OFFICE OF LOAN ADMINISTRATION

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2016

OFFICE OF LOAN ADMINISTRATION

FOR THE YEAR ENDED JUNE 30, 2016

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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, 2016, 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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

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, 2016, 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.

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 September 30, 2016, 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

September 30, 2016

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OFFICE OF LOAN ADMINISTRATION
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2016
(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, 2016. 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 2016 are as follows:

- The assets of the OLA exceeded its liabilities at the close of the most recent fiscal year by approximately $702.1 million (net position).
- The OLA's total net position decreased by approximately $2.7 million during the fiscal year.
- As of the close of the current fiscal year, the OLA's governmental funds reported combined ending fund balances of approximately $703.6 million, a decrease of approximately $2.8 million in comparison with the prior year.
- During the fiscal year, OLA closed two 166 Direct Loans totaling $6.0 million, two Research and Development loans totaling $2.0 million, three Innovation Ohio loans totaling $3.3 million, and one Logistics and Distribution Infrastructure loan totaling $1.4 million. OLA also had $450,000 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, and Research and Development Fund, all of which are considered to be major funds. Data from the other four 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 21-40 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 41-43 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 44-46 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, 2016 compared to June 30, 2015.

	Net Position at June 30		
	2016	Restated 2015	% Change
Assets			
Current and Other Non Current Assets	$ 734,375,725	$ 775,807,786	-5.3%
Long-term Assets	237,137	231,524	2.4%
Total Assets	734,612,862	776,039,310	-5.3%
Deferred Outflows of Resources			
Pension	618,897	125,076	394.8%
Liabilities			
Current Liabilities	29,791,598	68,193,048	-56.3%
Long-term Liabilities	3,358,380	3,210,516	4.6%
Total Liabilities	33,149,978	71,403,564	-53.6%
Deferred Inflows of Resources			
Pension	31,671	16,932	87.0%
Net Position			
Net Investment in Capital Assets	231,524	231,524	0.0%
Restricted for Community and Economic Development	12,482,353	13,870,790	-10.0%
Unrestricted	689,336,233	690,641,576	-0.2%
Total Net Position	$ 702,050,110	$ 704,743,890	-0.4%

Current and Other Non Current Assets decreased approximately $41.4 million in comparison with the prior fiscal year. This decrease primarily represents a $50.8 million decrease in Loans Receivable, net and a $38.2 million decrease in Allocated Collateral on Lent Securities, offset by a $44.6 million increase in Cash Equity with Treasurer and Cash and Cash Equivalents.

Current Liabilities decreased $38.4 million in comparison with the prior fiscal year. This decrease is primarily the result of a $38.2 million decrease in Allocated Collateral on Lent Securities.

Net Position Restricted for Community and Economic Development decreased approximately $1.4 million during the fiscal year. OLA's entire restricted net position balance represents unspent bond proceeds related to the Ohio Enterprise Bond Fund Program and the Logistics and Distribution Infrastructure Grants Program. This decrease represents the amount of grants awarded under the Logistics and Distribution Infrastructure Grants Program 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, 2016 compared to the year ending June 30, 2015.

Statement of Activity for the year ending June 30

	2016	Restated 2015	% Change
Revenues			
Program Revenues:			
Community and Economic Development	$ 10,468,030	$ 12,096,419	-13.5%
General Revenues			
Investment Income	2,292,336	1,262,677	81.5%
Gain on Early Extinguishment of OEBF Liability	-	1,275,562	-100.0%
Miscellaneous Revenues	19,232	250,452	-92.3%
Total General Revenues	2,311,568	2,788,691	-17.1%
Program Expenses			
Community and Economic Development	(15,497,089)	(27,320,157)	-43.3%
Transfers from Other Offices	23,711	-	0.0%
Change in Net Position	(2,693,780)	(12,435,047)	-78.3%
Net Position at Beginning of Year, Restated	704,743,890	717,178,937	
Net Position at End of Year	$ 702,050,110	$ 704,743,890	

Program revenues consist of loan fees and interest income. In fiscal year 2016, program revenues decreased, 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 decrease in Gain on Early Extinguishment of OEBF Liability is the result of OLA extinguishing three of the four OEBF liabilities during fiscal year 2015.

Program expenses decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of significant decreases in grants ($4.3 million) and bad debt expense ($7.7 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, 2016 compared to June 30, 2015.

Fund Balance at June 30

	2016	Restated 2015	% Change
Operating Fund	$ 1,739,568	$ 784,209	121.8%
Facilities Establishment Fund	458,107,510	460,863,413	-0.6%
Regional Agency Fund	65,667,851	65,585,617	0.1%
Ohio Innovation Fund	65,818,598	67,703,612	-2.8%
Research and Development Fund	108,901,548	106,659,073	2.1%
Nonmajor Governmental Funds	3,359,741	4,771,885	-29.6%
Total Fund Balance	$ 703,594,816	$ 706,367,809	-0.4%

The Operating Fund fund balance increased $955,359 in fiscal year 2016. This increase represents the amount in which fee revenue and operating transfers in exceeded personnel and operating expenditures.

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

Nonmajor Governmental Funds fund balance decreased approximately $1.4 million, or 29.6%. This is the amount by which Logistics and Distribution Infrastructure grant expenditures, totaling $1.4 million, and transfers to other funds, totaling $26,301, exceeded investment income of $24,153 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, 2016. There were no acquisitions or dispositions during the fiscal year.

CONTACTING THE OFFICE OF LOAN ADMINISTRATION MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

OFFICE OF LOAN ADMINISTRATION
STATEMENT OF NET POSITION
June 30, 2016

		Governmental Activities
Assets		
Cash Equity with Treasurer	$	329,843,318
Cash and Cash Equivalents		60,458,685
Investments		11,941,576
Allocated Collateral on Lent Securities		29,656,374
Loans Receivable, Net		298,813,386
Other Assets		20,010
Due from Other Offices		3,642,376
Capital Assets, Net		231,524
Net Pension Asset		5,613
Total Assets		**734,612,862**
Deferred Outflows of Resources		
Pension		618,897
Total Deferred Outflows of Resources		**618,897**
Liabilities		
Accounts Payable		61,132
Accrued Liabilities		71,917
Allocated Obligations Under Securities Lending		29,656,374
Due to Other Offices		2,175
Long Term Liabilities:		
Due in One Year		567,750
Due in More Than One Year		2,790,630
Total Liabilities		**33,149,978**
Deferred Inflows of Resources		
Pension		31,671
Total Deferred Inflows of Resources		**31,671**
Net Position		
Net Investment in Capital Assets		231,524
Restricted for Community and Economic Development		12,482,353
Unrestricted		689,336,233
Total Net Position	**$**	**702,050,110**

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, 2016

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	$ 15,497,089	$ 10,468,030	$ (5,029,059)
Total Governmental Activities	**15,497,089**	**10,468,030**	**(5,029,059)**
Total Primary Government	**$ 15,497,089**	**$ 10,468,030**	**$ (5,029,059)**
General Revenues:			
Investment Income			2,292,336
Miscellaneous Revenue			19,232
Total General Revenues			**2,311,568**
Transfers from Other Offices			**23,711**
Change in Net Position			**(2,693,780)**
Net Position, Beginning of Year, Restated			**704,743,890**
Net Position, End of Year			**$ 702,050,110**

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

OFFICE OF LOAN ADMINISTRATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	Operating Fund	Facilities Establishment Fund	Regional Agency Fund
ASSETS:			
Cash Equity with Treasurer	$ 1,872,095	$ 206,125,819	$ -
Cash and Cash Equivalents	-	22,989,320	36,591,977
Investments	-	10,132,602	1,808,974
Allocated Collateral on Lent Securities	168,341	18,532,861	-
Loans Receivable, Net	-	216,040,150	27,359,132
Other Assets	522	14,644	4,844
Due From Other Funds	-	119,351	29,294
Due From Other Offices	-	3,642,376	-
TOTAL ASSETS	$ 2,040,958	$ 477,597,123	$ 65,794,221
LIABILITIES:			
Accounts Payable	$ 61,132	$ -	$ -
Accrued Liabilities	71,917	-	-
Allocated Obligations Under Securities Lending	168,341	18,532,861	-
Due To Other Funds	-	29,294	119,351
Due To Other Offices	-	-	2,175
TOTAL LIABILITIES	301,390	18,562,155	121,526
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	927,458	4,844
TOTAL DEFERRED INFLOWS OF RESOURCES	-	927,458	4,844
FUND BALANCES:			
Restricted for Community and Economic Development	-	10,000,000	-
Committed	-	448,107,510	65,667,851
Assigned	1,739,568	-	-
TOTAL FUND BALANCES	1,739,568	458,107,510	65,667,851
TOTAL LIABILTIES AND FUND BALANCES	$ 2,040,958	$ 477,597,123	$ 65,794,221

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

Innovation Ohio Fund	Research and Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 46,010,444	$ 73,352,607	$ 2,482,353	$ 329,843,318
-	-	877,388	60,458,685
-	-	-	11,941,576
4,136,819	6,595,164	223,189	29,656,374
19,865,163	35,548,941	-	298,813,386
-	-	-	20,010
-	-	-	148,645
-	-	-	3,642,376
$ 70,012,426	$ 115,496,712	$ 3,582,930	$ 734,524,370
$ -	$ -	$ -	$ 61,132
-	-	-	71,917
4,136,819	6,595,164	223,189	29,656,374
-	-	-	148,645
-	-	-	2,175
4,136,819	6,595,164	223,189	29,940,243
57,009	-	-	989,311
57,009	-	-	989,311
-	-	2,482,353	12,482,353
65,818,598	108,901,548	877,388	689,372,895
-	-	-	1,739,568
65,818,598	108,901,548	3,359,741	703,594,816
$ 70,012,426	$ 115,496,712	$ 3,582,930	$ 734,524,370

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

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OFFICE OF LOAN ADMINISTRATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total Fund Balances for Governmental Funds	**$**	**703,594,816**
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		231,524
Some of the Office's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are reported as deferred in the funds.		989,311
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds		
Deferred Outflows - Pension		618,897
Deferred Inflows - Pension		(31,671)
Net Pension Asset		5,613
Net Pension Liability		(1,500,406)
Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated Absences		(157,371)
Ohio Enterprise Bond Fund Liability		(1,700,603)
Total Net Position of Governmental Activities	**$**	**702,050,110**

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

OFFICE OF LOAN ADMINISTRATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	Operating Fund	Facilities Establishment Fund	Regional Agency Fund
REVENUES:			
Fee Revenue	$ 812,823	$ 922,527	$ 30,680
Loan Interest Income	-	4,497,880	859,978
Investment Income	-	1,484,932	53,266
Miscellaneous	-	18,804	4
TOTAL REVENUES	812,823	6,924,143	943,928
EXPENDITURES:			
Personnel Expenditures	1,775,393	-	-
Operating Expenditures	1,618,282	1,901,897	570,467
Grant Expenditures	-	-	-
OEBF Loan Payment Expenditures	-	564,126	-
Bad Debt Expense	-	10,357,104	291,227
Miscellaneous	-	49,125	-
TOTAL EXPENDITURES	3,393,675	12,872,252	861,694
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,580,852)	(5,948,109)	82,234
OTHER FINANCING SOURCES (USES):			
Interfund Transfers	3,512,500	3,192,206	-
Transfers from Other Offices	23,711	-	-
TOTAL OTHER FINANCING SOURCES (USES)	3,536,211	3,192,206	-
NET CHANGE IN FUND BALANCES	955,359	(2,755,903)	82,234
FUND BALANCES, JULY 1, RESTATED	784,209	460,863,413	65,585,617
FUND BALANCES, JUNE 30	$ 1,739,568	$ 458,107,510	$ 65,667,851

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

Innovation Ohio Fund	Research and Development Fund	Nonmajor Governmental Funds	Total
$ 908,285	$ 129,153	$ -	$ 2,803,468
1,620,499	942,697	-	7,921,054
277,186	453,955	24,153	2,293,492
-	424	-	19,232
2,805,970	1,526,229	24,153	13,037,246
-	-	-	1,775,393
-	-	-	4,090,646
-	-	1,409,966	1,409,966
-	-	-	564,126
(1,987,421)	(716,246)	-	7,944,664
-	-	-	49,125
(1,987,421)	(716,246)	1,409,966	15,833,920
4,793,391	2,242,475	(1,385,813)	(2,796,674)
(6,678,405)	-	(26,301)	-
-	-	-	23,711
(6,678,405)	-	(26,301)	23,711
(1,885,014)	2,242,475	(1,412,114)	(2,772,963)
67,703,612	106,659,073	4,771,855	706,367,779
$ 65,818,598	$ 108,901,548	$ 3,359,741	$ 703,594,816

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, 2016

Net Change in Fund Balances - Total Governmental Funds	**$**	**(2,772,963)**
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Some of the Office's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.		
Accrued Interest Receivable		(1,156)
Capitalized Loan Interest Receivable		(256,492)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		(4,185)
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset and net pension liability are reported as pension expense in the statement of activities.		(126,066)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Change in Compensated Absences		(18,443)
Change in Ohio Enterprise Bond Fund Liability		485,525
Change in Net Position of Governmental Activities	**$**	**(2,693,780)**

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, 2016, 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

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.

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.

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

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:

- 80% of loans certified to the Office of the Attorney General,
- 20% of loans outstanding within the Innovation Ohio Fund,
- 7% of loans outstanding Rural Industrial Park loans within the Facilities Establishment Fund,
- 10% of loans outstanding 166 Direct loans within the Facilities Establishment Fund,
- 5% of loans outstanding within the Research and Development Fund,
- 2% of loans outstanding Urban Redevelopment loans within the Facilities Establishment Fund,
- 2% 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 $912,814 and $57,009, respectively, of deferred inflows of resources relating to capitalized interest.

H. Other Assets – Other assets includes receivables for the employee allocation of Ohio Med funding deficit and accrued interest receivable. Total other assets at fiscal year-end were $20,010.

I. Accounts Payable and Accrued Liabilities – Accounts payable of $61,132 includes accruals for operating obligations incurred, but not yet paid, as of fiscal year-end. Accrued liabilities include wages and benefits payable of $71,917 as of June 30, 2016.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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, 2016 was $157,371.

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, 2016 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 2016, 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, 2016, there was one OEBF bond in default (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. During the fiscal year, the OLA had transfers in from the Community and Economic Development office in the amount of $23,711.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

The deposit and investment policies of the Treasurer of State and the State Board of Deposit are governed by the Uniform Depository Act, Chapter 135, Ohio Revised Code, which requires state moneys to be maintained in one of the following three classifications:

Active Deposits — Moneys required to be kept in a cash or near-cash status to meet current demands. Such moneys must be maintained either as cash in the State's treasury or in one of the following: a commercial account that is payable or withdrawable, in whole or in part, on demand, a negotiable order of withdrawal account, a money market deposit account, or a designated warrant clearance account.

Inactive Deposits — Those moneys not required for use within the current two-year period of designation of depositories. Inactive moneys may be deposited or invested only in certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Deposits — Those moneys not required for immediate use, but needed before the end of the current period of designation of depositories. Interim deposits may be deposited or invested in the following instruments:

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

Deposits – The primary government's deposits must be held in insured depositories approved by the State Board of Deposit and must be fully collateralized. At fiscal year-end, the carrying amount of OLA's deposits was $5,935,457 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	$ 1,656,465
U.S. Government Agency Obligations	5,135,800
Municipal Bonds	3,458,777
Negotiable Certificates of Deposit	1,690,534
Money Market Funds	33,363,961
STAR Ohio	21,159,267
Total Investments	$ 66,464,804

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

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, $50,283 was rated AAA, $2,283,155 was rated AA and $1,125,339 was rated A. Of OLA's U.S. Government Agency Obligations at fiscal year-end, $77,239 was rated AAA and $5,058,561 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 had $3,713,261, or 5.6 percent, invested in the Federal Home Loan Mortgage Corporation. OLA had no other 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investment Type	Investment Maturities (in years) Less than 1	1-5	Total Fair Value
U.S. Government Obligations	$ 225,606	$ 1,430,859	$ 1,656,465
U.S Government Agency Obligations	77,239	5,058,561	5,135,800
Municipal Bonds	1,042,229	2,416,548	3,458,777
Negotiable Certificates of Deposit	407,161	1,283,373	1,690,534
Money Market Funds	33,363,961	-	33,363,961
STAR Ohio	21,159,267	-	21,159,267
Total Investments	$ 56,275,463	$ 10,189,341	$ 66,464,804

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 7.51 days while the weighted maturity of all collateral was 31.74 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 $29,656,374.

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	$ 309,740,726	$ 6,535,035	$ (41,918,874)	$ 6,678,405	$ 281,035,292
Regional Agency	26,712,268	6,170,399	(4,965,185)	-	27,917,482
Innovation Ohio	51,199,284	3,250,000	(10,270,911)	(6,678,405)	37,499,968
Research and Development	43,995,925	2,000,000	(7,143,351)	-	38,852,574
Grand Total	$ 431,648,203	$ 17,955,434	$ (64,298,321)	$ -	$ 385,305,316

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 $86,491,930 (Facilities Establishment Fund was $64,995,142; Regional Agency Fund was $558,350; Innovation Ohio Fund was $17,634,805; and Research and Development Fund was $3,303,633).

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, 2016 outstanding loan balances under this program aggregated $162,005,000 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 41 Ohio Enterprise Bond Fund loans with outstanding principal balances, 40 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 $4,415,000. The projects that include leases are as follows:

Issue #	Borrower	Original Amount	Current Balance
2000-1	Union County CIC	6,025,000	2,160,000
2000-2	Western Reserve P.A.	6,185,000	2,255,000
	Grand Total	$ 12,210,000	$ 4,415,000

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	$ 11,283,122
Innovation Ohio	3,562,047
Research and Development	14,000,000
Logistics and Distribution Infrastructure	2,365,220
Grand Total	$ 31,210,389

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 – DEFINED BENEFIT PENSION PLAN

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

Net Pension Liability

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

The net pension liability represents OLA's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension 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, OLA does receive the benefit of employees' services in exchange for compensation including pension.

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - OLA employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. OLA employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

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

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

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

2016 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee	10.0	%
2016 Actual Contribution Rates		
Employer:		
Pension	12.0	%
Post-employment Health Care Benefits	2.0	
Total Employer	14.0	%
Employee	10.0	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. OLA's contractually required contribution was $175,862 for 2016. Of this amount, $150,749 was used to fund pension benefits.

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

The net pension liability or asset for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and net pension liability was determined by an actuarial valuation as of that date. OLA's proportion of the net pension asset and net pension liability was based on OLA's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPERS Combined Plan	Total
Proportionate Share of the Net Pension (Asset)/Liability	$1,500,406	($5,613)	$1,494,793
Proportion of the Net Pension Liability/(Asset)	0.008662%	0.011535%	
Pension Expense	$210,820	$2,960	$213,780

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

At June 30, 2016, OLA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$441,026	$2,423	$443,449
Changes in proportionate share	102,290	0	102,290
County contributions subsequent to the measurement date			73,158
Total Deferred Outflows of Resources	$543,316	$2,423	$618,897
Deferred Inflows of Resources			
Differences between expected and actual experience	$28,991	$2,561	$31,552
Changes in proportionate share	0	119	119
Total Deferred Inflows of Resources	$28,991	$2,680	$31,671

$73,158 reported as deferred outflows of resources related to pension resulting from OLA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	OPERS Traditional Plan	OPERS Combined Plan	Total
2017	$ 143,653	$ 285	$ 143,938
2018	150,705	285	150,990
2019	120,161	285	120,446
2020	99,805	217	100,022
2021	-	(338)	(338)
Thereafter	-	(991)	(991)
Total	$ 514,325	$ (257)	$ 514,068

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent 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 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits 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 Trust. 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 investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with 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 table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of OLA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents OLA's proportionate share of the net pension liability or asset calculated using the current period discount rate assumption of 8 percent, as well as what OLA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
OLA's proportionate share of the net pension liability			
Traditional Plan	$ 2,390,513	$ 1,500,406	$ 749,629
Combined Plan	(115)	(5,613)	(10,035)

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description - Ohio Public Employees Retirement System (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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board 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 employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The contribution rates stated above are the actuarially determined contribution requirements for OPERS. During fiscal year 2016, OLA contributions to OPERS totaled $175,862. Of this amount, $25,113 was used to fund health care.

NOTE 8 – LONG TERM LIABILITIES

Long term liability activity for the year ended June 30, 2016 is as follows:

Type	Beginning Balance	Increase	Decrease	Ending Balance	Amount Due in One Year
Compensated Absences	$ 138,928	$ 195,852	$ (177,409)	$ 157,371	$ 67,886
Ohio Enterprise Bond Fund	2,186,128	-	(485,525)	1,700,603	499,864
Net Pension Liability	885,460	614,946	-	1,500,406	-
Total Long Term Liabilities	$ 3,210,516	$ 810,798	$ (662,934)	$ 3,358,380	$ 567,750

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

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 $3,675,068. 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, 2016 are as follows:

Fiscal Year	Principal Due
2017	499,864
2018	522,029
2019	541,750
2020	136,960
Total	$ 1,700,603

NOTE 9 - RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCE

During fiscal year ended June 30, 2016, OLA reclassified the Logistics and Distribution Infrastructure Fund from a major fund to Nonmajor Governmental Funds.

In addition, in fiscal year 2015, operating expenses and expenditures were overstated by $635,636 as a result loan payments received from the Attorney General's Office being posted incorrectly. OLA has restated beginning fund balance/net position to correct this posting error.

These adjustments had the following impact on beginning fund balance/net position:

	Governmental Activities
Net Position, June 30, 2015	$ 704,108,254
Due from Other Offices	635,636
Net Position, July 1, 2015, Restated	704,743,890

	Facilities Establishment Fund	Logistics and Distribution Infrastructure Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance, June 30, 2015	$ 460,227,777	$ 3,870,790	$ 901,065	$ 705,732,143
Reclassification of Fund	-	(3,870,790)	3,870,790	-
Due from Other Offices	635,636	-	-	635,636
Fund Balance, July 1, 2015, Restated	460,863,413	-	4,771,855	706,367,779

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2016, OLA has implemented the following:

GASB Statement No. 72 "Fair Value Measurement and Application" enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The implementation of this statement did not have a significant effect on the financial statements of OLA.

GASB Statement No. 76 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The implementation of this statement did not have an effect on the financial statements of OLA.

REQUIRED SUPPLEMENTARY INFORMATION

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

Last Three Years (1)

	2015	2014	2013
Proportion of the Net Pension (Asset)/Liability			
Traditional Plan	0.008662%	0.007377%	0.007377%
Combined Plan	0.011535%	0.011078%	0.011078%
Proportionate Share of the Net Pension (Asset)/Liability			
Traditional Plan	$ 1,500,406	$ 889,725	$ 869,629
Combined Plan	$ (5,613)	$ (4,265)	$ (1,162)
Covered-Employee Payroll	$ 1,291,033	$ 1,078,762	$ 1,239,977
Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of Covered-Employee Payroll	115.78%	82.08%	70.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability			
Traditional Plan	81.08%	86.45%	86.36%
Combined Plan	116.90%	114.83%	104.56%

(1) Information prior to 2013 is not available.

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

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

Last Three Years (1)

	2015	2014	2013
Contractually Required Contribution	$ 154,924	$ 129,451	$ 161,197
Contributions in relation to the contractually required contribution	(154,924)	(129,451)	(161,197)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 1,291,033	$ 1,078,762	$ 1,239,977
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

SUPPLEMENTARY COMBINING FINANCIAL STATEMENTS

OFFICE OF LOAN ADMINISTRATION
BALANCE SHEET
NONMAJOR FUNDS
June 30, 2016

	Loan Guarantee Fund	Rural Indust. Park Loan Fund	Logistics and Distribution Infrastructure Fund	Rural Development Initiative Fund	Totals
ASSETS:					
Cash Equity with Treasurer	$ -	$ -	$ 2,482,353	$ -	$ 2,482,353
Cash and Cash Equivalents	877,388	-	-	-	877,388
Allocated Collateral on Lent Securities	-	-	223,189	-	223,189
TOTAL ASSETS	$ 877,388	$ -	$ 2,705,542	$ -	$ 3,582,930
LIABILITIES:					
Allocated Obligations Under Securities Lending	$ -	$ -	$ 223,189	$ -	$ 223,189
TOTAL LIABILITIES	-	-	223,189	-	223,189
FUND BALANCES:					
Restricted for Community and Economic Development	-	-	2,482,353	-	2,482,353
Committed	877,388	-	-	-	877,388
TOTAL FUND BALANCES	877,388	-	2,482,353	-	3,359,741
TOTAL LIABILTIES AND FUND BALANCES	$ 877,388	$ -	$ 2,705,542	$ -	$ 3,582,930

OFFICE OF LOAN ADMINISTRATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
For the Fiscal Year Ended June 30, 2016

	Loan Guarantee Fund	Rural Indust. Park Loan Fund	Logistics and Distribution Infrastructure Fund	Rural Development Initiative Fund	Totals
REVENUES:					
Investment Income	$ 2,624	$ -	$ 21,529	$ -	$ 24,153
TOTAL REVENUES	2,624	-	21,529	-	24,153
EXPENDITURES:					
Grant Expenditures	-	-	1,409,966	-	1,409,966
TOTAL EXPENDITURES	-	-	1,409,966	-	1,409,966
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,624	-	(1,388,437)	-	(1,385,813)
OTHER FINANCING SOURCES (USES):					
Interfund Transfers	-	(26,251)	-	(50)	(26,301)
TOTAL OTHER FINANCING SOURCES (USES)	-	(26,251)	-	(50)	(26,301)
NET CHANGE IN FUND BALANCES	2,624	(26,251)	(1,388,437)	(50)	(1,412,114)
FUND BALANCES, JULY 1, RESTATED	874,764	26,251	3,870,790	50	4,771,855
FUND BALANCES, JUNE 30	$ 877,388	$ -	$ 2,482,353	$ -	$ 3,359,741

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, 2016, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements and have issued our report thereon dated September 30, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

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 September 30, 2016.

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
Auditor of State
Columbus, Ohio

September 30, 2016

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 25, 2016