**	Fully Corrected	

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OHIO AUDITOR OF STATE
KEITH FABER

OFFICE OF LOAN ADMINISTRATION

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 10/20/2020

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