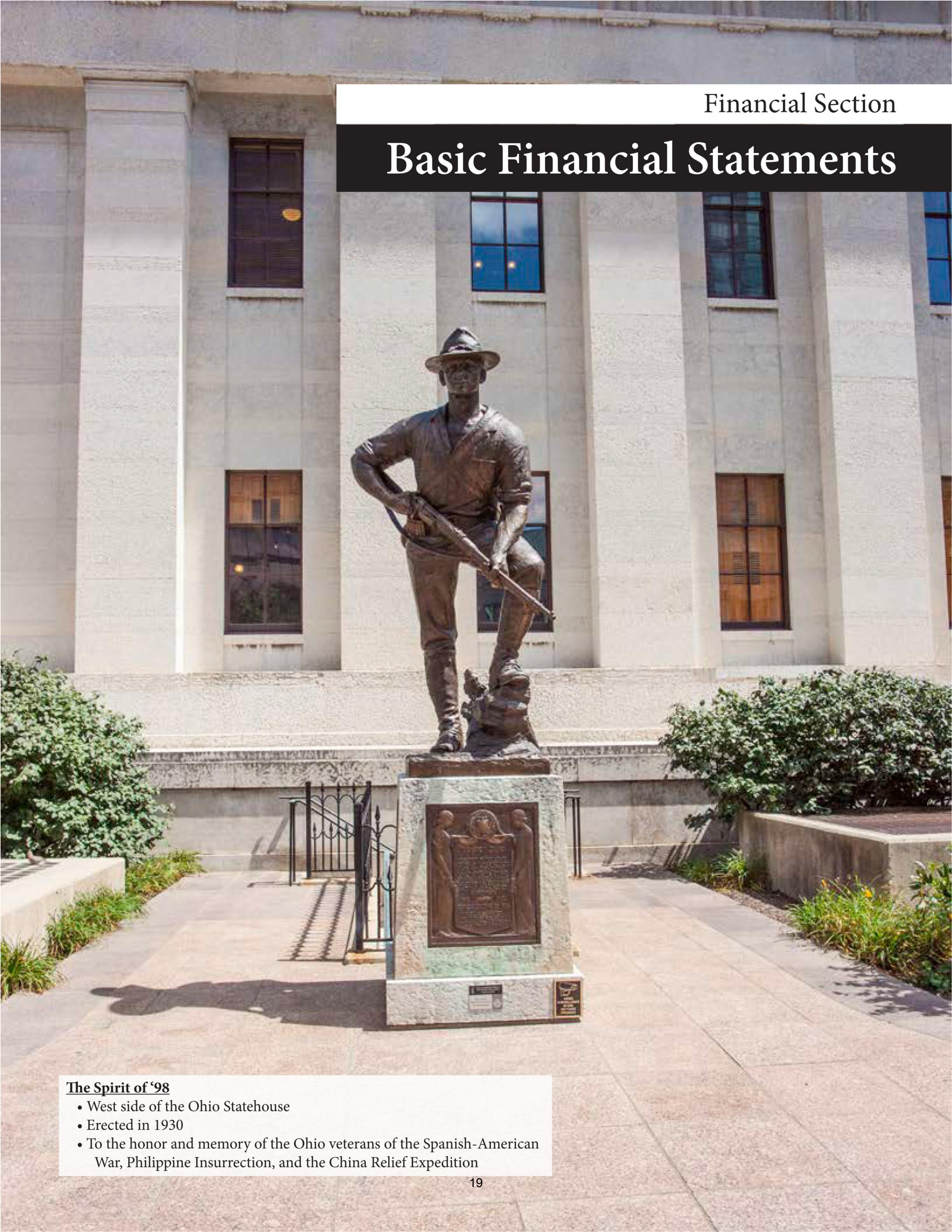
Basic Financial Statements



The Spirit of '98
- West side of the Ohio Statehouse
- Erected in 1930
- To the honor and memory of the Ohio veterans of the Spanish-American War, Philippine Insurrection, and the China Relief Expedition

STATE OF OHIO

STATEMENT OF NET POSITION
JUNE 30, 2015
(dollars in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer	$ 9,707,774	$ 74,150	$ 9,781,924	$ 448,744
Cash and Cash Equivalents	183,168	981,571	1,164,739	1,672,093
Investments	1,183,268	23,911,544	25,094,812	9,758,759
Collateral on Lent Securities	2,378,044	9,260	2,387,304	106,388
Deposit with Federal Government	—	589,867	589,867	—
Taxes Receivable	1,583,519	—	1,583,519	—
Intergovernmental Receivable	1,770,653	6,545	1,777,198	48,558
Premiums and				
Assessments Receivable	—	2,852,169	2,852,169	—
Investment Trade Receivable	—	486,154	486,154	—
Loans Receivable, Net	1,098,085	—	1,098,085	265,029
Receivable from Primary Government	—	—	—	33,374
Receivable from Component Units	30,508	—	30,508	—
Other Receivables	1,180,667	331,738	1,512,405	1,275,754
Inventories	102,011	—	102,011	132,750
Other Assets	7,358	19,132	26,490	1,896,927
Restricted Assets:				
Cash Equity with Treasurer	—	37	37	—
Cash and Cash Equivalents	374	—	374	794,654
Investments	453,382	976,369	1,429,751	2,809,651
Collateral on Lent Securities	—	180,460	180,460	—
Other Receivables	—	1,338	1,338	—
Capital Assets Being Depreciated, Net	2,541,802	76,893	2,618,695	12,890,902
Capital Assets Not Being Depreciated	24,015,538	95,666	24,111,204	1,725,311
TOTAL ASSETS	46,236,151	30,592,893	76,829,044	33,858,894
DEFERRED OUTFLOWS OF RESOURCES	4,948,308	22,899	4,971,207	485,190
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**51,184,459**	**30,615,792**	**81,800,251**	**34,344,084**
LIABILITIES:				
Accounts Payable	798,261	32,021	830,282	643,253
Accrued Liabilities	336,324	3,238	339,562	521,688
Medicaid Claims Payable	1,899,293	—	1,899,293	—
Obligations Under Securities Lending	2,378,044	189,720	2,567,764	106,388
Investment Trade Payable	—	637,652	637,652	—
Intergovernmental Payable	1,112,608	115	1,112,723	17,666
Internal Balances	654,419	(654,419)	—	—
Payable to Primary Government	—	—	—	19,004
Payable to Component Units	33,485	—	33,485	—
Unearned Revenue	425,137	2,312	427,449	484,684
Benefits Payable	—	1,384	1,384	—
Refund and Other Liabilities	766,946	334,901	1,101,847	157,838
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year	1,193,336	—	1,193,336	952,862
Due in More Than One Year	16,272,338	—	16,272,338	9,751,261
Certificates of Participation:				
Due in One Year	32,700	—	32,700	—
Due in More Than One Year	199,137	—	199,137	—
Other Noncurrent Liabilities:				
Due in One Year	142,222	3,339,747	3,481,969	563,766
Due in More Than One Year	3,421,004	17,446,670	20,867,674	6,901,238
TOTAL LIABILITIES	29,665,254	21,333,341	50,998,595	20,119,648
DEFERRED INFLOWS OF RESOURCES	2,201,389	4,086	2,205,475	4,661,198
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**31,866,643**	**21,337,427**	**53,204,070**	**24,780,846**

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET POSITION (DEFICITS):				
Net Investment in Capital Assets	*23,396,447*	*159,466*	*23,555,913*	*7,608,990*
Restricted for:				
Primary, Secondary and Other Education	*110,978*	—	*110,978*	—
Higher Education Support	*25,974*	—	*25,974*	—
Public Assistance and Medicaid	*746,730*	—	*746,730*	—
Health and Human Services	*81,982*	—	*81,982*	—
Justice and Public Protection	*122,305*	—	*122,305*	—
Environmental Protection and Natural Resources	*199,409*	—	*199,409*	—
Transportation	*3,370,828*	—	*3,370,828*	*244,206*
General Government	*200,748*	—	*200,748*	—
Community and Economic Development	*243,166*	—	*243,166*	*26,106*
Lottery Prizes	—	*66,332*	*66,332*	—
Workers Compensation	—	*9,125,985*	*9,125,985*	—
Tuition Trust Authority	—	*89,896*	*89,896*	—
Nonexpendable for Colleges and Universities	—	—	—	*3,525,095*
Expendable for Colleges and Universities	—	—	—	*2,932,058*
Unrestricted	*(9,180,751)*	*(163,314)*	*(9,344,065)*	*(4,773,217)*
TOTAL NET POSITION (DEFICITS)	***$ 19,317,816***	***$ 9,278,365***	***$ 28,596,181***	***$ 9,563,238***

STATE OF OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(dollars in thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	NET (EXPENSE) REVENUE
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Primary, Secondary and Other Education	$ 12,767,328	$ 29,382	$ 1,884,848	$ —	$ (10,853,098)
Higher Education Support	2,536,850	2,501	22,073	—	(2,512,276)
Public Assistance and Medicaid	28,265,942	1,438,860	20,577,546	—	(6,249,536)
Health and Human Services	1,576,185	139,794	802,129	—	(634,262)
Justice and Public Protection	3,210,965	1,071,484	145,977	151	(1,993,353)
Environmental Protection and Natural Resources	507,889	213,376	92,931	61	(201,521)
Transportation	2,660,362	324,553	51,033	1,387,990	(896,786)
General Government	921,426	480,796	36,833	309	(403,488)
Community and Economic Development	3,518,678	519,685	352,103	9,952	(2,636,938)
Interest on Long-Term Debt (excludes interest charged as program expense)	102,980	—	—	—	(102,980)
TOTAL GOVERNMENTAL ACTIVITIES	**56,068,605**	**4,220,431**	**23,965,473**	**1,398,463**	**(26,484,238)**
BUSINESS-TYPE ACTIVITIES:					
Workers' Compensation	2,533,883	1,962,587	509,882	—	(61,414)
Lottery Commission	2,724,306	3,776,450	19,096	—	1,071,240
Unemployment Compensation	1,034,060	1,228,403	611	—	194,954
Tuition Trust Authority	71,801	9,363	79,680	—	17,242
Office of Auditor of State	70,032	43,448	—	—	(26,584)
TOTAL BUSINESS-TYPE ACTIVITIES	**6,434,082**	**7,020,251**	**609,269**	**—**	**1,195,438**
TOTAL PRIMARY GOVERNMENT	**$ 62,502,687**	**$ 11,240,682**	**$ 24,574,742**	**$ 1,398,463**	**$ (25,288,800)**
COMPONENT UNITS:					
Ohio Facilities Construction Commission	$ 387,544	$ 28,312	$ 2,677	$ —	$ (356,555)
Ohio State University	5,286,920	4,065,308	691,209	1,688	(528,715)
Other Component Units	7,841,951	5,257,259	758,581	27,921	(1,798,190)
TOTAL COMPONENT UNITS	**$ 13,516,415**	**$ 9,350,879**	**$ 1,452,467**	**$ 29,609**	**$ (2,683,460)**

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

	Primary Government			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
CHANGES IN NET POSITION:				
Net (Expense) Revenue	$ (26,484,238)	$ 1,195,438	$ (25,288,800)	$ (2,683,460)
General Revenues:				
Taxes:				
Income	8,906,476	—	8,906,476	—
Sales	10,170,995	—	10,170,995	—
Corporate and Public Utility	2,687,540	—	2,687,540	—
Cigarette	808,270	—	808,270	—
Other	953,339	—	953,339	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes	1,827,134	—	1,827,134	—
Total Taxes	25,353,754	—	25,353,754	—
Tobacco Settlement	284,267	—	284,267	—
Escheat Property	220,486	—	220,486	—
Unrestricted Investment Income	36,462	5	36,467	219,984
State Assistance	—	—	—	2,425,345
Other	275	—	275	715,705
Gain (Loss) on Extinguishment of Debt	1,276	402,562	403,838	(1,082)
Additions to Endowments and Permanent Fund Principal	—	—	—	100,194
Transfers-Internal Activities	1,082,061	(1,082,061)	—	—
TOTAL GENERAL REVENUES, GAINS (LOSSES), CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS	**26,978,581**	**(679,494)**	**26,299,087**	**3,460,146**
CHANGE IN NET POSITION	**494,343**	**515,944**	**1,010,287**	**776,686**
NET POSITION (DEFICITS), JULY 1 (as restated)	18,823,473	8,762,421	27,585,894	8,786,552
NET POSITION (DEFICITS), JUNE 30	**$ 19,317,816**	**$ 9,278,365**	**$ 28,596,181**	**$ 9,563,238**

STATE OF OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
ASSETS:			
Cash Equity with Treasurer	$ 5,868,009	$ 354,031	$ —
Cash and Cash Equivalents	91,184	3,093	374
Investments	1,143,600	—	453,382
Collateral on Lent Securities	1,442,017	86,303	—
Taxes Receivable	1,484,355	—	—
Intergovernmental Receivable	1,133,497	181,139	—
Loans Receivable, Net	996,628	—	—
Interfund Receivable	—	—	—
Receivable from Component Units	487	—	—
Other Receivables	247,548	465,023	431,125
Inventories	21,870	—	—
Other Assets	21	—	—
TOTAL ASSETS	12,429,216	1,089,589	884,881
DEFERRED OUTFLOWS OF RESOURCES	—	—	4,406,567
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 12,429,216**	**$ 1,089,589**	**$ 5,291,448**
LIABILITIES:			
Accounts Payable	$ 277,823	$ 131,247	$ —
Accrued Liabilities	97,815	15,412	—
Medicaid Claims Payable	1,658,431	—	—
Obligations Under Securities Lending	1,442,017	86,303	—
Intergovernmental Payable	802,234	103,054	—
Interfund Payable	478,590	13,963	—
Payable to Component Units	25,708	707	—
Unearned Revenue	—	370,798	—
Refund and Other Liabilities	764,507	1,744	—
Liability for Escheat Property	236,773	—	—
TOTAL LIABILITIES	5,783,898	723,228	—
DEFERRED INFLOWS OF RESOURCES	1,641,519	62,087	431,099
FUND BALANCES (DEFICITS):			
Nonspendable	49,655	—	—
Restricted	1,153,828	257,096	4,860,349
Committed	803,551	47,178	—
Assigned	2,585,575	—	—
Unassigned	411,190	—	—
TOTAL FUND BALANCES (DEFICITS)	5,003,799	304,274	4,860,349
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 12,429,216**	**$ 1,089,589**	**$ 5,291,448**

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 3,485,734	$ 9,707,774
88,891	183,542
39,668	1,636,650
849,724	2,378,044
99,164	1,583,519
456,017	1,770,653
101,457	1,098,085
1,297	1,297
30,021	30,508
36,971	1,180,667
80,141	102,011
—	21
5,269,085	19,672,771
—	4,406,567
$ 5,269,085	**$ 24,079,338**
$ 389,191	$ 798,261
56,645	169,872
240,862	1,899,293
849,724	2,378,044
207,320	1,112,608
163,163	655,716
7,070	33,485
54,339	425,137
695	766,946
—	236,773
1,969,009	8,476,135
39,843	2,174,548
80,141	129,796
2,621,521	8,892,794
558,877	1,409,606
—	2,585,575
(306)	410,884
3,260,233	13,428,655
$ 5,269,085	**$ 24,079,338**

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STATE OF OHIO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015
(dollars in thousands)

Total Fund Balances for Governmental Funds		***$ 13,428,655***
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Net Pension Assets Reported for Governmental Activities are not Financing Resources and therefore are not Reported in the Funds		*7,337*
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:		
Land		*2,323,700*
Buildings and Improvements, net of $2,172,453 accumulated depreciation		*1,556,212*
Land Improvements, net of $310,085 accumulated depreciation		*161,190*
Machinery and Equipment, net of $773,871 accumulated depreciation		*649,737*
Vehicles, net of $228,112 accumulated depreciation		*158,518*
Infrastructure, net of $31,622 accumulated depreciation		*19,993,138*
Construction-in-Progress		*1,714,845*
		26,557,340
The following Deferred Outflows of Resources are not related to the current period and therefore, are not reported in the funds.		
Hedging Derivatives		*34,675*
Loss on Debt Refundings		*163,743*
Net Pension Asset/Liability		*343,323*
Total Deferred Outflows of Resources		*541,741*
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Accrued Liabilities:		
Interest Payable		*(166,452)*
Bonds and Notes Payable:		
General Obligation Bonds		*(9,149,056)*
Revenue Bonds and Notes		*(6,409,774)*
Special Obligation Bonds		*(1,906,844)*
Certificates of Participation		*(231,837)*
Other Noncurrent Liabilities:		
Compensated Absences		*(421,817)*
Net Pension Liability		*(2,703,806)*
Net OPEB Obligation		*(149,131)*
Capital Leases Payable		*(2,072)*
Derivatives		*(45,873)*
Estimated Claims Payable		*(2,186)*
Pollution Remediation		*(1,568)*
		(21,190,416)
The following Deferred Inflows of Resources are not related to the current period and therefore, are not reported in the funds.		
Resources from the Sale of Future Revenues	*(1,287,933)*	
Net Pension Asset/Liability	*(61,056)*	
Less Unavailable Resources Reported in the Funds.:		
Taxes Receivable	*82,616*	
Intergovernmental Receivable	*789,059*	
Other Receivables	*450,473*	
	1,322,148	
Total Deferred Inflows of Resources		*(26,841)*
Total Net Position of Governmental Activities		***$ 19,317,816***

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

STATE OF OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
REVENUES:			
Income Taxes	$ 8,895,192	$ —	$ —
Sales Taxes	10,166,332	—	—
Corporate and Public Utility Taxes	2,597,993	—	—
Motor Vehicle Fuel Taxes	1,114,542	—	—
Cigarette Taxes	808,270	—	—
Other Taxes	648,099	1,415	—
Licenses, Permits and Fees	734,839	1,047,817	—
Sales, Services and Charges	76,208	—	—
Federal Government	8,942,561	9,609,248	—
Tobacco Settlement	94	—	285,822
Escheat Property	220,486	—	—
Investment Income	47,438	2,878	1,092
Other	244,296	223,506	—
TOTAL REVENUES	**34,496,350**	**10,884,864**	**286,914**
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	9,290,820	242	58,484
Higher Education Support	2,372,521	181	—
Public Assistance and Medicaid	16,239,358	10,480,925	—
Health and Human Services	587,606	315,107	—
Justice and Public Protection	2,438,449	67,320	—
Environmental Protection and Natural Resources	92,685	—	—
Transportation	9,289	—	—
General Government	441,707	2,498	—
Community and Economic Development	2,469,530	—	—
CAPITAL OUTLAY	—	11,292	—
DEBT SERVICE	—	—	322,331
TOTAL EXPENDITURES	**33,941,965**	**10,877,565**	**380,815**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**554,385**	**7,299**	**(93,901)**
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued	460,000	—	—
Refunding Bonds and COPs Issued	—	—	—
Payment to Refunded Bond and COPs Escrow Agents	—	—	—
Premiums/Discounts	48,536	—	—
Transfers-in	321,156	2,226	—
Transfers-out	(2,072,234)	(45,673)	(13,771)
TOTAL OTHER FINANCING SOURCES (USES)	**(1,242,542)**	**(43,447)**	**(13,771)**
NET CHANGE IN FUND BALANCES	**(688,157)**	**(36,148)**	**(107,672)**
FUND BALANCES (DEFICITS), July 1 (as restated)	5,695,511	340,422	4,968,021
Increase (Decrease) for Changes in Inventories	(3,555)	—	—
FUND BALANCES (DEFICITS), JUNE 30	**$ 5,003,799**	**$ 304,274**	**$ 4,860,349**

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 11,067	$ 8,906,259
4,663	10,170,995
89,547	2,687,540
712,592	1,827,134
—	808,270
303,825	953,339
1,217,814	3,000,470
39,464	115,672
5,982,162	24,533,971
—	285,916
—	220,486
11,023	62,431
839,757	1,307,559
9,211,914	**54,880,042**
3,036,320	12,385,866
27,337	2,400,039
1,911,906	28,632,189
616,438	1,519,151
689,962	3,195,731
320,343	413,028
2,826,416	2,835,705
338,572	782,777
961,894	3,431,424
498,817	510,109
1,636,642	1,958,973
12,864,647	**58,064,992**
(3,652,733)	**(3,184,950)**
650,591	1,110,591
254,590	254,590
(382,933)	(382,933)
171,463	219,999
3,349,834	3,673,216
(459,477)	(2,591,155)
3,584,068	**2,284,308**
(68,665)	**(900,642)**
3,324,419	14,328,373
4,479	924
$ 3,260,233	**$ 13,428,655**

STATE OF OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds		***(900,642)***
Change in Inventories		*924*
		(899,718)
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlay Expenditures	*1,026,371*	
Depreciation Expense	*(299,323)*	
Excess of Capital Outlay Over Depreciation Expense		*727,048*
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from:		
General Obligation Bonds	*(542,000)*	
Revenue Bonds and Notes	*(155,875)*	
Special Obligation Bonds	*(274,300)*	
Refunding Bonds, including Bond Premium/Discount, Net	*(384,955)*	
Certificates of Participation	*(76,150)*	
Premiums and Discounts, Net:		
General Obligation Bonds	*(74,697)*	
Revenue Bonds and Notes	*(23,397)*	
Special Obligation Bonds	*(41,877)*	
Certificates of Participation	*(11,926)*	
Total Debt Proceeds		*(1,585,177)*
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Debt Principal Retirement and Defeasements:		
General Obligation Bonds	*997,569*	
Revenue Bonds and Notes	*227,441*	
Special Obligation Bonds	*270,448*	
Certificates of Participation	*26,330*	
Capital Lease Payments	*983*	
Total Long-Term Debt Repayment		*1,522,771*

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

Some revenues and expenses reported in the Statement of Activities are not reported as revenue and expenditures in the governmental funds. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses, liabilities, and deferred resources are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the changes in the following balances:

Increase in Other Assets	*5,336*	
Increase in Accrued Interest and Other Accrued Liabilities	*(3,508)*	
Amortization of Bond Premiums/Accretion of Bond Discount, Net	*97,187*	
Decrease in Refunding Loss Included in Deferred Outflows of Resources	*(9,101)*	
Increase in Pension Related Balances Included in Deferred Outflows of Resources	*124,580*	
Decrease in Compensated Absences	*4,878*	
Decrease in Derivative Liabilities (Excluding Hedging Derivatives)	*655*	
Decrease in Estimated Claims Payable	*9,545*	
Increase in Pollution Remediation	*(18)*	
Decrease in Net Pension Obligation	*28,183*	
Increase in Net Pension Liability	*(51,387)*	
Increase in Liability for OPEB Obligation	*(21,030)*	
Increase in Other Noncurrent Liabilities	*(193)*	
Decrease in Deferred Inflow of Resources	*544,292*	
Total additional revenues and expenditures		*729,419*
Change in Net Position of Governmental Activities		***$ 494,343***

STATE OF OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(dollars in thousands)

	GENERAL			
	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE/
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES:				
Income Taxes	$ 8,593,359	$ 8,593,359	$ 8,872,125	$ 278,766
Sales Taxes	10,115,425	10,115,425	10,166,655	51,230
Corporate and Public Utility Taxes	2,630,997	2,630,997	2,678,983	47,986
Motor Vehicle Fuel Taxes	1,120,107	1,120,107	1,120,107	—
Cigarette Taxes	794,100	794,100	808,164	14,064
Other Taxes	657,169	657,169	655,360	(1,809)
Licenses, Permits and Fees	736,103	736,103	732,330	(3,773)
Sales, Services and Charges	101,253	101,253	102,040	787
Federal Government	9,046,678	9,046,678	9,357,226	310,548
Tobacco Settlement	38,714	38,714	38,714	—
Investment Income	29,689	29,689	32,860	3,171
Other	1,410,738	1,410,738	1,395,817	(14,921)
TOTAL REVENUES	**35,274,332**	**35,274,332**	**35,960,381**	**686,049**
BUDGETARY EXPENDITURES:				
CURRENT OPERATING:				
Primary, Secondary and Other Education	9,234,053	9,234,455	9,161,804	72,651
Higher Education Support	3,087,937	2,444,820	2,440,454	4,366
Public Assistance and Medicaid	17,164,441	17,156,368	16,343,325	813,043
Health and Human Services	794,569	794,244	716,969	77,275
Justice and Public Protection	2,553,034	2,602,786	2,487,072	115,714
Environmental Protection and Natural Resources	143,857	131,549	124,077	7,472
Transportation	14,585	14,585	14,290	295
General Government	1,291,346	1,337,970	1,150,702	187,268
Community and Economic Development	3,681,643	3,026,940	2,732,835	294,105
CAPITAL OUTLAY	—	—	—	—
DEBT SERVICE	1,311,999	1,312,159	1,261,820	50,339
TOTAL BUDGETARY EXPENDITURES	**39,277,464**	**38,055,876**	**36,433,348**	**1,622,528**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES	**(4,003,132)**	**(2,781,544)**	**(472,967)**	**2,308,577**
OTHER FINANCING SOURCES (USES):				
Bonds and Notes Issued	164,764	164,764	164,764	—
Transfers-in	1,783,746	1,783,746	1,585,813	(197,933)
Transfers-out	(2,217,647)	(2,217,647)	(2,049,959)	167,688
TOTAL OTHER FINANCING SOURCES (USES)	**(269,137)**	**(269,137)**	**(299,382)**	**(30,245)**
NET CHANGE IN FUND BALANCES	**$ (4,272,269)**	**$ (3,050,681)**	**(772,349)**	**$ 2,278,332**
BUDGETARY FUND BALANCES (DEFICITS), JULY 1			4,813,165	
Outstanding Encumbrances at Beginning of Fiscal Year			944,361	
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30			**$ 4,985,177**	

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

JOB, FAMILY AND OTHER HUMAN SERVICES			
BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
ORIGINAL	FINAL	ACTUAL	
		$ —	
		—	
		—	
		—	
		—	
		1,415	
		1,011,473	
		—	
		6,649,148	
		—	
		2,878	
		795,779	
		8,460,693	
$ 284	$ 284	263	$ 21
1,273	1,273	489	784
10,605,300	10,712,142	9,165,226	1,546,916
392,942	392,942	340,564	52,378
79,039	82,548	72,694	9,854
—	—	—	—
—	—	—	—
2,719	2,719	2,444	275
—	—	—	—
32,396	17,511	17,511	—
—	—	—	—
$ 11,113,953	**$ 11,209,419**	**9,599,191**	**$ 1,610,228**
		(1,138,498)	
		185	
		7,836	
		(53,676)	
		(45,655)	
		(1,184,153)	
		(721,663)	
		1,098,254	
		$ (807,562)	

STATE OF OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2015
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 9,229	$ 28,156	$ —
Cash and Cash Equivalents	787,574	161,080	550
Collateral on Lent Securities	2,250	6,864	—
Restricted Assets:			
Cash Equity with Treasurer	—	37	—
Investments	—	60,011	—
Collateral on Lent Securities	—	180,460	—
Other Receivables	—	1,338	—
Deposit with Federal Government	—	—	589,867
Intergovernmental Receivable	—	—	416
Premiums and Assessments Receivable	11,496	—	27,815
Investment Trade Receivable	486,154	—	—
Interfund Receivable	61,247	1,518	1,643
Other Receivables	237,876	64,366	27,999
Other Assets	2,115	12,534	4,247
TOTAL CURRENT ASSETS	1,597,941	516,364	652,537
NONCURRENT ASSETS:			
Restricted Assets:			
Investments	—	516,440	—
Investments	23,910,342	—	—
Premiums and Assessments Receivable	2,812,858	—	—
Interfund Receivable	590,397	—	—
Other Assets	227	—	—
Capital Assets Being Depreciated, Net	46,681	28,783	—
Capital Assets Not Being Depreciated	95,666	—	—
TOTAL NONCURRENT ASSETS	27,456,171	545,223	—
TOTAL ASSETS	29,054,112	1,061,587	652,537
DEFERRED OUTFLOWS OF RESOURCES	16,679	1,770	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**29,070,791**	**1,063,357**	**652,537**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	21,226	9,063	—
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	2,250	187,324	—
Investment Trade Payable	637,652	—	—
Intergovernmental Payable	—	—	601,317
Prize Awards Payable	—	61,386	—
Interfund Payable	—	21	—
Unearned Revenue	—	1,380	—
Benefits Payable	1,752,249	—	1,384
Refund and Other Liabilities	1,119,291	54,241	8,395
TOTAL CURRENT LIABILITIES	3,532,668	313,415	611,096
NONCURRENT LIABILITIES:			
Intergovernmental Payable	—	—	377,257
Prize Awards Payable	—	456,846	—
Interfund Payable	—	1,464	—
Benefits Payable	14,637,151	—	—
Refund and Other Liabilities	1,630,209	29,343	—
TOTAL NONCURRENT LIABILITIES	16,267,360	487,653	377,257
TOTAL LIABILITIES	19,800,028	801,068	988,353
DEFERRED INFLOWS OF RESOURCES	2,431	906	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**19,802,459**	**801,974**	**988,353**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	142,347	15,690	—
Restricted for Lottery Prizes	—	66,332	—
Unrestricted	9,125,985	179,361	(335,816)
TOTAL NET POSITION (DEFICITS)	**$ 9,268,332**	**$ 261,383**	**$ (335,816)**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 36,765	$ 74,150
32,367	981,571
146	9,260
—	37
76,400	136,411
—	180,460
—	1,338
—	589,867
6,129	6,545
—	39,311
—	486,154
1,216	65,624
1,497	331,738
—	18,896
154,520	2,921,362
323,518	839,958
1,202	23,911,544
—	2,812,858
7,499	597,896
9	236
1,429	76,893
—	95,666
333,657	28,335,051
488,177	31,256,413
4,450	22,899
492,627	**31,279,312**
1,732	32,021
3,238	3,238
146	189,720
—	637,652
—	601,317
—	61,386
117	138
932	2,312
76,400	1,830,033
1,484	1,183,411
84,049	4,541,228
—	377,257
—	456,846
7,499	8,963
266,400	14,903,551
49,464	1,709,016
323,363	17,455,633
407,412	21,996,861
749	4,086
408,161	**22,000,947**
1,429	159,466
—	66,332
83,037	9,052,567
$ 84,466	**$ 9,278,365**

STATE OF OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services	$ —	$ 3,770,156	$ 26,599
Premium and Assessment Income	1,954,174	—	1,155,627
Federal Government	—	—	17,533
Investment Income	—	—	—
Other	8,413	6,294	28,644
TOTAL OPERATING REVENUES	**1,962,587**	**3,776,450**	**1,228,403**
OPERATING EXPENSES:			
Costs of Sales and Services	—	—	—
Administration	53,235	120,708	—
Bonuses and Commissions	—	693,257	—
Prizes	—	1,875,258	—
Benefits and Claims	1,394,939	—	1,024,300
Depreciation	8,790	8,637	—
Other	1,076,919	1,093	9,760
TOTAL OPERATING EXPENSES	**2,533,883**	**2,698,953**	**1,034,060**
OPERATING INCOME (LOSS)	**(571,296)**	**1,077,497**	**194,343**
NONOPERATING REVENUES (EXPENSES):			
Investment Income	509,882	19,096	611
Interest Expense	—	(275)	—
Other	—	(25,078)	—
TOTAL NONOPERATING REVENUES (EXPENSES)	**509,882**	**(6,257)**	**611**
INCOME (LOSS) BEFORE GAIN (LOSS) AND TRANSFERS	**(61,414)**	**1,071,240**	**194,954**
Gain on Extinguishment of Debt	—	—	402,562
Transfers-in	—	—	—
Transfers-out	(8,796)	(1,094,488)	(7,039)
TOTAL GAIN (LOSS) AND TRANSFERS	**(8,796)**	**(1,094,488)**	**395,523**
NET INCOME (LOSS)	**(70,210)**	**(23,248)**	**590,477**
NET POSITION (DEFICITS), JULY 1 (as restated)	9,338,542	284,631	(926,293)
NET POSITION (DEFICITS), JUNE 30	**$ 9,268,332**	**$ 261,383**	**$ (335,816)**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 52,486	$ 3,849,241
—	3,109,801
—	17,533
(720)	(720)
80,725	124,076
132,491	**7,099,931**
64,567	64,567
11,876	185,819
—	693,257
—	1,875,258
63,361	2,482,600
433	17,860
1,596	1,089,368
141,833	**6,408,729**
(9,342)	**691,202**
5	529,594
—	(275)
—	(25,078)
5	**504,241**
(9,337)	**1,195,443**
—	402,562
28,262	28,262
—	(1,110,323)
28,262	**(679,499)**
18,925	**515,944**
65,541	8,762,421
$ 84,466	**$ 9,278,365**

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ —	$ 3,675,876	$ —
Cash Received from Multi-State Lottery for Grand Prize Winner	—	73,121	—
Cash Received from Premiums and Assessments	1,968,405	—	1,179,569
Cash Received from Interfund Services Provided	72,798	—	—
Other Operating Cash Receipts	36,652	111,451	39,139
Cash Payments to Suppliers for Goods and Services	(56,390)	(87,429)	—
Cash Payments to Employees for Services	(189,767)	(29,050)	—
Cash Payments for Benefits and Claims	(1,773,525)	—	(923,536)
Cash Payments for Lottery Prizes	—	(2,022,969)	—
Cash Payments for Bonuses and Commissions	—	(693,257)	—
Cash Payments for Premium Reductions and Refunds	(1,310,018)	—	—
Cash Payments for Interfund Services Used	(25,463)	(6,607)	—
Other Operating Cash Payments	—	(547)	(100,867)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**(1,277,308)**	**1,020,589**	**194,305**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	—	—
Transfers-out	(8,796)	(1,094,488)	(7,039)
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**(8,796)**	**(1,094,488)**	**(7,039)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds, Notes and Capital Leases	—	(5,932)	—
Acquisition and Construction of Capital Assets	(25,234)	(16,361)	—
Proceeds from Sales of Capital Assets	95	77	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(25,139)**	**(22,216)**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(17,766,017)	(133,035)	(1,160,976)
Proceeds from the Sales and Maturities of Investments	18,697,992	177,071	973,529
Investment Income Received	655,585	4,929	—
Borrower Rebates and Agent Fees	(42,767)	(275)	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**1,544,793**	**48,690**	**(187,447)**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**233,550**	**(47,425)**	**(181)**
CASH AND CASH EQUIVALENTS, JULY 1	563,253	236,698	731
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 796,803**	**$ 189,273**	**$ 550**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 36,095	$ 3,711,971
—	73,121
—	3,147,974
10,282	83,080
9,008	196,250
(5,906)	(149,725)
(66,577)	(285,394)
—	(2,697,061)
—	(2,022,969)
—	(693,257)
—	(1,310,018)
(3,880)	(35,950)
(66,131)	(167,545)
(87,109)	**(149,523)**
28,288	28,288
—	(1,110,323)
28,288	**(1,082,035)**
—	(5,932)
(162)	(41,757)
26	198
(136)	**(47,491)**
(291,495)	(19,351,523)
352,960	20,201,552
7,823	668,337
—	(43,042)
69,288	**1,475,324**
10,331	**196,275**
58,801	859,483
$ 69,132	**$ 1,055,758**

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(dollars in thousands)
(continued)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	$ (571,296)	$ 1,077,497	$ 194,343
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	—	—	—
Depreciation	8,790	8,637	—
Provision for Uncollectible Accounts	39,532	—	—
Decrease (Increase) in Assets:			
Deposit with Federal Government	—	—	(12,851)
Intergovernmental Receivable	—	—	1,384
Premiums and Assessments Receivable	789,298	—	4,340
Interfund Receivable	4,214	—	(426)
Other Receivables	(34,637)	2,942	10,895
Other Assets	5,416	5,158	1,482
Increase (Decrease) in Liabilities:			
Accounts Payable	7,117	(2,178)	—
Accrued Liabilities	—	—	—
Intergovernmental Payable	—	—	(385)
Deferred Prize Awards Payable	—	(47,082)	—
Interfund Payable	—	(314)	—
Unearned Revenue	—	(67)	—
Benefits Payable	(478,800)	—	(4,320)
Refund and Other Liabilities	(1,046,942)	(24,004)	(157)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (1,277,308)**	**$ 1,020,589**	**$ 194,305**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments	$ (93,020)	$ 3,914,884	$ —
Gain on Extinguishment of Debt	—	—	402,562

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ (9,342)	$ 691,202
720	720
433	17,860
—	39,532
—	(12,851)
3,348	4,732
—	793,638
26	3,814
(389)	(21,189)
(2)	12,054
(1,423)	3,516
(529)	(529)
—	(385)
—	(47,082)
376	62
243	176
(80,400)	(563,520)
(170)	(1,071,273)
$ (87,109)	**$ (149,523)**
$ —	$ 3,821,864
—	402,562

STATE OF OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/14)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ASSETS:			
Cash Equity with Treasurer	$ —	$ —	$ —
Cash and Cash Equivalents	12,107	244,096	128,240
Investments (at fair value):			
U.S. Government and Agency Obligations	15,027	—	713,808
Common and Preferred Stock	75,753	—	—
Corporate Bonds and Notes	21,149	—	156,142
Foreign Stocks and Bonds	3,685	—	—
Commercial Paper	—	—	963,159
Repurchase Agreements	—	—	403,932
Mutual Funds	524,205	8,938,493	304,580
Real Estate	34,232	—	—
Venture Capital	—	—	—
Direct Mortgage Loans	—	—	—
Partnership and Hedge Funds	161,612	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio)	—	—	—
Collateral on Lent Securities	—	—	—
Employer Contributions Receivable	1,320	—	—
Employee Contributions Receivable	979	—	—
Other Receivables	3,084	9,370	719
Other Assets	11	—	15
Capital Assets, Net	58	—	—
TOTAL ASSETS	**853,222**	**9,191,959**	**2,670,595**
LIABILITIES:			
Accounts Payable	696	—	—
Accrued Liabilities	3,879	3,194	12
Obligations Under Securities Lending	—	—	—
Intergovernmental Payable	—	—	—
Refund and Other Liabilities	36	6,079	207
TOTAL LIABILITIES	**4,611**	**9,273**	**219**
NET POSITION (DEFICITS):			
Held in Trust for:			
Employees' Pension Benefits	740,662	—	—
Employees' Postemployment Healthcare Benefits	107,949	—	—
Individuals, Organizations and Other Governments	—	9,182,686	—
Pool Participants	—	—	2,670,376
TOTAL NET POSITION (DEFICITS)	**$ 848,611**	**$ 9,182,686**	**$ 2,670,376**

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

AGENCY
$ 350,591
148,171
11,009,828
43,531,218
13,065,822
45,591,052
2,280,044
700,000
12,267,005
20,146,109
18,790,772
8,844,067
18,071,605
63,128
85,464
—
—
—
423,366
—
195,368,242
—
—
85,464
229,482
195,053,296
195,368,242
—
—
—
—
$ —

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STATE OF OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/14)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ADDITIONS:			
Contributions from:			
Employer	$ 26,650	$ —	$ —
Employees	10,637	—	—
Plan Participants	—	2,381,217	—
Other	3,877	—	—
Total Contributions	41,164	2,381,217	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	38,058	(120,909)	—
Interest, Dividends and Other	19,710	386,718	3,167
Total Investment Income	57,768	265,809	3,167
Less: Investment Expense	6,128	37,694	1,950
Net Investment Income	51,640	228,115	1,217
Capital Share and Individual Account Transactions:			
Shares Sold	—	—	11,614,997
Reinvested Distributions	—	—	1,217
Shares Redeemed	—	—	(11,234,334)
Net Capital Share and Individual Account Transactions	—	—	381,880
TOTAL ADDITIONS	**92,804**	**2,609,332**	**383,097**
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries	63,330	—	—
Healthcare Benefits Paid to Participants or Beneficiaries	14,056	—	—
Refunds of Employee Contributions	2,177	—	—
Administrative Expense	1,187	—	—
Transfers to Other Retirement Systems	166	—	—
Distributions to Shareholders and Plan Participants	—	2,142,009	1,217
TOTAL DEDUCTIONS	**80,916**	**2,142,009**	**1,217**
CHANGE IN NET POSITION HELD FOR:			
Employees' Pension Benefits	11,694	—	—
Employees' Postemployment Healthcare Benefits	194	—	—
Individuals, Organizations and Other Governments	—	467,323	—
Pool Participants	—	—	381,880
TOTAL CHANGE IN NET POSITION	11,888	467,323	381,880
NET POSITION (DEFICITS), JULY 1 (as restated)	836,723	8,715,363	2,288,496
NET POSITION (DEFICITS), JUNE 30	**$ 848,611**	**$ 9,182,686**	**$ 2,670,376**

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

STATE OF OHIO

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2015
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 436,424	$ —	$ 12,320
Cash and Cash Equivalents	—	645,266	1,026,827
Investments	2,207	1,258,183	2,390,082
Collateral on Lent Securities	106,388	—	—
Restricted Assets:			
Cash and Cash Equivalents	—	—	136,623
Investments	—	—	185,052
Intergovernmental Receivable	—	5,981	42,577
Loans Receivable, Net	512	23,223	41,931
Receivable from Primary Government	—	2,159	31,215
Other Receivables	—	576,051	485,479
Inventories	—	39,781	92,969
Other Assets	—	48,789	80,724
TOTAL CURRENT ASSETS	545,531	2,599,433	4,525,799
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	—	375,425	282,606
Investments	—	—	2,624,599
Investments	—	3,753,490	2,354,797
Loans Receivable, Net	1,318	47,051	150,994
Other Receivables	—	72,623	141,601
Other Assets	25	—	1,767,389
Capital Assets Being Depreciated, Net	35,473	4,434,053	8,421,376
Capital Assets Not Being Depreciated	11,858	449,100	1,264,353
TOTAL NONCURRENT ASSETS	48,674	9,131,742	17,007,715
TOTAL ASSETS	594,205	11,731,175	21,533,514
DEFERRED OUTFLOWS OF RESOURCES	687	227,123	257,380
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**594,892**	**11,958,298**	**21,790,894**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	2,799	341,495	298,959
Accrued Liabilities	109	125,383	396,196
Obligations Under Securities Lending	106,388	—	—
Intergovernmental Payable	340,943	—	2,014
Unearned Revenue	—	262,479	256,197
Refund and Other Liabilities	2,326	108,593	251,402
Bonds and Notes Payable	—	654,890	297,972
TOTAL CURRENT LIABILITIES	452,565	1,492,840	1,502,740
NONCURRENT LIABILITIES:			
Intergovernmental Payable	220,490	—	60,862
Unearned Revenue	—	—	13,438
Refund and Other Liabilities	5,780	2,582,799	4,017,869
Payable to Primary Government	—	—	19,004
Bonds and Notes Payable	—	2,197,094	7,554,167
TOTAL NONCURRENT LIABILITIES	226,270	4,779,893	11,665,340
TOTAL LIABILITIES	678,835	6,272,733	13,168,080
DEFERRED INFLOWS OF RESOURCES	3,588,363	693,256	379,579
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**4,267,198**	**6,965,989**	**13,547,659**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	47,331	2,396,802	5,164,857
Restricted for:			
Transportation	—	—	244,206
Community and Economic Development	—	—	26,106
Nonexpendable:			
Scholarships and Fellowships	—	—	296,181
Research	—	—	73,711
Endowments and Quasi-Endowments	—	1,355,560	1,211,878
Loans, Grants and Other College and University Purposes	—	—	587,765
Expendable:			
Scholarships and Fellowships	—	—	303,539
Research	—	—	157,899
Instructional Department Uses	—	—	154,621
Student and Public Services	—	—	66,306
Academic Support	—	—	155,647
Debt Service	—	—	22,338
Capital Purposes	—	(22,728)	147,861
Endowments and Quasi-Endowments	—	357,649	432,778
Current Operations	—	658,079	34,876
Loans, Grants and Other College and University Purposes	—	—	463,193
Unrestricted	(3,719,637)	246,947	(1,300,527)
TOTAL NET POSITION (DEFICITS)	**$ (3,672,306)**	**$ 4,992,309**	**$ 8,243,235**

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

TOTAL
$ 448,744
1,672,093
3,650,472
106,388
136,623
185,052
48,558
65,666
33,374
1,061,530
132,750
129,513
7,670,763
658,031
2,624,599
6,108,287
199,363
214,224
1,767,414
12,890,902
1,725,311
26,188,131
33,858,894
485,190
34,344,084
643,253
521,688
106,388
342,957
518,676
362,321
952,862
3,448,145
281,352
13,438
6,606,448
19,004
9,751,261
16,671,503
20,119,648
4,661,198
24,780,846
7,608,990
244,206
26,106
296,181
73,711
2,567,438
587,765
303,539
157,899
154,621
66,306
155,647
22,338
125,133
790,427
692,955
463,193
(4,773,217)
$ 9,563,238

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
EXPENSES:			
Primary, Secondary and Other Education	$ 386,150	$ —	$ —
Transportation	—	—	301,316
General Government	4	—	—
Community and Economic Development	—	—	833,318
Education and General:			
Instruction and Departmental Research	—	945,550	1,975,029
Separately Budgeted Research	—	455,266	361,127
Public Service	—	134,882	188,199
Academic Support	—	192,140	533,184
Student Services	—	100,229	325,516
Institutional Support	—	237,934	643,555
Operation and Maintenance of Plant	—	102,883	392,185
Scholarships and Fellowships	—	112,944	281,320
Auxiliary Enterprises	—	248,879	716,925
Hospitals	—	2,343,782	349,468
Interest on Long-Term Debt	—	70,235	324,847
Depreciation	1,390	342,196	543,267
Other	—	—	72,695
TOTAL EXPENSES	**387,544**	**5,286,920**	**7,841,951**
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures	28,312	4,065,308	5,257,259
Operating Grants, Contributions and Restricted Investment Income	2,677	691,209	758,581
Capital Grants, Contributions and Restricted Investment Income	—	1,688	27,921
TOTAL PROGRAM REVENUES	**30,989**	**4,758,205**	**6,043,761**
NET PROGRAM (EXPENSE) REVENUE	**(356,555)**	**(528,715)**	**(1,798,190)**
GENERAL REVENUES:			
Unrestricted Investment Income	—	173,478	46,506
State Assistance	524,181	476,692	1,424,472
Other	808	246,965	467,932
TOTAL GENERAL REVENUES	**524,989**	**897,135**	**1,938,910**
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL	**—**	**60,792**	**39,402**
GAIN (LOSS) ON EXTINGUISHMENT OF DEBT	**—**	**—**	**(1,082)**
CHANGE IN NET POSITION	**168,434**	**429,212**	**179,040**
NET POSITION (DEFICITS), JULY 1 (as restated)	(3,840,740)	4,563,097	8,064,195
NET POSITION (DEFICITS), JUNE 30	**$ (3,672,306)**	**$ 4,992,309**	**$ 8,243,235**

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

TOTAL
$ 386,150
301,316
4
833,318
2,920,579
816,393
323,081
725,324
425,745
881,489
495,068
394,264
965,804
2,693,250
395,082
886,853
72,695
13,516,415
9,350,879
1,452,467
29,609
10,832,955
(2,683,460)
219,984
2,425,345
715,705
3,361,034
100,194
(1,082)
776,686
8,786,552
$ 9,563,238

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2015, and for the year then ended, conform with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are included in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The State's significant accounting policies are as follows.

A. Financial Reporting Entity

The State of Ohio's primary government includes all funds, elected officials, departments and agencies, bureaus, boards, commissions, and authorities that make up the State's legal entity. Component units, legally separate organizations for which the State's elected officials are financially accountable, also comprise, in part, the State's reporting entity. Additionally, other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete should be included in a government's financial reporting entity.

GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*, as amended by GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or

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

1. Blended Component Units

The Buckeye Tobacco Settlement Financing Authority (BTSFA) is a legally separate organization for which the State has financial accountability through voting majority and the State has the potential to receive a financial benefit. The BTSFA provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, for the benefit of the State. Therefore, the State reports this organization's balances and transactions as though they were part of the primary government using the blending method.

2. Fiduciary Component Units

The State Highway Patrol Retirement System is a legally separate organization that provides services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, for the benefit of the State. Therefore, the State reports this organization's balances and transactions separately in the fiduciary fund financial statements.

3. Discretely Presented Component Units

The component units' columns in the basic financial statements include the financial data of another 28 organizations. The separate discrete column labeled, "Component Units," emphasizes these organizations' separateness from the State's primary government. Officials of the primary government appoint a voting majority of each organization's governing board.

The primary government has the ability to impose its will on the following organizations by modifying or approving their respective budgets, through policy modification authority, or by modifying or approving rate or fee changes.

Ohio Facilities Construction Commission
Ohio Air Quality Development Authority
Ohio Capital Fund
JobsOhio

The Ohio Turnpike and Infrastructure Commission has the potential to provide a financial benefit to the primary government.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following organizations impose or potentially impose financial burdens on the primary government.

Ohio State University
University of Cincinnati
Ohio University
Miami University
University of Akron
Bowling Green State University
Kent State University
University of Toledo
Cleveland State University
Youngstown State University
Wright State University
Shawnee State University
Northeast Ohio Medical University
Central State University
Terra State Community College
Columbus State Community College
Clark State Community College
Edison State Community College
Southern State Community College
Washington State Community College
Cincinnati State Community College
Northwest State Community College
Owens State Community College

The Ohio Facilities Construction Commission, a governmental component unit, does not issue separately audited financial reports.

Information on how to obtain financial statements for the State's component units that do issue their own separately audited financial reports is available from the Ohio Office of Budget and Management.

4. Joint Ventures and Related Organizations
As discussed in more detail in NOTE 19, the State participates in several joint ventures and has related organizations. The State does not include the financial activities of these organizations in its financial statements, in conformity with GASB 14, as amended by GASB 39 and GASB 61.

B. Basis of Presentation
Government-wide Statements — The Statement of Net Position and the Statement of Activities display information about the primary government (the State) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities.

Fiduciary funds of the primary government and component units that are fiduciary in nature are reported only in the statements of fiduciary net position and changes in fiduciary net position.

For the government-wide financial statements, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the State. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The *Net Investment in Capital Assets* component consists of 1) capital assets, net of accumulated depreciation, and deferred outflows of resources that are attributable to the acquisition, construction, or improvements of those assets or related debt less 2) outstanding balances of any bonds or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. The portion of debt and deferred inflows of resources attributable to significant unspent related debt proceeds at year-end is not included in the calculation of this net position component.

- The *Restricted Net Position* component represents the net position with constraints placed on its use that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. For component units with permanent endowments, restricted net position is displayed in two additional components — nonexpendable and expendable. Nonexpendable net position is for those endowments that are required to be retained in perpetuity.

- The *Unrestricted Net Position* component consists of the net position that does not meet the definition of the preceding two components.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for the different business-type activities of the State. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Centralized expenses have been included in direct expenses. Indirect expenses have not been allocated to the programs or functions reported in the Statement of Activities.

Program revenues include licenses, permits and other fees, fines, forfeitures, charges paid by the recipients of goods or services offered by the programs, and grants, contributions, and investment earnings that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all tax, tobacco settlement, escheat property revenues, unrestricted investment income, and state assistance, are presented as general revenues.

Fund Financial Statements — The fund financial statements provide information about the State's funds, including the fiduciary funds and blended component units. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Governmental fund types include the General, special revenue, debt service, and capital projects funds. The proprietary funds consist of enterprise funds. Fiduciary fund types include pension trust, private-purpose trust, investment trust, and agency funds.

Operating revenues for the State's proprietary funds mainly consist of charges for sales and services and premium and assessment income since these revenues result from exchange transactions associated with the principal activity of the respective enterprise fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Revenue from the federal government for the underfunded regular and extended unemployment benefits is also reported as operating revenues for the Unemployment Compensation Fund, since this source provides significant funding for the payment of unemployment benefits – the fund's principal activity. Investment income for the Tuition Trust Authority Fund is also reported as operating revenue, since this source provides significant funding for the payment of tuition benefits. Nonoperating revenues for the proprietary funds result from nonexchange transactions or ancillary activities; nonoperating revenues are primarily comprised of investment income and federal operating grants.

Proprietary fund operating expenses principally consist of expenses for the cost of sales and services, administration, bonuses and commissions, prizes, benefits and claims, and depreciation. Nonoperating expenses principally consist of interest expense on debt and the amortization of discount on lottery prize liabilities, which is reported under "Other" nonoperating expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The State reports the following major governmental funds:

General — The General Fund, the State's primary operating fund, accounts for resources of the general government, except those required to be accounted for in another fund.

Job, Family and Other Human Services Special Revenue Fund — This fund accounts for public assistance programs primarily administered by the Ohio Department of Job and Family Services, which provides financial assistance, services, and job training to those individuals and families who do not have sufficient resources to meet their basic needs. The primary sources of revenue for this fund are licenses, permits and fees and the federal government.

Buckeye Tobacco Settlement Financing Authority Revenue Bonds Debt Service Fund — This fund accounts for the payment of principal and interest on the revenue bonds issued to fund long-lived capital projects at State-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State.

The State reports the following major proprietary funds:

Workers' Compensation Enterprise Fund — This fund accounts for the operations of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio, which provide workers' compensation insurance services.

Lottery Commission Enterprise Fund — This fund accounts for the State's lottery operations.

Unemployment Compensation Enterprise Fund — This fund, which is administered by the Ohio Department of Job and Family Services, accounts for unemployment compensation benefit claims.

The State reports the following fiduciary fund types:

Pension Trust Fund — The State Highway Patrol Retirement System Pension Trust Fund accounts for resources that are required to be held in trust for members and beneficiaries of the defined benefit plan. The financial statements for the State Highway Patrol Retirement System Pension Trust Fund are presented for the fiscal year ended December 31, 2014.

Private-Purpose Trust Fund — The Private-Purpose Trust Fund accounts for trust arrangements under which principal and income benefit participants in the Variable College Savings Plan, which is administered by the Tuition Trust Authority.

Investment Trust Fund — The STAR Ohio Investment Trust Fund accounts for the state-sponsored external investment pool, which the Treasurer of State administers for local government participants.

Agency Funds — These funds account for the receipt, temporary investment, and remittance of fiduciary resources held on behalf of individuals, private organizations, and other governments.

The State reports the following major discretely presented component unit funds:

The *Ohio Facilities Construction Commission Fund* primarily accounts for grants that provide assistance to local entities for the construction of school buildings. The fund also provides construction services for arts and sports facilities.

The *Ohio State University Fund* is a business-type activity that uses proprietary fund reporting. It reports the university's operations, including the University's health system, supercomputer center, agricultural research and development center, and other legally separate entities subject to the control of the university's board.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-wide, Enterprise Fund, and Fiduciary Fund Financial Statements — The State reports the government-wide financial statements and the proprietary fund and fiduciary fund financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The State recognizes revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions when the exchange takes place. When resources are received in advance of the exchange, the State reports the unearned revenue as a liability.

Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include derived taxes, grants, and entitlements. The revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB 65, *Items Previously Reported as Assets and Liabilities.*

Under the accrual basis, the State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred.

Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue.

Investment income includes the net increase (decrease) in the fair value of investments.

Governmental Fund Financial Statements — The State reports governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers revenues reported in the governmental funds to be available when the revenues are collectible within 60 days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Significant revenue sources susceptible to accrual under the modified accrual basis of accounting include:

- Personal income taxes
- Sales and use taxes
- Motor vehicle fuel taxes
- Charges for goods and services
- Federal government grants
- Tobacco settlement
- Investment income

The State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred and the revenues are collected during the availability period.

For revenue arising from exchange transactions (e.g., charges for goods and services), the State recognizes deferred inflows of resources when resources earned from the exchange are not received during the availability period and reports unearned revenue when resources are received in advance of exchange.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental funds recognize federal government revenue in the period when all applicable eligibility requirements have been met and resources are available. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue. The State recognizes deferred inflows of resources for reimbursement-type grant programs if the reimbursement is not received during the availability period.

Licenses, permits, fees, and certain other miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. The "Other" revenue account is comprised of refunds, reimbursements, recoveries, and other miscellaneous income.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, capital lease obligations, compensated absences, and claims and judgments. The governmental funds recognize expenditures for these liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from long-term debt issuances, including refunding bond proceeds, premiums, and acquisitions under capital leases are reported as other financing sources while discounts and payments to refunded bond escrow agents are reported as other financing uses.

D. Budgetary Process

As the Ohio Revised Code requires, the Governor submits biennial operating and capital budgets to the General Assembly.

The General Assembly approves operating appropriations in annual amounts and capital appropriations in two-year amounts.

The General Assembly enacts the budget through passage of specific departmental line-item appropriations, the legal level of budgetary control. Line-item appropriations are established within funds by program or major object of expenditure. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative override.

The State's Controlling Board can transfer or increase a line-item appropriation within the limitations set under Sections 127.14 and 131.35, Ohio Revised Code.

All governmental funds are budgeted except the following activities within the debt service and capital projects fund types:

- Improvements General Obligations
- Highway Improvements General Obligations
- Development General Obligations
- Highway General Obligations
- Public Improvements General Obligations
- Vietnam Conflict Compensation General Obligations
- Infrastructure Bank Revenue Bonds
- Buckeye Tobacco Settlement Financing Authority Revenue Bonds
- Lease Rental Special Obligations
- MARCS Certificates of Participation
- OAKS Certificates of Participation
- STARS Certificates of Participation
- TMS Certificates of Participation
- EDCS Certificates of Participation
- MARCS Project
- OAKS Project
- STARS Project
- TMS Project
- EDCS Project

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For budgeted funds, the State's Ohio Administrative Knowledge System (OAKS) controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. The State uses the modified cash basis of accounting for budgetary purposes.

The *Detailed Appropriation Summary by Fund Report* is available for public inspection at the Ohio Office of Budget and Management and on its web site at www.obm.ohio.gov/StateAccounting/financialreporting. This Summary provides a more comprehensive accounting of activity on the budgetary basis at the legal level of budgetary control.

In the *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Fund*, the State reports estimated revenues and other financing sources and uses for the General Fund only; the State does not estimate revenue and other financing sources and uses for the major special revenue fund or its budgeted nonmajor governmental funds.

Additionally, in the non-GAAP budgetary basis financial statement and schedules, "actual" budgetary expenditures include cash disbursements and outstanding encumbrances, as of June 30.

The State Highway Patrol Retirement System Pension Trust Fund, the Variable College Savings Plan Private-Purpose Trust Fund, and the STAR Ohio Investment Trust Fund are not legally required to adopt budgets. The State is not legally required to report budgetary data and comparisons for the budgeted proprietary funds. Also, the State does not present budgetary data for its discretely presented component units.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, NOTE 3 presents a reconciliation of the differences between the GAAP basis and non-GAAP budgetary basis of reporting.

E. Cash Equity with Treasurer and Cash and Cash Equivalents

Cash equity with Treasurer consists of pooled demand deposits and investments carried at fair value. The State's cash pool under the Treasurer of State's administration has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

Cash and cash equivalents include amounts on deposit with financial institutions and cash on hand. The cash and cash equivalents account also includes investments with original maturities of three months or less from the date of acquisition for the Workers' Compensation Enterprise Fund.

Cash equity with Treasurer and cash and cash equivalents, including the portions reported under "Restricted Assets," are considered to be cash equivalents, as defined in GASB Statement No. 9, for purposes of the Statement of Cash Flows.

Additional disclosures on the State's deposits can be found in NOTE 4.

F. Investments

Investments include long-term investments that may be restricted by law or other legal instruments. With the exception of certain money market investments, which have remaining maturities at the time of purchase of one year or less and are carried at amortized cost, and holdings in the State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool, the State reports investments at fair value based on quoted market prices. STAR Ohio operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940; investments in the 2a7-like pool are reported at amortized cost (which approximates fair value).

The colleges and universities report investments received as gifts at their fair value on the donation date.

The primary government does not manage or provide investment services for investments reported in the Agency Fund that are owned by other, legally separate entities that are not part of the State of Ohio's reporting entity.

Additional disclosures on the State's investments can be found in NOTE 4.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Taxes Receivable
Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, revenue has been recognized for the receivable. In the fund financial statements only the portion of the receivable collected during the 60-day availability period has been recognized as revenue while the remainder is recorded as deferred inflows of resources. Additional disclosures on taxes receivable can be found in NOTE 5.

H. Intergovernmental Receivable
The intergovernmental receivable balance is primarily comprised of amounts due from the federal government for reimbursement-type grant programs. Advances of resources to recipient local governments before eligibility requirements have been met under government-mandated and voluntary nonexchange programs and amounts due for exchanges of State goods and services with other governments are also reported as intergovernmental receivables. Additional details on the intergovernmental receivable balance can be found in NOTE 5.

I. Inventories
Inventories are valued at cost. Principal inventory cost methods applied include first-in/first-out, average cost, moving-average, and retail.

In the governmental fund financial statements, the State recognizes the costs of material inventories as expenditures when purchased. Inventories do not reflect current appropriable resources in the governmental fund financial statements. Therefore, the State reports an equivalent portion of fund balance as nonspendable.

J. Restricted Assets
The primary government reports assets restricted for the payment of lottery prize awards payable, revenue bonds, and tuition benefits in the enterprise funds.

Generally, the component unit funds hold assets in trust under bond covenants or other financing arrangements that legally restrict the use of these assets.

K. Capital Assets
Primary Government
The State reports capital assets purchased with governmental fund resources in the government-wide financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the donation date. The State does not report capital assets purchased with governmental fund resources in the fund financial statements. Governmental capital assets are reported net of accumulated depreciation, except for land, construction-in-progress, transportation infrastructure assets, and individual works of art and historical treasures, including historical land improvements and buildings. Transportation infrastructure assets are reported using the “modified approach,” as discussed below, and therefore are not depreciable. Individual works of art and historical treasures, including historical land improvements and buildings, are considered to be inexhaustible, and therefore, are not depreciable.

The State reports capital assets purchased with enterprise fund resources and fiduciary fund resources in the government-wide and the fund financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the donation date. Capital assets, except for land and construction-in-progress, are reported net of accumulated depreciation.

The State has elected to capitalize its transportation infrastructure assets, defined as bridges, general highways, and priority highways, using the modified approach. Under this approach, the infrastructure assets are not depreciated because the State has committed itself to maintaining the assets at a condition level that the Ohio Department of Transportation (ODOT) has determined to be adequate to meet the needs of the citizenry. Costs of maintaining the bridge and highway infrastructure are not capitalized. New construction that represents additional lane-miles of highway or additional square-footage of bridge deck area and improvements that add to the capacity or efficiency of an asset are capitalized.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ODOT maintains an inventory of its transportation infrastructure capital assets, and conducts annual condition assessments to establish that the condition level that the State has committed itself to maintaining is, in fact, being achieved. ODOT also estimates the amount that must be spent annually to maintain the assets at the desired condition level.

For its other types of capital assets, the State does not capitalize the costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life. Costs of major improvements are capitalized. Interest costs associated with the acquisition of capital assets purchased using governmental fund resources are not capitalized, while those associated with acquisitions purchased using enterprise and fiduciary fund resources are capitalized.

The State does not capitalize collections of works of art or historical treasures that can be found at the Governor's residence, Malabar Farm (i.e., Louis Bromfield estate), which the Ohio Department of Natural Resources operates, the Ohio Arts Council, the State Library of Ohio, and the Capitol Square Review and Advisory Board for the following reasons:

- The collection is held for public exhibition, education, or research in furtherance of public service rather than for financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State has established the following capitalization thresholds:

Buildings	$15,000
Building Improvements	100,000
Land, including easements	All, regardless of cost
Land Improvements	15,000
Machinery and Equipment	15,000
Vehicles...	15,000
Infrastructure:	
Highway Network	500,000
Bridge Network	500,000
Park and Natural Resources Network	All, regardless of cost

For depreciable assets, the State applies the straight-line method over the following estimated useful lives:

Buildings	20-45 Years
Land Improvements	10-30 Years
Machinery and Equipment	3-15 Years
Vehicles...	7-15 Years
Park and Natural Resources Infrastructure Network	10-50 Years

NOTE 8 contains additional disclosures about the primary government's capital assets.

Discretely Presented Component Unit Funds
The discretely presented component unit funds value all capital assets at cost and donated capital assets at estimated fair value on the donation date. They apply the straight-line method to depreciable capital assets. Additional disclosures about the discretely presented component unit funds' capital assets can be found in NOTE 8.

L. Medicaid Claims Payable
The Medicaid claims liability, which has an average maturity of one year or less, includes an estimate for incurred, but not reported claims.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Noncurrent Liabilities
Government-wide Financial Statements — Liabilities whose average maturities are greater than one year are reported in two components — the amount due in one year and the amount due in more than one year. Additional disclosures as to the specific liabilities included in noncurrent liabilities can be found in NOTES 10 through 15.

Fund Financial Statements — Governmental funds recognize noncurrent liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

The proprietary funds and discretely presented component unit funds report noncurrent liabilities expected to be financed from their operations.

N. Compensated Absences
Employees of the State's primary government earn vacation leave, sick leave, and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first four years of employment, up to a maximum rate of 9.2 hours every two weeks after 24 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their full rate, 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 to 55 percent of unused sick leave.

Such leave is liquidated in cash, under certain restrictions, either annually in December, or at the time of termination from employment.

For the governmental funds, the State reports the matured compensated absences liability as a fund liability (included in the "Accrued Liabilities" account as a component of wages payable) to the extent it will be liquidated with expendable, available financial resources. For the primary government's proprietary funds and its discretely presented component unit funds, the State reports the compensated absences liability as a fund liability included in the "Refund and Other Liabilities" account.

The State's primary government accrues vacation, compensatory time, and personal leaves as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement.

Sick leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

The State's primary government accrues sick leave using the vesting method. Under this method, the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

Included in the compensated absences liability is an amount accrued for salary-related payments directly and incrementally associated with the payment of compensated absences upon termination. Such payments include the primary government's share of Medicare taxes.

For the colleges and universities, vacation and sick leave policies vary by institution.

O. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance Classification; Budget Stabilization Fund; Net Position/Fund Balance Spending Order
Fund balance reported in the governmental fund financial statements is classified as follows:

Nonspendable
The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either 1) not in spendable form, such as prepaids and inventories or 2) legally or contractually required to be maintained intact, such as the corpus of a permanent fund.

Restricted
Fund balance amounts should be *restricted* when constraints placed on the use of resources are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted
Committed
Amounts constrained for specific purposes by formal action (i.e., legislation) of the government's highest level of decision-making authority (i.e., General Assembly) should be reported as *committed* fund balance. Committed amounts cannot be used for other purposes unless the General Assembly passes legislation to remove the constraints.

Assigned
Amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as *assigned* fund balance, except for stabilization arrangements. The intent should be conveyed by the governing body itself or through delegation to a body or official authorized on behalf of the government to assign amounts to be used for specific purposes. The Controlling Board, created under Chapter 127, Ohio Revised Code, is an example of a body delegated by the government to make assignments. The Director of the Office of Budget and Management is an example of an authorized official granted assignment authority through legislative language, including enacted budget bills. While both the committed and assigned fund balance classifications include amounts constrained for specific use by actions taken by the government itself, the authority for making an assignment is not required to be the government's highest level of decision-making authority. Amounts should not be reported as assigned if the assignment would result in a deficit in unassigned fund balance.

Unassigned
Unassigned fund balance is the residual classification for the General Fund. This classification represents spendable fund balance that has not been otherwise restricted, committed or assigned to specific purposes within the General Fund. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance due to overspending amounts that are restricted or committed.

Fund balance in the State's Budget Stabilization Fund, as discussed in Sections 131.43 and 131.44, Ohio Revised Code, does not meet the criteria to be classified as restricted or committed and is, therefore, reported as unassigned in the General Fund.

For reporting purposes, restricted amounts are generally considered to have been spent first, followed by unrestricted amounts. Within the unrestricted fund balance amounts, the spending order is generally committed, followed by assigned, and then unassigned when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classification could be used.

Q. Risk Management
The State's primary government is self-insured for claims under its traditional healthcare plan and for vehicle liability while it has placed employee and public official fidelity bonding with a private insurer. The State self-funds tort liability although several agencies also choose to participate in private insurance programs. All State owned buildings are covered under a catastrophic property policy that covers both real and personal property losses. All other liability risk to State property is self-funded on a pay-as-you-go basis.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

While not the predominant participants, the State's primary government and its discretely presented component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their respective workers' compensation liabilities. These liabilities are reported in the governmental and proprietary funds under the "Interfund Payable" account. (See NOTE 7).

R. Interfund Balances and Activities
Interfund transactions and balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

In the fund financial statements, interfund activity within and among the three fund categories (governmental, proprietary, and fiduciary) is classified and reported as follows:

Reciprocal interfund activity is the internal counterpart to exchange and exchange-like transactions. This activity includes:

Interfund Loans — Amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

Interfund Services Provided and Used — Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and as expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net position.

Nonreciprocal interfund activity is the internal counterpart to nonexchange transactions. This activity includes:

Interfund Transfers – Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Interfund Reimbursements — Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not displayed in the financial statements.

Details on interfund balances and transfers are disclosed in NOTE 7.

S. Intra-Entity Balances and Activities
Balances due between the primary government and its discretely presented component units are reported as receivables from component units or primary government and payables to component units or primary government. For the discretely presented component units, the nature and amount of significant transactions with the primary government are disclosed in NOTE 7.

Resource flows between the primary government and its discretely presented component units are reported like external transactions (i.e., revenues and expenses).

T. Derivatives Instruments
The State's derivative instruments include investment derivatives and interest rate swaps. Interest rate swaps that are ineffective hedging derivatives are reported within the investment derivatives classification.

The State reports its derivative instruments at fair value in the Statement of Net Position. Changes in fair value for investment derivatives are recorded as investment income in the Statement of Activities. Changes in fair value for effective hedging derivatives are reported as deferred outflows/inflows of resources in the Statement of Net Position and disclosed in NOTE 18.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additional disclosures on the State's investment derivatives and its hedging derivatives can be found in NOTE 4 and NOTE 10, respectively.

U. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES, EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS

A. Restatements

Restatements of net position, as of June 30, 2015, for the primary government and discretely presented component units are presented in the following table (dollars in thousands).

Government-Wide Financial Statements:

	Governmental Activities	Business-type Activities	Total Primary Government	Total Discretely Presented Component Units
Net Position, as of June 30, 2014, As Previously Reported	$ 21,254,955	$ 8,940,722	$ 30,195,677	$ 14,702,657
Implementation of a New Accounting Standard:				
GASB Statement No. 68 and 71	(2,431,482)	(178,301)	(2,609,783)	(5,912,889)
Correction of an Error:				
Youngstown State University Component Unit	-	-	-	(3,216)
Total Changes in Net Position	(2,431,482)	(178,301)	(2,609,783)	(5,916,105)
Net Position, July 1, 2014, As Restated	$ 18,823,473	$ 8,762,421	$ 27,585,894	$ 8,786,552

Governmental Fund and Fiduciary Fund Financial Statements:

	General Fund	Pension Trust Fund
Fund Balance/Net Position, as of June 30, 2014, As Previously Reported	$ 5,928,956	$ 813,952
Implementation of a New Accounting Standard:		
GASB Statement No. 67	-	22,771
Correction of an Error:		
Unclaimed Funds	(233,445)	-
Total Changes in Fund Balance/Net Position	(233,445)	22,771
Fund Balance/Net Position, July 1, 2014, As Restated	$ 5,695,511	$ 836,723

B. Implementation of Recently Issued Accounting Pronouncements

For the fiscal year ended June 30, 2015, the State implemented the provisions of

- Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans.*
- Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27).*
- Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations.*
- Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68).*

NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES, EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS (Continued)

GASB Statement No. 67 amends GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* by establishing financial reporting standards for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements. Additionally, for defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan. The State's implementation of GASB 67 is based on the year-end of the State Highway Patrol Retirement System. Please see NOTE 2A. for restatements resulting from the implementation of this standard and NOTE 9 for more information.

GASB Statement No. 68 amends GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* and establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project and discount benefit payments. Please see NOTE 2A. for restatements resulting from the implementation of this standard and NOTE 9 for more information.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The implementation of this standard did not result in any change to the State's financial statements or note disclosures.

GASB Statement No. 71 eliminates the source of a potential significant understatement of restated beginning net position and expense in the accrual-basis financial statements of employer and nonemployer contributing entities in the first year of implementation of GASB 68. Please see NOTE 2A. for restatements resulting from the implementation of this standard and NOTE 9 for more information.

C. Recently Issued GASB Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* The provisions of GASB 72 are effective for financial statements for periods beginning after June 15, 2015. The requirements of this Statement enhance comparability 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 measurement on a government's financial position.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The provisions of GASB 73 are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The provisions of GASB 74 are effective for financial statements for fiscal years beginning after June 15, 2016. The requirements of this Statement improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year.

NOTE 2 RESTATEMENTS, CHANGES IN ACCOUNTING PRINCIPLES, EXTINGUISHMENTS OF DEBT AND SPECIAL ITEMS (Continued)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The provisions of GASB 75 are effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The consistency, comparability, and transparency of the information reported by employers and governmental nonemployer contributing entities about OPEB transactions will also be improved by the requirements of this Statement.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The provisions of GASB 76 are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. This Statement supersedes GASB 55. The requirements in this Statement improve financial reporting by 1) raising the category of GASB Implementation Guides in the GAAP hierarchy; 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 nonauthoritative literature.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* The provisions of GASB 77 are effective for financial statements for periods beginning after December 15, 2015. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand 1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition.

Management is assessing the impact that the new GASB pronouncements will have on the State's financial statements.

D. Extinguishments of Debt – Major Funds

Extinguishments of debt reflected in the State's basic financial statements, as of June 30, 2015 (dollars in thousands) are as follows:

<u>Gain on Extinguishment of Debt</u>

The $402.6 million gain on extinguishment of debt reported in the business-type activities relates to Unemployment Compensation. To assist the State in the repayment of outstanding advances owed to the federal government, the federal government implemented a reduction to the Federal Unemployment Tax Act (FUTA) credit it gives to employers. The additional tax paid by the employers and collected directly by the federal government as a result of the FUTA credit reduction is offset against the State's outstanding advance balance.

NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS

In the accompanying *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, actual revenues, transfers-in, expenditures, encumbrances, and transfers-out reported on the non-GAAP budgetary basis do not equal those reported on the GAAP basis in the *Statement of Revenues, Expenditures and Changes in Fund Balances — Major Governmental Funds*.

This inequality results primarily from basis differences in the recognition of accruals, deferred resources, interfund transactions, and loan transactions, and from timing differences in the budgetary basis of accounting for encumbrances. On the non-GAAP budgetary basis, the State recognizes encumbrances as expenditures in the year encumbered, while on the modified accrual basis, the State recognizes expenditures when goods or services are received regardless of the year encumbered.

Original budget amounts in the accompanying budgetary statements have been taken from the first complete appropriated budget for fiscal year 2015. An appropriated budget is the expenditure authority created by appropriation bills that are signed into law and related estimated revenues. The original budget also includes actual appropriation amounts automatically carried over from prior years by law, including the automatic rolling forward of appropriations to cover prior-year encumbrances.

Final Budget amounts represent original appropriations modified by authorized transfers, supplemental and amended appropriations, and other legally authorized legislative and executive changes applicable to fiscal year 2015, whenever signed into law or otherwise legally authorized.

For fiscal year 2015, no excess expenditures over appropriations were reported in individual funds.

A reconciliation of the fund balances reported under the GAAP basis and budgetary basis for the General Fund and the major special revenue fund is presented on the following page.

NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS (Continued)

Primary Government
Reconciliation of GAAP Basis Fund Balances to Non-GAAP Budgetary Basis Fund Balances
For the General Fund and Major Special Revenue Fund
As of June 30, 2015
(dollars in thousands)

	General	Job, Family & Other Human Services
Total Fund Balances — GAAP Basis	$ 5,003,799	$ 304,274
Less: Nonspendable Fund Balances	49,655	-
Less: Restricted Fund Balances	1,153,828	257,096
Less: Committed Fund Balances	803,551	47,178
Less: Assigned Fund Balances	2,585,575	-
Unassigned Fund Balances — GAAP Basis	411,190	-
BASIS DIFFERENCES		
Revenue Accruals/Adjustments:		
Cash Equity with Treasurer	(118,405)	(12,759)
Taxes Receivable	(1,484,355)	-
Intergovernmental Receivable	(1,133,497)	(181,139)
Loans Receivable, Net	(996,628)	-
Receivables from Component Units	(487)	-
Other Receivables	(247,548)	(465,023)
Unearned Revenue	-	370,798
Total Revenue Accruals/Adjustments	(3,980,920)	(288,123)
Expenditure Accruals/Adjustments:		
Cash Equity with Treasurer	32,215	2,333
Inventories	(21,870)	-
Other Assets	(21)	-
Accounts Payable	277,823	131,247
Accrued Liabilities	97,815	15,412
Medicaid Claims Payable	1,658,431	-
Intergovernmental Payable	802,234	103,054
Interfund Payable	478,590	13,963
Payable to Component Units	25,708	707
Refund and Other Liabilities	764,507	1,744
Liability for Escheat Property	236,773	-
Total Expenditure Accruals/Adjustments	4,352,205	268,460
Deferred Inflows of Resources	1,641,519	62,087
Other Adjustments:		
Fund Balance Reclassifications:		
From Unassigned (Non-GAAP Budgetary Basis) to:		
Nonspendable	49,655	-
Restricted	1,153,828	257,096
Committed	803,551	47,178
Assigned	2,585,575	-
Cash and Investments Held Outside State Treasury	(1,234,784)	(3,093)
Total Other Adjustments	3,357,825	301,181
Total Basis Differences	5,370,629	343,605
TIMING DIFFERENCES		
Encumbrances	(796,642)	(1,151,167)
Budgetary Fund Balances (Deficits) — Non-GAAP Basis	$ 4,985,177	$ (807,562)

NOTE 4 DEPOSITS AND INVESTMENTS

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

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

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

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

- US Treasury bills, notes, bonds or other obligations or securities issued by or guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
- Bonds and other direct obligations of the State of Ohio issued by the Treasurer of State and of the Ohio Public Facilities Commission, the Ohio Housing Finance Agency, the Ohio Water Development Authority, and the Ohio Turnpike Infrastructure Commission;
- Commercial paper issued by any corporation that is incorporated under the laws of the United States or a state;
- Written repurchase agreements with any eligible Ohio financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer in the securities enumerated above;
- No-load money market mutual funds consisting exclusively of securities and repurchase agreements enumerated above;
- Securities lending agreements with any eligible financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer;
- Bankers' acceptances maturing in 270 days or less;
- Certificates of deposit in the eligible institutions applying for interim moneys, including linked deposits, as authorized under Sections 135.61 to 135.67, Ohio Revised Code, agricultural linked deposits, as authorized under Sections 135.71 to 135.76, Ohio Revised Code, and housing linked deposits, as authorized under Sections 135.81 to 135.87, Ohio Revised Code;
- The Treasurer of State's investment pool, as authorized under section 135.45, Ohio Revised Code;
- The Treasurer of State's STAR Plus program;
- Debt interest, other than commercial paper as enumerated above, of corporations incorporated under the laws of the United States or a state, or foreign nations diplomatically recognized by the United States, or any instrument based on, derived from, or related to such interests that are denominated and payable in U.S. funds;

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- Bonds, notes, and other obligations of any state or political subdivision thereof;
- Obligations of a board of education, as authorized under Section 133.10, Ohio Revised Code; and
- Obligations of a political subdivision issued under Chapter 133, Ohio Revised Code.

The reporting entity's deposits must be held in insured depositories approved by the State Board of Deposit and must be fully collateralized. However, in the case of foundations and other component units of the colleges and universities, deposits of these entities are not subject to the legal requirements for deposits of governmental entities.

Deposit and investment policies of certain individual funds and component units are established by Ohio Revised Code provisions other than the Uniform Depository Act and by bond trust agreements. In accordance with applicable statutory authority, the State Highway Patrol Retirement System Pension Trust Fund, the Tuition Trust Authority Enterprise Fund, the Workers' Compensation Enterprise Fund, the Retirement Systems Agency fund, and the higher education institutions may also invest in common and preferred stocks, domestic and foreign corporate and government bonds and notes, mortgage loans, limited partnerships, venture capital, real estate and other investments.

B. State-Sponsored Investment Pool

The Treasurer of State is the investment advisor and administrator of the State Treasury Asset Reserve of Ohio (STAR Ohio), a statewide external investment pool authorized under Section 135.45, Ohio Revised Code. STAR Ohio issues a stand-alone financial report, copies of which may be obtained by making a written request to: Director of Investments, Treasurer of State, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215, by calling 1-800-648-7827, or by accessing the Treasurer of State's website at www.tos.ohio.gov.

C. Deposit and Investment Risks

Although exposure to risks is minimized by complying with the legal requirements explained above and internal policies adopted by the Treasurer of State and the investment departments at the various state agencies, the State's deposits and investments are exposed to risks that may lead to losses of value.

The following risk disclosures report investments by type. The "U.S. Agency Obligations" category includes securities issued by federal government agencies and instrumentalities, including government sponsored enterprises.

1. Custodial Credit Risk

Custodial credit risk for deposits exists when a government is unable to recover deposits or recover collateral securities that are in the possession of an outside party in the event of a failure of a depository financial institution.

Deposits of the primary government and its component units are exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

In Ohio, legal requirements for depositor-governments are met when deposits are collateralized with securities held by the pledging financial institution, or by the pledging institution's trust department or agent but not in the government's name. The State's reporting entity has not established specific policies for managing custodial credit risk exposure for deposits.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The table below reports the carrying amount of deposits, as of June 30, 2015, held by the primary government, including fiduciary activities, and its major discretely presented component units and the extent of exposure to custodial credit risk.

Primary Government (including Fiduciary Activities) and Major Discretely Presented Component Units
Deposits—Custodial Credit Risk
As of June 30, 2015
(dollars in thousands)

			Uninsured Portion of Reported Bank Balance		
	Carrying Amount	Bank Balance	Uncollateralized	Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent but not in the Depositor-Government's Name	Collateralized with Securities Held by the Pledging Institution
Primary Government	$ 1,286,302	$ 1,107,365	$ 22,923	$ 69,199	$ 21,242
Major Discretely Presented Component Units:					
Ohio State University	1,020,691	1,003,400	-	-	970,132

Custodial credit risk for investments exists when a government is unable to recover the value of investments or collateral securities that are in the possession of an outside party in the event of a failure of a counterparty to a transaction.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department but not in the government’s name.

The State’s reporting entity has not established specific policies for managing custodial credit risk exposure for investments.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following table reports the fair value, as of June 30, 2015, of investments by type for the primary government, including fiduciary activities, and the extent of exposure to custodial credit risk (dollars in thousands).

Primary Government (including Fiduciary Activities)
Investments—Fair Value and Custodial Credit Risk
As of June 30, 2015
(dollars in thousands)

	Total Fair Value	Uninsured, Unregistered, and Held by the Counterparty's Trust Department or Agent but not in the State's Name
Investments Subject to Custodial Credit Risk Exposure:		
U.S. Government Obligations	$ 14,115,989	$ -
U.S. Government Obligations—Strips	813,987	514,993
U.S. Agency Obligations	6,482,784	-
U.S. Agency Obligations—Strips	271,960	-
Common and Preferred Stock	49,277,389	-
Corporate Bonds and Notes	18,163,358	-
Corporate Bonds and Notes—Strips	99	-
Municipal Obligations	702,299	-
Negotiable Certificates of Deposit	642,915	-
Commercial Paper	5,916,502	-
Repurchase Agreements	1,684,673	-
Mortgage and Asset-Backed Securities	9,375,564	-
International Investments:		
Foreign Stocks	36,315,978	-
Foreign Bonds	3,351,604	-
High-Yield and Emerging Markets Fixed Income	7,507,382	-
Securities Lending Collateral:		
Commercial Paper	125,500	-
Repurchase Agreements	965,000	-
Variable Rate Notes	1,262,863	-
Bond Mutual Funds	409,165	-
		$ 514,993
Investments Not Subject to Custodial Credit Risk Exposure:		
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:		
U.S. Government Obligations	1,125,144	
U.S. Government Obligations—Strips	111,962	
U.S. Agency Obligations	1,433,975	
U.S. Agency Obligations—Strips	17,242	
Corporate Bonds and Notes	13,672	
International Investments-Commingled Equity Funds	8,138,427	
Equity Mutual Funds	11,963,728	
Bond Mutual Funds	8,401,795	
Real Estate	21,661,411	
Venture Capital	18,790,772	
Partnerships and Hedge Funds	18,240,167	
Deposit with Federal Government	589,867	
Component Units' Equity in State Treasurer's Cash and Investment Pool	(555,132)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio	(95,085)	
Total Investments — Primary Government	$ 247,222,956	

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following table reports investments with custodial credit risk exposure for the major discretely presented component units. The Ohio Facilities Construction Commission Component Unit Fund also participates in the State Treasurer's Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission's share of the pool are included in the disclosures for the Primary Government.

Major Discretely Presented Component Units
Investment Custodial Credit Risk
As of June 30, 2015
(dollars in thousands)

	Fair Value	Uninsured, Unregistered, and Held by the Counterparty but not in the Component Unit's Name
Ohio State University:		
U.S. Government Obligations	$ 328,029	$ 328,029
U.S. Agency Obligations	87,440	87,440
Common and Preferred Stock	273,943	273,943
Corporate Bonds and Notes	540,709	540,709
Municipal Obligations	14,572	14,572
Negotiable Certificates of Deposit	59,747	59,747
Commercial Paper	25,763	25,763
Repurchase Agreements	2,000	2,000
International Investments:		
Foreign Stocks	204,437	204,437
Foreign Bonds	243,056	243,056
Securities Lending Collateral:		
Commercial Paper	5,128	5,128
Repurchase Agreements	12,460	12,460
Variable Rate Notes	15,682	15,682
Total Ohio State University		$ 1,812,966

2. Credit Risk

The risk that an investment's issuer or counterparty will not satisfy its obligation is called credit risk. The exposure to this risk has been minimized through the laws and policies adopted by the State.

For investments that are included in the treasury's cash and investment pool and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires such investments to carry certain credit ratings at the time of purchase as follows:

- Commercial paper must carry ratings in the two highest categories by two nationally recognized rating agencies;
- Debt interests (other than commercial paper) must carry ratings in the three highest categories by two nationally recognized rating agencies. This requirement is met when either the debt interest or the issuer of the debt interest carries this rating; and
- For Registered Investment Companies (Mutual Funds), no-load money market mutual funds must carry a rating of the highest category by one rating agency.

Investment policies of the Treasurer of State's Office further define required credit ratings as follows:

- Commercial paper must have a short term debt rating of at least "A1" or equivalent by all agencies that rate the issuer, with at least two agencies rating the issuer;
- Bonds and notes of any State or political subdivision thereof must be rated in the three highest categories by Standard & Poor's;
- Banker acceptances must carry a minimum of "A+" for long-term debt ("AAA" for foreign issuers) by a majority of the agencies rating the issuer. For short-term debt, the rating must be at least "A1" or equivalent by at least two agencies rating the issuer;

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- Foreign debt must be guaranteed as to principal and interest by the foreign nation, and be rated in one of the three highest categories by at least two rating agencies; and
- Repurchase agreements must, in the case when issued by a counterparty that is not either: an Ohio financial institution that is a member of the Federal Reserve System, or a Federal Home Loan Bank, or a recognized government securities dealer, then such counterparty must have a short-term debt rating of at least A-1 by Standard & Poor's, or, if the counterparty is not explicitly rated A-1 by Standard & Poor's, then the counterparty must possess a guarantee from a Standard & Poor's-rated parent company.

Investment policies regarding credit risk that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State's reporting entity are as follows:

Workers' Compensation Enterprise Fund
The Fund requires investment-grade ratings by at least two nationally-recognized bond rating services for fixed income securities.

Variable College Savings Plan Private-Purpose Trust Fund
The fixed income portfolio should consist primarily of domestic investment grade bonds and may be partially invested in below investment grade bonds. Any portion of the portfolio in below-investment grade securities should be invested in "BB" and "B" rated securities.

STAR Ohio Investment Trust Fund
Investment policies governing the STAR Ohio external investment pool require that all securities must be rated the equivalent of "A-1" or higher. Mutual funds must be rated AAA or AAAm by Standard and Poor's.

Retirement Systems Agency Fund
For the Ohio Public Employees Retirement System, non-investment grade securities are limited to 35 percent of the total Public Fixed Income portfolio assets. Limitations on the holdings of non-investment grade securities are included in the portfolio's guidelines.

For the Ohio Police and Fire Pension Fund,

- Securities in the core fixed income portfolio shall be rated "BBB-" or better by two standard rating agencies at the time of the purchase;
- Securities in the high yield fixed income portfolio are high yield bonds issued by U.S. corporations with a minimum rating of "CCC" or equivalent;
- Investment managers may purchase securities that are "Not Rated" as long as they deem these securities to be at least equivalent to the minimum ratings; and
- Short-term investments must be rated within the two highest classifications established by two standard rating agencies.

The Ohio Facilities Construction Commission Component Unit Fund also participates in the State Treasurer's Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission's share of the pool are included in the disclosures for the Primary Government.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

All investments, as categorized by credit ratings in the tables below and on the following page, meet the requirements of the State's laws and policies, when applicable.

Primary Government (including Fiduciary Activities)
Investment Credit Ratings
As of June 30, 2015
(dollars in thousands)

Investment Type	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ 3,178,328	$ 2,749,711	$ 1,982,357	$ -	$ -	$ -
U.S. Agency Obligations—Strips	264,482	24,720	-	-	-	-
Corporate Bonds and Notes	460,052	1,572,023	5,239,494	6,284,213	2,242,781	1,824,644
Corporate Bonds and Notes—Strips	89	-	-	-	-	-
Municipal Obligations	76,280	448,426	163,432	12,409	-	-
Negotiable Certificates of Deposit	641,556	-	-	-	-	-
Commercial Paper	110,986	1,897,784	3,907,732	-	-	-
Repurchase Agreements	200,000	503,000	450,000	-	-	-
Mortgage and Asset-Backed Securities	1,847,672	5,894,711	352,566	257,660	222,440	268,100
International Investments:						
Foreign Bonds	636,674	580,179	609,558	1,194,933	224,220	51,184
High-Yield & Emerging Markets Fixed Income	67,796	95,110	843,577	2,550,973	1,548,999	1,499,252
Bond Mutual Funds	3,948,077	1,887,941	1,152,653	71,116	62,006	56,426
Securities Lending Collateral:						
Commercial Paper	-	-	125,500	-	-	-
Repurchase Agreements	-	-	420,000	545,000	-	-
Variable Rate Notes	-	454,385	788,478	20,000	-	-
Bond Mutual Funds	409,165	-	-	-	-	-
Total Primary Government	$ 11,841,157	$ 16,107,990	$ 16,035,347	$ 10,936,304	$ 4,300,446	$ 3,699,606

Investment Type	Credit Rating					
	CCC/Caa	CC/Ca	C	D	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$ -	$ 6,363	$ 7,916,759
U.S. Agency Obligations—Strips	-	-	-	-	-	289,202
Corporate Bonds and Notes	508,777	10	503	200	44,333	18,177,030
Corporate Bonds and Notes—Strips	-	-	-	-	10	99
Municipal Obligations	1,069	-	-	-	683	702,299
Negotiable Certificates of Deposit	-	-	-	-	1,359	642,915
Commercial Paper	-	-	-	-	-	5,916,502
Repurchase Agreements	-	-	-	-	531,673	1,684,673
Mortgage and Asset-Backed Securities	194,159	90,233	28,345	54,447	165,231	9,375,564
International Investments:						
Foreign Bonds	38,811	12,899	-	101	3,045	3,351,604
High-Yield & Emerging Markets Fixed Income	708,607	2,433	4,913	4,326	181,396	7,507,382
Bond Mutual Funds	5,356	-	-	-	1,218,220	8,401,795
Securities Lending Collateral:						
Commercial Paper	-	-	-	-	-	125,500
Repurchase Agreements	-	-	-	-	-	965,000
Variable Rate Notes	-	-	-	-	-	1,262,863
Bond Mutual Funds	-	-	-	-	-	409,165
Total Primary Government	$ 1,456,779	$ 105,575	$ 33,761	$ 59,074	$ 2,152,313	$ 66,728,352

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Units
Investment Credit Ratings
As of June 30, 2015
(dollars in thousands)

	Credit Rating					
Ohio State University:	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ -	$ 86,245	$ 528	$ -	$ -	$ -
Corporate Bonds and Notes	82,722	70,025	200,169	141,597	27,045	9,022
Municipal Obligations	-	7,168	4,437	2,967	-	-
Negotiable Certificates of Deposit	982	-	3,556	-	-	-
Commercial Paper	-	-	-	-	-	-
Repurchase Agreements	-	-	-	-	-	-
International Investments-Foreign Bonds	2,700	63,203	128,077	44,188	3,887	-
Bond Mutual Funds	38,037	12,435	21,085	17,972	220	1,023
Securities Lending Collateral:						
Commercial Paper	763	408	3,957	-	-	-
Repurchase Agreements	-	-	-	-	-	-
Variable Rate Notes	358	7,006	8,318	-	-	-
Total Ohio State University	$ 125,562	$ 246,490	$ 370,127	$ 206,724	$ 31,152	$ 10,045

	Credit Rating					
Ohio State University (continued):	CCC/Caa	CC/Ca	C	D	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$ -	$ 667	$ 87,440
Corporate Bonds and Notes	-	-	-	-	10,129	540,709
Municipal Obligations	-	-	-	-	-	14,572
Negotiable Certificates of Deposit	-	-	-	-	55,209	59,747
Commercial Paper	-	-	-	-	25,763	25,763
Repurchase Agreements	-	-	-	-	2,000	2,000
International Investments-Foreign Bonds	-	-	-	-	1,001	243,056
Bond Mutual Funds	220	219	219	250	915	92,595
Securities Lending Collateral:						
Commercial Paper	-	-	-	-	-	5,128
Repurchase Agreements	-	-	-	-	12,460	12,460
Variable Rate Notes	-	-	-	-	-	15,682
Total Ohio State University	$ 220	$ 219	$ 219	$ 250	$ 108,144	$ 1,099,152

	Credit Rating					
Ohio Facilities Construction Commission:	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
Bond Mutual Funds	$ 2,207	$ -	$ -	$ -	$ -	$ -
Total Ohio Facilities Construction Commission	$ 2,207	$ -	$ -	$ -	$ -	$ -

	Credit Rating				
Ohio Facilities Construction Commission (continued):	CCC/Caa	CC/Ca	C	Unrated	Total
Bond Mutual Funds	$ -	$ -	$ -	$ -	$ 2,207
Total Ohio Facilities Construction Commission	$ -	$ -	$ -	$ -	$ 2,207

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Descriptions of the investment credit ratings shown in the tables are as follows:

Rating	General Description of Credit Rating
AAA/Aaa	Extremely strong
AA/Aa	Very strong
A/A-1	Strong
BBB/Baa	Adequate
BB/Ba	Less vulnerable
B	More vulnerable
CCC/Caa	Currently vulnerable to nonpayment
CC/Ca	Currently highly vulnerable to nonpayment
C	Currently highly vulnerable to nonpayment due to certain conditions (e.g., filing of bankruptcy petition or similar action by issuer)
D	Currently highly vulnerable to nonpayment for failure to pay by due date

3. Concentration of Credit Risk

The potential for loss of value increases when investments are not diversified. The State has imposed limits on the types of authorized investments to prevent this type of loss.

For investments that are included in the treasury's cash and investment pool, and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires the following:

- Investments in commercial paper may not exceed 40 percent of the State's total average portfolio;
- Bankers acceptances cannot exceed ten percent of the State's total average portfolio;
- Corporate notes cannot exceed 25 percent of the State's total average portfolio;
- Corporate notes of a single issuer, when combined with other investments of that issuer, may not exceed five percent of the State's total average portfolio;
- Debt interest (other than commercial paper) shall not exceed 25 percent of the State's total average portfolio, and when combined with commercial paper, the amount of a single issuer may not exceed five percent of the total average portfolio; and
- Debt interests in foreign nations may not exceed one percent of the State's total average portfolio.

Investment policies of the Treasurer of State further restrict concentrations of investments. Maximum concentrations are as follows:

Investment Type	Maximum % of Total Average Portfolio
U.S. Treasury	100
Federal Agency (fixed rate)	100
Federal Agency (callable)	55
Federal Agency (variable rate)	10
Repurchase Agreements	50
Bankers' Acceptances	10
Commercial Paper	40
Corporate Notes	25
Foreign Notes	1
Certificates of Deposit	20
Municipal Obligations	20
STAR Ohio	25
Mutual Funds	100

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The investment policies of the Treasurer of State's Office also specify that commercial paper, when combined with investments in other corporate obligations, are further limited to no more than five percent of the total average portfolio. Bankers' Acceptances are limited to no more than five percent of the total average portfolio in any single issuer. Mutual funds are further limited in that the Treasurer's holdings in a single mutual fund cannot be more than ten percent of the total assets of that mutual fund, nor more than ten percent of the total average portfolio. Repurchase Agreements are further limited in that any one counterparty may not exceed ten percent of the total average portfolio. Municipal obligations are further limited to no more than 2.5 percent of the total average portfolio in any single issuer.

Investment policies regarding concentration of investments that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State's reporting entity are as follows:

Lottery Commission Enterprise Fund
No more than two percent of the total average portfolio may be invested in the securities of any single issuer with the following exceptions: U.S. government obligations, 100 percent maximum; repurchase agreements, limited at the lesser of five percent or $250 million; and mutual funds, ten percent maximum.

State Highway Patrol Retirement System Pension Trust Fund
Policy prohibits the investment of more than ten percent of its fixed income portfolio in securities of any one issuer with the exception of U.S. government securities, or the investment of more than five percent of the Fund's total investments in any one issuer with the exception of U.S. government securities.

STAR Ohio Investment Trust Fund
Investments in a single issuer are further limited to no more than five percent of the total average portfolio except as follows:

- U.S. Treasury obligations, limited at 100 percent;
- U.S. Agency obligations, limited to 100 percent with no single U.S. Agency exceeding 33 percent unless maturing in 30 days or less and rated AA- or higher;
- repurchase agreement counterparties, limited at a maximum of 25 percent for A-1 rated counterparties and at a maximum of 50 percent for A-1+ rated counterparties, with further limitations based on the maturity of the investment;
- mutual funds, limited at 100 percent; with no more than ten percent of the total average portfolio invested in any single mutual fund and limited to no more than ten percent of the total assets of any single mutual fund;
- corporate obligations, limited to 25 percent, with no more than five percent invested with any single issuer;
- municipal bonds, limited at ten percent and limited to no more than 2.5 percent with any single issuer;
- commercial paper, limited to 40 percent, with no more than five percent invested with any single issuer; and
- bankers' acceptances, limited at ten percent, with no more than five percent invested with any single issuer.

Retirement Systems Agency Fund
For the Ohio Police and Fire Pension Fund, no more than ten percent of the core Fixed Income Portfolio may be invested in the securities of any one issuer, and no more than five percent in any one issuer on a dollar duration basis, with the exception of U.S. government or agency securities. For its High Yield Portfolio, no more than ten percent of the portfolio may be invested in securities of a single issue or issuer, unless approved by the Board of Trustees.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2015, all investments meet the requirements of the State's law and policies, when applicable. However, investments in certain issuers are at least five percent of investment balances, as follows (dollars in thousands):

Issuer	Amount	Percentage of Investment Balance
Governmental and Business-Type Activities:		
Federal Home Loan Bank	2,398,823	6%
STAR Ohio Investment Trust Fund:		
Federal Home Loan Bank	651,398	20%
Ohio Facilities Construction Commission Component Unit Fund:		
Federal National Mortgage Association	27,942	5%
Federal Home Loan Bank	102,351	19%
Federal Home Loan Mortgage Corporation	34,358	6%
Federal Farm Credit Bank.................................	41,404	8%

4. Interest Rate Risk

Certain of the State's investments are exposed to interest rate risk. This risk exists when changes to interest rates will negatively impact the fair value of an investment. The State has adopted policies to mitigate this risk.

Investment policies governing the treasury's cash and investment pool, which is reported as "Cash Equity with Treasurer" and is managed by the Treasurer of State's Office, limit maturities of short term investments to no more than 18 months with a weighted average maturity not to exceed 90 days. For long-term investments, maturities are limited to five years or less, except for those that are matched to a specific obligation or debt of the State. A duration target of three years or less has been established for long-term investments. Policy also limits maturities for specific investment types as follows: five years for corporate notes, 270 days for commercial paper, 90 days for repurchase agreements, 270 days for bankers' acceptances, and five years for foreign debt.

Investment policies regarding investment maturities that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State's reporting entity are as follows:

Workers' Compensation Enterprise Fund
Policy requires each fixed-income portfolio to be invested with duration characteristics that are within a range consistent with Barclay's Capital Fixed Income Index ranges.

Lottery Commission Enterprise Fund
Investments are required to have maturities of 30 years or less. In no case may the maturity of an investment exceed the expected date of disbursement of those funds.

Variable College Savings Plan Private-Purpose Trust Fund
Policy requires each fixed-income portfolio to be invested with duration characteristics that are within a range consistent with Barclay's Aggregate Index ranges.

STAR Ohio Investment Trust Fund
Investment policies limit maturities of investments to a final stated maturity of 397 days or less, with a 762 day limit for floating rate U.S. Treasury and U.S. Agency obligations. Repurchase agreements are limited to maturities of 30 days and both commercial paper and bankers' acceptances are limited to maturities of 270 days.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Retirement Systems Agency Fund
The Public Fixed Income Policy of the Ohio Public Employees Retirement System requires an average effective duration of all defined benefit and health care assets to be within 20 percent of the option-adjusted duration of the Public Fixed Income asset class, excluding Liquidity Funds. Liquidity Funds duration must be within a range of zero to 120 percent of the average option-adjusted duration.

As of June 30, 2015, investments reported as “Cash Equity with Treasurer” have terms that make their fair values highly sensitive to the interest rate changes. The U.S. agency obligations investment type includes $2.26 billion of investments with call dates during fiscal years 2016 through 2020. All of these investments have maturities between fiscal years 2016 through 2021 and are reported in the table on the following page as maturing in one to six years.

In addition, several investments reported as “Investments” have terms that make their fair values highly sensitive to interest rate changes. U.S. agency obligations of $187.9 million and corporate bonds of $25.5 million have daily, monthly, and quarterly reset dates. Commercial paper of $92.6 million has a 31-day put notice. U.S. Treasury Floating Rate Notes of $15 million have quarterly reset dates. Certificates of deposit of $10 million have daily reset rates. For “Collateral on Lent Securities,” variable rate notes of $1.11 billion and $110 million have quarterly and daily reset rates, respectively. Commercial paper of $110 million has monthly reset dates. Repurchase agreements of $329 million have daily reset rates.

The Lottery Commission Enterprise Fund has “Collateral on Lent Securities” with reset dates. Variable rate notes of $42.5 million and $3 million have quarterly and daily reset dates, respectively. Commercial paper of $8 million has monthly reset dates. Repurchase agreements of $16 million have daily reset dates.

Also during fiscal year 2015, the Treasurer of State acted as the custodian of the Retirement Systems Agency Fund’s investments. These investments contain terms that make their fair values highly sensitive to interest rate changes. Specific information on the nature of the investments and their terms can be found in each respective retirement system’s Comprehensive Annual Financial Report.

The tables on the following page list the investment maturities of the investments for the primary government, including fiduciary activities, and its major discretely presented component units. All investments at June 30, 2015, meet the requirements of the State’s laws and policies, when applicable. The Ohio Facilities Construction Commission Component Unit Fund also participates in the State Treasurer’s Cash and Investment Pool. Risks associated with the Ohio Facilities Construction Commission’s share of the pool are included in the disclosures for the Primary Government.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities)
Investments Subject to Interest Rate Risk
As of June 30, 2015
(dollars in thousands)

Investment Type	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 1,317,142	$ 7,244,302	$ 2,978,406	$ 3,701,283	$ 15,241,133
U.S. Government Obligations—Strips	267,594	389,445	139,823	129,087	925,949
U.S. Agency Obligations	4,119,826	2,836,408	183,470	777,055	7,916,759
U.S. Agency Obligations—Strips	29,076	149,729	96,314	14,083	289,202
Corporate Bonds and Notes	985,467	5,122,327	5,807,463	6,261,773	18,177,030
Corporate Bonds and Notes—Strips	-	7	3	89	99
Municipal Obligations	2,652	9,943	9,434	680,270	702,299
Negotiable Certificates of Deposit	641,556	1,359	-	-	642,915
Commercial Paper	5,916,502	-	-	-	5,916,502
Repurchase Agreements	1,684,673	-	-	-	1,684,673
Mortgage and Asset-Backed Securities	254,901	1,106,036	394,722	7,619,905	9,375,564
International Investments:					
Foreign Bonds	314,567	648,176	653,412	1,735,449	3,351,604
High-Yield & Emerging Markets Fixed Income	265,362	1,833,534	3,737,010	1,671,476	7,507,382
Bond Mutual Funds	5,411,620	117,709	1,400,237	1,472,229	8,401,795
Securities Lending Collateral:					
Commercial Paper	125,500	-	-	-	125,500
Repurchase Agreements	965,000	-	-	-	965,000
Variable Rate Notes	1,262,863	-	-	-	1,262,863
Bond Mutual Funds	409,165	-	-	-	409,165
Total Primary Government	$ 23,973,466	$ 19,458,975	$ 15,400,294	$ 24,062,699	$ 82,895,434

Major Discretely Presented Component Units
Investments Subject to Interest Rate Risk
As of June 30, 2015
(dollars in thousands)

Ohio State University:	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 18,432	$ 224,315	$ 84,498	$ 784	$ 328,029
U.S. Agency Obligations	1,833	59,110	11,307	15,190	87,440
Corporate Bonds and Notes	125,987	346,863	29,375	38,484	540,709
Municipal Obligations	1,531	12,195	-	846	14,572
Negotiable Certificates of Deposit	53,553	6,194	-	-	59,747
Commercial Paper	25,763	-	-	-	25,763
Repurchase Agreements	2,000	-	-	-	2,000
International Investments-Foreign Bonds	86,690	155,068	1,298	-	243,056
Bond Mutual Funds	21,527	33,287	27,499	10,282	92,595
Securities Lending Collateral:					
Commercial Paper	5,128	-	-	-	5,128
Repurchase Agreements	12,460	-	-	-	12,460
Variable Rate Notes	15,080	602	-	-	15,682
Total Ohio State University	$ 369,984	$ 837,634	$ 153,977	$ 65,586	$ 1,427,181

Ohio Facilities Construction Commission:	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
Bond Mutual Funds	$ 2,207	$ -	$ -	$ -	$ 2,207
Total Ohio Facilities Construction Commission	$ 2,207	$ -	$ -	$ -	$ 2,207

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

5. Foreign Currency Risk

Investments in stocks and bonds denominated in foreign currencies are affected by foreign currency risk which arises from changes in currency exchange rates.

As of June, 30, 2015, investments denominated in the currency of foreign nations, as detailed in the following tables for the primary government, including fiduciary activities, and the Ohio State University major discretely presented component unit, meet the requirements of the State's laws and policies, when applicable.

Primary Government (including Fiduciary Activities)
International Investments—Foreign Currency Risk
As of June 30, 2015
(dollars in thousands)

	Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	Commingled International Equity	Total
Argentinean Peso	$ 1	$ -	$ -	$ -	$ 1
Australian Dollar	914,246	(1,286)	-	121,250	1,034,210
Brazilian Real	572,256	(5,864)	234,509	41,605	842,506
British Pound	3,437,502	(712)	41,095	623,808	4,101,693
Canadian Dollar	1,145,384	116	-	163,995	1,309,495
Chilean Peso	107,447	567	1,443	6,586	116,043
Chinese Renminbi	-	-	-	503	503
Costa Rican Colon	-	-	12,159	-	12,159
Colombian Peso	3,494	(482)	136,932	3,164	143,108
Czech Koruna	17,983	-	-	959	18,942
Danish Krone	429,072	-	-	29,414	458,486
Dominican Peso	-	-	12,390	-	12,390
Egyptian Pound	16,068	-	-	1,098	17,166
Euro	4,509,609	(1,431)	152,248	585,390	5,245,816
Ghana Cedi	-	-	16,510	-	16,510
Hong Kong Dollar	2,159,448	-	-	251,412	2,410,860
Hungarian Forint	16,720	-	20,499	1,135	38,354
Indian Rupee	815,462	1,886	104,240	41,331	962,919
Indonesian Rupiah	177,717	2,757	239,251	12,557	432,282
Israeli Shekel	6,467	-	-	10,609	17,076
Japanese Yen	3,477,996	-	-	402,618	3,880,614
Kenya Shilling	-	-	11,613	-	11,613
Malaysian Ringgit	138,490	-	146,967	17,073	302,530
Mexican Peso	166,880	(6,071)	307,838	24,328	492,975
Moroccan Dirham	316	-	-	-	316
New Zealand Dollar	32,410	3,946	-	2,266	38,622
Nigerian Naira	14,684	-	27,977	-	42,661
Norwegian Krone	161,137	(55)	-	11,231	172,313
Omani Rial	5,200	-	-	-	5,200
Peruvian New Sol	1,287	-	49,342	-	50,629
Philippines Peso	75,022	189	29,492	9,509	114,212
Polish Zloty	77,032	1,615	122,251	7,879	208,777
Qatari Rial	35,045	-	-	5,139	40,184
Romanian Leu	-	1,121	10,626	-	11,747
Russian Ruble	36,136	(929)	100,943	10,003	146,153
Singapore Dollar	268,987	-	-	25,079	294,066
South African Rand	550,877	191	185,087	42,594	778,749
South Korean Won	1,177,554	-	(219)	77,341	1,254,676
Swedish Krona	455,794	-	426	54,557	510,777
Swiss Franc	1,469,999	-	1,167	162,383	1,633,549
Taiwan Dollar	829,882	-	-	68,239	898,121
Thailand Baht	293,672	-	77,902	12,232	383,806
Turkish Lira	196,093	(775)	204,237	12,766	412,321
Uganda Shilling	-	-	8,478	-	8,478
United Arab Emirates Dirham	7,856	-	-	3,992	11,848
Uruguayan Peso	-	-	46,644	-	46,644
Zimbabwean Dollar	-	-	8,673	-	8,673
Investments Held in Foreign Currency	$ 23,801,225	$ (5,217)	$ 2,310,720	$ 2,844,045	$ 28,950,773
Foreign Investments Held in U.S. Dollars					26,362,618
Total Foreign Investments-Primary Government, including Fiduciary Activities					$ 55,313,391

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Units
International Investments—Foreign Currency Risk
As of June 30, 2015
(dollars in thousands)

Ohio State University:

Currency	Stocks	Bonds	Total
Australian Dollar	$ 428	$ -	$ 428
Brazilian Real	4,649	2,911	7,560
British Pound	34,153	2,039	36,192
Canadian Dollar	1,113	-	1,113
Czech Koruna	997	-	997
Egyptian Pound	1,728	-	1,728
Euro	40,738	2,566	43,304
Hong Kong Dollar	9,661	-	9,661
Indian Rupee	4,222	-	4,222
Indonesian Rupiah	1,059	-	1,059
Japanese Yen	18,545	-	18,545
Mexican Peso	1,755	-	1,755
Norwegian Krone	964	-	964
South African Rand	4,869	-	4,869
South Korean Won	6,537	-	6,537
Swedish Krona	1,272	-	1,272
Swiss Franc	15,756	-	15,756
Taiwan Dollar	5,290	-	5,290
Thailand Baht	2,368	-	2,368
Turkish Lira	1,359	-	1,359
United Arab Emirates Dirham	1,536	-	1,536
Investments Held in Foreign Currency	$ 158,999	$ 7,516	$ 166,515
Foreign Investments Held in U.S. Dollars			280,978
Total Foreign Investments - Ohio State University			$ 447,493

The State's laws and investment policies include provisions to limit the exposure to this type of risk. According to Chapter 135, Ohio Revised Code, investments managed by the Treasurer of State's Office, and reported as "Cash Equity with Treasurer", are limited to the debt of nations diplomatically recognized by the United States and that are backed by the full faith and credit of that foreign nation.

Investment policies of the Treasurer of State's Office further limit the types of authorized investments. These requirements include maturity limitations of five years at the date of purchase and denomination of principal and interest in U.S. dollars. Other limitations are noted in the previous sections of this note that discuss credit risk and concentration of credit risk.

Investment policies regarding foreign currency risk have also been adopted for the following significant entities reported in the primary government and are specific to those entities:

Retirement Systems Agency Fund
For the Ohio Public Employees Retirement System, non-U.S. dollar-based securities are limited to 25 percent of the total Fixed Income assets. Additionally, no more than 40 percent of the Fixed Income assets may be from non-U.S. issuers.

D. Securities Lending Transactions
The Treasurer of State participates in the securities lending programs for securities included in the "Cash Equity with Treasurer" and "Investments" accounts. Each lending program is administered by a custodial agent bank, whereby certain securities are transferred to an independent broker-dealer (borrower) in exchange for collateral.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

At the time of the loan, the Treasurer of State requires its custodial agents to ensure that the State's lent securities are collateralized at no less than 102 percent of fair value. At no point in time can the value of the collateral be less than 100 percent of the underlying securities.

Consequently, as of June 30, 2015, the State had no credit exposure since the amount the State owed to the borrowers at least equaled or exceeded the amount borrowers owed to the State.

The State invests cash collateral in short-term obligations, which have a weighted average maturity of 36 days or less while the weighted average maturity of securities loans is 12 days or less.

The State cannot sell securities received as collateral unless the borrower defaults. Consequently, these amounts are not reflected in the financial statements.

According to the lending contracts the Treasurer of State executes for the State's cash and investment pool and for the Ohio Lottery Commission Enterprise Fund, the securities lending agent is to indemnify the Treasurer of State for any losses resulting from either the default of a borrower or any violations of the security lending policy.

During fiscal year 2015, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2015, the Treasurer of State lent U.S. government and agency obligations and corporate notes in exchange for cash collateral.

E. Investment Derivatives

As of June 30, 2015, the State reports the following investment derivatives in its financial statements (dollars in thousands):

Investment Derivatives
As of June 30, 2015
(dollars in thousands)

		Fair Value at 6/30/2015		Increase (Decrease) in Fair Value	
	Notional	Amount	Reported as	Amount	Reported as
Governmental Activities:					
Investment Derivatives:					
Pay-fixed interest rate swaps	$ 112,370	$ (11,197)	Other Noncurrent Liability	$ 655	Operating Restricted Investment Loss - Primary, Secondary and Other Education Function
Fiduciary Funds—Agency:					
Investment Derivatives:					
Credit default swaps	58,117	1,212	Investments	1,160	Investment Income
Credit linked notes	-	-	Investments	(2,899)	Investment Income
Equity swaps	1,206,948	(18,576)	Investments	(30,857)	Investment Income
Foreign exchange forward currency contracts	11,288,539	(23,838)	Investments	18,613	Investment Income
Futures contracts	(153,027)	(3,959)	Investments	(4,293)	Investment Income
Interest rate swap	7,047,139	(42)	Investments	1,372	Investment Income
Options	1,761,403	4,530	Investments	7,176	Investment Income
Total return swaps	1,361,893	9,625	Investments	(2,093)	Investment Income
Warrants	1,821	3,209	Investments	(5,770)	Investment Income

For governmental activities, the pay-fixed swaps included in the table above do not meet the criteria for hedging derivatives as of June 30, 2015, and are reported as investment derivatives. The increases in the fair values for fiscal year 2015 of $655 thousand are reported as operating restricted investment gains for the primary, secondary and other education function in the Statement of Activities.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The credit quality ratings of JPMorgan Chase, the counterparty, are Aa3/A+/AA- as of June 30, 2015. The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2015. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the derivative's positive fair value.

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement and based on the fair value of the swap. This arrangement protects the State by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.

These swaps, maturing March 15, 2025, are associated with Common Schools Bonds, Series 2005A and Series 2005B. The underlying index is a variable rate based on 62 percent of the ten year LIBOR. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and State Teachers Retirement System of Ohio have entered into the derivatives reported in the Agency Fund. All derivatives of these retirement systems are categorized as investment derivatives. The fair values and associated risks of the investment derivatives for the Agency Fund are included in the balances and risks disclosed in the previous sections of this note disclosure.

NOTE 5 RECEIVABLES

A. Taxes Receivable – Primary Government

Current taxes receivable are expected to be collected in the next fiscal year while noncurrent taxes receivable are not expected to be collected until more than one year from the balance sheet date. As of June 30, 2015, approximately $82.6 million of the net taxes receivable balance is also reported as deferred inflows of resources on the governmental funds' balance sheet, all of which is reported in the General Fund.

Refund liabilities for income taxes, totaling approximately $763.4 million are reported as "Refund and Other Liabilities" for governmental activities on the Statement of Net Position and in the General Fund on the governmental funds' Balance Sheet.

The following table summarizes taxes receivable for the primary government (dollars in thousands):

	Governmental Activities		
	General	Nonmajor Governmental Funds	Total Primary Government
Current-Due Within One Year:			
Income Taxes	$ 394,727	$ -	$ 394,727
Sales Taxes	519,964	-	519,964
Motor Vehicle Fuel Taxes	93,509	72,946	166,455
Commercial Activity Taxes	374,596	21,388	395,984
Public Utility Taxes	85,277	-	85,277
Casino Taxes	-	4,830	4,830
	1,468,073	99,164	1,567,237
Noncurrent-Due in More Than One Year:			
Income Taxes	16,282	-	16,282
Taxes Receivable, Net	$ 1,484,355	$ 99,164	$ 1,583,519

NOTE 5 RECEIVABLES (Continued)

B. Intergovernmental Receivable – Primary Government
The intergovernmental receivable balance reported for the primary government, all of which is expected to be collected within the next fiscal year, consists of the following, as of June 30, 2015 (dollars in thousands):

	From Nonexchange Programs		From Sales of Goods and Services		
	Federal Government	Local Government	Other State Governments	Local Government	Total Primary Government
Governmental Activities:					
Major Governmental Funds:					
General	$1,110,997	$ 22,500	$ -	$ -	$ 1,133,497
Job, Family and Other Human Services	168,879	12,260	-	-	181,139
Nonmajor Governmental Funds	342,226	103,602	10,189	-	456,017
Total Governmental Activities	1,622,102	138,362	10,189	-	1,770,653
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	-	-	416	416
Nonmajor Proprietary Funds	-	-	6,129	-	6,129
Total Business-Type Activities	-	-	6,129	416	6,545
Intergovernmental Receivable	$1,622,102	$ 138,362	$ 16,318	$ 416	$ 1,777,198

C. Loans Receivable
Loans receivable for the primary government, as of June 30, 2015, are detailed in the following table (dollars in thousands):

Primary Government - Loans Receivable

	Governmental Activities		
Loan Program	General	Nonmajor Governmental Funds	Total Primary Government
Economic Development Office of Loan Administration	$ 349,564	$ -	$ 349,564
Local Infrastructure Improvements	482,938	-	482,938
Housing Finance	161,794	-	161,794
Highway, Transit, & Aviation Infrastructure Bank	-	89,447	89,447
Third Frontier Program Loans	-	10,312	10,312
Wayne Trace Local School District	2,332	-	2,332
Rail Development	-	1,698	1,698
Loans Receivable, Net	996,628	101,457	1,098,085
Current-Due Within One Year	145,868	10,725	156,593
Noncurrent-Due in More Than One Year	850,760	90,732	941,492
Loans Receivable, Net	$ 996,628	$ 101,457	$ 1,098,085

The “Loans Receivable” balance reported in the major discretely presented component units, as of June 30, 2015, is comprised of student loans and other miscellaneous loans.

NOTE 5 RECEIVABLES (Continued)

D. Other Receivables

The other receivables balances reported for the primary government, as of June 30, 2015, consist of the following (dollars in thousands):

Primary Government - Other Receivables

	Governmental Activities				
	Major Governmental Funds				
Types of Receivables	General	Job, Family & Other Human Services	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Govern-mental Funds	Total
Manufacturers' Rebates	$ 201,516	$ 339,221	$ -	$ -	$ 540,737
Tobacco Settlement	-	-	431,125	34,100	465,225
Health Facility Bed Assessments	-	110,261	-	-	110,261
Interest	11,416	-	-	66	11,482
Accounts	8,702	15,541	-	2,805	27,048
Miscellaneous	25,914	-	-	-	25,914
Other Receivables, Net	247,548	465,023	431,125	36,971	1,180,667
Current-Due Within One Year	247,548	465,023	-	2,871	715,442
Noncurrent-Due in More Than One Year	-	-	431,125	34,100	465,225
Other Receivables, Net	$ 247,548	$ 465,023	$ 431,125	$ 36,971	$ 1,180,667

	Business-Type Activities				
	Major Proprietary Funds				
Types of Receivables	Workers' Compensation	Lottery Commission	Unemployment Compensation	Nonmajor Proprietary Funds	Total
Accounts	$ 104,530	$ -	$ 52,647	$ 81	$ 157,258
Interest and Dividends (including restricted portion)	134,504	1,338	-	1,416	137,258
Lottery Sales Agents	-	64,906	-	-	64,906
Other Receivables, Gross	239,034	66,244	52,647	1,497	359,422
Estimated Uncollectible	(1,158)	(540)	(24,648)	-	(26,346)
Other Receivables, Net-Due Within One Year	$ 237,876	$ 65,704	$ 27,999	$ 1,497	$ 333,076
Total Primary Government					$ 1,513,743

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2015, is comprised of interest due of approximately $5.6 million and investment trade receivables of $7.6 million.

In the major discretely presented component units, the "Other Receivables" balance reported, as of June 30, 2015, is comprised of accounts receivable, interest receivable, pledges receivable, unbilled charges receivable, grants receivable, and other miscellaneous receivables.

NOTE 6 PAYABLES

A. Accrued Liabilities

Details on accrued liabilities for the primary government, as of June 30, 2015, follow (dollars in thousands):

Primary Government - Accrued Liabilities

	Wages and Employee Benefits	Accrued Interest	Total Accrued Liabilities
Governmental Activities:			
Major Governmental Funds:			
General	$ 97,815	$ -	$ 97,815
Job, Family and Other Human Services	15,412	-	15,412
Nonmajor Governmental Funds	56,645	-	56,645
	169,872	-	169,872
Reconciliation of fund level statements to government-wide statements due to basis differences	-	166,452	166,452
Total Governmental Activities	169,872	166,452	336,324
Business-Type Activities:			
Nonmajor Proprietary Funds	3,238	-	3,238
Total Primary Government	$ 173,110	$ 166,452	$ 339,562

	Wages and Employee Benefits	Health Benefit Claims	Management and Administrative Expenses	Total Accrued Liabilities
Fiduciary Activities:				
State Highway Patrol Retirement System Pension Trust (12/31/2014)	$ 3,079	$ 800	$ -	$ 3,879
Variable College Savings Plan Private-Purpose Trust	-	-	3,194	3,194
STAR Ohio Investment Trust	-	-	12	12
Total Fiduciary Activities	$ 3,079	$ 800	$ 3,206	$ 7,085

The "Accrued Liabilities" balance reported in the major discretely presented component units, as of June 30, 2015, is comprised largely of payables similar to those of the primary government, such as wages and employee benefits, self-insurance, and accrued interest.

NOTE 6 PAYABLES (Continued)

B. Intergovernmental Payable

The intergovernmental payable balances for the primary government, as of June 30, 2015, are comprised of the following (dollars in thousands).

Primary Government - Intergovernmental Payable

	Local Government				
	Shared Revenue and Local Permissive Taxes	Subsidies and Other	Federal Government	Other States	Total
Governmental Activities:					
Major Governmental Funds:					
General	$ 675,635	$ 67,713	$ 58,886	$ -	$ 802,234
Job, Family and Other Human Services	-	103,054	-	-	103,054
Nonmajor Governmental Funds	86,148	121,172	-	-	207,320
Total Governmental Activities	761,783	291,939	58,886	-	1,112,608
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	84	978,490	-	978,574
Reconciliation of balances included in the “Other Noncurrent Liabilities” balance in the government-wide financial statements	-	-	(978,459)	-	(978,459)
Total Business-Type Activities	-	84	31	-	115
Total Primary Government					$ 1,112,723
Fiduciary Activities:					
Holding and Distribution Agency Fund	$ -	$ 7	$ 1,526	$ 25,164	$ 26,697
Payroll Withholding and Fringe Benefits Agency Fund	-	27,719	-	-	27,719
Other Agency Fund	160,463	14,603	-	-	175,066
Total Fiduciary Activities	$ 160,463	$ 42,329	$ 1,526	$ 25,164	$ 229,482

As of June 30, 2015, the Ohio Facilities Construction Commission, a major discretely presented component unit fund, reported an intergovernmental payable balance totaling approximately $545.8 million for long-term funding contracts the Commission has with local school districts. In the government-wide Statement of Net Position, the intergovernmental payable balance for the Commission is included with “Other Noncurrent Liabilities.” The contracts commit the State to cover the costs of construction of facilities of the school districts once the districts have met certain eligibility requirements.

NOTE 6 PAYABLES (Continued)

C. Refund and Other Liabilities

Refund and other liabilities for the primary government, as of June 30, 2015, consist of the balances, as follows (dollars in thousands):

Primary Government - Refund and Other Liabilities

	Personal Income Tax Estimated Refund Claims	Other	Total
Governmental Activities:			
Major Governmental Funds:			
General	$ 764,475	$ 32	$ 764,507
Job, Family and Other Human Services	-	1,744	1,744
Nonmajor Governmental Funds	-	695	695
Total Governmental Activities	$ 764,475	$ 2,471	$ 766,946

	Reserve for Compensation Adjustment	Net Pension Liability	Refund and Security Deposits	Compensated Absences	Other	Total
Business-Type Activities:						
Major Proprietary Funds:						
Workers' Compensation	$ 1,805,604	$ 134,479	$ -	$ 25,233	$ 784,184	$ 2,749,500
Lottery Commission	-	18,734	46,048	3,616	15,186	83,584
Unemployment Compensation	-	-	8,395	-	-	8,395
Nonmajor Proprietary Funds	-	42,456	3	8,489	-	50,948
	1,805,604	195,669	54,446	37,338	799,370	2,892,427
Reconciliation of balances included in the “Other Noncurrent Liabilities” balance in the government-wide financial statements	(1,805,604)	(195,669)	-	(37,338)	(518,915)	(2,557,526)
Total Business-Type Activities	$ -	$ -	$ 54,446	$ -	$ 280,455	$ 334,901
Total Primary Government						$ 1,101,847

	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement System Pension Trust (12/31/2014)	$ -	$ -	$ -	$ -	$ 36	$ 36
Variable College Savings Plan Private-Purpose Trust	-	-	-	-	6,079	6,079
STAR Ohio Investment Trust	-	-	-	-	207	207
Agency Funds:						
Holding and Distribution	-	30,106	-	-	-	30,106
Centralized Child Support Collections	63,331	-	-	-	-	63,331
Retirement Systems	-	-	-	194,294,227	-	194,294,227
Payroll Withholding and Fringe Benefits	-	-	121,486	-	-	121,486
Other	-	403,869	-	38,319	101,958	544,146
Total Fiduciary Activities	$ 63,331	$ 433,975	$ 121,486	$ 194,332,546	$ 108,280	$ 195,059,618

In the major discretely presented component units, the “Refunds and Other Liabilities” balance reported, as of June 30, 2015, is comprised largely of payables similar to the primary government, such as refund and security deposits, compensated absences, capital leases, and other miscellaneous payables.

NOTE 7 INTERFUND BALANCES AND TRANSFERS AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

A. Interfund Balances

Interfund balances, as of June 30, 2015, consist of the following (in thousands):

Due from	Due To: Governmental Activities: Nonmajor Governmental Funds
Nonmajor Governmental Funds	$ 1,297
Total Primary Government	$ 1,297

	Business-Type Activities					
	Major Proprietary Funds					
Due from	Workers' Compensation	Lottery Commission	Unemployment Compensation	Nonmajor Proprietary Funds	Total	Total Primary Government
Major Governmental Funds:						
General	$ 469,875	$ -	$ -	$ 8,715	$ 478,590	$ 478,590
Job, Family and Other Human Services	13,963	-	-	-	13,963	13,963
Nonmajor Governmental Funds	158,705	1,518	1,643	-	161,866	163,163
Total Governmental Activities	642,543	1,518	1,643	8,715	654,419	655,716
Business-Type Activities:						
Major Proprietary Funds:						
Lottery Commission	1,485	-	-	-	1,485	1,485
Nonmajor Proprietary Funds	7,616	-	-	-	7,616	7,616
Total Business-Type Activities	9,101	-	-	-	9,101	9,101
Total Primary Government	$ 651,644	$ 1,518	$ 1,643	$ 8,715	$ 663,520	$ 664,817

Interfund balances result from the time lag between dates that 1) interfund goods and services are provided or reimbursable expenditures/expenses occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The State's primary government is permitted to pay its workers' compensation liability on a terminal-funding (pay-as-you-go) basis. As a result, the Workers' Compensation Enterprise Fund recognized $651.6 million as an interfund receivable for the unbilled premium due for the primary government's share of the Bureau's actuarially determined liability for compensation. In the Statement of Net Position, the State includes the liability in the internal balance reported for governmental activities.

NOTE 7 INTERFUND BALANCES AND TRANSFERS AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)

B. Interfund Transfers

Interfund transfers, for the fiscal year ended of June 30, 2015, consist of the following (dollars in thousands):

	Transferred to			
	Governmental Activities			
	Major Governmental Funds			
Transferred from	General	Job, Family & Other Human Services	Nonmajor Governmental Funds	Total
Major Governmental Funds:				
General	$ -	$ 2,226	$ 2,041,746	$ 2,043,972
Job, Family and Other Human Services	-	-	45,673	45,673
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	-	13,771	13,771
Nonmajor Governmental Funds	321,156	-	138,321	459,477
Total Governmental Activities	321,156	2,226	2,239,511	2,562,893
Major Proprietary Funds:				
Workers' Compensation	-	-	8,796	8,796
Lottery Commission	-	-	1,094,488	1,094,488
Unemployment Compensation	-	-	7,039	7,039
Total Business-Type Activities	-	-	1,110,323	1,110,323
Total Primary Government	$ 321,156	$ 2,226	$ 3,349,834	$ 3,673,216

	Business-Type Activities	
Transferred from	Nonmajor Proprietary Funds	Total Primary Government
Major Governmental Funds:		
General	$ 28,262	$ 2,072,234
Job, Family and Other Human Services	-	45,673
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	13,771
Nonmajor Governmental Funds	-	459,477
Total Governmental Activities	28,262	2,591,155
Major Proprietary Funds:		
Workers' Compensation	-	8,796
Lottery Commission	-	1,094,488
Unemployment Compensation	-	7,039
Total Business-Type Activities	-	1,110,323
Total Primary Government	$ 28,262	$ 3,701,478

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts, to the debt service fund as the debt service payments become due, and 3) utilize unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budget authorizations.

NOTE 7 INTERFUND BALANCES AND TRANSFERS AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)

C. Discretely Presented Component Units

For fiscal year 2015, the discretely presented component units reported $2.43 billion in state assistance revenue from the primary government in the Statement of Activities.

Included in "Primary, Secondary, and Other Education" expenses reported for the governmental activities, is the funding that the primary government provided to the Ohio Facilities Construction Commission for capital construction at local school districts. The primary government also transferred bond proceeds to the Ohio Facilities Construction Commission to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State.

Additionally, the primary government provided financial support to the colleges and universities in the form of state appropriations for instructional and non-instructional purposes and capital appropriations for construction. This assistance is included in "Higher Education Support" expenses reported for governmental activities.

Details of balances and activity reported in the government-wide financial statements between the primary government and its discretely presented component units are summarized below.

Primary Government
(dollars in thousands)

			Program Expenses for State Assistance to Component Units			
	Receivable from the Component Units	Payable to the Component Units	Primary, Secondary, and Other Education Function	Higher Education Support Function	Transportation Function	Total State Assistance to the Component Units
Major Governmental Funds:						
General	$ 487	$ 25,708	$ 524,181	$ 1,725,221	$ 2,487	$ 2,251,889
Job, Family and Other Human Services	-	707	-	-	-	-
Nonmajor Governmental Funds	30,021	7,070	-	173,456	-	173,456
Total Governmental Activities	30,508	33,485	524,181	1,898,677	2,487	2,425,345
Total Primary Government	$ 30,508	$ 33,485	$ 524,181	$ 1,898,677	$ 2,487	$ 2,425,345

Discretely Presented Component Units
(dollars in thousands)

	Receivable from the Primary Government	Payable to the Primary Government	Total State Assistance from the Primary Government
Major Discretely Presented Component Units:			
Ohio Facilities Construction Commission	$ -	$ -	$ 524,181
Ohio State University	2,159	-	476,692
Nonmajor Discretely Presented Component Units	31,215	19,004	1,424,472
Total Discretely Presented Component Units	$ 33,374	$ 19,004	$ 2,425,345

NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2015, reported for the primary government was as follows (dollars in thousands):

	Primary Government			
	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 2,283,721	$ 40,941	$ (962)	$ 2,323,700
Buildings	61,372	1,092	-	62,464
Land Improvements	1,416	-	-	1,416
Construction-in-Progress	1,389,879	540,974	(216,008)	1,714,845
Infrastructure:				
Highway Network:				
General Subsystem	8,568,626	29,497	(3,540)	8,594,583
Priority Subsystem	8,455,171	14,243	-	8,469,414
Bridge Network	2,893,240	11,405	(55,529)	2,849,116
Total Capital Assets Not Being Depreciated	23,653,425	638,152	(276,039)	24,015,538
Other Capital Assets:				
Buildings	3,619,524	124,895	(78,218)	3,666,201
Land Improvements	465,309	11,686	(7,136)	469,859
Machinery and Equipment	943,612	535,853	(55,857)	1,423,608
Vehicles	365,508	50,730	(29,608)	386,630
Infrastructure:				
Parks, Recreation and Natural Resources Network	116,642	2,725	(7,720)	111,647
Total Other Capital Assets at Historical Cost	5,510,595	725,889	(178,539)	6,057,945
Less Accumulated Depreciation for:				
Buildings	2,112,998	98,704	(39,249)	2,172,453
Land Improvements	298,474	16,110	(4,499)	310,085
Machinery and Equipment	703,256	118,475	(47,860)	773,871
Vehicles	191,668	61,744	(25,300)	228,112
Infrastructure:				
Parks, Recreation and Natural Resources Network	27,332	4,290	-	31,622
Total Accumulated Depreciation	3,333,728	299,323	(116,908)	3,516,143
Other Capital Assets, Net	2,176,867	426,566	(61,631)	2,541,802
Governmental Activities - Capital Assets, Net	$ 25,830,292	$ 1,064,718	$ (337,670)	$ 26,557,340
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 11,994	$ -	$ -	$ 11,994
Construction-In Progress	61,114	22,558	-	83,672
Total Capital Assets Not Being Depreciated	73,108	22,558	-	95,666
Other Capital Assets:				
Buildings	209,313	59	-	209,372
Land Improvements	66	-	-	66
Machinery and Equipment	158,287	22,524	(5,601)	175,210
Vehicles	3,181	313	(424)	3,070
Total Other Capital Assets at Historical Cost	370,847	22,896	(6,025)	387,718
Less Accumulated Depreciation for:				
Buildings	159,535	6,964	-	166,499
Land Improvements	59	1	-	60
Machinery and Equipment	137,381	10,719	(5,574)	142,526
Vehicles	1,818	298	(376)	1,740
Total Accumulated Depreciation	298,793	17,982	(5,950)	310,825
Other Capital Assets, Net	72,054	4,914	(75)	76,893
Business-Type Activities - Capital Assets, Net	$ 145,162	$ 27,472	$ (75)	$ 172,559

NOTE 8 CAPITAL ASSETS (Continued)

For fiscal year 2015, the State charged depreciation expense to the following functions (dollars in thousands):

Governmental Activities:	***Depreciation Expense***
Primary, Secondary and Other Education	$ 1,316
Higher Education Support	6
Public Assistance and Medicaid	66,428
Health and Human Services	16,709
Justice and Public Protection	98,333
Environmental Protection and Natural Resources	19,151
Transportation	151,347
General Government	58,552
Community and Economic Development	7,322
Total Depreciation Expense for Governmental Activities	419,164
Gains (Losses) on Capital Asset Disposals Included in Depreciation	(119,841)
Fiscal Year 2015 Increases to Accumulated Depreciation	$ 299,323
Business-Type Activities:	
Workers' Compensation	$ 8,790
Lottery Commission	8,637
Tuition Trust Authority	40
Office of Auditor of State	393
Total Depreciation Expense for Business-Type Activities	17,860
Gains (Losses) on Capital Asset Disposals Included in Depreciation	122
Fiscal year 2015 Increase to Accumulated Depreciation	$ 17,982

As of June 30, 2015, the State considered the following governmental capital asset balances as being temporarily impaired and removed from service (dollars in thousands).

Governmental Activities:	***Net Book Value***
Temporarily Impaired Assets Removed from Service:	
Buildings	$ 13,198
Land Improvements	225
Total	$ 13,423

NOTE 8 CAPITAL ASSETS (Continued)

B. Major Discretely Presented Component Units
Capital asset activity, for the year ended June 30, 2015, reported for major discretely presented component unit funds with significant capital asset balance was as follows (dollars in thousands):

	Major Discretely Presented Component Units			
	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Ohio State University:				
Capital Assets Not Being Depreciated:				
Land	$ 74,720	$ 23,648	$ (609)	$ 97,759
Construction-in-Progress	1,211,662	562,286	(1,441,020)	332,928
Patents and Trademarks	18,413	-	-	18,413
Total Capital Assets Not Being Depreciated	1,304,795	585,934	(1,441,629)	449,100
Other Capital Assets:				
Buildings	4,640,942	1,025,531	(10,163)	5,656,310
Land Improvements	516,610	222,501	(451)	738,660
Machinery, Equipment and Vehicles	1,164,325	261,288	(57,965)	1,367,648
Library Books and Publications	171,669	6,609	(525)	177,753
Total Other Capital Assets at Historical Cost	6,493,546	1,515,929	(69,104)	7,940,371
Less Accumulated Depreciation for:				
Buildings	2,018,867	188,889	(8,099)	2,199,657
Land Improvements	221,215	28,276	(451)	249,040
Machinery, Equipment and Vehicles	838,745	121,168	(55,903)	904,010
Library Books and Publications	150,272	3,863	(524)	153,611
Total Accumulated Depreciation	3,229,099	342,196	(64,977)	3,506,318
Other Capital Assets, Net	3,264,447	1,173,733	(4,127)	4,434,053
Total Capital Assets, Net	$ 4,569,242	$ 1,759,667	$ (1,445,756)	$ 4,883,153

For fiscal year 2015, Ohio State University reported approximately $342.2 million in depreciation expense.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

All part-time and full-time employees and elected officials of the State, including its component units (unless otherwise excluded in Ohio Revised Code), are eligible to be covered by one of the following retirement plans:

- Ohio Public Employees Retirement System
- State Teachers Retirement System of Ohio
- State Highway Patrol Retirement System
- Alternative Retirement Plan

A. Ohio Public Employees Retirement System (OPERS)
Pension Benefits
OPERS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – a defined benefit plan, a defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan.

OPERS issues a stand-alone financial report, copies of which may be obtained by visiting https://www.opers.org/investments/cafr.shtml, making a written request to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or calling (800) 222-7377 or (614) 222-5601.

As established under Chapter 145, Ohio Revised Code, OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and survivor and death benefits to plan members and beneficiaries enrolled in the defined benefit and combined plans.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

Most employees who are members of OPERS and who have fewer than five total years of service credit as of December 31, 2002, and new employees hired on or after January 1, 2003, are eligible to select one of the OPERS retirement plans, as listed above, in which they wish to participate. Members not eligible to select a plan include law enforcement officers, (who must participate in the defined benefit plan), college and university employees who choose to participate in one of the university's alternative retirement plans (see NOTE 9D), and re-employed OPERS retirees. Participants may change their selection once prior to attaining five years of service credit, once after attaining five years of service credit but prior to attaining ten years of service credit, and once after attaining ten years of service credit.

Senate Bill 343 was enacted into law with an effective date of January 7, 2013. The pension changes included in the bill modify the retirement eligibility criteria and benefits to provide for longer life expectancies of members. The pension plan design changes also include updated benefits to the disability program, which addresses eligibility for members to return to work. Other changes include updated provisions such as the cost of purchasing service credit and the impact of retiring early with a reduced retirement benefit.

In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members eligible to retire under the law in effect prior to Senate Bill 343 or who will be eligible to retire no later than five years after January 7, 2013, comprise Transition Group A. Members with 20 years of service credit prior to January 7, 2013, or who will be eligible to retire no later than 10 years after January 7, 2013, are included in Transition Group B. Those members who are not in either Group A or B or were hired after January 7, 2013, are in Transition Group C.

Members in Transition Groups A and B are eligible to retire at age 55 with 25 years of credited service, or at or after age 60 with 60 contributing months of credited service. Members in Transition Group C are eligible to retire at age 57 with 25 years of service credit or at age 62 with 5 years of service credit. Regular employees retiring before meeting age and service credit eligibility requirements receive a percentage reduction in benefit amounts. Law enforcement employees may retire at age 52 with 15 or more years of credited service.

The retirement allowance for the defined benefit plan is calculated on the basis of age, years of credited service, and the final average salary. The annual allowance for regular employees is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 30 years and by 2.5 percent for all other years in excess of 30 years of credited service. The annual allowance for law enforcement employees is determined by multiplying the final average salary by 2.5 percent for the first 25 years of Ohio contributing service, and by 2.1 percent for each year of service over 25 years. Retirement benefits increase three percent annually of the original base amount regardless of changes in the Consumer Price Index.

The retirement allowance for the defined benefit portion of the combined plan is calculated on the basis of age, years of credited service, and the final average salary. The annual allowance for regular employees is determined by multiplying the final average salary by one percent for each year of Ohio contributing service up to 30 years and by 1.25 percent for all other years in excess of 30 years of credited service. Retirement benefits for the defined benefit portion of the plan increase three percent annually of the original base amount regardless of changes in the Consumer Price Index. Additionally, retirees receive the proceeds of their individual retirement plans in a manner similar to retirees in the defined contribution plan, as discussed below.

Regular employees who participate in the defined contribution plan may retire after they reach the age of 55. The retirement allowance for the defined contribution plan is based entirely on the total member and vested employer contributions to the plan, plus or minus any investment gains or losses. Employer contributions vest at a rate of 20 percent per year over a five-year vesting period. Retirees may choose from various payment options including monthly annuities, partial lump-sum payments, payments for a guaranteed period, payments for a specific monthly amount, or various combinations of these options. Participants direct the investment of their accounts by selecting from professionally managed OPERS investment options.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

Retirees covered under any one of the three OPERS plan options may also choose to take part of their retirement benefit in a Partial Lump-Sum Option Plan (PLOP). Under this option, the amount of the monthly pension benefit paid to the retiree is actuarially reduced to offset the amount received initially under the PLOP. The amount payable under the PLOP cannot be less than six times or more than 36 times the monthly amount that would be payable to the member under the plan of payment selected, and cannot result in a monthly allowance that is less than 50 percent of that monthly amount.

Employer and employee required contributions to OPERS are established by the Retirement Board and are within the limits authorized by the Ohio Revised Code. The contribution rates are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for regular employees and 18.1 percent of covered payroll for law enforcement employees.

Contribution rates for fiscal year 2015, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

	Contribution Rates	
	Employee Share	Employer Share
Regular Employees:		
July 1, 2014 through June 30, 2015..	10.00%	14.00%
Law Enforcement Employees:		
July 1, 2014 through June 30, 2015..	13.00%	18.10%

In the combined plan, the employer's share finances the defined benefit portion of the plan, while the employee's share finances the defined contribution portion of the plan. In the defined contribution plan, both the employee and employer share of the costs are used to finance the plan.

At June 30, 2015, the State reports a liability of $2.5 billion for its proportionate share of the net pension liability for the Traditional Plan and an asset for its proportionate share of the net pension asset of $7.6 million for the Combined Plan. Ohio Facilities Construction Commission and Ohio State University Discretely Presented Component Units reports liabilities of $5.1 million and $1.05 billion, for their proportionate shares of the net pension liability for the Traditional Plan. Ohio Facilities Construction Commission Discretely Presented Component Unit also reports an asset of $25 thousand for its proportionate share of the net pension asset for the Combined Plan. The net pension asset/liability was measured as of December 31, 2014. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of December 31, 2014. The State's proportion of the net pension asset/liability is determined by a measure of the State's proportionate relationship of employer contributions made to OPERS to the total contributions made to OPERS by all employers and non-employer contributing entities to the plan. The State's proportion of the net asset/liability is based on the State's long-term share of contributions to the plan as compared to the total projected long-term contributions of employers and all non-employer contributing entities. At December 31, 2014, the State's proportion was 20.73 percent for the Traditional Plan and 20.23 percent for the Combined Plan. The proportions for the Traditional Plan and Combined Plan for Ohio Facilities Construction Commission Discretely Presented Component Unit were .04 percent and .06 percent, respectively. The proportion for the Traditional Plan for Ohio State University Discretely Presented Component Unit was 8.8 percent.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

For the year ended June 30, 2015, the State recognized pension expense of $279.6 million, Ohio Facilities Construction Commission recognized $569 thousand, and Ohio State University Discretely Presented Component Unit recognized $151.8 million. At June 30, 2015, the State reports deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	Ohio Facilities Construction Commission	Ohio State University
Deferred Outflow of Resources:			
Net Difference between Projected and Actual Earnings on Pension Plan investments	$ 133,001	$ 271	$ 57,206
Contributions subsequent to the measurement date	203,601	415	84,922
Total	$ 336,602	$ 686	$ 142,128
Deferred Inflow of Resources:			
Changes in Proportion and Differences Between State Contributions and Proportionate Share of Contributions	$ (97)	$ -	$ -
Differences between expected and actual experience	(46,843)	(96)	(20,512)
Total	$ (46,940)	$ (96)	$ (20,512)

Deferred Outflows of Resources of $203.6 million related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Ohio Facilities Construction Commission and Ohio State University Discretely Presented Component Units will recognize $415 thousand and $84.9 million, respectively, as reduction of their net pension liabilities. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

	Primary Government	Ohio Facilities Construction Commission	Ohio State University
YEAR ENDED JUNE 30:			
2016	$ 12,710	$ 26	$ 5,453
2017	12,583	26	5,452
2018	29,281	60	12,643
2019	32,699	67	14,088
2020	(275)	(1)	(214)
Thereafter	(937)	(3)	(728)

Actuarial Assumptions:
The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Traditional Plan	Combined Plan	
Inflation	3.75	3.75	Percent
Salary Increases	4.25-10.05	4.25-8.05	Percent
Investment Rate of Return	8.00	8.00	Percent
COLA	3.00	3.00	Percent
Actuarial Cost Method	Individual Entry Age		

Mortality rates were based on the RP-2000 Combined Mortality Table for males or females, as appropriate, with adjustments for mortality improvements based on Projection Scale AA.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study dated December 31, 2010.

An estimate range for investment return assumption is developed and based on the target allocation adopted by the OPERS Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Fixed Income	23.00%	2.31%
Domestic Equity	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other Investments	18.00%	4.59%
Total Fund	100.00%	5.28%

*10-year annualized geometric nominal returns, which include the real rate of return and inflation and does not include investment expenses.

Discount Rate - The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at statutory contribution rates. In each period of the projection, employer contributions were assumed to be applied first to the service cost of all members, with any remaining amount included in projected employer contributions for current members. Therefore, the long-term expected rate of return of 8% was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2014.

Sensitivity of the State's proportionate share of the Net Pension Liability to changes in the Discount Rate – The following table represents the net pension liability as of December 31, 2014, calculated using the current period discount rate assumption of 8%. Also shown is what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7%) or one percentage point higher (9%) than the current assumption:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Net Pension Liability:			
Primary Government	$ 4,592,661	$ 2,496,359	$ 730,833
Ohio Facilities Construction Commission	$ 9,306	$ 5,058	$ 1,481
Ohio State University	$ 1,955,831	$ 1,059,519	$ 304,734

Additional information regarding the pension plan fiduciary net position is available in the separately issued OPERS financial report by visiting the OPERS Web site at https://www.opers.org/investments/cafr.shtml .

Other Postemployment Benefits (OPEB)
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 defined benefit and combined plans. Members of the defined contribution plan do not qualify for ancillary benefits, including post-employment healthcare coverage.

In order to qualify for post-employment healthcare coverage, age-and-service retirees under the defined benefit and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an OPEB as described in GASB Statement 45.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement healthcare through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement healthcare benefits.

Employer contribution rates are expressed as a percentage of covered payroll of active members. For fiscal year 2015, state employers contributed at a rate of 14 percent of covered payroll and law enforcement employers contributed at 18.1 percent. These are the maximum contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment healthcare benefits. The contribution rates for regular and law enforcement employees were as follows:

	Employer Share	
	Defined Benefit Plan	Combined Plan
July 1, 2014 through June 30, 2015......................	2.00%	2.00%

The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the healthcare benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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 Senate Bill 343 and the approved healthcare changes, OPERS expects to be able to consistently allocate four percent of the employer contributions toward the healthcare fund after the end of the transition period.

Employer contributions required and made for the last three fiscal years for the defined benefit plan and the defined benefit portion of the combined plan were as follows (dollars in thousands):

	2015	2014	2013
Primary Government:			
Regular Employees	$ 51,394	$ 38,693	$ 69,437
Law Enforcement Employees................................	608	447	757
Total	$ 52,002	$ 39,140	$ 70,194
Major Discretely Presented Component Units:			
Ohio Facilities Construction Commission	$ 107	$ 81	$ 136
Ohio State University......................................	23,400	17,016	27,816

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2015, employers paid 4.5 percent of their share into members' accounts. Currently, an employee's interest in the medical account for qualifying healthcare expenses vests on the basis of length of service, with 100 percent vesting attained after five years of credited service for employees hired prior to July 1, 2015. Members who elect the member-directed plan after July 1, 2015, will vest at 15 years of service at a rate of 10 percent each year starting with the sixth year of participation. Employers make no further contributions to a member's medical

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

account after retirement, nor do employers have any further obligation to provide postemployment healthcare benefits.

Employer contributions required and made for the last three fiscal years for the defined contribution plan were as follows (dollars in thousands):

	2015	2014	2013
Primary Government	$ 1,684	$ 1,208	$ 2,011
Major Discretely Presented Component Units:			
Ohio State University	$ 1,026	$ 736	$ 1,075

The number of active contributing participants for the primary government was 65,398 as of June 30, 2015.

Early Retirement Incentives (ERI)

State agencies, or departments within agencies, may offer voluntary ERI under Section 145.297, Ohio Revised Code. Through the ERI Program, the State can offer to purchase up to a maximum of five years worth of service credit from OPERS on behalf of employees who would then meet the age and service requirements to qualify for retirement. The ERI plan must remain in effect for at least one year and the employees must be given at least thirty days' notice before terminating the plan.

State agencies are also required under Section 145.298, Ohio Revised Code, to offer a generally similar ERI when terminating a number of employees that equals or exceeds the lesser of 350 employees or 40 percent of the agency's workforce, as a result of a closure of the agency or a lay-off within a six-month period. Under these circumstances, qualifying employees must decide whether to accept the offer in the time between the announcement of the layoffs and the effective date. The amount of service credit offered cannot exceed five years.

The ERI agreements establish an obligation to pay specific amounts on fixed dates. State agencies that implement an ERI must pay their obligation to OPERS within a maximum of two years after the agreement is finalized, so the State does not discount the amount of the liability incurred under the agreement.

As of June 30, 2015, the State had no significant liability balances relative to existing ERI agreements with state employees covered by OPERS. During fiscal year 2015, the State did not incur any significant expenditures/expenses related to ERI agreements.

B. State Teachers Retirement System of Ohio (STRS)

Pension Benefits

STRS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans – a defined benefit plan, a defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan. STRS benefits are established under Chapter 3307, Ohio Revised Code.

STRS also provides death, survivors', disability, healthcare, and supplemental benefits to members in the defined benefit and combined plans.

STRS issues a stand-alone financial report, copies of which may be obtained by making a written request to State Teachers Retirement System of Ohio, Attention: Chief Financial Officer, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org/publications/annualreports/cafrs.html .

The Ohio Legislature passed Substitute Senate Bill 342 in September 2012. The pension reform bill went into effect January 2013 with most plan changes starting July 1, 2013 or later. Changes to the pension plan include

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

increasing the age and service requirements for retirement, increasing the period for determining final average salary, changing to a lower fixed benefit formula, increasing the member contributions to the system, and reducing the cost-of-living adjustment.

Participants in the defined benefit plan may retire after 30 years of credited service regardless of age, or at or after age 55 with 25 years of credited service, or at or after age 60 with five years of credited service. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Retirees are entitled to a maximum annual retirement benefit, payable in monthly installments for life, equal to the greater of the "formula benefit" calculation or the "money-purchase benefit" calculation. Beginning August 1, 2015, eligibility requirements for an unreduced benefit will change.

Under the "formula benefit" calculation, the retirement allowance is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.2 percent for the first 30 years of credited service. Each year over 30 years is incrementally increased by .1 percent, starting at 2.5 percent for the 31st year of contributing service up to a maximum allowance of 100 percent of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5 percent, and each year over 31 years is incrementally increased by .1 percent starting at 2.6 percent for the 32nd year.

Under the "money-purchase benefit" calculation, a member's lifetime contributions, plus interest at specified rates, are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by three percent of the original base amount. Effective August 1, 2013, the money purchase benefit was eliminated.

Retirees can also choose a "partial lump-sum" option plan. Under this option, retirees may take a lump-sum payment that equals from six to 36 times their monthly service retirement benefit. Subsequent monthly benefits are reduced proportionally.

Employees hired after July 1, 2001, and those with less than five years of service credit at that date, may choose to participate in the combined plan or the defined contribution plan, in lieu of participation in the defined benefit plan.

Participants in the defined contribution plan are eligible to retire at age 50. Employee and employer contributions are placed into individual member accounts, and members direct the investment of their accounts by selecting from various professionally managed investment options. Retirees may choose to receive either a lump-sum distribution or a monthly annuity for life. Employer contributions become vested after one year of service, while employee contributions vest immediately.

Participants in the combined plan may start to collect the defined benefit portion of the plan at age 60 with five years of service. The annual allowance is determined by multiplying the final average salary by one percent for each year of Ohio contributing service credit. Participants in the combined plan may also participate in the partial lump-sum option plan, as described previously, for the portion of their retirement benefit that is provided through the defined benefit portion of the plan. The defined contribution portion of the plan may be taken as a lump sum or as a lifetime monthly annuity.

A retiree of STRS or any other Ohio public retirement system is eligible for re-employment as a teacher after two months from the date of retirement. Members and the employer make contributions during the period of re-employment. Upon termination or the retiree reaches the age of 65, whichever comes later, the retiree is eligible for an annuity benefit or a lump-sum payment in addition to the original retirement allowance. Alternatively, the retiree may receive a refund of member contributions with interest before age 65, once employment is terminated.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

Employer and employee required contributions to STRS are established by the Board and limited under the Ohio Revised Code to employer and employee rates of 14 percent and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuary.

Contribution rates for fiscal year 2015 were 14 percent for employers and 12 percent for employees for the defined benefit, defined contribution, and combined plans. For the defined benefit and combined plans, all employer contributions are used to fund pension obligations. For the defined contribution plan, 9.5 percent of the employer's share is deposited into individual employee accounts, while 4.5 percent is paid to the defined benefit plan.

At June 30, 2015, the State reports a liability of $99.4 million for its proportionate share of the net pension liability. Ohio State University Discretely Presented Component Unit reports a liability of $1.1 billion for its proportionate share. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The State's proportion of the net pension liability is determined by a measure of the State's proportionate relationship of employer contributions made to STRS to the total contributions made to STRS by all employers and non-employer contributing entities to the plan. The State's proportion of the net liability is based on the State's long-term share of contributions to the plan as compared to the total projected long-term contributions of employers and all non-employer contributing entities. At June 30, 2014, the State's proportion was 0.409 percent and Ohio State University Discretely Presented Component Unit's proportion was 4.4 percent.

For the year ended June 30, 2015, the State recognized pension expense of $4.6 million and Ohio State University Discretely Presented Component Unit recognized $50.5 million. At June 30, 2015, the State and Ohio State University Discretely Presented Component Unit report deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollars in thousands):

	Primary Government	Ohio State University
Deferred Outflows of Resources		
Differences Between Expected and Actual Experience....................	$ 957	$ 10,310
Contributions subsequent to measurement date............................	5,710	66,547
Total..	$ 6,667	$ 76,857
Deferred Inflows of Resources		
Net Difference between Projected and Actual Earnings on Pension Plan investments..	$ (18,395)	$ (198,123)
Total..	$ (18,395)	$ (198,123)

Deferred Outflows of Resources of $5.7 million related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Ohio State University Discretely Presented Component Unit will recognize $66.6 million as reduction of its net pension liability. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

	Primary Government	Ohio State University
YEAR ENDED JUNE 30:		
2016...	$ (4,359)	$ (46,953)
2017...	(4,359)	(46,953)
2018...	(4,359)	(46,953)
2019...	(4,359)	(46,953)

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

Actuarial Assumptions:
The Total Pension Liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75	percent
Salary Increases	12.25	percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75	percent, net of pension plan investment expense, including inflation
COLA or Ad Hoc COLA	N/A	
Actuarial Cost Method	Entry Age	

Mortality rates were based on the RP-2000 Combined Mortality Table for males or females, as appropriate, with adjustments for mortality improvements based on Projection 2022-Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study dated July 1, 2012.

An estimate range for investment return assumption is developed and based on the target allocation adopted by the STRS Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	31%	8.00%
International Equity	26%	7.85%
Alternatives	14%	8.00%
Fixed Income	18%	3.75%
Real Estate	10%	6.75%
Liquidity Reserves	1%	3.00%
Total Fund	100%	7.61%

*10-year annualized geometric nominal returns, which include the real rate of return and inflation and does not include investment expenses.

Discount Rate - The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at statutory contribution rates. In each period of the projection, employer contributions are assumed to be applied first to the service cost of all members, with any remaining amount included in projected employer contributions for current members. Therefore, the long-term expected rate of return of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

Sensitivity of the State's proportionate share of the Net Pension Liability to changes in the Discount Rate – The following table represents the net pension liability as of June 30, 2015, calculated using the current period discount rate assumption of 7.75%. Also shown is what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current assumption:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Primary Government	$ 142,346	$ 99,431	$ 63,139
Ohio State University Discretely Presented Component Unit	$ 1,533,130	$ 1,070,914	$ 680,034

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

Additional information regarding the pension plan fiduciary net position is available in the separately issued STRS financial report by visiting the STRS Web site at www.strsoh.org/publications/annualreports/cafrs.html .

Other Postemployment Benefits (OPEB)
Ohio law authorizes STRS to offer a cost-sharing, multiple-employer healthcare plan. STRS provides access to healthcare to eligible retirees who participate in the defined benefit plan or combined plan. Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Retirees enrolled in the defined contribution plan receive no post-employment healthcare benefits.

Chapter 3307, Ohio Revised Code, gives the STRS board discretionary authority over how much, if any, of associated healthcare costs are absorbed by the healthcare plan. All benefit recipients, for the most recent year, pay a portion of the healthcare costs in the form of a monthly premium.

Under Ohio law, funding for the post-employment healthcare may be deducted from employer contributions. Of the 14 percent employer contribution rate, one percent of the covered payroll was allocated to post-employment healthcare for the fiscal years ending June 30, 2013 and 2014. Effective July 1, 2014, zero percent of covered payroll is allocable to postemployment healthcare. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The employer contribution is financed on a pay-as-you-go basis. As of June 30, 2014 (the most recent information available), net position available for future healthcare benefits were $3.58 billion. Employer contributions required and made for the last three fiscal years for the defined benefit and the defined benefit portion of the combined plans were as follows (dollars in thousands):

	2015	2014	2013
Primary Government..	$ -	$ 414	$ 432
Major Discretely Presented Component Units:			
Ohio State University...	$ -	$ 3,387	$ 3,446

The number of eligible benefit recipients for STRS as a whole was 169,244 as of June 30, 2014 (the most recent information available); a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2015, is unavailable.

C. State Highway Patrol Retirement System (SHPRS)
Pension Benefits
SHPRS, a component unit of the State, was established in 1941 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State. The plan covers all employees of the State Highway Patrol.

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan as a pension trust fund. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 1900 Polaris Parkway, Suite 201, Columbus, Ohio 43240-4037, or by calling (614) 431-0781.

SHPRS is authorized under Chapter 5505, Ohio Revised Code, to provide retirement and disability benefits to retired members and survivor benefits to qualified dependents of deceased members of the Ohio State Highway Patrol. In addition to providing pension benefits, SHPRS is authorized by Chapter 5505, Ohio Revised Code, to provide a post-employment healthcare plan, which is considered to be an other post-employment benefit.

Chapter 5505, Ohio Revised Code, requires contributions by active members and the Ohio State Highway Patrol. The employer and employee contribution rates are established by the General Assembly, and any change in the rates requires legislative action. By law, the employer rate may not exceed three times the employee contribution rate, nor be less than nine percent of the total salaries of contributing members.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

Substitute Senate Bill 345 was signed into law in September 2012. The main components of the bill grant the SHPRS Board authority to set employee contribution rates and cost-of-living adjustment rates. Employee contribution rates will range between ten and 14 percent and cost-of-living adjustments will range between zero and three percent. The bill also increases the final average salary period from three years to five years for members retiring after 2014. The cost-of-living adjustment eligibility age increases from 53 years to 60 years of age. The cost-of-living adjustment for 2014 was set at one and one-half percent, while the cost-of-living adjustment for 2015 is set at one and one-quarter percent.

SHPRS' financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded when they are earned and become measureable.

All investments are reported at fair value. Fair value is "the amount that the plan can reasonably expect to receive for an investment in a current sale, between a willing buyer and a willing seller – that is, other than in a forced or liquidation sale."

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. The fair value of real estate and private equity investments are based on information provided by the Fund's managers or by independent appraisals. For actuarial purposes, assets are valued with a method that amortizes the difference between actual and assumed return over a closed, four-year period.

Employees are eligible for pension and healthcare benefits upon reaching both an age and service requirement. Employees with at least 15 years of service credit, but less than 20 years of service credit, may retire at age 55. Employees with at least 20 years of service credit, but less than 25 years of service credit may retire at age 52 or age 48 with reduced benefits. Employees with more than 25 years of service may retire at age 48. Membership data for SHPRS is presented in the table below:

Membership Data as of December 31, 2014	
Active Members	1,622
Retirees receiving benefits	1,557
Retirees not receiving benefits	10
	3,189

The pension benefit is a percentage of the member's final average salary, which is the average of the member's three highest salary years. For members with at least 15 years of service credit, but less than 20 years of service credit, the percentage is determined by multiplying 1.5 percent times the number of years of service credit. For members with 20 or more years of service credit, the percentage is determined by multiplying 2.5 percent for the first 20 years of service, plus 2.25 percent for the next five years of service, plus two percent for each year in excess of 25 years of service. A member's pension may not exceed 79.25 percent of the final average salary.

The employer and employee contribution rates, as of December 31, 2014, were 26.5 percent and 11.5 percent, respectively.

During calendar year 2014, all of the employees' contributions funded pension benefits while 22.2 percent of the employer's contributions funded pension benefits. The difference in the total employer rates charged and the employer rates applicable to the funding of pension benefits is applied to the funding of postemployment healthcare benefits.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

The State's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability at December 31, 2014 determined using the following actuarial assumptions, applied to all periods included in the measurement: an investment rate of return of eight percent compounded annually, projected salary increase of four percent attributable to inflation and additional projected salary increases ranging from 0.3 percent to ten percent attributable to seniority and merit, and price inflation of three percent annually. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Tables, projected to 2020 using Projection Scale AA.

The discount rate used to measure the total pension liability was eight percent. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at statutory contribution rates. In each period of the projection, employer contributions were assumed to be applied first to the service cost of all members, with any remaining amount included in projected employer contributions for current members. Therefore, the long-term expected rate of return of eight percent was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2014.

An estimate range for investment return assumptions is developed and based on the target allocation adopted by the SHPRS' Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Cash	0.0%	-0.1%
Domestic Equity - Large Cap	25.0%	5.7%
Domestic Equity - Small Cap	10.0%	6.5%
International Equity	15.0%	6.5%
Emerging Markets	5.0%	8.7%
Domestic Corporate Fixed Income	7.8%	1.5%
Domestic Government Fixed Income	7.8%	0.9%
Treasury Inflation Protected Securities	0.0%	1.0%
High Yield Bonds	3.5%	2.8%
Real Estate	5.0%	4.5%
Private Equity	10.0%	8.8%
Hedge Funds	8.0%	3.8%
Other Alternatives	3.0%	4.1%
Total Fund	100.0%	

*10-year annualized geometric nominal returns, which include the real rate of return and inflation and does not include investment

Regarding sensitivity of the State's proportionate share of the Net Pension Liability to changes in the Discount Rate, the following table (dollars in thousands) represents the net pension liability as of December 31, 2014, calculated using the current period discount rate assumption of eight percent. Also shown is what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current assumption.

State's Proportionate Share of the Net Pension Liability

1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
$ 414,090	$ 303,684	$ 211,233

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

Detailed information about SHPRS' pension plan fiduciary net position is available in the separately issued SHPRS financial report. The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. SHPRS uses the accrual basis of accounting, under which expenses are recorded when incurred and revenues are recorded when earned and measurable. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded at the trade date.

The Schedule of Changes in Net Pension Liability is presented below (dollars in thousands).

Fiscal year ending December 31, 2014		
Total Pension Liability		
Service Cost	$	17,657
Interest on the Total Pension Liability		79,175
Benefit Payments		(64,526)
Refunds		(2,177)
Net Change in Total Pension Liability		30,129
Total Pension Liability - Beginning		1,014,217
Total Pension Liability - Ending (a)	$	1,044,346
Plan Fiduciary Net Position		
Employer Contributions	$	22,325
Employee Contributions		11,577
Pension Plan Net Investment Income		45,105
Benefit Payments		(64,526)
Refunds		(2,177)
Pension Plan Administrative Expense		(1,031)
Other		421
Net Change in Plan Fiduciary Net Position		11,694
Plan Fiduciary Net Position - Beginning		728,968
Plan Fiduciary Net Position - Ending (b)	$	740,662
Net Pension Liability - Ending (a) - (b)	$	303,684
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		70.9%
Covered Employee Payroll*		89,878
Net Pension Liability as a Percentage of Covered Employee Payroll		337.9%
Notes to Schedule:		N/A

*Reported 2014 payroll. Does not include members of the DROP.

For the year ended June 30, 2015, the State recognized pension expense of $31.7 million. At June 30, 2015, the State reports deferred outflows of resources related to pensions from the following sources:

Deferred Outflows of Resources		
Net Difference between Projected and Actual Earnings on Pension Plan investments	$	9,501
Contributions subsequent to the measurement date		13,360
Total	$	22,861

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

Deferred Outflows of Resources of $13.4 million related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

YEAR ENDED JUNE 30:		
2016	$	2,375
2017		2,375
2018		2,375
2019		2,376

Other Postemployment Benefits (OPEB)

The healthcare coverage provided by SHPRS is considered to be an OPEB as described in GASB Statement 45. Healthcare benefits are not guaranteed and are subject to change at any time. The OPEB valuation is based on the substantive plan as it is currently presented to plan members, including a historical pattern of cost-sharing between the plan and benefit recipients.

During calendar year 2014, 4.3 percent of the employer's contributions funded healthcare benefits. Active members do not make contributions to the OPEB plan. The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The number of active contributing plan participants, as of December 31, 2014, was 1,622.

The State's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed thirty years. The components of the State's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the State's net OPEB obligation to SHPRS were as follows (dollars in thousands):

Annual Required Contribution (ARC)	$	24,533
Interest on Net OPEB Obligation		6,405
Adjustment to ARC		(4,936)
Annual OPEB Cost		26,002
Contributions Made		(4,973)
Increase (Decrease) in Net OPEB Obligation		21,029
Net OPEB Obligation, Beginning of Year		128,101
Net OPEB Obligation, End of Year	$	149,130

The State's annual OPEB cost, percentage of annual OPEB cost contributed, and net OPEB obligation for the last three calendar years, were as follows (dollars in thousands):

For the Year Ended December 31,	Annual OPEB Cost		Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
2014	$	26,002	19.1%	$	149,131
2013		25,520	16.1%		128,101
2012		24,955	8.7%		106,686

As of December 31, 2014, the most recent actuarial valuation, the plan was 27.6 percent funded. The actuarial accrued liability was $376.7 million, and the actuarial value of assets was $103.8 million, resulting in an unfunded actuarial liability (UAAL) of $272.9 million. The covered payroll (annual payroll of active employees covered by the plan) was $99.2 million, and the ratio of the UAAL to the covered payroll was 275 percent.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

The Schedule of Funding Progress for OPEB, displayed in the following table, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

SHPRS Schedule of Funding Progress Last Three Calendar Years – OPEB
(dollars in thousands)

(A) Valuation Year	(B) Actuarial Accrued Liability (AAL)	(C) Valuation Assets	(D) Unfunded Actuarial Accrued Liability (UAAL) (B)-(C)	(E) Ratio of Assets to AAL (C)/(B)	(F) Active Member Payroll	(G) UAAL as Percentage of Active Member Payroll (D)/(F)
2014	$ 376,683	$ 103,813	$ 272,870	27.6%	$ 99,212	275.0%
2013	438,562	102,084	336,478	23.3%	98,520	341.5%
2012	411,468	99,818	311,650	24.3%	98,117	317.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to 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 employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing in the future. Actuarial calculations reflect a long-term perspective. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Healthcare benefits are advance funded by the employer using the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2014, for OPEB. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: a five percent rate of return on investments; projected salary increase of four percent attributable to inflation and additional projected salary increases ranging from .3 percent to ten percent a year attributable to seniority and merit; and an annual healthcare cost increase of nine percent annually, reduced by declining percentages ranging from 8.25 percent to four percent through 2029. There are no cost-of-living adjustments for OPEB benefits. Maximum contribution rates were not considered in the projection of actuarially accrued liabilities for OPEB benefits.

The unfunded actuarial accrued liability is being amortized using the level-percentage of projected payroll method over an open period of 30 years.

D. Alternative Retirement Plan (ARP)

Pension Benefits

The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least three or more alternative retirement plans for academic and administrative employees of Ohio’s institutions of higher education, who otherwise would be covered by OPERS or STRS. Unclassified civil service employees hired on or after August 1, 2005, are also eligible to participate in the ARP.

The Board of Trustees of each public institution of higher education enters into contracts with each approved retirement plan provider. Once established, full-time faculty and unclassified employees who are hired subsequent to the establishment of the ARP, or who had less than five years of service credit under the existing retirement plans, may choose to enroll in the ARP. The choice is irrevocable for as long as the employee remains continuously employed in a position for which the ARP is available. For those employees that choose to join the ARP, any prior employee contributions that had been made to OPERS or STRS would be transferred to the ARP.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

The Ohio Board of Regents has designated the companies that are eligible to serve as plan providers for the ARP.

Ohio law requires that employee contributions be made to the ARP in an amount equal to those that would otherwise have been required by the retirement system that applies to the employee's position. For the fiscal year ended June 30, 2015, these contribution rates are ten percent for OPERS and 12 percent for STRS. Employees may also voluntarily make additional contributions to the ARP.

For the year ended June 30, 2015, each public institution of higher education was required to contribute .77 percent of a participating employee's salary to OPERS in cases when the employee would have otherwise been enrolled in OPERS.

Ohio law also requires each public institution of higher education to contribute 4.5 percent of a participating employee's gross salary, for the year ended June 30, 2015, to STRS in cases when the employee would have otherwise been enrolled in STRS.

The employer contribution amount is subject to actuarial review every third year to determine if the rate needs to be adjusted to mitigate any negative financial impact that the loss of contributions may have on OPERS and STRS. The Board of Trustees of each public institution of higher education may also make additional payments to the ARP based on the gross salaries of employees multiplied by a percentage the respective Board of Trustees approves.

The ARP vesting of all contributions made on behalf of participants is based on the employer's vesting requirements. The contributions are directed to one of the investment management companies as chosen by the participants. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement healthcare benefits, or death benefits. Benefits are entirely dependent on the sum of the contributions and related investment income generated by each participant's choice of investment options.

For the State's major discretely presented component units, employer and employee contributions required and made for the year ended June 30, 2015, for the ARP follow (dollars in thousands):

Major Component Units:	OPERS	STRS
Ohio State University:		
Employer Contributions	$ 26,586	$ 30,331
Employee Contributions	20,095	24,012

NOTE 10 GENERAL OBLIGATION BONDS

At various times since 1921, Ohio voters, by 20 constitutional amendments (the last adopted May 2014 for a ten-year extension of the local government infrastructure program adopted in 2005), have authorized the incurrence of general obligation debt for the construction and improvement of common school and higher education facilities, highways, local infrastructure improvements, research and development of coal technology, natural resources, research and development support for high-tech business, business site development, and veterans compensation. Issuances for highway capital improvements, natural resources, and conservation are, in part, used for acquisition, construction or improvement of capital assets. In practice, general obligation bonds are retired over periods of 10 to 25 years.

A 1999 constitutional amendment provided for the issuance of Common School Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2015, the General Assembly had authorized the issuance of $4.77 billion in Common Schools Capital Facilities Bonds, of which $4.47 billion has been issued. As of June 30, 2015, the General Assembly had also authorized the issuance of $3.54 billion in Higher Education Capital Facilities Bonds, of which $2.92 billion has been issued.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Through the approval of the November 1995 amendment, voters authorized the issuance of Highway Capital Improvements Bonds in amounts up to $220 million in any fiscal year (plus any prior fiscal years' principal amounts not issued under the new authorization), with no more than $1.2 billion outstanding at any time. As of June 30, 2015, the General Assembly has authorized the issuance of approximately $3.43 billion in Highway Capital Improvements Bonds, of which $2.69 billion has been issued.

Constitutional amendments in 1995 and 2005 allowed for the issuance of $3.75 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds). Issuances are limited to $150 million in any fiscal year (plus any obligations unissued from previous fiscal years). As of June 30, 2015, the General Assembly had authorized $3.75 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which $3.45 billion had been issued (net of $214 million in unaccreted discounts at issuance). Voters in May 2014 approved a constitutional amendment for an additional $1.88 billion of debt as a ten-year extension of the program authorized in 2005. The annual issuance amount increased to $175 million in the first five fiscal years and $200 million in each following year.

Coal Research and Development Bonds and Parks, Recreation, and Natural Resources Bonds may be issued as long as the outstanding principal amounts do not exceed $100 and $200 million, respectively. As of June 30, 2015, the General Assembly had authorized the issuance of $251 million in Coal Research and Development Bonds, of which $222 million had been issued. Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled $443 million, as of June 30, 2015, of which $418 million had been issued.

Constitutional amendments in 2000 and 2008 allowed for outstanding Conservation Projects Bonds of up to $400 million. No more than $50 million may be issued during a fiscal year. As of June 30, 2015, the General Assembly had authorized the issuance of approximately $500 million in Conservation Projects Bonds of which $350 million had been issued.

Through approval of the May 2010 and November 2005 amendments, voters authorized the issuance of $1.2 billion of Third Frontier Research and Development Bonds. Obligations that may be issued are limited to $175 million in any fiscal year (plus any obligations unissued from previous fiscal years). As of June 30, 2015, the General Assembly had authorized the issuance of $1.2 billion in Third Frontier Research and Development Bonds, of which $661 million had been issued.

The issuance of $150 million of Site Development Bonds was also authorized through the approval of the November 2005 amendment. Not more than $30 million may be issued in each of the first three years, beginning with fiscal year 2006, and not more than $15 million may be issued in any of the subsequent fiscal years. The General Assembly had authorized the issuance of $150 million in Site Development Bonds as of June 30, 2015, of which all $150 million had been issued.

A 2009 constitutional amendment provides for the issuance of up to $200 million in Veterans Compensation Bonds. No obligations may be issued after December 31, 2013. As of June 30, 2015, the General Assembly had authorized all $200 million in Veterans' Compensation Bonds, of which $83.9 million had been issued.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2015, are presented in the table on the following page. For the variable-rate bonds, using the assumption that current interest rates remain the same over their term, the interest and net swap payment amounts are based on rates as of June 30, 2015. As rates vary, variable-rate bond interest payments and net swap payments vary.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Primary Government-Governmental Activities
Summary of General Obligation Bonds
and Future Funding Requirements
As of June 30, 2015
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities	2004-15	2.0%-5.5%	2035	$ 3,299,247	$ 300,000
Higher Education Capital Facilities	2006-15	2.0%-5.3%	2034	2,096,813	615,000
Highway Capital Improvements	2007-14	2.0%-5.0%	2029	821,850	734,590
Infrastructure Improvements	1996-15	1.0%-5.5%	2034	1,914,364	300,014
Coal Research and Development	2008-15	2.0%-5.0%	2024	32,318	29,000
Natural Resources Capital Facilities	2008-15	3.0%-5.0%	2030	182,385	25,000
Conservation Projects	2007-15	2.0%-5.3%	2028	215,276	150,000
Third Frontier Research and Development	2007-14	.6%-5.5%	2024	427,520	539,000
Site Development	2007-14	2.0%-4.6%	2023	92,863	-
Veterans' Compensation	2011-14	.7%-4.9%	2027	66,420	116,090
Total General Obligation Bonds				$ 9,149,056	$ 2,808,694

Future Funding of Current Interest and Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Total
2016	$ 695,390	$ 355,499	$ 1,050,889
2017	681,710	324,855	1,006,565
2018	646,935	295,800	942,735
2019	670,950	266,402	937,352
2020	672,995	235,747	908,742
2021-2025	2,728,885	748,361	3,477,246
2026-2030	1,254,180	287,330	1,541,510
2031-2035	560,645	55,550	616,195
Total Current Interest and Capital Appreciation Bonds	$ 7,911,690	$ 2,569,544	$ 10,481,234

Future Funding of Variable-Rate Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2016	$ 62,410	$ 7,707	$ 9,692	$ 79,809
2017	70,600	6,221	9,081	85,902
2018	63,450	4,830	8,253	76,533
2019	46,335	3,825	7,383	57,543
2020	50,465	3,072	6,481	60,018
2021-2025	218,540	7,928	13,811	240,279
2026-2030	13,620	10	385	14,015
Total Variable-Rate Bonds	$ 525,420	$ 33,593	$ 55,086	$ 614,099

Total General Obligation Bonds	$ 8,437,110
Unamortized Premium/(Discount), Net	711,946
Total	$ 9,149,056

For the year ended June 30, 2015, NOTE 15 summarizes changes in general obligation bonds.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Hedging Derivatives

As of June 30, 2015, approximately $302.3 million of Infrastructure Improvement Bonds and Common Schools Bonds have associated cash flow hedges with a fair value of ($34.7) million. The value of these bonds is reported as part of the Bonds and Notes Payable section and the negative fair value of the cash flow hedges is reported in the Other Noncurrent Liabilities section on the Statement of Net Position. The fair value increased $3.4 million during fiscal year 2015. This increase is reported on the Statement of Net Position as part of Deferred Outflows of Resources. Fair value of the cash flow hedges is determined using the zero-coupon method. For information on the State's deferred outflows of resources and deferred inflows of resources, see NOTE 18.

Terms and objectives of the State's hedging derivatives are provided in the following table.

Hedging Derivatives
As of June 30, 2015
(dollars in thousands)

Issue	Type of Cash Flow Hedge	Notional Amount	Underlying Index	Counterparty's Swap Rate at 06/30/2015	State's Swap Rate at 06/30/2015	Effective Date	Termination (Maturity) Date
Infrastructure Improvements, Series 2001B	Pay-fixed interest rate swap	$57,100	SIFMA Index	0.07%	4.63%	11/29/2001	8/1/2021
Objective: Convert Series 2001B variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Embedded Option: JPMorgan Chase may elect to terminate its portion of the swap if the SIFMA index averages 7 percent or higher over a 180-day period.							
Credit Quality Ratings of Counterparty:	50% Aa3/A+/AA- JPMorgan Chase; 50% Aa2/AA-/AA Wells Fargo						
Infrastructure Improvements, Refunding Series 2004A	Pay-fixed interest rate swap	$53,760	LIBOR (See terms below)	0.37%	3.51%	3/3/2004	2/1/2023
Objective: Convert Series 2004A variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty:	Aa2/AA-/AA Wells Fargo						
Terms: 63% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2003D	Pay-fixed interest rate swap	$67,000	LIBOR (see terms below)	0.37%	3.41%	9/14/2007	3/15/2024
Objective: Convert Series 2003D variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty:	50% Aa3/A+/AA- JPMorgan Chase; 50% Aa2/AA-/AA Wells Fargo						
Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006B	Pay-fixed interest rate swap	$62,205	LIBOR (see terms below)	0.37%	3.20%	11/21/2014	6/15/2026
Objective: Convert Series 2006B variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty:	A1/AA-/AA- US Bank National Association						
Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006C	Pay-fixed interest rate swap	$62,205	LIBOR (see terms below)	0.37%	3.20%	6/15/2006	6/15/2026
Objective: Convert Series 2006C variable-rate bonds into a synthetic fixed rate to minimize exposure to changing interest rates							
Credit Quality Ratings of Counterparty:	Aa3/AA-/AA Royal Bank of Canada						
Terms: 65% of 1-month LIBOR + 25 basis points							

The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2015. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the derivative's positive fair value.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement. This arrangement protects the State by mitigating credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities and held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.

The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

These swaps expose the State to basis risk or a mismatch between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch would increase or decrease the interest cost paid by the State.

For Infrastructure Improvements, Series 2001B, the SIFMA municipal swap index has proven to be an effective proxy for the State's variable-rate debt and substantially mitigates basis risk.

For Infrastructure Improvements, Series 2004A and for Common Schools, Series 2003D, 2006B, and 2006C, the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities, given that the variable swap receipt is based on a taxable index (LIBOR). Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

The State retains the right to terminate any swap agreement at the market value prior to maturity. The State has termination risk under the contracts, particularly upon the occurrence of an additional termination event (ATE), as defined in the swap agreements. An ATE occurs if either the credit rating of the bonds associated with a specific swap or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. If the swap was terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the State may be liable to the counterparty for a payment. Other termination events include failure to pay, bankruptcy, merger without assumption, and illegality. No termination events have occurred.

Advance Refundings

During fiscal year 2015, there were four advance refundings of general obligations bonds. Details on the advanced refundings are presented in the table on the following page.

Proceeds of the refunding (new) bonds are placed in irrevocable trusts to provide for all future debt service payments of the refunded (old) bonds. These refunded amounts are considered defeased and no longer outstanding. The various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements.

In prior years, the State defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. For these prior year defeasances, Common School Bonds of $215.4 million, Higher Education Bonds of $300.3 million, and Infrastructure Improvement Bonds of $149.4 million are considered defeased and no longer outstanding as of June 30, 2015.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Primary Government — Governmental Activities
General Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2015
(dollars in thousands)

Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	True Interest Cost Rates of Refunding Bonds	Carrying Amount of Bonds Refunded (in substance)	Refunding Bond Proceeds Placed in Escrow	Reduction (Increase) in Debt Service Payments	Economic Gain / (Loss) Resulting from Refunding
Common Schools, Series 2015A	1/29/2015	$ 72,395	2.07%	$ 86,545	$ 91,674	$17,852/13 yrs	$ 14,100
Higher Education, Series 2015A........	1/29/2015	28,195	2.11%	33,595	35,946	9,491/13 yrs	7,757
Infrastructure, Series 2015A.............	1/29/2015	99,880	1.96%	110,210	124,506	19,145/12 yrs	16,959
Conservation, Series 2015A.............	1/29/2015	11,805	1.65%	12,850	14,210	1,489/9 yrs	1,349
Total		$ 212,275		$ 243,200	$ 266,336		$ 40,165

NOTE 11 REVENUE BONDS AND NOTES

The State Constitution permits state agencies and authorities to issue bonds and notes that are not supported by the full faith and credit of the State. These bonds and notes pledge income derived from user fees and rentals on the acquired or constructed assets to pay the debt service.

The Treasurer of State and the Buckeye Tobacco Settlement Financing Authority (BTSFA) issue revenue bonds and notes for the primary government. The Treasurer of State issues bonds and notes on behalf of the Ohio Department of Transportation. The Ohio State University issues revenue bonds and notes as a major discretely presented component unit.

A. Primary Government
The Treasurer of State, since fiscal year 1998, has issued a total of $2.15 billion in State Infrastructure Bank Bonds for various transportation construction projects financed by the Department of Transportation. The State has pledged federal highway receipts and loan repayments received under the State Infrastructure Bank Loan Program as the primary source of moneys for meeting the principal and interest requirements on the bonds.

Issuances for the State Infrastructure Bank are, in part, used for the acquisition, construction, or improvement of capital assets. Total pledged federal highway receipts and loan repayments through the maturity of the bonds in 2025 are estimated at approximately $933.1 million. For fiscal year 2015, principal and interest payments on the revenue bonds was $239.5 million and pledged receipts was $170.4 million.

BTSFA is authorized by the Ohio General Assembly to issue and to sell obligations, the aggregate principle amount of which shall not exceed $6 billion, exclusive of obligations issued to refund, renew, or advance refund other obligations issued or incurred. On October 29, 2007, BTSFA successfully securitized 100 percent of the projected tobacco settlement receipts for the next 45 years through the issuance of five series of asset-backed revenue bonds, aggregating in the amount of $5.53 billion. The future tobacco settlement receipts, including related investment earnings and net of specified operating and enforcement expenses, have been pledged to repay the bonds, which are payable through 2052. Annual principal and interest payments on the bonds will require 100 percent of the net tobacco settlement receipts. As of June 30, 2015, the total principal and interest payments remaining to be paid on the bonds were $17.55 billion. Principal and interest paid and total net tobacco settlement receipts for fiscal year 2015 were $322.3 million and $286.7 million, respectively. In the event that the assets of BTSFA have been exhausted, no amounts will thereafter be paid on the bonds. After the bonds and any related operating expenses have been fully paid, any remaining tobacco settlement receipts will become payable to the State. The bonds include fixed rate serial bonds, fixed rate current interest turbo term bonds, and capital appreciation turbo term bonds which will convert to fixed rate current interest turbo term bonds. They were

NOTE 11 REVENUE BONDS AND NOTES (Continued)

issued to fund long-lived capital projects at state-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State. Additional information on these bonds can be found in BTSFA's stand-alone financial report.

Revenue bonds and notes outstanding and future bond service requirements for the primary government, as of June 30, 2015, are presented in the following tables.

Primary Government-Governmental Activities
Summary of Revenue Bonds and Notes
As of June 30, 2015
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Treasurer of State: State Infrastructure Bank	2006-15	1.0%-6.0%	2025	$ 847,978
Buckeye Tobacco Settlement Financing Authority	2008	4.8%-7.5%	2052	5,561,796
Total Revenue Bonds and Notes				$ 6,409,774

Primary Government-Governmental Activities
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2015
(dollars in thousands)

Year Ending June 30,	Principal	Interest	Total
2016	$ 309,530	$ 329,773	$ 639,303
2017	195,770	315,413	511,183
2018	200,525	305,939	506,464
2019	210,835	295,127	505,962
2020	220,060	284,723	504,783
2021-2025	855,850	1,283,396	2,139,246
2026-2030	579,900	1,092,016	1,671,916
2031-2035	620,500	917,524	1,538,024
2036-2040	817,505	717,345	1,534,850
2041-2045	1,216,505	420,443	1,636,948
2046-2050	801,470	3,071,982	3,873,452
2051-2052	128,183	3,289,117	3,417,300
	6,156,633	12,322,798	18,479,431
Unamortized Premium/(Discount), Net	253,141	-	253,141
Total	$ 6,409,774	$ 12,322,798	$ 18,732,572

For the year ended June 30, 2015, NOTE 15 summarizes changes in revenue bonds and notes.

In prior years, the Treasurer of State defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. For these prior year defeasances, Economic Development Bonds of $165.8 million and Revitalization Bonds of $64.9 million are considered defeased and no longer outstanding as of June 30, 2015.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

B. Major Discretely Presented Component Units

Future bond service requirements for revenue bonds and notes reported for the major discretely presented component units, as of June 30, 2015, are shown in the following table.

Major Discretely Presented Component Units
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2015
(dollars in thousands)

	Ohio State University		
Year Ending June 30,	Principal	Interest	Total
2016	$ 654,902	$ 99,819	$ 754,721
2017	61,346	96,952	158,298
2018	62,858	94,203	157,061
2019	48,758	91,848	140,606
2020	35,783	89,990	125,773
2021-2025	197,025	424,646	621,671
2026-2030	178,595	381,143	559,738
2031-2035	126,434	349,180	475,614
2036-2040	781,470	323,919	1,105,389
2041-2045	106,155	132,919	239,074
2046-2050	-	120,000	120,000
2051-2055	-	120,000	120,000
2056-2060	-	120,000	120,000
2061-2065	-	120,000	120,000
2066-2070	-	120,000	120,000
2071-2075	-	120,000	120,000
2076-2080	-	120,000	120,000
2081-2085	-	120,000	120,000
2086-2090	-	120,000	120,000
2091-2095	-	120,000	120,000
2096-2100	-	120,000	120,000
2101-2105	-	120,000	120,000
2106-2110	-	120,000	120,000
2111-2115	500,000	24,000	524,000
	2,753,326	3,668,619	6,421,945
Unamortized Premium/(Discount), Net	98,658	-	98,658
Total	$ 2,851,984	$ 3,668,619	$ 6,520,603

The bonds and notes of the state universities and state community colleges are payable from the institutions' available receipts, including student fees, rental income, and gifts and donations, as may be provided for in the respective bond and note agreements. The proceeds of the bonds and notes are used for the construction of educational and student resident facilities and auxiliary facilities such as dining halls, hospitals, parking facilities, bookstores and athletic facilities. The State is not obligated for the debt of its discretely presented component units.

NOTE 12 SPECIAL OBLIGATION BONDS

Under the authority of Chapter 154, Ohio Revised Code, the Treasurer of State is the issuer of special obligation bonds that finance the cost of capital facilities for state-supported institutions of higher education, mental health and developmental disabilities institutions, parks and recreation, cultural and sports facilities, correctional facilities, office buildings for state departments and agencies, and, in some cases, related facilities for local governments. These issuances are, in part, used for acquisition, construction, or improvement of capital assets.

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

Pledges of lease rental payments from appropriations made to the General Fund and the Highway Safety and Highway Operating special revenue funds, moneys held by trustees pursuant to related trust agreements, and other receipts, as required by the respective bond documents, secure the special obligation bonds. The lease rental payments are reported in the fund financial statements as interfund transfers.

Special obligation bonds outstanding, bonds authorized but unissued, and future debt service requirements, as of June 30, 2015, are presented in the following tables.

Primary Government-Governmental Activities
Summary of Special Obligation Bonds
As of June 30, 2015
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized but Unissued
Treasurer of State Lease Rental Bonds...............	2001-15	1.2%-5.6%	2035	$ 1,906,844	$ 629,140
Total Special Obligation Bonds..........				$ 1,906,844	$ 629,140

Future Funding of Special Obligation Bonds:			
Year Ending June 30,	Principal	Interest	Total
2016..........	$ 227,040	$ 78,599	$ 305,639
2017..........	206,030	68,199	274,229
2018..........	199,150	59,039	258,189
2019..........	173,395	50,851	224,246
2020..........	147,995	43,761	191,756
2021-2025..........	580,580	127,594	708,174
2026-2030..........	181,080	38,266	219,346
2031-2035..........	58,065	6,432	64,497
	1,773,335	472,741	2,246,076
Unamortized Premium/(Discount), Net..........	133,509	-	133,509
Total	$ 1,906,844	$ 472,741	$ 2,379,585

For the year ended June 30, 2015, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2015, Treasurer of State Lease Rental had four current/advance refunding issues. Details on advanced refunding for fiscal year 2015 are presented in the following table.

Primary Government — Governmental Activities
Special Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2015
(dollars in thousands)

Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	True Interest Cost Rates of Refunding Bonds	Carrying Amount of Bonds Refunded (in substance)	Refunding Bond Proceeds Placed in Escrow	Reduction (Increase) in Debt Service Payments	Gain / (Loss) Resulting from Refunding
Treasurer of State Lease Rental Bonds:							
Cultural Facilities Bonds 2015 Series A..................	2/26/2015	$ 9,920	1.57%	$ 9,110	$ 9,768	$615/4 yrs	$ 538
Adult Correctional Facilities Bonds 2015 Series A.....	2/26/2015	10,030	1.54%	10,255	11,812	923/5 yrs	806
Administrative Facilities Bonds 2015 Series C..........	2/26/2015	11,185	1.52%	10,270	11,918	1,006/5 yrs	890
Juvenile Correctional Bonds 2015 Series A..............	2/26/2015	11,180	1.37%	10,540	11,023	474/3 yrs	468
Total		$ 42,315		$ 40,175	$ 44,521		$ 2,702

These refunded amounts are considered defeased and no longer outstanding. The various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements.

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

In prior years, the Treasurer of State defeased certain bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. For these prior year defeasances, $40.2 million of lease rental special obligations bonds are considered defeased and no longer outstanding as of June 30, 2015.

NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 2015, approximately $231.8 million in certificate of participation (COP) obligations were reported in governmental activities.

In fiscal year 2015, the Ohio department of Administrative Services participated in the issuance of $33.6 million of COP obligations to finance the cost of acquisition of the Enterprise Data Center Solutions (EDCS).

Beginning in fiscal year 2013, the Ohio Department of Administrative Services participated in the issuance of $72 million of COP obligations to finance the upgrade of the Ohio Multi-Agency Radio Communications System (MARCS).

Beginning in fiscal year 2005, the Ohio Department of Administrative Services participated in the issuance of $185.2 million of COP obligations to finance the acquisition of the Ohio Administrative Knowledge System (OAKS), a statewide Enterprise Resource Planning (ERP) system. These issuances are, in part, used for the acquisition, construction, or improvement of capital assets.

Beginning in fiscal year 2008, the Ohio Department of Administrative Services participated in the issuance of $58.1 million of COP obligations to finance the cost of acquisition of the State Taxation Accounting and Revenue System (STARS).

In fiscal year 2015, the Ohio Treasurer of State's Office participated in the issuance of $8.8 million of COP obligations to finance the cost of acquisition of the Treasury Management System (TMS).

Under the COP financing arrangements, the State is required to make rental payments from the General Fund (subject to biennial appropriations) that approximate the interest and principal payments made by trustees to certificate holders.

Obligations outstanding and future commitments for the primary government under COP financing arrangements, as of June 30, 2015, are presented in the following tables.

Primary Government — Governmental Activities
Summary of Certificate of Participation Obligations
As of June 30, 2015
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Department of Administrative Services:				
Enterprise Data Center Solutions (EDCS)	2015	2.0%-5.0%	2025	$ 38,783
Multi-Agency Radio Communications System (MARCS)	2013-15	4.0%-5.0%	2028	74,867
Ohio Administrative Knowledge System (OAKS)	2014	4.0%-5.0%	2019	69,324
State Taxation Accounting and Revenue System (STARS)	2008-15	4.0%-5.0%	2025	38,704
Treasurer of State:				
Treasury Management Systems (TMS)	2015	5.0%	2025	10,159
Total Certificates of Participation				$ 231,837

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Future Commitments for Certificate of Participation Obligations:			
Year Ending June 30,	Principal	Interest	Total
2016	$ 32,185	$ 8,843	$ 41,028
2017	34,190	7,525	41,715
2018	26,145	6,153	32,298
2019	27,450	4,949	32,399
2020	10,440	4,084	14,524
2021-2025	60,660	11,946	72,606
2026-2030	19,060	1,235	20,295
	210,130	44,735	254,865
Unamortized Premium, Net	21,707	-	21,707
Total	$ 231,837	$ 44,735	$ 276,572

For the year ended June 30, 2015, NOTE 15 summarizes changes in COP obligations.

NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2015, in addition to bonds, notes, and certificates of participation obligations discussed in NOTES 10 through 13, the State reports the following noncurrent liabilities in its financial statements (dollars in thousands):

Non-Current Liabilities	
Governmental Activities:	
Compensated Absences	$ 421,817
Net Pension Liability	2,703,806
Net OPEB Obligation	149,131
Capital Leases Payable	2,072
Derivatives	45,873
Pollution Remediation Liabilities	1,568
Estimated Claims Payable	2,186
Liability for Escheat Property	236,773
Total Governmental Activities	3,563,226
Business-Type Activities:	
Compensated Absences	37,338
Net Pension Liability	195,669
Capital Leases Payable	13,094
Workers' Compensation:	
Benefits Payable	16,389,400
Other	2,311,425
Unemployment Compensation:	
Intergovernmental Payable	978,459
Prize Awards Payable	518,232
Tuition Benefits Payable	342,800
Total Business-Type Activities	20,786,417
Total Primary Government	$ 24,349,643

For the year ended June 30, 2015, NOTE 15 summarizes the changes in other noncurrent liabilities. Explanations of certain significant noncurrent liability balances reported in the financial statements follow:

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

A. Compensated Absences

For the primary government, the compensated absences liability, as of June 30, 2015, was $459.2 million, of which $421.8 million is allocable to governmental activities and $37.3 million is allocable to business-type activities.

As of June 30, 2015, major discretely presented component units reported a total of $167.2 million in compensated absences liabilities, as detailed by major discretely presented component unit in NOTE 15.

B. Net Pension Liability and Net OPEB Obligation

The State recognizes a net pension liability in the amount of $2.9 billion, as of June 30, 2015, for the primary government of which $2.7 billion is allocable to governmental activities and $195.7 million is allocable to business-type activities. The net pension liability represents the State's proportionate share of the difference between the total pension liability and the fiduciary net position for OPERS, STRS, and SHPRS.

For the primary government, the State recognizes a net OPEB obligation in the amount of $149.1 million as of June 2015. The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the employer's contributions to the SHPRS. The SHPRS is a blended component unit reported as a fiduciary pension trust fund. See NOTE 9 for further details.

C. Lease Agreements

The State's primary government leases office buildings and computer and office equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment, remote, then the lease is considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or as a liability for capital leases.

Operating leases (leases on assets not recorded in the Statement of Net Position) contain various renewable options as well as some purchase options. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. The primary government's total operating lease expenditures/expenses for fiscal year 2015 were approximately $77.7 million. Fiscal year 2016 future minimum lease commitments for operating leases judged to be noncancelable, as of June 30, 2015, were $4 million.

Assets acquired through capital leasing are valued at the lower of fair value or the present value of the future minimum lease payments at the lease's inception. Capital leases are used for the acquisition of capital assets. Future minimum lease commitments for capital leases judged to be noncancelable, as of June 30, 2015, are below (dollars in thousands):

	Capital Leases		
Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2016	$ 727	$ 5,594	$ 6,321
2017	541	-	541
2018	409	-	409
2019	335	7,500	7,835
2020	186	-	186
Total Minimum Lease Payments	2,198	13,094	15,292
Amount for Interest	(126)	-	(126)
Present Value of Net Minimum Lease Payments	$ 2,072	$ 13,094	$ 15,166

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

As of June 30, 2015, the primary government had the following capital assets under capital leases (dollars in thousands):

	Capital Assets		
	Governmental Activities	Business- Type Activities	Total
Equipment	$ 9,985	$ 110,771	$ 120,756
Vehicles	4,416	-	4,416
Total	$ 14,401	$ 110,771	$ 125,172

Amortization expense for the proprietary funds within the Statement of Activities is included with depreciation expense. Capital leases are reported under the "Refund and Other Liabilities" account in the proprietary and discretely presented component unit funds.

Future minimum lease commitments for capital leases judged to be noncancelable and capital assets under capital leases for the major discretely presented component unit funds, as of June 30, 2015, are presented in the table below (dollars in thousands):

Capital Leases

Major Discretely Presented Component Units	
Year Ending June 30,	Ohio State University
2016	$ 1,957
2017	1,789
2018	690
2019	625
2020	560
2021-2025	1,121
Total Minimum Lease Payments	6,742
Amount for Interest	(348)
Present Value of Net Minimum Lease Payments	$ 6,394
Equipment & Vehicles	$ 15,203
Total	$ 15,203

D. Derivatives

For governmental activities, the State has reported $(45.9) million of investment and hedging derivatives as of June 30, 2015. Additional information regarding the State's derivatives is included in NOTE 4, NOTE 10, and NOTE 18.

E. Litigation Liabilities

In instances when the unfavorable outcome of a pending litigation has been assessed to be probable, liabilities are recorded in the financial statements. As of June 30, 2015, no noncurrent liabilities ultimately payable from various governmental funds have been recorded for this purpose. For information on the State's loss contingencies arising from pending litigation, see NOTE 20.

F. Pollution Remediation Liabilities

The State recognizes a liability for pollution remediation in the amount $1.6 million, as of June 30, 2015. This represents the cost to the State to the extent that is probable for future clean up and reclamation of polluted sites within the State. See NOTE 20 for further detail.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

G. Estimated Claims Payable

The State reported $2.2 million in estimated claims for defaulted loans under the Ohio Enterprise Bond Programs at the Development Services Agency, Office of Loan Administration, as of June 30, 2015. The program is included in governmental activities and is accounted for in the nonmajor governmental funds. See NOTE 16 for additional information.

The following table reflects the Ohio Enterprise Bond Fund future debt service obligations as of June 30, 2015 (dollars in thousands):

Year Ending June 30,	Principal Due
2016	$ 486
2017	500
2018	522
2019	541
2020	137
Total	$ 2,186

H. Liability for Escheat Property

The State records a liability for escheat property to the extent that it is probable that the escheat property will be reclaimed and paid to claimants. As of June 30, 2015, the liability totaled approximately $236.8 million.

I. Worker's Compensation

Benefits Payable

As discussed in NOTE 21, the Worker's Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death. The Bureau has computed a reserve for compensation, as of June 30, 2015, in the amount of approximately $16.39 billion. The reserve, which includes estimates for reported claims and claims incurred but not reported, is included in the "Benefits Payable" balance reported for the enterprise fund.

J. Unemployment Compensation

As of June 30, 2015, the State's Unemployment Compensation Fund is recognizing an intergovernmental payable liability for repayable advances from the Federal government of $978.5 million. These advances were used for the payment of compensation benefits.

K. Prize Awards Payable

Future installment payments for the prize awards payable are reported at present value based upon interest rates that the Treasurer of State provides to the Lottery Commission Enterprise Fund. The interest rates, ranging from 2 to 9 percent, represent the expected long-term rate of return on the assets restricted for the payment of prize awards. Once established for a particular prize award, the interest rate does not fluctuate with changes in the expected long-term rate of return. The difference between the present value and gross amount of the obligations is amortized into income over the terms of the obligations using the interest method. The State reduces prize liabilities by an estimate of the amount of the prize that will ultimately be unclaimed. As of June 30, 2015, this payable totals $518.2 million.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

Future payments of prize awards, stated at present value, as of June 30, 2015, follow (dollars in thousands):

Year Ending June 30,		
2016	$	82,911
2017		73,562
2018		66,997
2019		60,377
2020		51,791
2021-2025		178,194
2026-2030		93,342
2031-2035		45,807
2036-2040		4,734
2041-2045		200
		657,915
Unamortized Discount		(139,683)
Net Prize Liability	$	518,232

L. Tuition Benefits Payable

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately $342.8 million, as of June 30, 2015. The valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases in state universities and state community colleges and termination of participant contracts under the plan.

The following assumptions were used in the actuarial determination of tuition benefits payable: 4.5 percent rate of return, compounded annually, on the investment of current and future assets, a tuition inflation assumption equal to the maximum amount of tuition and mandatory fee increases permitted by the State of Ohio biennial budget of 5.5 percent, as well as a 2.5 percent Consumer Price Index inflation rate.

As of June 30, 2015, the market value of actuarial net position available for the payment of the tuition benefits payable was $399.9 million.

M. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately $2.31 billion in other noncurrent liabilities, as of June 30, 2015, of which 1) $1.81 billion is comprised of the compensation adjustment expenses liability for estimated future expenses to be incurred in the settlement of claims, as discussed further in NOTE 21, 2) $397.9 million relates to transition credit liabilities, 3) $2.4 million is contingent liabilities, 4) $86.1 million represents premium payment security deposits collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods, and 5) $19.5 million consists of other miscellaneous liabilities.

NOTE 15 CHANGES IN NONCURRENT LIABILITIES

A. Primary Government

Changes in noncurrent liabilities, for the year ended June 30, 2015, are presented for the primary government in the following table.

Primary Government
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

Governmental Activities:	Balance June 30, 2014 (as restated)	Additions	Reductions	Balance June 30, 2015	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	$ 9,366,348	$ 884,442	$ 1,101,734	$ 9,149,056	$ 762,856
Revenue Bonds and Notes (NOTE 11)	6,355,222	293,651	239,099	6,409,774	180,223
Special Obligation Bonds (NOTE 12)	1,836,136	361,312	290,604	1,906,844	250,257
Total Bonds and Notes Payable	17,557,706	1,539,405	1,631,437	17,465,674	1,193,336
Certificates of Participation (NOTE 13)	173,603	88,076	29,842	231,837	32,700
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	426,695	340,642	345,520	421,817	67,018
Net Pension Liability*	2,652,419	51,387	-	2,703,806	-
Net OPEB Obligation	128,101	26,003	4,973	149,131	-
Capital Leases Payable	3,055	-	983	2,072	674
Derivatives	49,888	-	4,015	45,873	-
Pollution Remediation Liabilities	1,550	108	90	1,568	100
Estimated Claims Payable	11,731	361	9,906	2,186	486
Liability for Escheat Property	242,773	63,729	69,729	236,773	73,944
Total Other Noncurrent Liabilities	3,516,212	482,230	435,216	3,563,226	142,222
Total Noncurrent Liabilities	$ 21,247,521	$ 2,109,711	$ 2,096,495	$ 21,260,737	$ 1,368,258

* Due to the implementation of GASB 68, Net Pension Obligation was eliminated at 7/1/14 and Net Pension Liability is now recognized.

Business-Type Activities:	Balance June 30, 2014 (as restated)	Additions	Reductions	Balance June 30, 2015	Amount Due Within One Year
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	$ 37,564	$ 25,477	$ 25,703	$ 37,338	$ 3,939
Net Pension Liability	191,275	4,394	-	195,669	-
Capital Leases Payable	15,357	3,669	5,932	13,094	5,594
Workers' Compensation:					
Benefits Payable	16,868,200	1,268,143	1,746,943	16,389,400	1,752,249
Other:					
Adjustment Expenses Liability	1,853,500	126,857	174,753	1,805,604	379,156
Premium Payment Security Deposits	86,481	1,525	1,918	86,088	86,088
Miscellaneous	1,669,043	70,426	1,319,736	419,733	373,733
Unemployment Compensation:					
Intergovernmental Payable	1,381,022	-	402,563	978,459	601,202
Prize Awards Payable	540,238	58,452	80,458	518,232	61,386
Tuition Benefits Payable	423,200	-	80,400	342,800	76,400
Total Other Noncurrent Liabilities	23,065,880	1,558,943	3,838,406	20,786,417	3,339,747
Total Noncurrent Liabilities	$ 23,065,880	$ 1,558,943	$ 3,838,406	$ 20,786,417	$ 3,339,747

The State makes payments on bonds and notes payable and certificate of participation obligations that pertain to its governmental activities from the debt service funds. The General Fund and the nonmajor governmental funds will primarily liquidate the other noncurrent liabilities balance attributable to governmental activities.

NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)

For fiscal year 2015, the State's primary government included interest expense on its debt issues in the following governmental functions rather than reporting it separately as interest expense. The related borrowings are essential to the creation or continuing existence of the programs they finance and accordingly, such expense is not reported separately on the Statement of Activities under the expense category for interest on long-term debt. The various state subsidy programs supported by the borrowings provide direct state assistance to local governments for their respective capital and construction or research projects.

	(in 000s)
Governmental Activities:	
Primary, Secondary and Other Education	$ 368,477
Higher Education Support	149,569
Health and Human Services	2,167
Environmental Protection and Natural Resources	1,190
Transportation	38,698
Community and Economic Development	106,720
Total Interest Expense Charged to Governmental Functions	$ 666,821

B. Major Discretely Presented Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2015, are presented in the following table for the State's major discretely presented component units.

Major Discretely Presented Component Units
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2015
(dollars in thousands)

	Balance June 30, 2014 (as restated)	Additions	Reductions	Balance June 30, 2015	Amount Due Within One Year
Ohio Facilities Construction Commission					
Intergovernmental Payable	$ 618,908	$ 374,171	$ 447,298	$ 545,781	$ 325,291
Compensated Absences*	831	752	741	842	120
Net Pension Liability*	4,944	114	-	5,058	-
Total	$ 624,683	$ 375,037	$ 448,039	$ 551,681	$ 325,411
Ohio State University:					
Compensated Absences*	$ 160,296	$ 20,532	$ 14,472	$ 166,356	$ 14,472
Capital Leases Payable* (NOTE 14)	8,446	20	2,072	6,394	1,845
Net Pension Liability*	2,164,734	-	34,006	2,130,728	-
Other Liabilities*	342,135	345,723	337,750	350,108	54,470
Revenue Bonds & Notes Payable (NOTE 11)	2,614,336	300,811	63,163	2,851,984	654,890
Total	$ 5,289,947	$ 667,086	$ 451,463	$ 5,505,570	$ 725,677

*Liability is reported under the "Refund and Other Liabilities" account.

NOTE 16 CONDUIT DEBT

The State of Ohio, by action of the General Assembly, created various financing authorities for the expressed purpose of making available to non-profit and, in some cases, for profit private entities, lower cost sources of capital financing for facilities and projects found to be for a public purpose. Fees are assessed to recover related processing and application costs incurred. The authorities' debt instruments represent a limited obligation payable solely from payments made by the borrowing entities. Most of the bonds are secured by the property financed. Upon repayment of the bonds, ownership of acquired property transfers to the entity served by the bond issuance. This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

NOTE 16 CONDUIT DEBT (Continued)

Ohio Enterprise Bond Fund bonds are issued through the Treasurer of State for the purpose of financing eligible projects of private industry organizations. The actual bonds are sold through private placement. These bonds are not general obligations of the State of Ohio or of any political subdivision and are not payable from any tax source; therefore, the rights of the holders of the bonds for payments of amounts due are limited solely to the pledged receipts deposited into the Ohio Enterprise Bond Fund Accounts. The bonds represent conduit debt and are not reflected in the accompanying financial statements. The scheduled payment of the bonds currently outstanding is, however, guaranteed through the Development Services Agency, Office of Loan Administration, under Chapter 166, Ohio Revised Code. As of June 30, 2015, a liability of $2.2 million has been recorded in the accompanying financial statements for guarantees extended to defaulted organizations. See NOTE 14G. for additional information. The cumulative guarantee payments made for defaulted organizations with bonds currently outstanding is $3.1 million. Recoveries for guarantee payments are submitted to the Attorney General's Office for collection; however, no amounts are expected to be recovered from guarantee payments made through June 30, 2015.

The Development Services Agency also participates in the issuance of Hospital Facilities Bonds, as authorized under Chapter 140, Ohio Revised Code. These revenue bonds are payable solely from payments made by the borrowing entities and are secured by the property financed. This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

Under Chapter 5531, Ohio Revised Code, the Ohio Department of Transportation is authorized to issue State Infrastructure Bond Program debt issuances through the Treasurer of State for highway and transit capital projects of eligible Ohio political subdivisions. These bonds are not general obligations of the State of Ohio or of any political subdivision and are not payable from any tax source; therefore, the rights of the holders of the bonds for payments of amounts due are limited to the pledged receipts and those special funds pledged by each debt issuance. The bonds represent conduit debt and are not reflected in the accompanying financial statements. The scheduled payment of the bonds currently outstanding is, however, guaranteed through the State Infrastructure Bank program of the Ohio Department of Transportation. In the event of a borrower's default, amounts recovered from the secured capital project would be used to replenish any reserve funds and any remaining amounts would be transferred to the State Infrastructure Bank accounts. Any amounts provided to repay bonds using appropriations of the Ohio Department of Transportation would be submitted to the Attorney General's Office for collection. Currently, guarantees are outstanding through fiscal year 2039, when the bonds mature, and no circumstances presently exist that indicate that the State will be required to make any payments as a result of these guarantees.

As of June 30, 2015, revenue bonds and notes outstanding that represent conduit debt for the State were as follows (dollars in thousands):

	Outstanding Amount
Primary Government:	
Development Services Agency:	
Ohio Enterprise Bond Program	$ 195,940
Hospital Facilities Bonds	4,885
Ohio Department of Transportation:	
State Transportation Infrastructure Bond Fund Program	34,785
Total Primary Government	$ 235,610

NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING

A. Fund Balance Reporting-Constraints by Purpose

Fund balance constraints reported in the governmental funds, as of June 30, 2015, are presented by purpose in the table on the following page:

NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING (Continued)

Primary Government
Fund Balance Constraints by Purpose
(dollars in thousands)

Fund Balance:	General (Major Funds)	Job, Family & Other Human Services (Major Funds)	Buckeye Tobacco Settlement Financing Authority Revenue Bonds (Major Funds)	Nonmajor Governmental Funds	Total
Nonspendable					
Inventories	$ 21,870	$ -	$ -	$ 80,141	$ 102,011
Noncurrent Portion of Loans Receivable	2,332	-	-	-	2,332
Advances to Local Government	25,453	-	-	-	25,453
Total Nonspendable	49,655	-	-	80,141	129,796
Restricted					
Primary, Secondary and Other Education	1,077	51	-	108,420	109,548
Higher Education Support	116,103	-	-	26,713	142,816
Public Assistance and Medicaid	-	234,015	-	90,858	324,873
Health and Human Services	-	2,892	-	40,373	43,265
Justice and Public Protection	10,327	2,079	-	102,312	114,718
Environmental Protection and Natural Resources	4,217	-	-	127,057	131,274
Transportation	-	-	-	9,615	9,615
Transit Project Loans	-	-	-	219,994	219,994
Highway Construction/Preservation	-	-	-	878,091	878,091
General Government	9,760	18,050	-	54,866	82,676
Community and Economic Development	212,717	9	-	282,191	494,917
Grants/Loans-Local Government Capital Improvements	576,881	-	-	-	576,881
State/Local Government Road/Bridge Improvements	222,746	-	-	-	222,746
Capital Outlay	-	-	-	672,112	672,112
Debt Service	-	-	4,860,349	8,919	4,869,268
Total Restricted	1,153,828	257,096	4,860,349	2,621,521	8,892,794
Committed					
Primary, Secondary and Other Education	4	-	-	83,192	83,196
Higher Education Support	-	-	-	1,226	1,226
Public Assistance and Medicaid	88,979	23,092	-	18,253	130,324
Health and Human Services	5,207	6,655	-	13,088	24,950
Justice and Public Protection	634	2,433	-	88,674	91,741
Environmental Protection and Natural Resources	-	-	-	191,586	191,586
Transportation	-	-	-	859	859
General Government	17,433	14,998	-	90,174	122,605
Community and Economic Development	243	-	-	71,825	72,068
Business Development Loans	691,051	-	-	-	691,051
Total Committed	803,551	47,178	-	558,877	1,409,606
Assigned					
Primary, Secondary and Other Education	59,803	-	-	-	59,803
Higher Education Support	10,087	-	-	-	10,087
Public Assistance and Medicaid	375,705	-	-	-	375,705
Health and Human Services	113,024	-	-	-	113,024
Justice and Public Protection	84,677	-	-	-	84,677
Environmental Protection and Natural Resources	14,681	-	-	-	14,681
General Government	440,808	-	-	-	440,808
Escheat Investments used for Mortgage Insurance/ Minority Contractor Bonding/Housing Finance Loans	1,037,746	-	-	-	1,037,746
Medicaid Reserve	331,134	-	-	-	331,134
Community and Economic Development	117,910	-	-	-	117,910
Total Assigned	2,585,575	-	-	-	2,585,575
Unassigned	411,190	-	-	(306)	410,884
Total Fund Balance	$ 5,003,799	$ 304,274	$ 4,860,349	$ 3,260,233	$ 13,428,655

NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING (Continued)

As of June 30, 2015, the Budget Stabilization Fund had a fund balance of $1.48 billion which was included as a part of the unassigned fund balance in the General Fund.

B. Fund Deficits

The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2015 (dollars in thousands):

Primary Government:	
Major Proprietary Funds:	
Unemployment Compensation	$ (335,816)
Nonmajor Proprietary Funds:	
Office of Auditor of State	(5,505)
Total Primary Government	$ (341,321)
Discretely Presented Component Units:	
Major Component Units:	
Ohio Facilities Construction Commission	$ (3,672,306)
Nonmajor Component Units:	
Ohio Capital Fund	(55,823)
Cincinnati State Community College	(26,953)
Owens State Community College	(14,813)
Total Component Units	$ (3,769,895)

The Unemployment Compensation Fund deficit disclosed above is due to outstanding federal loans previously required to maintain benefit levels.

Deficits for the other funds are due to the timing of revenue recognition and the accrual of expenses not recorded under the cash basis of accounting.

NOTE 18 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

A. Deferred Outflows of Resources

Details on deferred outflows of resources for the primary government, as of June 30, 2015, follow (dollars in thousands):

Primary Government - Deferred Outflows of Resources

	Net Pension Asset/Liability	Hedging Derivatives	Loss on Debt Refundings	Resources of a Future Period	Total
Governmental Activities:					
Major Governmental Funds:					
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	$ -	$ -	$ -	$ 4,406,567	$ 4,406,567
Total Governmental Activities	-	-	-	4,406,567	4,406,567
Reconciliation of fund level statements to government-wide statements due to basis differences	343,323	34,675	163,743	-	541,741
Total Governmental Activities	$ 343,323	$ 34,675	$ 163,743	$ 4,406,567	$ 4,948,308
Business-Type Activities:					
Major Proprietary Funds:					
Workers' Compensation	$ 16,679	$ -	$ -	$ -	$ 16,679
Lottery Commission	1,770	-	-	-	1,770
Nonmajor Proprietary Funds	4,450	-	-	-	4,450
Total Business-Type Activities	$ 22,899	$ -	$ -	$ -	$ 22,899
Total Primary Government					$ 4,971,207

NOTE 18 DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES (Continued)

As of June 30, 2015, the Ohio Facilities Construction Commission, a major discretely presented component unit fund, reported deferred outflows of resources totaling approximately $687 thousand related to net pension asset/liability. In addition, the Ohio State University, another major discretely presented component unit fund, reported deferred outflows of resources totaling approximately $219 million for net pension asset/liability and $8.1 million for losses on debt-related transactions.

B. Deferred Inflows of Resources

The deferred inflows of resources for the primary government, as of June 30, 2015, are comprised of the following (dollars in thousands).

Primary Government - Deferred Inflows of Resources

	Net Pension Asset/Liability	Resources from the Sale of Future Revenues	Unavailable Resources	Total
Governmental Activities:				
Major Governmental Funds:				
General	$ -	$ 818,300	$ 823,219	$ 1,641,519
Job, Family and Other Human Services	-	-	62,087	62,087
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	-	431,099	431,099
Nonmajor Governmental Funds	-	34,100	5,743	39,843
Total Governmental Activities	-	852,400	1,322,148	2,174,548
Reconciliation of fund level statements to government-wide statements due to basis differences	61,056	1,287,933	(1,322,148)	26,841
Total Governmental Activities	$ 61,056	$ 2,140,333	$ -	$ 2,201,389
Business-Type Activities:				
Major Proprietary Funds:				
Workers' Compensation	$ 2,431	$ -	$ -	$ 2,431
Lottery Compensation	906	-	-	906
Nonmajor Proprietary Funds	749	-	-	749
Total Business-Type Activities	$ 4,086	$ -	$ -	$ 4,086
Total Primary Government				$ 2,205,475

As of June 30, 2015, the Ohio Facilities Construction Commission, a major discretely presented component unit fund, reported deferred inflows of resources totaling approximately $96 thousand related to net pension asset/liability and $3.59 billion pertaining to resources from the sale of future revenues. In addition, the Ohio State University, another major discretely presented component unit fund, reported deferred inflows of resources of $218.6 million for net pension asset/liability, $20 million for gains on debt-related transactions, and approximately $455.1 million related to service concession arrangements.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS

A. Joint Ventures

Great Lakes Protection Fund (GLPF)

The Great Lakes Protection Fund is an Illinois non-profit organization that was formed to further federal and state commitments to the restoration and maintenance of the Great Lakes Basin's ecosystem. The governors of seven of the eight states that border on the Great Lakes comprise the GLPF's membership. Under the GLPF's articles of

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

incorporation, each state is required to make a financial contribution. Income earned on the contributions provides grants to projects that advance the goals of the Great Lakes Toxic Substances Control Agreement and the binational Great Lakes Water Quality Agreement.

Each governor nominates two individuals to the GLPF's board of directors who serve staggered two-year terms. All budgetary and financial decisions rest with the board, except when they are restricted by the GLPF's articles of incorporation.

Annually, one-third of the GLPF's net earnings is allocated and paid to the member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the state's contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio applies its distribution (approximately $304 thousand) to operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2014 (the GLPF's year-end), are presented below (dollars in thousands):

	Contribution Required	Contribution Received	Contribution Percentage
Michigan	$ 25,000	$ 25,000	30.9%
Indiana*	16,000	-	-
Illinois	15,000	15,000	18.4%
Ohio	14,000	14,000	17.3%
New York	12,000	12,000	14.8%
Wisconsin	12,000	12,000	14.8%
Minnesota	1,500	1,500	1.9%
Pennsylvania	1,500	1,500	1.9%
Total	$ 97,000	$ 81,000	100.00%

*The State of Indiana has not yet elected to join the Great Lakes Protection Fund.

Summary Financial information for the GLPF, for the fiscal year ended December 31, 2014, was as follows (dollars in thousands):

Cash and Investments	$ 130,329
Other Assets	116
Total Assets	$ 130,445
Total Liabilities	$ 1,996
Total Net Position	128,449
Total Liabilities and Net Position	$ 130,445
Total Revenues and Other Additions	$ 7,213
Total Expenditures and Other Deductions	(8,181)
Change in Net Position	$ (968)

In the event of the Fund's dissolution, the State of Ohio would receive a residual portion of the Fund's assets equal to the lesser of the amount of such assets multiplied by the ratio of its required contribution to the required contributions of all member states, or the amount of its required contribution.

Local Community and Technical Colleges

The State's primary government has an ongoing financial responsibility for the funding of six local community colleges and eight technical colleges. With respect to the local community colleges, State of Ohio officials appoint three members of each college's respective nine-member board of trustees; county officials appoint the remaining six members.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

The governing boards of the technical colleges consist of either seven or nine trustees, of which State officials appoint two or three members, respectively; the remaining members are appointed by the local school boards located in the respective technical college district.

The Ohio General Assembly appropriates moneys to these institutions from the General Fund to subsidize operations so that higher education can become more financially accessible to Ohio residents. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the Tobacco Settlement revenue bonds issued by the Buckeye Tobacco Settlement Financing Authority, the Higher Education Capital Facilities general obligation bonds issued by the Ohio Public Facilities Commission (OPFC), and the Higher Education Facilities special obligation bonds, previously issued by the OPFC, for these purposes. The bonds provide funding for capital appropriations, which are available to the local community and technical colleges for spending on capital construction.

Fiscal year 2015 expenses that were included in the "Higher Education Support" function under governmental activities in the Statement of Activities for state assistance to the local community and technical colleges are presented below (dollars in thousands).

	Operating Subsidies	Capital Subsidies	Total
Local Community Colleges:			
Cuyahoga	$ 63,829	$ 7,988	$ 71,817
Eastern Gateway	5,955	135	6,090
Lakeland	18,617	841	19,458
Lorain County	24,881	3,468	28,349
Rio Grande	5,535	1,042	6,577
Sinclair	46,349	461	46,810
Total Local Community Colleges	165,166	13,935	179,101
Technical Colleges:			
Belmont	5,452	5,007	10,459
Central Ohio	11,575	119	11,694
Hocking	13,516	386	13,902
James A. Rhodes	10,292	1,120	11,412
Marion	6,922	-	6,922
Zane	8,319	542	8,861
North Central	7,510	2,815	10,325
Stark	27,682	4,990	32,672
Total Technical Colleges	91,268	14,979	106,247
Total	$ 256,434	$ 28,914	$ 285,348

Information for obtaining complete financial statements for each of the primary government's joint ventures is available from the Ohio Office of Budget and Management.

B. Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Ohio Housing Finance Agency, the Ohio Water Development Authority, the Petroleum Underground Storage Tank Release Compensation Board, the Higher Education Facility Commission, and the Ohio Legal Assistance Foundation. However, the primary government's accountability for these organizations does not extend beyond making the appointments.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

During fiscal year 2015, the State had the following related-party transactions with its related organizations:

- The General Fund reports a $161.8 million loans receivable balance due from the Ohio Housing Finance Agency. The State made the loans to finance and support the agency's housing programs.

- Separate funds, established for the Ohio Housing Finance Agency, the Petroleum Underground Storage Tank Release Compensation Board, and the Higher Education Facility Commission, were accounted for on the primary government's Ohio Administrative Knowledge System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the agency funds.

- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid the Ohio Legal Assistance Foundation approximately $3 million for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies.

NOTE 20 CONTINGENCIES AND COMMITMENTS

A. Litigation

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations. Pending litigation affecting the Department of Natural Resources and the Bureau of Workers' Compensation/Industrial Commission is discussed below. All other legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the State's financial position.

Department of Natural Resources (DNR)

In *State ex rel. Merrill v. Ohio Dept. of Natural Resources*, a class action case brought by owners of property bordering Lake Erie, the plaintiffs sought declaratory relief as to title for shoreline land consistent with their deeds (that the phrase "natural shoreline" is not synonymous with "ordinary high-water mark" and therefore the legal boundary of their properties extends beyond the point claimed by DNR). Plaintiffs also sought a writ of mandamus to compel appropriations from the State and DNR for taking of this land. On December 11, 2007, the Lake County Common Pleas Court granted plaintiffs' Motion for Summary Judgment as to the plaintiff's declaratory judgment count. The count seeking a writ of mandamus was stayed pending resolution of the declaratory judgment action. On appeal, the Eleventh District issued its opinion substantially affirming the trial court's granting of Summary Judgment to Plaintiffs-Appellees. The State and other defendants subsequently sought review and on September 14, 2011, the Ohio Supreme Court reversed the lower court holdings that the phrase "natural shoreline" means "a moveable boundary consisting of the water's edge." Instead, the Court held the phrase to mean the "line at which water usually stands when free from disturbing causes." While the Court did not provide as to how to apply this definition, it did reject the various definitions litigated in the lower courts. Specifically, the Supreme Court rejected the various contentions that "natural shoreline" meant "ordinary high water mark," "ordinary low water mark" or "a moveable boundary consisting of the water's edge".

Upon remand, the Lake County Common Pleas Court issued an order that, among other things: 1) established the "natural shoreline" as a factual matter; 2) voided and invalidated all leases between DNR and the plaintiff landowners consistent with the Court's ruling as to the "natural shoreline;" 3) required DNR to return all submerged land lease fees collected since 1998 that were predicated on the voided leases; and 4) certified a class with regard to the previously stayed mandamus action. The State appealed the trial court's order to the Eleventh District. The Eleventh District affirmed the trial court's ruling, and on May 15, 2014, the State appealed to the Ohio Supreme Court. The Ohio Supreme Court refused to accept the State's appeal. The case was returned to the trial court where the trial court agreed to 1) reconsider class certification, and 2) determine whether the State's prior error in claiming public trust ownership to the ordinary high water mark determination constituted a "taking" of property that must be compensated. Briefing is expected to conclude in the first quarter of calendar year 2016. The ultimate outcome of this litigation cannot be presently determined. Accordingly, no provision for any liability resulting from this case has been reported in the financial statements

NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

Bureau of Workers' Compensation/Industrial Commission (BWC/IC)
In the San Allen, Inc. dba Corky and Lenny's v. BWC class action case, plaintiffs alleged that non-group-rated employers subsidize group-rated employers, and that this bias in premiums violated various provisions of the Ohio Constitution. Plaintiffs asked the court to declare the group rating plan unconstitutional and require BWC to repay to the class members all excessive premiums collected by BWC, with interest and attorney fees. The parties agreed to settle this global class-action on July 23, 2014, with payment from BWC in the amount of $420 million. The class action settlement was paid in fiscal year 2015.

B. Federal Awards
The State of Ohio receives significant awards from the Federal Government in the form of grants and entitlements, including certain non-cash programs. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the spending of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit or to financial compliance audits by the grantor agencies of the federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities to the State.

Federal Single Audit
As a result of the fiscal year 2014 State of Ohio Single Audit (issued in February 2015), $36 thousand of federal expenditures were in question as not being appropriate under the terms of the respective grants. No provision for any liability or adjustments has been recognized for these questioned costs in the state's financial statements for the fiscal year ended June 30, 2015.

Department of Job and Family Services (JFS)
The Hamilton County Department of Job and Family Services' (HCDJFS) receives federal funding from JFS. JFS conducted an audit of HCDJFS records for the July 1, 2001 — June 30, 2004 period and issued findings on May 1, 2008. Thereafter, the HHS-OIG conducted an audit of HCDJFS on behalf of Administration for Children and Families (ACF), a division of the U.S. Dept. of Health and Human Services (HHS), and issued disallowances. JFS appealed the majority of the findings to the HHS Departmental Appeals Board (DAB). By Decision No. 2643 dated June 17, 2015, the DAB upheld the disallowances finding improper use of cost pools, lack of source documentation, and an unreliable financial management system caused the disallowances to be upheld. Total disallowances include a Title XX, Social Services Block Grant held in abeyance. In fiscal year 2015, an intergovernmental liability has been recorded for the amount estimated to be repaid to HHS (see NOTE 6) and an intergovernmental receivable has been recorded for the amount estimated to be recovered from HCDJFS (see NOTE 5.)

C. Tobacco Settlement
In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers. This signaled the end of litigation brought by the Attorneys General against the manufacturers in 1996 for state healthcare expenses attributed to smoking–related claims. The remaining four states (Florida, Minnesota, Mississippi, and Texas) settled separately.

According to the MSA, participating tobacco manufacturers are required to adhere to a variety of new marketing and lobbying restrictions and provide payments to the states in perpetuity.

As of October 23, 2007, the State transferred future rights to the Master Settlement Agreement revenue to the Buckeye Tobacco Settlement Financing Authority (BTSFA).

While BTSFA's share of the total base payments to the states through 2052 will not change over time, estimating the amount of annual payments that actually will be received in any given year can be complex, since under the terms of the MSA, payments are subject to a number of adjustment factors, including an inflation adjustment, a volume adjustment, and a potential adjustment for market share losses of participating manufacturers. Some of these adjustments, such as the inflation adjustment, result in BTSFA receiving higher payments. Other factors, such as the volume adjustment and the market share adjustment can work to reduce the amount of the State's annual payments.

NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

In addition to the base payments, BTSFA will receive payments from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the fund are based on a state's contribution to the litigation and settlement with the tobacco companies. These payments are also subject to the adjustment factors outlined in the MSA.

During fiscal year 2015, Ohio received $285.8 million, which is approximately $110.4 million or 27.9 percent less than the pre-adjusted base payment for the year.

As of June 30, 2015, the estimated tobacco settlement receivable in the amount of $465.2 million is included in "Other Receivables" reported for the governmental funds. The receivable includes $259.8 million for payments withheld from BTSFA beginning fiscal year 2008 and $34.1 million for payments withheld from the State for fiscal years 2006 and 2007. These amounts were withheld by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. The moneys are on deposit in an escrow account until pending litigation between the States and the manufacturers is resolved. Both the Authority and the State contend that they have met their obligations under the MSA and are due the payments withheld.

The Tobacco Settlement receipts provide funding for the construction of primary and secondary school capital facilities, education technology for primary and secondary education and for higher education, programs for smoking cessation and other health-related purposes, biomedical research and technology, and assistance to tobacco-growing areas in Ohio.

The BTSFA revenue bonds are secured by and payable solely from the tobacco settlement receipts and other collateral pledged under an indenture between BTSFA and U.S. Bank National Association, as trustee. In the event that the assets of BTSFA have been exhausted, no amounts will thereafter be paid on the bonds.

The enforcement of the terms of the MSA has been challenged by lawsuits and may continue to be challenged in the future. In the event of an adverse court ruling, BTFSA may not have adequate financial resources to make payment on the bonds.

A schedule of pre-adjusted base payments and payments from the Strategic Contribution Fund for the State of Ohio in future years follows (dollars in thousands):

Year Ending June 30,	Pre-adjusted MSA Base Payments	Pre-Adjusted Payments from the Strategic Contribution Fund	Total
2016.................	$ 376,307	$ 24,791	$ 401,098
2017.................	380,940	25,096	406,036
2018.................	431,325	—	431,325
2019.................	436,331	—	436,331
2020.................	441,189	—	441,189
2021-2025........	2,287,980	—	2,287,980
2026-2030........	2,440,318	—	2,440,318
2031-2035........	2,607,356	—	2,607,356
2036-2040........	2,777,330	—	2,777,330
2041-2045........	2,956,978	—	2,956,978
2046-2050........	3,146,926	—	3,146,926
2051-2052........	1,316,176	—	1,316,176
Total	$ 19,599,156	$ 49,887	$ 19,649,043

NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

D. Construction Commitments

As of June 30, 2015, the Ohio Department of Transportation had total contractual commitments of approximately $3.18 billion for highway construction projects. Funding for future projects is expected to be provided from federal, primary government, general obligation and revenue bonds, and local government sources in amounts of $1.47 billion, $1.17 billion, $443.5 million, and $101.2 million, respectively.

As of June 30, 2015, other major non-highway construction commitments for the primary government's budgeted capital projects funds and major discretely presented component unit funds were as follows (dollars in thousands):

Primary Government	
Mental Health/Developmental Disabilities Facilities Improvements	$ 49,689
Parks and Recreation Improvements	33,264
Administrative Services Building Improvements	41,931
Youth Services Building Improvements	5,747
Adult Correctional Building Improvements	50,823
Highway Safety Building Improvements	83
Ohio Parks and Natural Resources	30,242
Transportation Building Improvements	27,736
Total	$ 239,515

Major Discretely Presented Component Units	
Ohio State University	$ 320,201

E. Pollution Remediation Activities

During fiscal year 2015, the State was involved in remediation activities for pollution as described in the following paragraph. These activities include site investigation, cleanup, and monitoring. The associated estimated cost of remediation activities is shown below (in general, projects with a liability of less than $1 million at June 30 are not listed).

The Ohio Department of Transportation has been named as a responsible party to remediate pollution resulting from contaminated soil on the agency-owned property and contaminated groundwater on the surrounding properties. The June 30 liability to eliminate the pollution and continue monitoring activities is estimated to be $1.6 million. Cost was estimated by the onsite coordinators using actual invoices to date.

The liability described above is reported as "Other Noncurrent Liabilities-Due in One Year" and "Other Noncurrent Liabilities-Due in More Than One Year" for governmental activities in the government-wide Statement of Net Position. The reported liability for these activities is an estimate and is subject to change over time. Variances in the final costs may result from changes in technology, changes in responsible parties, results of environmental studies, and changes in laws and regulations. Future recoveries from other responsible parties may also reduce the final cost paid by the State.

Capital assets may be created during the pollution remediation process. These capital assets will be reported in accordance with the State's capital assets policy. As of June 30, 2015, no capital assets were created nor reported as a result of any pollution remediation process.

F. Encumbrances

At June 30, 2015, the State has significant encumbrances of $511.5 million in the General Fund, $985.8 million in the Job, Family and Other Human Services Special Revenue Fund, and $4.23 billion in the nonmajor governmental funds.

NOTE 21 RISK FINANCING

A. Workers' Compensation Benefits

The Ohio Workers' Compensation System, which the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio administer, is the exclusive provider of workers' compensation insurance to private and public employers in Ohio who are not self-insured. The Workers' Compensation Enterprise Fund (Fund) provides benefits to employees for losses sustained from job-related injury, disease, or death.

"Benefits Payable" of $16.39 billion is reported in the Fund as of June 30, 2015. This amount represents reserves for indemnity and medical claims resulting from work-related injuries or illnesses, including actuarial estimates for both reported claims and claims incurred but not reported. The liability is based on the estimated ultimate cost of settling claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for medical claims reserves. The compensation adjustment expenses liability, which is included in "Other Liabilities" in the amount of approximately $1.81 billion, is an estimate of future expenses to be incurred in the settlement of claims. The estimate for this liability is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, nonincremental adjustment expense, and the reserve for compensation.

Management of the Bureau of Workers' Compensation and the Industrial Commission believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment expenses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.

Benefits payable and the compensation adjustment expenses liability have been discounted at four percent to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with durations similar to the expected claims underlying the Fund's reserves. The undiscounted reserves for the benefits and compensation adjustment expenses totaled $30.7 billion, as of June 30, 2015, and $31.7 billion, as of June 30, 2014. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2015.

Changes in the balance of benefits payable and the compensation adjustment expenses liability for the Workers' Compensation Program during the past two fiscal years are presented in the table below.

Primary Government
Changes in Workers' Compensation Benefits Payable
and Compensation Adjustment Expenses Liability
Last Two Fiscal Years
(dollars in millions)

	Fiscal Year 2015	Fiscal Year 2014
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	$ 18,722	$ 19,190
Incurred Compensation and Compensation Adjustment Benefits	1,395	1,516
Incurred Compensation and Compensation Adjustment Benefit Payments and Other Adjustments	(1,922)	(1,984)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	$ 18,195	$ 18,722

NOTE 21 RISK FINANCING (Continued)

B. State Employee Healthcare Plan
Employees of the State's primary government have the option of participating in the Ohio Med PPO Plan (Plan). The Plan is managed by two third party administrators (TPAs), Medical Mutual of Ohio (MMO) and United Healthcare (UHC). The two TPAs are responsible for processing claims for separate regions throughout the State.

When it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, liabilities are reported in the governmental and proprietary funds for claims that have been incurred but not reported. The Plan's actuaries calculate estimated claims liabilities based on prior claims data, employee enrollment figures, medical trends, and experience.

Governmental and proprietary funds pay a share of the costs for claims settlement based on the number of employees opting for plan participation and the type of coverage selected by participants. The payments are reported in the Payroll Withholding and Fringe Benefits Agency Fund (Agency Fund) until such time that the accumulated resources are distributed to MMO or UHC for claims settlement.

For governmental funds, claims are recognized as expenditures to the extent that the amounts are payable with expendable available financial resources. For governmental and business-type activities, claims are recognized in the Statement of Activities as expenses when incurred.

As of June 30, 2015, approximately $139 million in total assets was available in the Agency Fund to cover healthcare claims. Changes in the balance of claims liabilities for the Plan during the past two fiscal years were as follows (dollars in thousands):

Ohio Med PPO

	Fiscal Year 2015	Fiscal Year 2014
Claims Liabilities, as of July 1	$ 48,216	$ 45,843
Incurred Claims	467,729	455,827
Claims Payments	(467,731)	(453,454)
Claims Liabilities, as of June 30	$ 48,214	$ 48,216

As of June 30, 2015, the resources on deposit in the Agency Fund exceeded the estimated claims liability by approximately $90.8 million, thereby resulting in a funding surplus. Eighty-five percent or $77.2 million of the surplus, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting reduction in expenditures/expenses.

C. Other Risk Financing Programs
The primary government has established programs to advance fund potential losses for vehicular liability and theft in office. The potential amount of loss arising from these risks, however, is not considered material in relation to the State's financial position.

NOTE 22 SUBSEQUENT EVENTS

Bond Issuances

Subsequent to June 30, 2015, the State issued major debt as detailed in the table below:

Debt Issuances
Subsequent to June 30, 2015
(dollars in thousands)

	Date Issued	Net Interest Rate or True Interest Cost	Amount
Primary Government:			
Infrastructure Improvements, Series 2015B	09/15/15	3.32%	$ 150,000
Conservation Projects, Series 2015B	09/15/15	2.88%	50,000
Infrastructure Improvements, Refunding Series 2015C	09/15/15	2.18%	50,390
Higher Education Capital Facilities, Series 2015C	10/20/15	3.12%	300,000
Total General Obligation Bonds			550,390
Treasurer of State-Special Obligation Bonds:			
Cultural and Sports Capital Facilities, Series 2015B	08/04/15	2.24%	30,000
Adult Correctional Facilities, Series 2015B	11/10/15	3.56%	70,000
Total Special Obligation Bonds			100,000
Total Primary Government			$ 650,390