OFFICE OF LOAN ADMINISTRATION

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

OFFICE OF LOAN ADMINISTRATION

FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Office of Loan Administration
77 S. High Street, 29th Floor
Columbus, Ohio 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, 2015, 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 accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 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, 2015, 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 Matters

As discussed in Note 1, the financial statements of the Office present the financial position and changes in financial position thereof for the governmental activities, each major fund, and the aggregate remaining fund information of only the transactions of the Office of Loan Administration. They do not purport to, and do not, present fairly the financial position of the State of Ohio as of June 30, 2015, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. We did not modify our opinion regarding this matter.

As discussed in Notes 6 and 7 to the financial statements, during the year ended June 30, 2015, the Office adopted the provisions of Governmental Accounting Standards Board Statements No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis, Schedule of Proportionate Share of Net Pension Liability, and Schedule of Pension 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 these statements to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2015, 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.

Dave Yost
Auditor of State
Columbus, Ohio

October 8, 2015

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OFFICE OF LOAN ADMINISTRATION
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2015
(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, 2015. 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 2015 are as follows:

- The assets of the OLA exceeded its liabilities at the close of the most recent fiscal year by approximately $704.1 million (net position).
- The OLA's total net position decreased by approximately $13.1 million.
- As of the close of the current fiscal year, the OLA's governmental funds reported combined ending fund balances of $705.7 million, a decrease of approximately $22.4 million in comparison with the prior year.
- During the fiscal year, OLA closed six 166 Direct Loans totaling $28.2 million, one Research and Development loans totaling $1.5 million, four Innovation Ohio loans totaling $3.1 million, and one Rural Industrial Park Loan totaling $458,719. There were no new Logistics and Distribution Infrastructure loans. OLA also had $7.3 million in additional disbursements on existing loans.

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 nine 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, Research and Development Fund and Logistics and Distribution Infrastructure Fund, all of which are considered to be major funds. Data from the other three 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 21-43 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 benefits to its employees. Required supplementary information can be found on pages 45-46 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 48-49 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, 2015 compared to June 30, 2014.

	Net Position at June 30		
	2015	Restated 2014	% Change
Assets			
Current and Other Non Current Assets	$ 775,172,150	$ 798,891,675	-3.0%
Nondepreciable Capital Assets	231,524	231,524	0.0%
Total Assets	775,403,674	799,123,199	-3.0%
Deferred Outflows of Resources			
Pension	125,076	55,750	124.4%
Liabilities			
Current Liabilities	68,193,048	69,323,732	-1.6%
Long-term Liabilities	3,210,516	12,676,280	-74.7%
Total Liabilities	71,403,564	82,000,012	-12.9%
Deferred Inflows of Resources			
Pension	16,932	-	100.0%
Net Position			
Net Investment in Capital Assets	231,524	231,524	0.0%
Restricted for Community and Economic Development	13,870,790	19,108,044	-27.4%
Unrestricted	690,005,940	697,839,369	-1.1%
Total Net Position	$ 704,108,254	$ 717,178,937	-1.8%

Current and Other Non Current Assets decreased $23.7 million in comparison with the prior fiscal year. This decrease primarily represents a $61.9 million decrease in Loans Receivable, net, offset by a $39.5 million increase in Cash Equity with Treasurer and Cash and Cash Equivalents.

Long-term Liabilities decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of the paying off of three OEBF defaults during the fiscal year.

Net Position Restricted for Community and Economic Development decreased approximately $5.2 million during the fiscal year. OLA's entire restricted net position balance represents unspent bond proceeds related to the Logistics and Distribution Infrastructure Grants program. This decrease represents the amount of grants awarded during the fiscal year.

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, 2015 compared to the year ending June 30, 2014.

Statement of Activity for the year ending June 30

	2015	2014	% Change
Revenues			
Program Revenues:			
Community and Economic Development	$ 12,096,419	$ 12,508,267	-3.3%
General Revenues			
Investment Income	1,262,677	782,763	61.3%
Gain on Early Extinguishment of OEBF Liability	1,275,562	-	100.0%
Miscellaneous Revenues	250,452	33,482	648.0%
Total General Revenues	2,788,691	816,245	241.6%
Program Expenses			
Community and Economic Development	(27,955,793)	(43,333,868)	-35.5%
Transfers from Other Offices	-	117,845	-100.0%
Change in Net Position	(13,070,683)	(29,891,511)	-56.3%
Net Position at Beginning of Year, Restated	717,178,937	747,070,448	
Net Position at End of Year	$ 704,108,254	$ 717,178,937	

Program revenues consist of loan fees and interest income. In fiscal year 2015, program revenues decreased slightly, primarily as a result of a decrease in loan interest income due to declining loan balances.

The significant increase in Investment Income is the result of improved market conditions coupled with additional funds available for investment.

The significant increase in Gain on Early Extinguishment of OEBF Liability is the result of OLA extinguishing three of the four OEBF liabilities during the fiscal year.

Program expenses decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of significant decreases in grants ($12.3 million) and OEBF ($10.1 million) expenses, offset by an increase in bad debt expense ($5.2 million).

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, 2015 compared to June 30, 2014.

Fund Balance at June 30

	2015	2014	% Change
Operating Fund	$ 784,209	$ 3,221,328	-75.7%
Facilities Establishment Fund	460,227,777	472,676,622	-2.6%
Regional Agency Fund	65,585,617	65,439,546	0.2%
Ohio Innovation Fund	67,703,612	69,998,133	-3.3%
Research and Development Fund	106,659,073	105,853,442	0.8%
Logistics and Distribution Infrastructure Fund	3,870,790	9,108,044	-57.5%
Nonmajor Governmental Funds	901,065	1,844,308	-51.1%
Total Fund Balance	$ 705,732,143	$ 728,141,423	-3.1%

The Operating Fund fund balance decreased approximately $2.4 million in fiscal year 2015. This decrease correlates with the fiscal year 2014 decrease and represents the amount in which personnel and operating expenditures exceeded fee revenue.

The decrease in the Facilities Establishment Fund represents the amount in which program expenditures, most notably OEBF Loan Payment Expenditures and Bad Debt Expense, exceeded program revenues and transfers in from other funds.

The Logistics and Distribution Infrastructure Fund fund balance decreased approximately $5.2 million, or 57.5%. This is the amount by which grant expenditures totaling $5.2 million exceeded investment income during the fiscal year.

Nonmajor Governmental Funds fund balance decreased $943,243, or 51.5%. This is the amount by which grant expenditures totaling $484,970 and new loans totaling $485,719 exceeded investment income during the fiscal year.

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, 2015. 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.

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OFFICE OF LOAN ADMINISTRATION
STATEMENT OF NET POSITION
June 30, 2015

		Governmental Activities
Assets		
Cash Equity with Treasurer	$	278,478,352
Cash and Cash Equivalents		67,227,433
Investments		11,996,153
Allocated Collateral on Lent Securities		67,885,663
Loans Receivable, Net		349,563,905
Other Assets		20,644
Capital Assets, Net		231,524
Total Assets		**775,403,674**
Deferred Outflows of Resources		
Pension		125,076
Total Deferred Outflows of Resources		**125,076**
Liabilities		
Accounts Payable		208,137
Accrued Liabilities		66,833
Allocated Obligations Under Securities Lending		67,885,663
Due to Other Offices		32,415
Long Term Liabilities:		
Due in One Year		543,960
Due in More Than One Year		2,666,556
Total Liabilities		**71,403,564**
Deferred Inflows of Resources		
Pension		16,932
Total Deferred Inflows of Resources		**16,932**
Net Position		
Net Investment in Capital Assets		231,524
Restricted for Community and Economic Development		13,870,790
Unrestricted		690,005,940
Total Net Position	**$**	**704,108,254**

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, 2015

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	$ 27,955,793	$ 12,096,419	$ (15,859,374)
Total Governmental Activities	**27,955,793**	**12,096,419**	**(15,859,374)**
Total Primary Government	**$ 27,955,793**	**$ 12,096,419**	**$ (15,859,374)**

General Revenues:	
Investment Income	1,262,677
Gain on Early Extinguishment of OEBF Liability	1,275,562
Miscellaneous Revenue	250,452
Total General Revenues	**2,788,691**
Change in Net Position	**(13,070,683)**
Net Position, Beginning of Year, Restated	**717,178,937**
Net Position, End of Year	**$ 704,108,254**

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

OFFICE OF LOAN ADMINISTRATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	Operating Fund	Facilities Establishment Fund	Regional Agency Fund
ASSETS:			
Cash Equity with Treasurer	$ 1,059,179	$ 170,609,627	$ -
Cash and Cash Equivalents	-	28,878,634	37,474,035
Investments	-	10,196,013	1,800,140
Allocated Collateral on Lent Securities	258,548	41,589,905	-
Loans Receivable, Net	-	251,565,656	26,445,145
Other Assets	-	13,566	7,078
Due From Other Funds	-	114,351	13,063
TOTAL ASSETS	$ 1,317,727	$ 502,967,752	$ 65,739,461
LIABILITIES:			
Accounts Payable	$ 208,137	$ -	$ -
Accrued Liabilities	66,833	-	-
Allocated Obligations Under Securities Lending	258,548	41,589,905	-
Due To Other Funds	-	13,063	114,351
Due To Other Offices	-	-	32,415
TOTAL LIABILITIES	533,518	41,602,968	146,766
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	1,137,007	7,078
TOTAL DEFERRED INFLOWS OF RESOURCES	-	1,137,007	7,078
FUND BALANCES:			
Restricted for Community and Economic Development	-	10,000,000	-
Committed	-	450,227,777	65,585,617
Assigned	784,209	-	-
TOTAL FUND BALANCES	784,209	460,227,777	65,585,617
TOTAL LIABILTIES AND FUND BALANCES	$ 1,317,727	$ 502,967,752	$ 65,739,461

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

Innovation Ohio Fund	Research and Development Fund	Logistics and Distribution Infrastructure Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 36,229,428	$ 66,683,027	$ 3,870,790	$ 26,301	$ 278,478,352
-	-	-	874,764	67,227,433
-	-	-	-	11,996,153
8,831,732	16,255,476	943,591	6,411	67,885,663
31,577,058	39,976,046	-	-	349,563,905
-	-	-	-	20,644
-	-	-	-	127,414
$ 76,638,218	$ 122,914,549	$ 4,814,381	$ 907,476	$ 775,299,564
$ -	$ -	$ -	$ -	$ 208,137
-	-	-	-	66,833
8,831,732	16,255,476	943,591	6,411	67,885,663
-	-	-	-	127,414
-	-	-	-	32,415
8,831,732	16,255,476	943,591	6,411	68,320,462
102,874	-	-	-	1,246,959
102,874	-	-	-	1,246,959
-	-	3,870,790	-	13,870,790
67,703,612	106,659,073	-	874,814	691,050,893
-	-	-	26,251	810,460
67,703,612	106,659,073	3,870,790	901,065	705,732,143
$ 76,638,218	$ 122,914,549	$ 4,814,381	$ 907,476	$ 775,299,564

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

OFFICE OF LOAN ADMINISTRATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total Fund Balances for Governmental Funds	**$**	**705,732,143**
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		231,524
Some of the Office's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.		1,246,959
Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated Absences		(138,928)
Ohio Enterprise Bond Fund Liability		(2,186,128)
Net Pension Liability		(777,316)
Total Net Position of Governmental Activities	**$**	**704,108,254**

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

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OFFICE OF LOAN ADMINISTRATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	Operating Fund	Facilities Establishment Fund	Regional Agency Fund
REVENUES:			
Fee Revenue	$ 1,017,101	$ 1,094,409	$ 33,406
Loan Interest Income	-	4,966,685	870,538
Investment Income	-	831,853	33,036
Miscellaneous	-	49,500	-
TOTAL REVENUES	1,017,101	6,942,447	936,980
EXPENDITURES:			
Personnel Expenditures	1,733,800	-	-
Operating Expenditures	1,720,420	1,767,265	578,505
Grant Expenditures	-	-	-
OEBF Loan Payment Expenditures	-	8,930,697	-
Bad Debt Expense	-	14,074,333	(20,276)
Miscellaneous	-	3,610	-
TOTAL EXPENDITURES	3,454,220	24,775,905	558,229
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,437,119)	(17,833,458)	378,751
OTHER FINANCING SOURCES (USES):			
Interfund Transfers	-	5,384,613	(232,680)
TOTAL OTHER FINANCING SOURCES (USES)	-	5,384,613	(232,680)
NET CHANGE IN FUND BALANCES	(2,437,119)	(12,448,845)	146,071
FUND BALANCES, JULY 1	3,221,328	472,676,622	65,439,546
FUND BALANCES, JUNE 30	$ 784,209	$ 460,227,777	$ 65,585,617

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

Innovation Ohio Fund	Research and Development Fund	Logistics and Distribution Infrastructure Fund	Nonmajor Governmental Funds	Total
$ 956,791	$ 138,000	$ 1,200	$ -	$ 3,240,907
2,180,243	1,018,600	-	-	9,036,066
128,639	242,526	25,184	446	1,261,684
200,952	-	-	-	250,452
3,466,625	1,399,126	26,384	446	13,789,109
-	-	-	-	1,733,800
39,000	-	-	-	4,105,190
-	-	5,263,638	484,970	5,748,608
-	-	-	-	8,930,697
3,728,497	(2,106,070)	-	-	15,676,484
-	-	-	-	3,610
3,767,497	(2,106,070)	5,263,638	484,970	36,198,389
(300,872)	3,505,196	(5,237,254)	(484,524)	(22,409,280)
(1,993,649)	(2,699,565)	-	(458,719)	-
(1,993,649)	(2,699,565)	-	(458,719)	-
(2,294,521)	805,631	(5,237,254)	(943,243)	(22,409,280)
69,998,133	105,853,442	9,108,044	1,844,308	728,141,423
$ 67,703,612	$ 106,659,073	$ 3,870,790	$ 901,065	$ 705,732,143

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, 2015

Net Change in Fund Balances - Total Governmental Funds	**$**	**(22,409,280)**
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Some of the Office's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds. This amount represents the change in beginning and end of year deferred revenues.		(179,561)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Change in Compensated Absences		(61,821)
Change in Ohio Enterprise Bond Fund Liability		9,544,578
Net Pension Liability		35,401
Change in Net Position of Governmental Activities	**$**	**(13,070,683)**

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, 2015, 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. All remaining governmental funds are aggregated and reported as non-major funds. 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 Fund 7037) – 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

2. Non-major Governmental Funds

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.

Rural Industrial Park Fund (OAKS Fund 4Z60) – Provides loans to designated priority investment areas within Ohio. During fiscal year 2012, the Rural Industrial Park Loan Fund loan program was discontinued and the outstanding loans and the majority of cash were transferred to the Facilities Establishment Fund.

Rural Development Initiative Fund (OAKS Fund 5S80) **–** Provides grants to eligible applicants who also qualify and receive funding under the Rural Industrial Park Loan program.

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 – In fiscal year 2005, OBM implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures”. In addition, the OBM has adopted provisions of GASB Statement No. 31, “*Accounting and Financial Reporting for Certain Investments and External Investment Pools*” (“GASB 31”) of the Governmental Accounting Standards Board (“GASB”). Accordingly, OLA’s investments are stated at fair value (based on quoted market prices) 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OLA has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price at which the investment could be sold.

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:

- 75% of loans certified to the Office of the Attorney General,
- 18% of loans outstanding within the Innovation Ohio Fund,
- 10% of loans outstanding Rural Industrial Park loans within the Facilities Establishment Fund,
- 8% of loans outstanding 166 Direct loans within the Facilities Establishment Fund,
- 6% of loans outstanding within the Research and Development Fund,
- 1.5% of loans outstanding Urban Redevelopment loans within the Facilities Establishment Fund,
- 1% of loans outstanding within the Regional Agency 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.

The loans receivable shown in the Facilities Establishment Fund and Innovation Ohio Fund balances include $1,123,441 and $102,874, respectively, of deferred inflows of resources relating to capitalized interest.

H. Leases Receivable – Lease Receivable includes a 166 Direct Loan to Union County CIC. The State holds title to the asset and leases it back. The lease was paid back during the current fiscal year.

I. Other Assets – Other assets includes receivables for Port Authority Bond Reserve service fees and accrued interest receivable. Total other assets at fiscal year-end were $20,644.

J. Accounts Payable and Accrued Liabilities – Accounts payable of $208,137 includes accruals for operating obligations incurred, but not yet paid, as of fiscal year-end. Accrued liabilities include wages and benefits payable of $66,833 as of June 30, 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

For OLA, deferred inflows of resources represent unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the availability period. For OLA, unavailable revenue includes accrued interest receivable and capitalized interest receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Unavailable revenue as of June 30, 2015 was $1,246,959.

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, 2015 was $138,928.

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, 2015 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 Rural Development Initiative Fund provides grants to eligible applicants who also qualify and receive funding under the Rural Industrial Park Loan program. In addition, 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. In fiscal year 2015, 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, 2015, there was one OEBF bonds in default totaling $2,186,128 (See Note 8).

S. Interfund Transfers and Transfers from Other Offices – The OLA interfund transfers consisted of transfers of delinquent loans to the Facilities Establishment Fund. Transfers from Other Offices represent transfers from 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 from other offices would not reflect offsetting disbursements from state agencies. The OLA did not have Transfers from Other Offices during the fiscal year.

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.

U. Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System (OPERS) and additions to/deductions from the OPERS fiduciary net position have been determined on the same basis as they are reported by the OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 and must be fully collateralized. At fiscal year-end, the carrying amount of OLA's deposits was $4,287,425 and the bank balance was the same. The entire bank balance was covered by Federal Deposit Insurance.

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. Public depositories are required to give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or may pledge a pool of government securities, the face value of which is at least 110% of the total value of public moneys on deposit at the institution. 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 Obligations	$ 1,425,029
U.S. Government Agency Obligations	6,056,694
Municipal Bonds	3,639,566
Negotiable Certificates of Deposit	874,864
Money Market Funds	35,483,489
STAR Ohio	27,456,519
Total Investments	$ 74,936,161

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. Government Obligations and STAR Ohio were rated AAA. Of OLA's Municipal Bonds at fiscal year-end, $49,969 was rated AAA, $2,466,229 was rated AA and $1,123,368 was rated A. Of OLA's U.S. Government Agency Obligations at fiscal year-end, $300,212 was rated AAA and $5,756,482 was rated AA. OLA's money market funds and certificates of deposit were not rated.

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 was not exposed to concentration of credit risk because OLA had no positions of 5 percent or more in any one issuer subject to credit risk.

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 Maturities (in years)		Total
Investment Type	Less than 1	1-5	Fair Value
U.S. Government Obligations	$ -	$ 1,425,029	$ 1,425,029
U.S Government Agency Obligations	-	6,056,694	6,056,694
Municipal Bonds	656,528	2,983,038	3,639,566
Negotiable Certificates of Deposit	-	874,864	874,864
Money Market Funds	35,483,489	-	35,483,489
STAR Ohio	27,456,519	-	27,456,519
Total Investments	$ 63,596,536	$ 11,339,625	$ 74,936,161

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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.

There are currently no restrictions on the amount of loan contracts that can be made.

During the fiscal year, the State Treasurer lent 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 11.78 days while the weighted maturity of all collateral was 35.53 days.

For State funds, the securities lending agent shall indemnify the Treasurer of State for any losses resulting from either the default of the borrower or any violations of the securities lending policy. 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 $67,885,663.

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	Interfund Transfers	Ending Balance
Facilities Establishment	$ 331,192,069	$ 29,627,494	$ (56,463,450)	$ 5,384,613	$ 309,740,726
Regional Agency	28,739,914	3,887,814	(5,682,780)	(232,680)	26,712,268
Innovation Ohio	63,338,449	3,249,005	(13,394,521)	(1,993,649)	51,199,284
Research and Development	59,381,054	2,338,793	(15,024,357)	(2,699,565)	43,995,925
Rural Industrial Park	-	458,719	-	(458,719)	-
Grand Total	$ 482,651,486	$ 39,561,825	$ (90,565,108)	$ -	$ 431,648,203

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 $82,084,298 (Facilities Establishment Fund was $58,175,070; Regional Agency Fund was $267,123; Innovation Ohio Fund was $19,622,226; and Research and Development Fund was $4,019,879).

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, 2015 outstanding loan balances under this program aggregated $195,940,000 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.

Of the 47 Ohio Enterprise Bond Fund loans with outstanding principal balances, 46 were current in their repayment as of fiscal year-end and one was in default. For more information regarding OEBF loans in default, see Note 8.

NOTE 5 – COMMITMENTS AND CONTINGENCIES (continued)

B. Ohio Enterprise Bond Fund - Leases

Within the OEBF, there are two projects where the State of Ohio holds title to the assets and leases them back to the companies. These lease transactions are OEBF activities and are not part of the OLA financial statements. Total leases receivable at fiscal year-end were $5,295,000. The projects that include leases are as follows:

Issue #	Borrower	Original Amount	Current Balance
2000-1	Union County CIC	6,025,000	2,590,000
2000-2	Western Reserve P.A.	6,185,000	2,705,000
	Grand Total	$ 12,210,000	$ 5,295,000

In the event of a lease default, OLA would first draw on the 10% letter of credit to satisfy the bondholders. If the letter of credit is insufficient, the State would then liquidate the assets to which it holds title. Finally, if the bondholders are still not paid in full, OLA is obligated to make the bond payments using the Facilities Establishment Fund.

C. Loan Commitments

These commitments primary represent Chapter 166 loan commitments that were approved by 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	$ 8,339,339
Innovation Ohio	2,391,000
Research and Development	17,500,000
Logistics and Distribution Infrastructure	3,824,360
Grand Total	$ 32,054,699

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

D. 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 – PENSION PLAN

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had a significant impact on beginning net position as reported June 30, 2014 (see Note 9).

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 net pension liability represents OLA's proportionate share of the Ohio Public Employee Retirement System (OPERS) Pension Plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of its fiduciary net position. The net pension 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 liability to annually required payments. OLA cannot control benefit terms or the manner in which pensions are financed; however, the Foundation 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 OPERS to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the OPERS Board of Trustees 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.

Plan Description

Organization - OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: The Traditional Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/contribution plan; and the Member-Directed Plan, a defined contribution plan. All public employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. New public employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the employee's employment. Contributions made prior to the employee's plan selection are maintained in the Traditional Pension Plan and later transferred to the plan elected by the member, as appropriate.

All public employees, except those covered by another state retirement system in Ohio or the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded as defined by the Ohio Revised Code. For actuarial purposes, employees who have earned sufficient service credit (60 contributing months) are entitled to a future benefit from OPERS. Employer, employee and retiree data as of December 31, 2014 can be found in the OPERS 2014 Comprehensive Annual Financial Report.

NOTE 6 – PENSION PLAN (continued)

Pension Benefits – All benefits of the OPERS, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145.

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. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

<u>Age-and-Service Defined Benefits</u> – Benefits in the Traditional Pension Plan are calculated on the basis of age, final average salary (FAS), and service credit. Members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 35 or more years of service credit. Group C is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. 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. Refer to the age-and-service tables located in the OPERS 2014 CAFR Plan Statement for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Prior to 2000, payments to OPERS benefit recipients were limited under Section 415(b) of the Internal Revenue Code (IRC). OPERS entered into a Qualified Excess Benefit Arrangement (QEBA) with the Internal Revenue Service (IRS) to all OPERS benefit recipients to receive their full statutory benefit even when the benefit exceeds IRC 415(b) limitations. Monthly QEBA payments start when the total amount of benefits received by the recipients exceeds the IRC limit each year. The portion of the benefit in excess of the IRC 415(b) limit is paid out of the QEBA and taxed as employee payroll in accordance with IRS regulations.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the members' FAS for the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

NOTE 6 – PENSION PLAN (continued)

Defined Contribution Benefits – Defined contribution plan benefits are stablished in the plan documents, which may be amended by the Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits.

The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employee contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vest account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Disability Benefits – OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect, by April 7, 1993, coverage under either the original plan or the revised plan. All members who entered OPERS after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. After the disability benefit ends, the member may apply for a service retirement benefit or a refund of contributions, which are not reduced by the amount of disability benefits received. Members participating in the Member-Directed Plan are not eligible for disability benefits.

Survivor Benefits – Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may quality for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Ohio Revised Code Chapter 145 specifies the dependents and the conditions under which they quality for survivor benefits.

Other Benefits – Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit. A death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combed Plan. Death benefits are not available to beneficiaries of Member-Direct Plan participants.

NOTE 6 – PENSION PLAN (continued)

Money Purchase Annuity - Age-and-service retirees who become re-employed in an OPERS-covered position must contribute the regular contribution rates, which are applied towards a money purchase annuity. The money purchase annuity calculation is based on the accumulated contributions of the retiree for the period of re-employment, and an amount of the employer contributions determined by the Board of Trustees. Upon termination of service, members over the age of 65 can elect to receive a lump-sum payout or a monthly annuity. Members under age 65 may leave the funds on deposit with OPERS to receive an annuity benefit at age 65, or may elect to receive a refund of their employee contributions made during the period of re-employment, plus interest.

Refunds – Members who have terminated service in OPERS-covered employment may file an application for refund of their account. The Ohio Revised Code requires a three-month waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's rights and benefits in OPERS.

Refunds processed for the Traditional Pension Plan members include the member's accumulated contributions, interest and any qualifying employer funds. A Combined Plan member's refund may consist of member contributions for the purchase of service plus interest, qualifying employer funds, and the value of their account in the defined contribution plan consisting of member contributions adjusted by the gains or losses incurred based on their investment selections. Refunds paid to members in the Member-Direct Plan include member contributions and vested employer contributions adjusted by the gains or losses incurred based on their investment selections.

Contributions – The OPERS funding policy provides for periodic employee and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Board of Trustees, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of the OPERS external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code.

Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2014. Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age actuarial funding method. This formula determines the amount of contributions necessary to fund: (1) the current service cost, representing the estimated amount necessary to pay for defined benefits earned by the employees during the current service year; and (2) the prior service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time.

The employee and employer contribution rates are currently set at the maximums authorized by Ohio Revised Code of 10% and 14%, respectively. Based upon the recommendation of the OPERS external actuary, a portion of each employer's contributions to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 2.0% for fiscal year 2015. The employer contribution as a percent of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for fiscal year 2015 was 4.5%. The amount of contributions recognized by the OPERS from OLA during calendar year 2014 was $113,783, which represented 100% of OLA's required contribution, and OLA's proportionate share of pension expense during the same period was $99,975.

NOTE 6 – PENSION PLAN (continued)

Ohio Revised Code Chapter 145 assigned authority to the Board of Trustees to amend the funding policy. As of December 31, 2014, the Board of Trustees adopted the contribution rates that were recommended by the external actuary. The contribution rates were included in a new funding policy adopted by the Board of Trustees in October 2013, and are certified biennially by the Board of Trustees as required by the Ohio Revised Code.

As of December 31, 2014, the date of the last actuarial study, the funding period for all defined benefits of the OPERS was 21 years.

Net Pension Liability

The net pension liability was measured as of December 31, 2014, and the total pension liabilities were determined by an actuarial valuation as of that date. OLA's proportion of the net pension liability was based on both member and employer contributions to OPERS relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

Proportionate Share of the Net Pension Liability	$	885,460
Proportion of the Net Pension Liability		0.007535%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the 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, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requires of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

NOTE 6 – PENSION PLAN (continued)

Actuarial Information	Traditional Pension Plan	Combined Plan Plan
Valuation Date	December 31, 2014	December 31, 2014
Experience Study	5 Year Period Ending December 31, 2010	5 Year Period Ending December 31, 2010
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	8.00%	8.00%
Wage Inflation	3.75%	3.75%
Projected Salary Increases	4.25 - 10.05% (includes wage inflation at 3.75%)	4.25 - 8.05% (includes wage inflation at 3.75%)
Cost-of-living Adjustments	3.00% Simple	3.00% Simple

Mortality rates are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

The discount rate, used to measure the total pension liability was 8.0% for both the Traditional pension Plan and the Combined Plan. 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 positon was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate - The following table presents the net pension liability calculated using the discount rate of 8.0% and the expected net pension liability if it were calculated using a discount rate that is 1.0% lower or higher than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
OLA's proportionate share of the net pension liability	$ 1,637,394	$ 885,460	$ 252,388

NOTE 6 – PENSION PLAN (continued)

The allocation of investment assets within the Defined Benefit portfolio is approved by the 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 following table displays the Board of Trustees approved asset allocation policy for 2014 and the long-term expected real rates of return.

Asset Class	Allocation	Real Rate of Return
Fixed Income	23.00%	2.31%
Domestic Equities	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other Investments	18.00%	4.59%
Total	100%	5.28%

The long-term expected 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA 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 money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio was 6.95% for 2014.

Average Remaining Service Life

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2014, the average of the expected remaining service lives of all employees calculated by our external actuaries for the Traditional Pension Plan was 3.1673 years and for the Combined Plan was 9.4080 years.

NOTE 6 – PENSION PLAN (continued)

Deferred Inflows and Deferred Outflows

The deferred inflows and outflows reported in the Statement of Net Position do not include the layer of amortization that is recognized in current year pension expense and represents the balances of deferred amounts as of December 31, 2014. The table below discloses the original amounts of the deferred inflows and outflows, calculated by OPERS external actuaries, and the current year amortization on those amounts included in pension expense as of and for the year ended December 31, 2014.

Deferred Inflows/(Outflows)	Total Deferred Inflows/(Outflows) Arising in Current Reporting Period	2014 Amortization Period	First Year of Amortization Recognized in Pension Expense	Balance of Deferred Inflows/(Outflows) in Current Reporting Period
Traditional Pension Plan				
Difference between Expected and Actual Experience	$ 22,843	3.1673 years	$ 7,212	$ 15,631
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ (59,341)	5 years	$ (11,868)	$ (47,473)
Combined Plan				
Difference between Expected and Actual Experience	$ 1,456	9.408 years	$ 155	$ 1,301
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ (325)	5 years	$ (65)	$ (260)

NOTE 6 – PENSION PLAN (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date is recognized as a reduction of the net pension liability in the Foundation's financial statements. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as disclosed in the table below:

Calendar Year Ending December 31	Traditional Pension Plan Net Deferred Outflows of Resources	Combined Plan Net Deferred Inflows of Resources
2015	$ (4,656)	$ 90
2016	(4,656)	90
2017	(10,662)	90
2018	(11,868)	90
2019	-	155
Thereafter	-	528
Total	$ (31,842)	$ 1,041

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

OPERS administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2014 CAFR for details.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (continued)

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 writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year 2015, state and local employers contributed at a rate of 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.0% during calendar year 2015. Effective January 1, 2015, the portion of employer contributions allocated to health care remained at 2.0% for both plans, as recommended by the OPERS OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The contribution rates stated above are the actuarially determined contribution requirements for OPERS. During fiscal year 2015, OLA contributions to OPERS totaled $176,219. Of this amount, $25,164 was used to fund post-employment benefits.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0% percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 8 – LONG TERM LIABILITIES

Long term liability activity for the year ended June 30, 2015 is as follows:

Type	Beginning Balance	Increase	Decrease	Ending Balance	Amount Due in One Year
Compensated Absences	$ 77,107	$ 240,416	$ (178,595)	$ 138,928	$ 58,021
Ohio Enterprise Bond Fund	11,730,706	361,681	(9,906,259)	2,186,128	485,939
Net Pension Liability	868,467	130,776	(113,783)	885,460	-
Total Long Term Liabilities	$ 12,676,280	$ 732,873	$ (10,198,637)	$ 3,210,516	$ 543,960

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

In fiscal year 2015, OLA extinguished the OEBF liability related to Sigma OH Industries, Xunlight Corporation, and Isofoton North America, which resulted in a gain on early extinguishment totaling $1,275,562. As of fiscal year-end, OLA is only making indemnification payments for Euclid & Wickliffe. Since December 2009, cumulative payments that have been made on behalf of Euclid & Wickliffe total $3,110,942. Amounts expected to be recovered from indemnification payments that have been made through the reporting date are $0.

A summary of OLA's future Ohio Enterprise Bond Fund debt service obligations as of June 30, 2015 are as follows:

Fiscal Year	Principal Due
2016	485,525
2017	499,864
2018	522,029
2019	541,750
2020	136,960
Total	$ 2,186,128

NOTE 9 - RESTATEMENT OF BEGINNING NET POSITION

For the fiscal year ended June 30, 2015, OLA implemented *GASB Statement No. 68 "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27"* and *GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68".* The implementation of these standards had the following impact on beginning Net Position:

Net Position, June 30, 2014	$	717,991,654
Net Pension Liability		(868,467)
Deferred Outflow of Resources - Pension Contributions		55,750
Net Position, July 1, 2014, Restated		717,178,937

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2015, OLA has implemented the following:

GASB Statement No. 68 "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27" improves the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhances its value for assessing accountability and interperiod equity by requiring recognition of the entire pension liability and a more comprehensive measure of pension expense. This statement also replaces GASB Statement No. 27 as it relates to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The implementation of this statement had a significant effect on the financial statements of OLA.

GASB Statement No. 69 "Government Combinations and Disposals of Government Operations" provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of this statement did not have an effect on the financial statements of OLA.

GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68" eliminates the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The implementation of this statement had a significant effect on the financial statements of OLA.

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OFFICE OF LOAN ADMINISTRATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
(Unaudited)

LAST 10 CALENDAR YEARS

	2014
Proportion of the net pension liability	0.007535%
Proportionate share of the net pension liability	$ 885,460
Covered-employee payroll	$ 941,226
Proportionate share of the net pension liability as a percentage of covered-employee payroll	94.08%
Plan fiduciary net position as a percentage of the total pension liability	86.45%

OFFICE OF LOAN ADMINISTRATION
SCHEDULE OF CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
(Unaudited)

LAST 10 CALENDAR YEARS

	2014
Contractually required contribution	$ 113,783
Contributions in relation to the contractually required contribution	$ 113,783
Contribution deficiency (excess)	$ -
Covered-employee payroll	$ 941,226
Contributions as a percentage of covered-employee payroll	12.09%

OFFICE OF LOAN ADMINISTRATION
BALANCE SHEET
NONMAJOR FUNDS
June 30, 2015

	Loan Guarantee Fund	Rural Indust. Park Loan Fund	Rural Development Initiative Fund	Totals
ASSETS:				
Cash Equity with Treasurer	-	26,251	50	26,301
Cash and Cash Equivalents	874,764	-	-	874,764
Allocated Collateral on Lent Securities	-	6,399	12	6,411
TOTAL ASSETS	874,764	32,650	62	907,476
LIABILITIES:				
Allocated Obligations Under Securities Lending	-	6,399	12	6,411
TOTAL LIABILITIES	-	6,399	12	6,411
FUND BALANCES:				
Committed	874,764	-	50	874,814
Assigned	-	26,251	-	26,251
TOTAL FUND BALANCES	874,764	26,251	50	901,065
TOTAL LIABILTIES AND FUND BALANCES	874,764	32,650	62	907,476

OFFICE OF LOAN ADMINISTRATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
For the Fiscal Year Ended June 30, 2015

	Loan Guarantee Fund	Rural Indust. Park Loan Fund	Rural Development Initiative Fund	Totals
REVENUES:				
Investment Income	446	-	-	446
TOTAL REVENUES	446	-	-	446
EXPENDITURES:				
Grant Expenditures	-	-	484,970	484,970
TOTAL EXPENDITURES	-	-	484,970	484,970
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	446	-	(484,970)	(484,524)
OTHER FINANCING SOURCES (USES):				
Interfund Transfers	-	(458,719)	-	(458,719)
TOTAL OTHER FINANCING SOURCES (USES)	-	(458,719)	-	(458,719)
NET CHANGE IN FUND BALANCES	446	(458,719)	(484,970)	(943,243)
FUND BALANCES, JULY 1	874,318	484,970	485,020	1,844,308
FUND BALANCES, JUNE 30	874,764	26,251	50	901,065

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, Ohio 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, 2015, 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 8, 2015. We noted the Office adopted new accounting guidance in Governmental Accounting Standards Board Statements No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 opinion 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 a 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 deficiencies in internal control 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*.

We noted certain matters not requiring inclusion in this report that we reported to the Office of Loan Administration's management in a separate letter dated October 8, 2015.

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 communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

October 8, 2015

OFFICE OF LOAN ADMINISTRATION

SCHEDULE OF PRIOR AUDIT FINDINGS

JULY 1, 2014 THROUGH JUNE 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2014-001	Ineffective management oversight relating to the internal controls over financial reporting.	Yes	Corrective Action Taken

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Dave Yost • Auditor of State

OFFICE OF LOAN ADMINISTRATION

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 20, 2015

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