



Dave Yost • Auditor of State

OFFICE OF LOAN ADMINISTRATION

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Dave Yost • Auditor of State

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), State of Ohio, as of and for the year ended June 30, 2014, 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, as of June 30, 2014, 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 to the financial statements, the Office's financial statements are intended to present the financial position and the changes in financial position 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, 2014, 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.

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

Supplementary and Other Information

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

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

The statements are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2014, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

October 9, 2014

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**OFFICE OF LOAN ADMINISTRATION
MANAGEMENT'S DISCUSSION & ANALYSIS**
For the Year Ended June 30, 2014
(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, 2014. 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, Family Farm, 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 2014 are as follows:

- The assets of the OLA exceeded its liabilities at the close of the most recent fiscal year by approximately \$718.0 million (net position).
- The OLA's total net position decreased by approximately \$29.9 million.
- As of the close of the current fiscal year, the OLA's governmental funds reported combined ending fund balances of \$728.1 million, a decrease of approximately \$20.5 million in comparison with the prior year.
- During the fiscal year, OLA closed ten 166 Direct Loans totaling \$15 million, four Research and Development loans totaling \$6.5 million, ten Innovation Ohio loans totaling \$8.5 million, and three Logistics and Distribution Infrastructure loans totaling \$10 million. OLA also had \$8.8 million in additional disbursements on existing loans.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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.

**OFFICE OF LOAN ADMINISTRATION
MANAGEMENT'S DISCUSSION & ANALYSIS**
For the Year Ended June 30, 2014
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 10-11 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The OLA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. All of the OLA's funds are governmental funds.

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

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

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

The fund financial statements can be found on pages 12-18 of this report.

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.

**OFFICE OF LOAN ADMINISTRATION
MANAGEMENT'S DISCUSSION & ANALYSIS**
For the Year Ended June 30, 2014
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 19-33 of this report.

Other information

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 35-37 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, 2014 compared to June 30, 2013.

	Net Position at June 30		
	2014	2013	% Change
Assets			
Current and Other Non Current Assets	\$ 798,891,675	\$ 777,211,202	2.8%
Nondepreciable Capital Assets	231,524	231,524	0.0%
Total Assets	799,123,199	777,442,726	2.8%
Liabilities			
Current Liabilities	69,323,732	26,788,960	158.8%
Long-term Liabilities	11,807,813	2,770,601	326.2%
Total Liabilities	81,131,545	29,559,561	174.5%
Net Position			
Net Investment in Capital Assets Restricted for Community and Economic Development	231,524	231,524	0.0%
Unrestricted	19,108,044	36,621,115	-47.8%
Total Net Position	\$ 717,991,654	\$ 747,883,165	-4.0%

Current and Other Non Current Assets increased \$21.7 million in comparison with the prior fiscal year. This increase primarily represents a \$42.5 million increase in Allocated Collateral on Lent Securities, offset by a \$36.8 million decrease in Loans Receivable, net.

Current and Long-term Liabilities both increased significantly in comparison with the prior fiscal year. The Current Liabilities increase is primarily the result of a \$42.5 million increase in Allocated Obligations Under Securities Lending. The Long-term Liabilities increase is primarily the result of three new OEBF defaults during the fiscal year.

OFFICE OF LOAN ADMINISTRATION
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2014
(Unaudited)

FINANCIAL ANALYSIS OF THE OFFICE OF LOAN ADMINISTRATION (CONTINUED)

Net Position Restricted for Community and Economic Development decreased approximately \$17.5 million during the fiscal year primarily as a result of Logistics and Distribution Infrastructure Grants of approximately \$17.6 million.

The following is a summary of OLA's Statement of Activities for the year ending June 30, 2014 compared to the year ending June 30, 2013.

Statement of Activity for the year ending June 30

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Revenues			
Program Revenues:			
Community and Economic Development	<u>\$ 12,508,267</u>	<u>\$ 14,707,506</u>	-15.0%
General Revenues			
Investment Income	782,763	599,336	30.6%
Miscellaneous Revenues	<u>33,482</u>	<u>276,622</u>	-87.9%
Total General Revenues	<u>816,245</u>	<u>875,958</u>	-6.8%
Program Expenses			
Community and Economic Development	<u>(43,333,868)</u>	<u>(29,417,378)</u>	47.3%
Transfers from Other Offices	<u>117,845</u>	<u>2,077,610</u>	-94.3%
Change in Net Position	(29,891,511)	(11,756,304)	154.3%
Net Position at Beginning of Year	<u>747,883,165</u>	<u>759,639,469</u>	
Net Position at End of Year	<u><u>\$ 717,991,654</u></u>	<u><u>\$ 747,883,165</u></u>	

Program revenues consist of loan fees and interest income. In fiscal year 2014, program revenues decreased significantly, primarily as a result of a decrease in loan interest income due to declining loan balances.

Program expenses increased significantly in comparison with the prior fiscal year. This increase is primarily the result three new OEBF defaults during the fiscal year, coupled with an increase in bad debt expense.

Transfers from Other Offices decreased significantly in fiscal year 2014. This decrease is the result of two nonrecurring transfers from the Tax Incentive Fund and the Ohio Air Quality Development Authority in 2013.

**OFFICE OF LOAN ADMINISTRATION
MANAGEMENT'S DISCUSSION & ANALYSIS**
For the Year Ended June 30, 2014
(Unaudited)

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, 2014 compared to June 30, 2013.

Fund Balance at June 30

	2014	2013	% Change
Operating Fund	\$ 3,221,328	\$ 5,427,106	-40.6%
Facilities Establishment Fund	472,676,622	463,442,671	2.0%
Regional Agency Fund	65,439,546	65,049,905	0.6%
Ohio Innovation Fund	69,998,133	73,736,721	-5.1%
Research and Development Fund	105,853,442	112,553,876	-6.0%
Logistics and Distribution Infrastructure Fund	9,108,044	26,621,115	-65.8%
Nonmajor Governmental Funds	1,844,308	1,844,111	0.0%
Total Fund Balance	<u>\$ 728,141,423</u>	<u>\$ 748,675,505</u>	-2.7%

The Operating Fund fund balance decreased approximately \$2.2 million, or 40.6%. This decrease represents the amount in which personnel and operating expenditures exceeded fee revenue during the fiscal year.

The Logistics and Distribution Infrastructure Fund fund balance decreased approximately \$17.5 million, or 65.8%. This is the amount by which grant expenditures totaling \$17.6 million exceeded investment income during the fiscal year.

BUDGET VARIANCES IN THE GENERAL FUND

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

CAPITAL ASSETS

OLA has \$231,524 invested in net capital assets as of June 30, 2014. There were no acquisitions or dispositions during the fiscal year.

CONTACTING THE OFFICE OF LOAN ADMINISTRATION MANAGEMENT

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

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OFFICE OF LOAN ADMINISTRATION
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
Assets	
Cash Equity with Treasurer	\$ 248,927,658
Cash and Cash Equivalents	57,259,240
Investments	11,819,489
Allocated Collateral on Lent Securities	69,258,372
Loans Receivable, Net	411,464,647
Leases Receivable	139,062
Other Assets	23,207
Capital Assets, Net	231,524
Total Assets	799,123,199
 Liabilities	
Accounts Payable	19,319
Accrued Liabilities	46,041
Allocated Obligations Under Securities Lending	69,258,372
Long Term Liabilities:	
Due in One Year	2,514,116
Due in More Than One Year	9,293,697
Total Liabilities	81,131,545
 Net Position	
Net Investment in Capital Assets	231,524
Restricted for Community and Economic Development	19,108,044
Unrestricted	698,652,086
Total Net Position	\$ 717,991,654

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, 2014

Functions/Programs	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Position Primary Governmental Activities
Primary Government			
Governmental Activities			
Community and Economic Development	\$ 43,333,868	\$ 12,508,267	\$ (30,825,601)
Total Governmental Activities	43,333,868	12,508,267	(30,825,601)
Total Primary Government	\$ 43,333,868	\$ 12,508,267	\$ (30,825,601)
General Revenues:			
Investment Income			782,763
Miscellaneous Revenue			33,482
Total General Revenues			816,245
Transfers from Other Offices			117,845
Change in Net Position			(29,891,511)
Net Position, Beginning of Year			747,883,165
Net Position, End of Year			\$ 717,991,654

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

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OFFICE OF LOAN ADMINISTRATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	Operating Fund	Facilities Establishment Fund	Regional Agency Fund
ASSETS:			
Cash Equity with Treasurer	\$ 3,281,132	\$ 160,279,756	\$ -
Cash and Cash Equivalents	-	21,137,117	35,247,805
Investments	-	9,965,912	1,853,577
Allocated Collateral on Lent Securities	912,982	44,594,086	-
Loans Receivable, Net	-	282,312,307	28,452,515
Leases Receivable	-	139,062	-
Other Assets	3,556	13,025	6,626
Due From Other Funds	-	114,351	-
TOTAL ASSETS	\$ 4,197,670	\$ 518,555,616	\$ 65,560,523
LIABILITIES:			
Accounts Payable	\$ 17,319	\$ -	\$ -
Accrued Liabilities	46,041	-	-
Allocated Obligations Under Securities Lending	912,982	44,594,086	-
Due To Other Funds	-	-	114,351
TOTAL LIABILITIES	976,342	44,594,086	114,351
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	1,284,908	6,626
TOTAL DEFERRED INFLOWS OF RESOURCES	-	1,284,908	6,626
FUND BALANCES:			
Restricted for Community and Economic Development	-	10,000,000	-
Committed	-	462,676,622	65,439,546
Assigned	3,221,328	-	-
TOTAL FUND BALANCES	3,221,328	472,676,622	65,439,546
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,197,670	\$ 518,555,616	\$ 65,560,523

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

Innovation Ohio Fund	Research and Development Fund	Logistics and Distribution Infrastructure Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 22,690,399	\$ 52,598,337	\$ 9,108,044	\$ 969,990	\$ 248,927,658
-	-	-	874,318	57,259,240
-	-	-	-	11,819,489
6,313,072	14,634,255	2,534,100	269,877	69,258,372
47,444,720	53,255,105	-	-	411,464,647
-	-	-	-	139,062
-	-	-	-	23,207
-	-	-	-	114,351
<u>\$ 76,448,191</u>	<u>\$ 120,487,697</u>	<u>\$ 11,642,144</u>	<u>\$ 2,114,185</u>	<u>\$ 799,006,026</u>
\$ 2,000	\$ -	\$ -	\$ -	\$ 19,319
-	-	-	-	46,041
6,313,072	14,634,255	2,534,100	269,877	69,258,372
-	-	-	-	114,351
<u>6,315,072</u>	<u>14,634,255</u>	<u>2,534,100</u>	<u>269,877</u>	<u>69,438,083</u>
134,986	-	-	-	1,426,520
<u>134,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,426,520</u>
-	-	9,108,044	-	19,108,044
69,998,133	105,853,442	-	1,359,338	705,327,081
-	-	-	484,970	3,706,298
<u>69,998,133</u>	<u>105,853,442</u>	<u>9,108,044</u>	<u>1,844,308</u>	<u>728,141,423</u>
<u>\$ 76,448,191</u>	<u>\$ 120,487,697</u>	<u>\$ 11,642,144</u>	<u>\$ 2,114,185</u>	<u>\$ 799,006,026</u>

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

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OFFICE OF LOAN ADMINISTRATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	Operating Fund	Facilities Establishment Fund	Regional Agency Fund
REVENUES:			
Fee Revenue	\$ 1,090,625	\$ 936,220	\$ 34,292
Loan Interest Income	-	5,340,068	963,930
Investment Income	-	471,163	29,675
Miscellaneous	-	31,809	171
TOTAL REVENUES	<u>1,090,625</u>	<u>6,779,260</u>	<u>1,028,068</u>
EXPENDITURES:			
Personnel Expenditures	1,469,399	-	-
Operating Expenditures	1,827,004	950,486	651,474
Grant Expenditures	-	-	-
OEBF Loan Payment Expenditures	-	1,724,909	-
Bad Debt Expense	-	19,383,350	(13,047)
Miscellaneous	-	38,238	-
TOTAL EXPENDITURES	<u>3,296,403</u>	<u>22,096,983</u>	<u>638,427</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,205,778)</u>	<u>(15,317,723)</u>	<u>389,641</u>
OTHER FINANCING SOURCES (USES):			
Interfund Transfers	-	24,433,829	-
Transfers from Other Offices	-	117,845	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>24,551,674</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(2,205,778)	9,233,951	389,641
FUND BALANCES, JULY 1	5,427,106	463,442,671	65,049,905
FUND BALANCES, JUNE 30	<u>\$ 3,221,328</u>	<u>\$ 472,676,622</u>	<u>\$ 65,439,546</u>

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

Innovation Ohio Fund	Research and Development Fund	Logistics and Distribution Infrastructure Fund	Nonmajor Governmental Funds	Total
\$ 775,329	\$ 152,076	\$ 600	\$ -	\$ 2,989,142
2,502,661	1,031,428	-	-	9,838,087
63,469	164,244	55,270	197	784,018
-	1,502	-	-	33,482
<u>3,341,459</u>	<u>1,349,250</u>	<u>55,870</u>	<u>197</u>	<u>13,644,729</u>
-	-	-	-	1,469,399
80,550	-	-	-	3,509,514
-	-	17,568,941	-	17,568,941
-	-	-	-	1,724,909
(7,581,049)	(1,803,599)	-	-	9,985,655
-	-	-	-	38,238
<u>(7,500,499)</u>	<u>(1,803,599)</u>	<u>17,568,941</u>	<u>-</u>	<u>34,296,656</u>
<u>10,841,958</u>	<u>3,152,849</u>	<u>(17,513,071)</u>	<u>197</u>	<u>(20,651,927)</u>
(14,580,546)	(9,853,283)	-	-	-
-	-	-	-	117,845
<u>(14,580,546)</u>	<u>(9,853,283)</u>	<u>-</u>	<u>-</u>	<u>117,845</u>
(3,738,588)	(6,700,434)	(17,513,071)	197	(20,534,082)
73,736,721	112,553,876	26,621,115	1,844,111	748,675,505
<u>\$ 69,998,133</u>	<u>\$ 105,853,442</u>	<u>\$ 9,108,044</u>	<u>\$ 1,844,308</u>	<u>\$ 728,141,423</u>

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, 2014

Net Change in Fund Balances - Total Governmental Funds **\$ (20,534,082)**

The change in net position reported for governmental activities in the Statement of Activities is different because:

Some of the Office's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.

This amount represents the change in beginning and end of year deferred revenues.

(320,217)

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 (16,506)

Change in Ohio Enterprise Bond Fund Liability (9,020,706)

Change in Net Position of Governmental Activities **\$ (29,891,511)**

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

OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Office of Loan Administration (OLA), as of June 30, 2014, 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.

**OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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 to expenditure for designated purposes.

1. Major Governmental Funds

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

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

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

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

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

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

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

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

OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

2. Non-major Governmental Funds

Loan Guarantee Fund - Records funds deposited with the Treasurer of the State of Ohio and accounts for payments made by OLA due to the default on contractual loan terms by borrowers on loans guaranteed pursuant to Chapter 166 of the Code.

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

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements (i.e. the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. For revenues arising from exchange transactions (i.e., charges for goods or services), OLA defers revenue recognition when resources are received in advance of the exchange.

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

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

- D. Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.
- E. Deposits and Investments** - In fiscal year 2005, OBM implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". In addition, the OBM has adopted provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools" ("GASB 31") of the Governmental Accounting Standards Board ("GASB"). Accordingly, OLA's investments are stated at fair value (based on quoted market prices) in the accompanying statement of net position and the change in the fair value of the investments is recorded as Investment Income in the Statement of Activities.

OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- F. Securities Lending** - In accordance with GASB Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions" ("GASB 28"), OLA reports cash received as collateral on securities lending transactions and any investments made with that cash as assets in the accompanying balance sheet. Liabilities to return the collateral to the borrower are also recognized. Securities received as collateral in connection with securities lending activities are not recorded as assets and liabilities of OLA, because OLA does not have the ability to pledge or sell the securities without borrower default.
- G. Loans Receivable, Net and Allowance for Uncollectible Loans** - Loans receivable includes amounts due to OLA for loans and loan guarantees entered into as part of its loan programs. Loans receivable is reported net of the allowance for uncollectible loans (See Note 4), which applies the following allowance methodology:
- 75% of loans certified to the Office of the Attorney General,
 - 15% of loans outstanding within the Innovation Ohio Fund,
 - 10% of loans outstanding Rural Industrial Park loans within the Facilities Establishment Fund,
 - 6% of loans outstanding 166 Direct loans within the Facilities Establishment Fund
 - 5% of loans outstanding within the Research and Development Fund,
 - 1.5% of loans outstanding Urban Redevelopment loans within the Facilities Establishment Fund,
 - 1% of loans outstanding within the Regional Agency Fund,
 - 0.5% of the family farm loan guarantees outstanding within the Facilities Establishment Fund, and
 - Varying percentages on specific loan balances as deemed necessary.
- Direct loan write-offs are reported upon notification from the Attorney General that an account is uncollectible. Direct loan write-offs are charged against the allowance.
- The loans receivable shown in the Facilities Establishment Fund and Innovation Ohio Fund balances include \$1,271,883 and \$134,987, respectively, of deferred inflows of resources relating to capitalized interest.
- H. Leases Receivable** - Lease Receivable includes a 166 Direct Loan to Union County CIC. The State holds title to the asset and leases it back. Total lease receivable at fiscal year-end was \$139,062.
- I. Other Assets** - Other assets includes receivables for Port Authority Bond Reserve service fees and accrued interest receivable. Total other assets at fiscal year-end were \$23,207.
- J. Accounts Payable and Accrued Liabilities** - Accounts payable of \$19,319 includes accruals for operating obligations incurred, but not yet paid, as of fiscal year-end. Accrued liabilities include wages and benefits payable of \$46,041 as of June 30, 2014.

OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

For OLA, deferred inflows of resources represent unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the availability period. For OLA, unavailable revenue includes accrued interest receivable and capitalized interest receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Unavailable revenue as of June 30, 2014 was \$1,426,520.

- 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, 2014 was \$77,107.
- 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.

OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 assets are 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, 2014 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 2014, 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, 2014, there were four OEBF bonds in default totaling \$12,055,000 (See Note 5).
- 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 resulted from a transfer 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 will not reflect offsetting disbursements from state agencies.
- 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.

OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 \$2,087,371 and the bank balance was \$1,358,345. The entire bank balance was covered by Federal Deposit Insurance.

**OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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	\$ 1,447,981
U.S. Government Agency Obligations	7,357,825
Municipal Bonds	2,607,176
Money Market Funds	37,037,548
STAR Ohio	18,540,828
Total Investments	<u>\$ 66,991,358</u>

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, \$2,311,668 was rated AA and \$295,508 was rated A. Of OLA’s U.S. Government Agency Obligations at fiscal year-end, \$287,279 was rated AAA and \$7,070,546 was rated AA. OLA’s money market funds were not rated.

Concentration of Credit Risk – Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. At year end, OLA was not exposed to concentration of credit risk because OLA had no positions of 5 percent or more in any one issuer subject to credit risk.

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

Investment Type	Investment Maturities (in years)		Total Fair Value
	Less than 1	1-5	
U.S. Government Obligations	\$ 219,997	\$ 1,227,984	\$ 1,447,981
U.S Government Agency Obligations	75,203	7,282,622	7,357,825
Municipal Bonds	151,322	2,455,854	2,607,176
STAR Ohio	18,540,828	-	18,540,828
Money Market Funds	37,037,548	-	37,037,548
Total Investments	<u>\$ 56,024,898</u>	<u>\$ 10,966,460</u>	<u>\$ 66,991,358</u>

**OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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

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

NOTE 3 – SECURITIES LENDING TRANSACTIONS

OLA through the Treasurer of State's Investment Department participates in a securities lending program for securities included in the "Equity in State of Ohio common cash and investments". The State's lending programs, authorized under Sections 135.143, 135.45 and 135.47, Ohio Revised Code, are administered by custodial agent banks, whereby certain securities are transferred to independent broker-dealers (borrowers) in exchange for collateral. OLA has minimized its exposure to credit risk due to borrower default by requiring the custodial agent to ensure that the lent securities are collateralized at no less than 102 percent of the market value at the time of the loan. At no point in time can the value of the collateral be less than 100 percent of the value of the underlying securities on loan.

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

During the fiscal year, the State Treasurer lent U.S. government and agency obligations. OLA cannot sell securities received as collateral unless the borrower defaults. At fiscal year-end, the collateral OLA had received for securities lent consisted entirely of cash. For State funds, the State Treasurer invests cash collateral in short-term obligations. At fiscal year-end, the weighted average maturity of all loans was 7.42 days while the weighted maturity of all collateral was 22.34 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 \$69,258,372.

OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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	\$ 329,995,759	\$ 17,062,236	\$ (40,299,755)	\$ 24,433,829	\$ 331,192,069
Regional Agency	30,058,852	5,138,668	(6,457,606)	-	28,739,914
Innovation Ohio	77,393,894	8,823,640	(8,298,539)	(14,580,546)	63,338,449
Research and Development	73,714,352	6,737,665	(11,217,680)	(9,853,283)	59,381,054
Grand Total	<u>\$ 511,162,857</u>	<u>\$ 37,762,209</u>	<u>\$ (66,273,580)</u>	<u>\$ -</u>	<u>\$ 482,651,486</u>

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 \$71,186,839 (Facilities Establishment Fund was \$48,879,762; Regional Agency Fund was \$287,399; Innovation Ohio Fund was \$15,893,729; and Research and Development Fund was \$6,125,949).

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, 2014 outstanding loan balances under this program aggregated \$238,975,000 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 57 Ohio Enterprise Bond Fund loans with outstanding principal balances, 53 were current in their repayment as of fiscal year-end and four were in default. For more information regarding OEBF loans in default, see Note 8.

**OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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 \$6,100,000. The projects that include leases are as follows:

<u>Issue #</u>	<u>Borrower</u>	<u>Original Amount</u>	<u>Current Balance</u>
2000-1	Union County CIC	6,025,000	2,985,000
2000-2	Western Reserve P.A.	6,185,000	3,115,000
	Grand Total	<u>\$ 12,210,000</u>	<u>\$ 6,100,000</u>

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:

<u>Fund</u>	<u>Commitment</u>
Facilities Establishment	\$ 34,358,905
Innovation Ohio	2,351,450
Research and Development	9,333,388
Logistics and Distribution Infrastructure	4,781,249
Rural Industrial Park	26,251
Grand Total	<u>\$ 50,851,243</u>

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 from the sale of liquor. 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 guarantees outstanding.

OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – PENSION PLAN

All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Plan – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For fiscal year 2014, the contribution rate for OLA employees was 10.0% of covered payroll and the employer contribution rate was 14.0% of covered payroll. OLA's pension contributions to OPERS for the years ended June 30, 2014, 2013, and 2012 were \$132,496, \$58,832, and \$75,944, respectively, equaling the required contributions for each year.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (continued)

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year 2014, state and local employers contributed at a rate of 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0% for both plans, as recommended by the OPERS OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The contribution rates stated above are the actuarially determined contribution requirements for OPERS. The portion of OLA's 2014 contributions that was used to fund post-employment benefits was \$15,900.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 – LONG TERM LIABILITIES

Long term liability activity for the year ended June 30, 2014 is as follows:

Type	Beginning Balance	Increase	Decrease	Ending Balance	Amount Due in One Year
Compensated Absences	\$ 60,601	\$ 74,729	\$ (58,223)	\$ 77,107	\$ 22,517
Ohio Enterprise Bond Fund	<u>2,710,000</u>	<u>9,370,706</u>	<u>(350,000)</u>	<u>11,730,706</u>	<u>2,491,599</u>
Total Long Term Liabilities	<u>\$ 2,770,601</u>	<u>\$ 9,445,435</u>	<u>\$ (408,223)</u>	<u>\$ 11,807,813</u>	<u>\$ 2,514,116</u>

The compensated absences will be paid from the operating fund.

OLA's Ohio Enterprise Bond Fund liability represents the default of Euclid & Wickliffe, Sigma OH Industries, Xunlight Corporation, and Isofoton North America. Currently, OLA is only making indemnification payments for Euclid & Wickliffe. Since December 2009, cumulative payments that have been made on behalf of Euclid & Wickliffe total \$2,545,903. 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, 2014 are as follows:

Fiscal Year	Principal Due
2015	2,491,599
2016	2,413,147
2017	2,087,183
2018	2,134,820
2019	1,873,214
2020-2023	<u>730,743</u>
Total	<u>\$ 11,730,706</u>

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2014, OLA has implemented the following:

GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities" clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. The implementation of this statement requires OLA to expense all debt issuance costs, rather than defer and amortize them over the life of the applicable debt issue. The implementation of this statement did not have an effect on the financial statements of OLA.

GASB Statement No. 66 "Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62" resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have an effect on the financial statements of OLA.

OFFICE OF LOAN ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees” enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. The implementation of this statement had an effect on the financial statements of OLA regarding the Ohio Enterprise Bond Fund liability. For more information regarding this liability, see Note 8 to the basic financial statements.

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**OFFICE OF LOAN ADMINISTRATION
BALANCE SHEET
NONMAJOR FUNDS
June 30, 2014**

	Loan Guarantee Fund	Rural Indust. Park Loan Fund	Rural Development Initiative Fund	Totals
ASSETS:				
Cash Equity with Treasurer	\$ -	\$ 484,970	\$ 485,020	\$ 969,990
Cash and Cash Equivalents	874,318	-	-	874,318
Allocated Collateral on Lent Securities	-	134,932	134,945	269,877
TOTAL ASSETS	<u>\$ 874,318</u>	<u>\$ 619,902</u>	<u>\$ 619,965</u>	<u>\$ 2,114,185</u>
LIABILITIES:				
Allocated Obligations Under Securities Lending	\$ -	\$ 134,932	\$ 134,945	\$ 269,877
TOTAL LIABILITIES	<u>-</u>	<u>134,932</u>	<u>134,945</u>	<u>269,877</u>
FUND BALANCES:				
Committed	874,318	-	485,020	1,359,338
Assigned	-	484,970	-	484,970
TOTAL FUND BALANCES	<u>874,318</u>	<u>484,970</u>	<u>485,020</u>	<u>1,844,308</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 874,318</u>	<u>\$ 619,902</u>	<u>\$ 619,965</u>	<u>\$ 2,114,185</u>

OFFICE OF LOAN ADMINISTRATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
For the Fiscal Year Ended June 30, 2014

	Loan Guarantee Fund	Rural Indust. Park Loan Fund	Rural Development Initiative Fund	Totals
REVENUES:				
Investment Income	197	-	-	197
TOTAL REVENUES	<u>197</u>	<u>-</u>	<u>-</u>	<u>197</u>
NET CHANGE IN FUND BALANCES	197	-	-	197
FUND BALANCES, JULY 1	874,121	484,970	485,020	1,844,111
FUND BALANCES, JUNE 30	<u>874,318</u>	<u>484,970</u>	<u>485,020</u>	<u>1,844,308</u>



Dave Yost • Auditor of State

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

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), State of Ohio, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements and have issued our report thereon dated October 9, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. We consider finding 2014-01 described in the accompanying schedule of findings to be a material weakness.

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.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

October 9, 2014

OFFICE OF LOAN ADMINISTRATION

SCHEDULE OF FINDINGS
JULY 1, 2013 TO JUNE 30, 2014

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

FINDING NUMBER 2014-01

MATERIAL WEAKNESS

FINANCIAL REPORTING - MISSTATEMENTS

Effective internal controls over financial reporting help to prevent or detect misstatements in the accounting records and financial statements and reasonably ensure compliance with laws, regulations and accounting principles generally accepted in the United States of America. It is management's responsibility to ensure the entity's financial statements are complete and accurate, as well as to ensure compliance with applicable laws, regulations, and accounting principles, even if portions of the compilation process are contracted to a third party.

The Office of Loan Administration (the Office) contracted with an independent accounting firm to compile its 2014 financial statements based on information provided by management. Although management reviewed the financial statements prior to the audit, Cash Equity with Treasurer for the Operating Fund (Fund 4510) was materially overstated by \$884,081. The Office indicated that they chose to record only the operating activities related to the loans and loan guarantees associated with the loan programs made pursuant to Chapter 166 of the Ohio Revised Code instead of reporting the entire fund's activities for the Economic Development Financing Operating Fund as in previous years. Due to this change in reporting, the following financial statement line items for the Operating Fund were misstated:

- Balance Sheet:
 - Other Assets was understated by \$2,585
 - Accrued Liabilities was understated by \$17,154
 - Fund Balance was overstated by \$898,650

- Statement of Revenue, Expenditures and Changes in Fund Balance:
 - Fee Revenue was understated by \$696,106
 - Personnel Expenditures was understated by \$1,075,529
 - Operating Expenditures was understated by \$519,227

The Office adjusted the financial statements and revised the related footnotes to correct these items once these issues were brought to management's attention.

If controls over financial reporting processes are not in place and operating effectively, there is an increased risk the financial statements could be inaccurate, errors could occur and not be detected, and procedural changes or accounting guidance may not be properly or consistently implemented. Inaccurate financial statements would provide state government and external parties erroneous information about the Office.

We recommend the Office strengthen and improve existing internal controls over the financial reporting process to reasonably ensure errors are identified and addressed by management prior to presenting the financial statements for audit. The Office should consider creating a new fund to account for its loan activities (e.g., operating and personal expenditures). By creating a new fund the, the Office could ensure the entire fund is reported within the financial statements. We also recommend the Office consult with the auditor or the Ohio Office of Budget and Management in the early stages of implementing any significant changes to the financial statements to assist in evaluating its implementation approach.

OFFICE OF LOAN ADMINISTRATION
SCHEDULE OF FINDINGS
JULY 1, 2013 THROUGH JUNE 30, 2014

FINANCIAL REPORTING – MISSTATEMENTS (Continued)

Official's Response:

The Ohio Development Services Agency (ODSA) is responsible for the oversight of significant taxpayer resources and we are committed to serve as good fiscal stewards. Good stewardship does not occur in a moment; it requires ongoing attention to detail and a willingness to hear from others and take their good counsel to improve. This fiscal year, ODSA sought input from various state offices, including the Auditor of State (AOS) and Office of Budget and Management (OBM), stakeholders and, most importantly, our customers. We have received good guidance and will continue to seek input toward the goal of continuous improvement.

ODSA disagrees with the Auditor of State's finding of a control weakness over financial reporting.

As there was activity in Fund 4510 that was not related to the Office of Loan Administration (OLA), ODSA made a conscious decision to only report the activity related to OLA as opposed to all activity. The understated and overstated amounts listed in AOS' finding relate to those non-OLA activities. ODSA felt that by including all of the amounts in Fund 4510, the financial statements as a whole would be overstated and not reflective of OLA, for which the audit was conducted.

ODSA changed its position and added the entire amount of the fund back per communication from OBM and AOS. ODSA will consult with its budget analyst at OBM to determine the appropriate course of action to manage the fund related to loan activities.

Auditor of State's Conclusion:

The State of Ohio's Office of Budget and Management (OBM) develops, coordinates, and monitors the individual budgets of state agencies. The Auditor of State has confirmed with OBM that Fund 4510, the Economic Development Financing Operating Fund, is assigned to the Office of Loan Administration for financial reporting purposes.



Dave Yost • Auditor of State

OFFICE OF LOAN ADMINISTRATION

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2014**