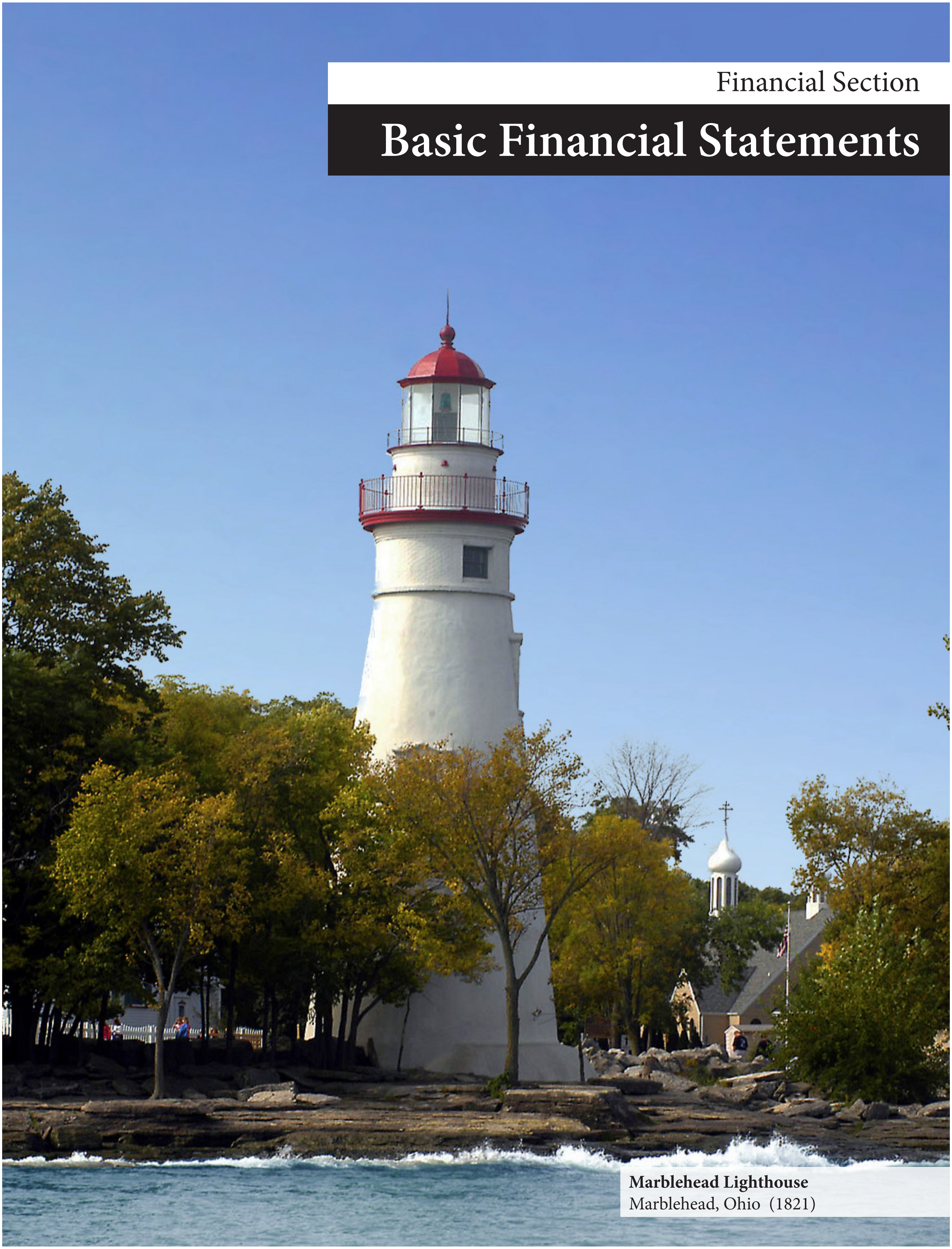
Financial Section

Basic Financial Statements



Marblehead Lighthouse
Marblehead, Ohio (1821)

STATE OF OHIO
STATEMENT OF NET POSITION
JUNE 30, 2017
(dollars in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer	$ 9,451,645	$ 212,229	$ 9,663,874	$ 406,693
Cash and Cash Equivalents	210,714	623,012	833,726	1,731,972
Deposit with Federal Government	—	592,918	592,918	—
Investments	1,367,432	26,226,927	27,594,359	11,231,429
Collateral on Lent Securities	2,603,873	46,802	2,650,675	107,778
Taxes Receivable	1,683,797	—	1,683,797	—
Intergovernmental Receivable	1,422,658	5,883	1,428,541	51,234
Premiums and Assessments Receivable	—	677,840	677,840	—
Investment Trade Receivable	—	270,946	270,946	—
Loans Receivable, Net	1,247,653	—	1,247,653	288,482
Receivable from Primary Government	—	—	—	19,460
Receivable from Component Units	23,857	—	23,857	—
Other Receivables	1,343,606	566,279	1,909,885	1,415,046
Inventories	114,985	—	114,985	146,126
Other Assets	10,279	8,642	18,921	1,734,470
Restricted Assets:				
Cash Equity with Treasurer	—	76	76	—
Cash and Cash Equivalents	800	—	800	976,110
Investments	373,409	796,649	1,170,058	2,377,819
Collateral on Lent Securities	—	86,244	86,244	—
Other Receivables	—	56	56	—
Capital Assets Being Depreciated, Net	2,326,219	65,033	2,391,252	13,890,711
Capital Assets Not Being Depreciated	25,241,017	117,482	25,358,499	1,455,473
TOTAL ASSETS	47,421,944	30,297,018	77,718,962	35,832,803
DEFERRED OUTFLOWS OF RESOURCES	6,040,976	138,487	6,179,463	2,360,291
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**53,462,920**	**30,435,505**	**83,898,425**	**38,193,094**
LIABILITIES:				
Accounts Payable	766,621	50,438	817,059	685,201
Accrued Liabilities	429,229	5,018	434,247	595,698
Medicaid Claims Payable	1,324,177	—	1,324,177	—
Obligations Under Securities Lending	2,603,873	133,046	2,736,919	107,778
Investment Trade Payable	—	377,981	377,981	—
Intergovernmental Payable	1,049,559	554	1,050,113	13,162
Internal Balances	590,981	(590,981)	—	—
Payable to Primary Government	—	—	—	22,538
Payable to Component Units	19,501	—	19,501	—
Unearned Revenue	494,749	537,902	1,032,651	424,133
Benefits Payable	—	7,707	7,707	—
Refund and Other Liabilities	926,096	73,529	999,625	145,133
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year	1,155,479	—	1,155,479	952,753
Due in More Than One Year	16,553,800	—	16,553,800	10,224,941
Certificates of Participation:				
Due in One Year	32,547	—	32,547	—
Due in More Than One Year	209,080	—	209,080	—
Other Noncurrent Liabilities:				
Due in One Year	161,961	3,131,878	3,293,839	650,934
Due in More Than One Year	6,111,027	15,969,249	22,080,276	10,284,732
TOTAL LIABILITIES	32,428,680	19,696,321	52,125,001	24,107,003
DEFERRED INFLOWS OF RESOURCES	2,051,745	14,181	2,065,926	4,049,830
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**34,480,425**	**19,710,502**	**54,190,927**	**28,156,833**

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	*24,140,366*	*176,237*	*24,316,603*	*7,957,909*
Restricted for:				
Primary, Secondary and Other Education	*95,110*	—	*95,110*	—
Higher Education Support	*25,999*	—	*25,999*	—
Public Assistance and Medicaid	*736,002*	—	*736,002*	—
Health and Human Services	*143,264*	—	*143,264*	—
Justice and Public Protection	*160,990*	—	*160,990*	—
Environmental Protection and Natural Resources	*191,591*	—	*191,591*	—
Transportation	*3,369,425*	—	*3,369,425*	*212,852*
General Government	*266,681*	—	*266,681*	—
Community and Economic Development	*424,992*	—	*424,992*	*74,396*
Lottery Prizes	—	*46,998*	*46,998*	—
Workers Compensation	—	*9,603,996*	*9,603,996*	—
Unemployment Compensation	—	*644,872*	*644,872*	—
Tuition Trust Authority	—	*97,985*	*97,985*	—
Nonexpendable for Colleges and Universities	—	—	—	*3,793,693*
Expendable for Colleges and Universities	—	—	—	*3,133,149*
Unrestricted	*(10,571,925)*	*154,915*	*(10,417,010)*	*(5,135,738)*
TOTAL NET POSITION (DEFICITS)	***$ 18,982,495***	***$ 10,725,003***	***$ 29,707,498***	***$ 10,036,261***

STATE OF OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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	$ 13,227,781	$ 21,579	$ 1,961,264	$ —	$ (11,244,938)
Higher Education Support	2,760,035	3,113	25,660	—	(2,731,262)
Public Assistance and Medicaid	29,873,408	1,746,969	21,537,555	—	(6,588,884)
Health and Human Services	1,636,753	142,645	843,811	—	(650,297)
Justice and Public Protection	3,883,836	1,135,411	200,417	—	(2,548,008)
Environmental Protection and Natural Resources	571,532	225,238	82,504	—	(263,790)
Transportation	2,860,338	248,438	64,901	1,438,608	(1,108,391)
General Government	946,923	532,489	54,360	91	(359,983)
Community and Economic Development	3,256,655	500,766	300,212	4,207	(2,451,470)
Interest on Long-Term Debt (excludes interest charged as program expense)	94,290	—	—	—	(94,290)
TOTAL GOVERNMENTAL ACTIVITIES	**59,111,551**	**4,556,648**	**25,070,684**	**1,442,906**	**(28,041,313)**
BUSINESS-TYPE ACTIVITIES:					
Workers' Compensation	2,419,185	1,554,566	1,877,645	—	1,013,026
Lottery Commission	2,882,887	3,933,361	(7,419)	—	1,043,055
Unemployment Compensation	985,624	1,311,094	10,118	—	335,588
Tuition Trust Authority	63,711	8,156	78,976	—	23,421
Office of Auditor of State	91,100	46,953	—	—	(44,147)
TOTAL BUSINESS-TYPE ACTIVITIES	**6,442,507**	**6,854,130**	**1,959,320**	**—**	**2,370,943**
TOTAL PRIMARY GOVERNMENT	**$ 65,554,058**	**$ 11,410,778**	**$ 27,030,004**	**$ 1,442,906**	**$ (25,670,370)**
COMPONENT UNITS:					
Ohio Facilities Construction Commission	$ 554,796	$ 24,567	$ 4,065	$ —	$ (526,164)
Ohio State University	6,409,669	4,790,531	737,060	26,761	(855,317)
Other Component Units	8,679,811	5,519,905	856,961	27,705	(2,275,240)
TOTAL COMPONENT UNITS	**$ 15,644,276**	**$ 10,335,003**	**$ 1,598,086**	**$ 54,466**	**$ (3,656,721)**

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	$ (28,041,313)	$ 2,370,943	$ (25,670,370)	$ (3,656,721)
General Revenues:				
Taxes:				
Income	8,021,202	—	8,021,202	—
Sales	10,804,340	—	10,804,340	—
Corporate and Public Utility	2,754,290	—	2,754,290	—
Cigarette	979,973	—	979,973	—
Other	1,019,058	—	1,019,058	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes	1,952,512	—	1,952,512	—
Total Taxes	25,531,375	—	25,531,375	—
Tobacco Settlement	350,378	—	350,378	—
Escheat Property	159,585	—	159,585	—
Unrestricted Investment Income	2,975	12	2,987	999,468
State Assistance	—	—	—	2,582,172
Other	30	—	30	695,240
Gain (Loss) on Extinguishment of Debt	—	4,085	4,085	—
Additions to Endowments and Permanent Fund Principal	—	—	—	86,902
Transfers-Internal Activities	1,031,738	(1,031,738)	—	—
TOTAL GENERAL REVENUES, GAINS (LOSSES), CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS	**27,076,081**	**(1,027,641)**	**26,048,440**	**4,363,782**
CHANGE IN NET POSITION	**(965,232)**	**1,343,302**	**378,070**	**707,061**
NET POSITION (DEFICITS), JULY 1	19,947,727	9,381,701	29,329,428	9,329,200
NET POSITION (DEFICITS), JUNE 30	**$ 18,982,495**	**$ 10,725,003**	**$ 29,707,498**	**$ 10,036,261**

STATE OF OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
ASSETS:			
Cash Equity with Treasurer	$ 5,454,141	$ 561,475	$ —
Cash and Cash Equivalents	95,262	3,457	801
Investments	1,352,145	—	373,409
Collateral on Lent Securities	1,511,325	153,455	—
Taxes Receivable	1,577,136	—	—
Intergovernmental Receivable	741,084	202,758	—
Loans Receivable, Net	1,083,539	—	—
Interfund Receivable	—	—	—
Receivable from Component Units	—	—	—
Other Receivables	266,809	476,365	551,898
Inventories	20,744	—	—
Other Assets	62	—	—
TOTAL ASSETS	12,102,247	1,397,510	926,108
DEFERRED OUTFLOWS OF RESOURCES	—	—	4,235,667
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 12,102,247**	**$ 1,397,510**	**$ 5,161,775**
LIABILITIES:			
Accounts Payable	$ 290,728	$ 132,328	$ —
Accrued Liabilities	172,345	24,340	—
Medicaid Claims Payable	1,084,469	—	—
Obligations Under Securities Lending	1,511,325	153,455	—
Intergovernmental Payable	748,056	116,131	—
Interfund Payable	440,805	14,006	—
Payable to Component Units	19,501	—	—
Unearned Revenue	—	449,810	—
Refund and Other Liabilities	919,293	6,108	—
Liability for Escheat Property	276,034	—	—
TOTAL LIABILITIES	5,462,556	896,178	—
DEFERRED INFLOWS OF RESOURCES	1,251,086	69,250	551,877
FUND BALANCES (DEFICITS):			
Nonspendable	43,576	—	—
Restricted	1,370,010	326,271	4,609,898
Committed	739,749	107,129	—
Assigned	2,995,792	—	—
Unassigned	239,478	(1,318)	—
TOTAL FUND BALANCES (DEFICITS)	5,388,605	432,082	4,609,898
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 12,102,247**	**$ 1,397,510**	**$ 5,161,775**

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 3,436,029	$ 9,451,645
111,994	211,514
15,287	1,740,841
939,093	2,603,873
106,661	1,683,797
478,816	1,422,658
164,114	1,247,653
1,370	1,370
23,857	23,857
48,534	1,343,606
94,241	114,985
—	62
5,419,996	19,845,861
—	4,235,667
$ 5,419,996	**$ 24,081,528**
$ 343,565	$ 766,621
67,899	264,584
239,708	1,324,177
939,093	2,603,873
185,372	1,049,559
137,540	592,351
—	19,501
44,939	494,749
695	926,096
—	276,034
1,958,811	8,317,545
48,915	1,921,128
94,241	137,817
2,560,343	8,866,522
757,686	1,604,564
—	2,995,792
—	238,160
3,412,270	13,842,855
$ 5,419,996	**$ 24,081,528**

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STATE OF OHIO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017
(dollars in thousands)

Total Fund Balances for Governmental Funds		***$ 13,842,855***
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		*10,217*
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:		
Land		*2,391,230*
Buildings and Improvements, net of $2,357,047 accumulated depreciation		*1,486,323*
Land Improvements, net of $338,113 accumulated depreciation		*172,947*
Machinery and Equipment, net of $1,174,846 accumulated depreciation		*426,855*
Vehicles, net of $240,986 accumulated depreciation		*195,571*
Infrastructure, net of $40,406 accumulated depreciation		*20,211,952*
Construction-in-Progress		*2,682,358*
		27,567,236
The following Deferred Outflows of Resources are not related to the current period and therefore, are not reported in the funds.		
Hedging Derivatives		*22,089*
Loss on Debt Refundings		*141,064*
Net Pension Asset/Liability		*1,642,156*
Total Deferred Outflows of Resources		*1,805,309*
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Accrued Liabilities:		
Interest Payable		*(164,645)*
Bonds and Notes Payable:		
General Obligation Bonds		*(9,297,641)*
Revenue Bonds and Notes		*(6,394,647)*
Special Obligation Bonds		*(2,016,991)*
Certificates of Participation		*(241,627)*
Other Noncurrent Liabilities:		
Compensated Absences		*(460,688)*
Net Pension Liability		*(4,920,398)*
Net OPEB Obligation		*(197,327)*
Capital Leases Payable		*(17,361)*
Derivatives		*(30,919)*
Litigation Liabilities		*(17,500)*
Estimated Claims Payable		*(1,201)*
Pollution Remediation		*(6,083)*
Infrastructure Liabilities		*(345,477)*
		(24,112,505)
The following Deferred Inflows of Resources are not related to the current period and therefore, are not reported in the funds.		
Resources from the Sale of Future Revenues	*(1,170,853)*	
Net Pension Asset/Liability	*(60,168)*	
Debt Refundings	*(60)*	
Less Unavailable Resources Reported in the Funds.:		
Taxes Receivable	*57,112*	
Intergovernmental Receivable	*474,824*	
Other Receivables	*568,528*	
	1,100,464	
Total Deferred Inflows of Resources		*(130,617)*
Total Net Position of Governmental Activities		***$ 18,982,495***

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, 2017

(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
REVENUES:			
Income Taxes	$ 8,034,901	$ —	$ —
Sales Taxes	10,804,340	—	—
Corporate and Public Utility Taxes	2,697,003	—	—
Motor Vehicle Fuel Taxes	1,175,285	—	—
Cigarette Taxes	979,973	—	—
Other Taxes	706,841	1,273	—
Licenses, Permits and Fees	748,344	1,294,718	—
Sales, Services and Charges	93,120	—	—
Federal Government	11,593,813	8,535,014	—
Tobacco Settlement	449	—	270,231
Escheat Property	159,585	—	—
Investment Income	41,986	5,206	3,808
Other	270,734	237,617	8,473
TOTAL REVENUES	**37,306,374**	**10,073,828**	**282,512**
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	9,705,555	219	77,892
Higher Education Support	2,592,636	120	—
Public Assistance and Medicaid	18,169,397	9,573,332	—
Health and Human Services	651,143	309,888	—
Justice and Public Protection	2,635,443	68,897	—
Environmental Protection and Natural Resources	80,460	—	—
Transportation	3,079	—	—
General Government	482,955	2,656	—
Community and Economic Development	2,409,779	—	—
CAPITAL OUTLAY	—	2,038	—
DEBT SERVICE	—	—	331,604
TOTAL EXPENDITURES	**36,730,447**	**9,957,150**	**409,496**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**575,927**	**116,678**	**(126,984)**
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued	849,941	—	—
Premiums/Discounts	71,161	—	—
Capital Leases	540	—	—
Transfers-in	292,078	6,390	788
Transfers-out	(2,054,788)	(44,813)	(17,763)
TOTAL OTHER FINANCING SOURCES (USES)	**(841,068)**	**(38,423)**	**(16,975)**
NET CHANGE IN FUND BALANCES	**(265,141)**	**78,255**	**(143,959)**
FUND BALANCES (DEFICITS), July 1	5,654,361	353,827	4,753,857
Increase (Decrease) for Changes in Inventories	(615)	—	—
FUND BALANCES (DEFICITS), JUNE 30	**$ 5,388,605**	**$ 432,082**	**$ 4,609,898**

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 163	$ 8,035,064
—	10,804,340
57,287	2,754,290
777,227	1,952,512
—	979,973
310,944	1,019,058
1,238,173	3,281,235
56,680	149,800
6,129,673	26,258,500
—	270,680
—	159,585
23,314	74,314
702,852	1,219,676
9,296,313	**56,959,027**
3,052,998	12,836,664
27,753	2,620,509
1,923,329	29,666,058
567,627	1,528,658
740,384	3,444,724
339,730	420,190
2,686,071	2,689,150
342,073	827,684
746,430	3,156,209
671,361	673,399
1,674,960	2,006,564
12,772,716	**59,869,809**
(3,476,403)	**(2,910,782)**
541,409	1,391,350
148,996	220,157
—	540
3,279,849	3,579,105
(430,003)	(2,547,367)
3,540,251	**2,643,785**
63,848	**(266,997)**
3,367,496	14,129,541
(19,074)	(19,689)
$ 3,412,270	**$ 13,842,855**

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, 2017

(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds		***$ (266,997)***
Change in Inventories		*(19,689)*
		(286,686)
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	*769,329*	
Depreciation Expense	*(415,356)*	
Excess of Capital Outlay Over Depreciation Expense		*353,973*
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	*(810,000)*	
Revenue Bonds and Notes	*(217,565)*	
Special Obligation Bonds	*(290,000)*	
Certificates of Participation	*(73,785)*	
Premiums and Discounts, Net:		
General Obligation Bonds	*(119,787)*	
Revenue Bonds and Notes	*(47,676)*	
Special Obligation Bonds	*(41,261)*	
Certificates of Participation	*(11,433)*	
Capital Leases	*(8,555)*	
Total Debt Proceeds		*(1,620,062)*
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	*795,680*	
Revenue Bonds and Notes	*163,275*	
Special Obligation Bonds	*216,720*	
Certificates of Participation	*34,190*	
Total Long-Term Debt Repayment		*1,209,865*

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	*1,250*	
Increase in Accrued Interest and Other Accrued Liabilities	*(4,668)*	
Amortization of Bond Premiums/Accretion of Bond Discount, Net	*121,268*	
Decrease in Refunding Loss Included in Deferred Outflows of Resources	*(36,775)*	
Increase in Pension Related Balances Included in Deferred Outflows of Resources	*430,593*	
Increase in Compensated Absences	*(15,883)*	
Decrease in Derivative Liabilities (Excluding Hedging Derivatives)	*5,513*	
Decrease in Estimated Claims Payable	*499*	
Increase in Pollution Remediation	*(193)*	
Increase in Infrastructure Liability	*(149,715)*	
Increase in Net Pension Liability	*(1,120,052)*	
Increase in Liability for OPEB Obligation	*(25,979)*	
Increase in Litigation Liabilities	*(11,400)*	
Decrease in Deferred Inflow of Resources	*183,220*	
Total additional revenues and expenditures		*(622,322)*
Change in Net Position of Governmental Activities		***$ (965,232)***

STATE OF OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2017
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 4,991	$ 165,434	$ —
Cash and Cash Equivalents	548,173	40,573	—
Deposit with Federal Government	—	—	592,918
Collateral on Lent Securities	1,364	45,214	—
Restricted Assets:			
Cash Equity with Treasurer	—	76	—
Investments	—	55,126	—
Collateral on Lent Securities	—	86,244	—
Other Receivables	—	56	—
Intergovernmental Receivable	—	—	45
Premiums and Assessments Receivable	29,917	—	37,881
Investment Trade Receivable	270,946	—	—
Interfund Receivable	50,149	2	—
Other Receivables	481,477	59,088	24,254
Other Assets	600	4,443	3,192
TOTAL CURRENT ASSETS	1,387,617	456,256	658,290
NONCURRENT ASSETS:			
Restricted Assets:			
Investments	—	433,932	—
Investments	26,225,713	—	—
Premiums and Assessments Receivable	610,042	—	—
Interfund Receivable	540,463	—	—
Other Assets	322	73	—
Capital Assets Being Depreciated, Net	36,593	27,199	—
Capital Assets Not Being Depreciated	117,482	—	—
TOTAL NONCURRENT ASSETS	27,530,615	461,204	—
TOTAL ASSETS	28,918,232	917,460	658,290
DEFERRED OUTFLOWS OF RESOURCES	90,259	18,384	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**29,008,491**	**935,844**	**658,290**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	34,036	14,301	—
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	1,364	131,458	—
Investment Trade Payable	377,981	—	—
Intergovernmental Payable	—	—	554
Prize Awards Payable	—	55,257	—
Interfund Payable	—	76	—
Unearned Revenue	535,320	1,537	—
Benefits Payable	1,503,463	—	7,707
Refund and Other Liabilities	1,548,255	50,268	5,157
TOTAL CURRENT LIABILITIES	4,000,419	252,897	13,418
NONCURRENT LIABILITIES:			
Prize Awards Payable	—	393,912	—
Interfund Payable	—	1,300	—
Benefits Payable	13,581,447	—	—
Refund and Other Liabilities	1,658,777	43,105	—
TOTAL NONCURRENT LIABILITIES	15,240,224	438,317	—
TOTAL LIABILITIES	19,240,643	691,214	13,418
DEFERRED INFLOWS OF RESOURCES	9,777	2,358	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**19,250,420**	**693,572**	**13,418**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	154,075	20,921	—
Restricted for Lottery Prizes	—	46,998	—
Unrestricted	9,603,996	174,353	644,872
TOTAL NET POSITION (DEFICITS)	**$ 9,758,071**	**$ 242,272**	**$ 644,872**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 41,804	$ 212,229
34,266	623,012
—	592,918
224	46,802
—	76
41,200	96,326
—	86,244
—	56
5,838	5,883
—	67,798
—	270,946
1,847	51,998
1,460	566,279
—	8,235
126,639	2,628,802
266,391	700,323
1,214	26,226,927
—	610,042
6,661	547,124
12	407
1,241	65,033
—	117,482
275,519	28,267,338
402,158	30,896,140
29,844	138,487
432,002	**31,034,627**
2,101	50,438
5,018	5,018
224	133,046
—	377,981
—	554
—	55,257
104	180
1,045	537,902
41,200	1,552,370
1,807	1,605,487
51,499	4,318,233
—	393,912
6,661	7,961
202,300	13,783,747
89,708	1,791,590
298,669	15,977,210
350,168	20,295,443
2,046	14,181
352,214	**20,309,624**
1,241	176,237
—	46,998
78,547	10,501,768
$ 79,788	**$ 10,725,003**

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services	$ —	$ 3,928,492	$ 27,372
Premium and Assessment Income	1,544,550	—	1,233,726
Federal Government	—	—	17,414
Investment Income	—	—	—
Other	10,016	4,869	32,582
TOTAL OPERATING REVENUES	**1,554,566**	**3,933,361**	**1,311,094**
OPERATING EXPENSES:			
Costs of Sales and Services	—	—	—
Administration	71,560	138,983	—
Bonuses and Commissions	—	801,959	—
Prizes	—	1,910,007	—
Benefits and Claims	1,199,363	—	982,824
Depreciation	16,844	10,694	—
Other	1,131,418	—	2,800
TOTAL OPERATING EXPENSES	**2,419,185**	**2,861,643**	**985,624**
OPERATING INCOME (LOSS)	**(864,619)**	**1,071,718**	**325,470**
NONOPERATING REVENUES (EXPENSES):			
Investment Income	1,877,645	(7,419)	10,118
Interest Expense	—	(483)	—
Other	—	(20,761)	—
TOTAL NONOPERATING REVENUES (EXPENSES)	**1,877,645**	**(28,663)**	**10,118**
INCOME (LOSS) BEFORE GAIN (LOSS) AND TRANSFERS	**1,013,026**	**1,043,055**	**335,588**
Gain on Extinguishment of Debt	—	—	4,085
Transfers-in	—	—	—
Transfers-out	(8,840)	(1,042,720)	(10,781)
TOTAL GAIN (LOSS) AND TRANSFERS	**(8,840)**	**(1,042,720)**	**(6,696)**
NET INCOME (LOSS)	**1,004,186**	**335**	**328,892**
NET POSITION (DEFICITS), JULY 1	8,753,885	241,937	315,980
NET POSITION (DEFICITS), JUNE 30	**$ 9,758,071**	**$ 242,272**	**$ 644,872**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 54,721	$ 4,010,585
—	2,778,276
—	17,414
25,276	25,276
54,088	101,555
134,085	**6,933,106**
83,139	83,139
16,872	227,415
—	801,959
—	1,910,007
54,488	2,236,675
312	27,850
—	1,134,218
154,811	**6,421,263**
(20,726)	**511,843**
12	1,880,356
—	(483)
—	(20,761)
12	**1,859,112**
(20,714)	**2,370,955**
—	4,085
30,603	30,603
—	(1,062,341)
30,603	**(1,027,653)**
9,889	**1,343,302**
69,899	9,381,701
$ 79,788	**$ 10,725,003**

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ —	$ 3,920,277	$ —
Cash Received from Multi-State Lottery for Grand Prize Winner	—	12,081	—
Cash Received from Premiums and Assessments	1,894,569	—	1,243,693
Cash Received from Interfund Services Provided	52,589	—	—
Other Operating Cash Receipts	27,705	5,016	78,119
Cash Payments to Suppliers for Goods and Services	(81,690)	(104,864)	—
Cash Payments to Employees for Services	(200,170)	(31,960)	—
Cash Payments for Benefits and Claims	(1,659,213)	—	(877,776)
Cash Payments for Lottery Prizes	—	(1,989,234)	—
Cash Payments for Bonuses and Commissions	—	(801,959)	—
Cash Payments for Premium Reductions and Refunds	(315,755)	—	—
Cash Payments for Interfund Services Used	(26,321)	(8,494)	—
Other Operating Cash Payments	—	—	(118,490)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**(308,286)**	**1,000,863**	**325,546**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Federal Advance Payments	—	—	(271,788)
Interfund Loan Receipts	—	—	274,069
Interfund Loan Payments	—	—	(274,069)
Transfers-in	—	—	—
Transfers-out	(8,840)	(1,042,720)	(10,781)
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**(8,840)**	**(1,042,720)**	**(282,569)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds, Notes and Capital Leases	—	(3,799)	—
Acquisition and Construction of Capital Assets	(13,251)	(1,084)	—
Proceeds from Sales of Capital Assets	216	31	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(13,035)**	**(4,852)**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(15,224,235)	(74,014)	—
Proceeds from the Sales and Maturities of Investments	14,919,775	116,069	—
Investment Income Received	729,687	3,685	10,119
Borrower Rebates and Agent Fees	(56,467)	(530)	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**368,760**	**45,210**	**10,119**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**38,599**	**(1,499)**	**53,096**
CASH AND CASH EQUIVALENTS, JULY 1 (as restated)	514,565	207,582	539,822
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 553,164**	**$ 206,083**	**$ 592,918**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 38,210	$ 3,958,487
—	12,081
—	3,138,262
9,968	62,557
8,399	119,239
(9,918)	(196,472)
(73,545)	(305,675)
—	(2,536,989)
—	(1,989,234)
—	(801,959)
—	(315,755)
(3,873)	(38,688)
(54,488)	(172,978)
(85,247)	**932,876**
—	(271,788)
—	274,069
—	(274,069)
31,171	31,171
—	(1,062,341)
31,171	**(1,302,958)**
—	(3,799)
(204)	(14,539)
2	249
(202)	**(18,089)**
(64,632)	(15,362,881)
115,957	15,151,801
4,420	747,911
—	(56,997)
55,745	**479,834**
1,467	**91,663**
74,603	1,336,572
$ 76,070	**$ 1,428,235**

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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)	$ (864,619)	$ 1,071,718	$ 325,470
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	—	—	—
Depreciation	16,844	10,694	—
Provision for Uncollectible Accounts	29,662	—	—
Decrease (Increase) in Assets:			
Intergovernmental Receivable	—	—	(21)
Premiums and Assessments Receivable	111,379	—	(7,805)
Interfund Receivable	24,759	(2)	—
Other Receivables	(106,775)	(7,146)	784
Other Assets	2,115	2,352	889
Increase (Decrease) in Liabilities:			
Accounts Payable	(4,624)	(9,781)	—
Accrued Liabilities	—	—	—
Intergovernmental Payable	—	—	512
Prize Awards Payable	—	(43,206)	—
Interfund Payable	—	(70)	—
Unearned Revenue	22,231	(921)	—
Benefits Payable	(585,690)	—	7,169
Refund and Other Liabilities	1,046,432	(22,775)	(1,452)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (308,286)**	**$ 1,000,863**	**$ 325,546**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments	$ 1,205,642	$ (41,599)	$ —
Gain on Extinguishment of Debt	—	—	4,085
Acquiring a Capital Asset through a Capital Lease	—	3,500	—

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

	NONMAJOR PROPRIETARY FUNDS	TOTAL
	$ (20,726)	$ 511,843
	(25,276)	(25,276)
	312	27,850
	—	29,662
	11,772	11,751
	—	103,574
	567	25,324
	(348)	(113,485)
	—	5,356
	999	(13,406)
	874	874
	—	512
	—	(43,206)
	(840)	(910)
	52	21,362
	(53,700)	(632,221)
	1,067	1,023,272
	$ (85,247)	**$ 932,876**
	$ —	$ 1,164,043
	—	4,085
	—	3,500

STATE OF OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/16)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ASSETS:			
Cash Equity with Treasurer	$ —	$ —	$ —
Cash and Cash Equivalents	17,557	261,051	344,070
Investments (at fair value):			
U.S. Government and Agency Obligations	13,050	—	1,760,553
Common and Preferred Stock	77,560	—	—
Corporate Bonds and Notes	21,378	—	426,237
Foreign Stocks and Bonds	5,533	—	—
Commercial Paper	—	—	2,723,002
Repurchase Agreements	—	—	516,528
Mutual Funds	450,558	10,247,081	2,287,431
Real Estate	30,543	—	—
Venture Capital	—	—	—
Direct Mortgage Loans	—	—	—
Partnership and Hedge Funds	204,311	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio)	—	—	—
Collateral on Lent Securities	—	—	—
Employer Contributions Receivable	1,744	—	—
Employee Contributions Receivable	1,598	—	—
Other Receivables	5,971	12,825	26,246
Other Assets	16	—	28
Capital Assets, Net	66	—	—
TOTAL ASSETS	**829,885**	**10,520,957**	**8,084,095**
DEFERRED OUTFLOWS OF RESOURCES	322	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**830,207**	**10,520,957**	**8,084,095**
LIABILITIES:			
Accounts Payable	681	—	—
Accrued Liabilities	4,648	3,368	597
Obligations Under Securities Lending	—	—	—
Intergovernmental Payable	—	—	—
Refund and Other Liabilities	816	8,278	427
TOTAL LIABILITIES	**6,145**	**11,646**	**1,024**
DEFERRED INFLOWS OF RESOURCES	47	—	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**6,192**	**11,646**	**1,024**
NET POSITION (DEFICITS):			
Restricted for:			
Employees' Pension Benefits	721,643	—	—
Employees' Postemployment Healthcare Benefits	102,372	—	—
Individuals, Organizations and Other Governments	—	10,509,311	—
Pool Participants	—	—	8,083,071
TOTAL NET POSITION (DEFICITS)	**$ 824,015**	**$ 10,509,311**	**$ 8,083,071**

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

AGENCY
$ 279,229
106,920
15,381,609
43,234,791
12,047,774
46,091,338
1,579,649
1,480,000
10,024,025
21,416,570
20,070,522
7,265,328
17,515,877
79,866
76,316
—
—
—
437,299
—
197,087,113
—
197,087,113
—
—
76,316
195,958
196,814,839
197,087,113
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197,087,113
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STATE OF OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/16)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ADDITIONS:			
Contributions from:			
Employer	$ 29,895	$ —	$ —
Employees	14,101	—	—
Plan Participants	—	2,679,437	—
Other	5,125	—	—
Total Contributions	49,121	2,679,437	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	46,445	792,650	—
Interest, Dividends and Other	14,563	264,641	51,700
Total Investment Income	61,008	1,057,291	51,700
Less: Investment Expense	6,031	38,225	4,778
Net Investment Income	54,977	1,019,066	46,922
Capital Share and Individual Account Transactions:			
Shares Sold	—	—	19,793,370
Reinvested Distributions	—	—	49,740
Shares Redeemed	—	—	(16,538,791)
Net Capital Share and Individual Account Transactions	—	—	3,304,319
TOTAL ADDITIONS	**104,098**	**3,698,503**	**3,351,241**
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries	67,439	—	—
Healthcare Benefits Paid to Participants or Beneficiaries	14,595	—	—
Refunds of Employee Contributions	1,731	—	—
Administrative Expense	1,546	—	—
Transfers to Other Retirement Systems	417	—	—
Distributions to Shareholders and Plan Participants	—	2,538,491	46,922
TOTAL DEDUCTIONS	**85,728**	**2,538,491**	**46,922**
CHANGE IN NET POSITION RESTRICTED FOR:			
Employees' Pension Benefits	17,418	—	—
Employees' Postemployment Healthcare Benefits	952	—	—
Individuals, Organizations and Other Governments	—	1,160,012	—
Pool Participants	—	—	3,304,319
TOTAL CHANGE IN NET POSITION	18,370	1,160,012	3,304,319
NET POSITION (DEFICITS), JULY 1	805,645	9,349,299	4,778,752
NET POSITION (DEFICITS), JUNE 30	**$ 824,015**	**$ 10,509,311**	**$ 8,083,071**

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, 2017
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 394,346	$ —	$ 12,347
Cash and Cash Equivalents	—	710,653	1,021,319
Investments	1,824	1,670,846	2,732,429
Collateral on Lent Securities	107,778	—	—
Restricted Assets:			
Cash and Cash Equivalents	—	—	150,394
Investments	—	—	70,477
Intergovernmental Receivable	—	6,874	44,360
Loans Receivable, Net	295	25,315	39,791
Receivable from Primary Government	—	2,365	17,095
Other Receivables	3	668,148	473,858
Inventories	—	45,806	100,320
Other Assets	—	57,045	78,204
TOTAL CURRENT ASSETS	504,246	3,187,052	4,740,594
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	—	666,032	159,684
Investments	—	—	2,307,342
Investments	—	4,398,647	2,427,683
Loans Receivable, Net	528	38,387	184,166
Other Receivables	—	72,350	200,687
Other Assets	—	—	1,599,221
Capital Assets Being Depreciated, Net	32,006	4,668,413	9,190,292
Capital Assets Not Being Depreciated	11,858	314,574	1,129,041
TOTAL NONCURRENT ASSETS	44,392	10,158,403	17,198,116
TOTAL ASSETS	548,638	13,345,455	21,938,710
DEFERRED OUTFLOWS OF RESOURCES	—	1,013,092	1,347,199
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**548,638**	**14,358,547**	**23,285,909**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	1,696	365,776	317,729
Accrued Liabilities	214	184,182	411,302
Obligations Under Securities Lending	107,778	—	—
Intergovernmental Payable	391,779	—	2,589
Unearned Revenue	—	225,598	234,874
Refund and Other Liabilities	1,893	111,197	265,431
Bonds and Notes Payable	—	651,039	301,714
TOTAL CURRENT LIABILITIES	503,360	1,537,792	1,533,639
NONCURRENT LIABILITIES:			
Intergovernmental Payable	464,793	—	84,170
Unearned Revenue	—	—	3,360
Refund and Other Liabilities	282	4,020,957	5,711,171
Payable to Primary Government	—	—	22,538
Bonds and Notes Payable	—	2,649,223	7,575,718
TOTAL NONCURRENT LIABILITIES	465,075	6,670,180	13,396,957
TOTAL LIABILITIES	968,435	8,207,972	14,930,596
DEFERRED INFLOWS OF RESOURCES	3,449,104	471,298	129,428
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**4,417,539**	**8,679,270**	**15,060,024**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	43,864	2,364,637	5,549,408
Restricted for:			
Transportation	—	—	212,852
Community and Economic Development	64,327	—	10,069
Nonexpendable:			
Scholarships and Fellowships	—	—	328,917
Research	—	—	79,278
Endowments and Quasi-Endowments	—	1,480,440	1,288,403
Loans, Grants and Other College and University Purposes	—	—	616,655
Expendable:			
Scholarships and Fellowships	—	—	312,853
Research	—	—	160,667
Instructional Department Uses	—	—	161,169
Student and Public Services	—	—	68,422
Academic Support	—	—	159,235
Debt Service	—	—	20,648
Capital Purposes	—	293	103,726
Endowments and Quasi-Endowments	—	382,131	441,137
Current Operations	—	813,091	35,710
Loans, Grants and Other College and University Purposes	—	—	474,067
Unrestricted	(3,977,092)	638,685	(1,797,331)
TOTAL NET POSITION (DEFICITS)	**$ (3,868,901)**	**$ 5,679,277**	**$ 8,225,885**

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

TOTAL
$ 406,693
1,731,972
4,405,099
107,778
150,394
70,477
51,234
65,401
19,460
1,142,009
146,126
135,249
8,431,892
825,716
2,307,342
6,826,330
223,081
273,037
1,599,221
13,890,711
1,455,473
27,400,911
35,832,803
2,360,291
38,193,094
685,201
595,698
107,778
394,368
460,472
378,521
952,753
3,574,791
548,963
3,360
9,732,410
22,538
10,224,941
20,532,212
24,107,003
4,049,830
28,156,833
7,957,909
212,852
74,396
328,917
79,278
2,768,843
616,655
312,853
160,667
161,169
68,422
159,235
20,648
104,019
823,268
848,801
474,067
(5,135,738)
$ 10,036,261

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
EXPENSES:			
Primary, Secondary and Other Education	$ 524,543	$ —	$ —
Transportation	—	—	400,191
Community and Economic Development	28,519	—	963,822
Education and General:			
Instruction and Departmental Research	—	1,012,492	2,197,015
Separately Budgeted Research	—	519,074	394,536
Public Service	—	185,881	214,437
Academic Support	—	222,043	582,293
Student Services	—	108,041	364,135
Institutional Support	—	272,142	778,244
Operation and Maintenance of Plant	—	102,176	402,707
Scholarships and Fellowships	—	130,069	278,424
Auxiliary Enterprises	—	313,185	743,952
Hospitals	—	3,040,158	358,060
Interest on Long-Term Debt	—	122,655	330,371
Depreciation	1,734	381,753	596,406
Other	—	—	75,218
TOTAL EXPENSES	**554,796**	**6,409,669**	**8,679,811**
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures	24,567	4,790,531	5,519,905
Operating Grants, Contributions and Restricted Investment Income	4,065	737,060	856,961
Capital Grants, Contributions and Restricted Investment Income	—	26,761	27,705
TOTAL PROGRAM REVENUES	**28,632**	**5,554,352**	**6,404,571**
NET PROGRAM (EXPENSE) REVENUE	**(526,164)**	**(855,317)**	**(2,275,240)**
GENERAL REVENUES:			
Unrestricted Investment Income	—	601,182	398,286
State Assistance	481,565	541,331	1,559,276
Other	1,046	249,231	444,963
TOTAL GENERAL REVENUES	**482,611**	**1,391,744**	**2,402,525**
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL	**—**	**52,458**	**34,444**
CHANGE IN NET POSITION	**(43,553)**	**588,885**	**161,729**
NET POSITION (DEFICITS), JULY 1	(3,825,348)	5,090,392	8,064,156
NET POSITION (DEFICITS), JUNE 30	**$ (3,868,901)**	**$ 5,679,277**	**$ 8,225,885**

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

TOTAL
$ 524,543
400,191
992,341
3,209,507
913,610
400,318
804,336
472,176
1,050,386
504,883
408,493
1,057,137
3,398,218
453,026
979,893
75,218
15,644,276
10,335,003
1,598,086
54,466
11,987,555
(3,656,721)
999,468
2,582,172
695,240
4,276,880
86,902
707,061
9,329,200
$ 10,036,261

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2017, 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, 2016.

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
BCIRS Certificates of Participation
MARCS Project
OAKS Project
STARS Project
TMS Project

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EDCS Project
BCIRS Project

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 *Schedule 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 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, the budgetary required supplementary information notes present 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.

The Unemployment Compensation Enterprise Fund Trust Account 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, without prior notice or penalty. The balance in the account at fiscal year end is reported by the State as "Deposit with Federal Government" and is considered a cash equivalent for cash flow purposes.

Cash equity with Treasurer and cash and cash equivalents, including the portions reported under "Restricted Assets" and the Deposit with Federal Government 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 primarily reports investments at fair value. STAR Ohio reports investments at amortized cost, which approximates fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 primarily 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 reported at acquisition value as of 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 reported at acquisition value as of the donation date. Capital assets, except for land and construction-in-progress, are reported net of accumulated depreciation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Unit Funds
The discretely presented component unit funds value capital assets at cost and donated capital assets at acquisition 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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
There were no restatements of the July 1, 2016, fund balance/net position for the primary government, fiduciary funds nor the discretely presented component units.

The cash and cash equivalents balance on the Statement of Cash Flows for the Unemployment Compensation Fund was restated. The June 30, 2016, Statement of Cash Flows cash and cash equivalents balance of $1.3 million was restated to $539.8 million as of July 1, 2016. A change in policy to consider the Deposit with Federal Government in the Unemployment Compensation Fund as a cash equivalent for cash flow purposes resulted in the restatement. For more information on the Cash and Cash Equivalents policy, see NOTE 1E.

B. Implementation of Recently Issued Accounting Pronouncements
For the fiscal year ended June 30, 2017, the State implemented the provisions of:

- Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB 68 and Amendments to Certain Provisions of GASB Statements 67 and 68* (in part).
- Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*
- Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures.*
- Governmental Accounting Standards Board (GASB) Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*
- Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants* (in part).

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

- Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14.*
- Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues–An Amendment of GASB Statements No. 67, No. 68, and No. 73.*

GASB Statement No. 73 improves 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. Part of the Statement was implemented for the fiscal year ended June 30, 2016 and part will be implemented for fiscal year ending June 30, 2017.

GASB Statement No. 74 improves 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.

GASB Statement No. 77 discloses information about the nature and magnitude of tax abatements and makes 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.

GASB Statement No. 78 establishes recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions provided to employees of state or local governmental employers associated with certain cost-sharing multiple-employer defined benefit pension plans that are not state or local government pension plans.

GASB Statement No.79 enhances comparability of financial statements by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement and with consistent application of an amortized cost-based measurement for financial reporting purposes. This Statement establishes additional note disclosure requirements to include information about any limitations or restrictions on participant withdrawals. Part of the Statement was implemented for the fiscal year ended June 30, 2016 and part will be implemented for fiscal year ending June 30, 2017.

GASB Statement No. 80 clarifies the financial statement presentation requirements for certain component units and requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 82 addresses issues regarding 1) the presentation of payroll-related measures in required supplementary information, 2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and 3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

C. GASB Pronouncements for Future Implementation

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.

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The provisions of GASB 81 are effect for financial statements for fiscal years beginning after December 15, 2016. When receiving resources pursuant to an irrevocable split-interest agreement, a government must recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and to recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* The provisions of GASB 83 are effective for financial statements for fiscal years beginning after June 15, 2018. The requirements of this Statement will enhance comparability of financial statements by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (ARO's), including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those ARO's.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The provisions of GASB 84 are effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The provisions of GASB 85 are effective for financial statements for periods beginning after June 15, 2017. The requirements of this Statement are to address practice issues identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB).

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The provisions of GASB 86 are effective for financial statements for fiscal years beginning after June 15, 2017. The requirements of this Statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for extinguishing that debt was acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance.

In June 2017, the GASB issued Statement No. 87, *Leases.* The provisions of GASB 87 are effective for financial statements for fiscal years beginning after December 15, 2019. The requirements of this Statement establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement will enhance the relevance and consistency of information about a governments' leasing activities, as well as, the decision-usefulness of the information provided to financial statement users by requiring notes to the financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

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

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

D. Extinguishments of Debt – Major Funds

Extinguishments of debt reflected in the State's basic financial statements, as of June 30, 2017 (dollars in thousands) are as follows:

Unemployment Compensation

Gain on Extinguishment of Debt

The $4.1 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.

Voluntary Federal Advance Payments

In addition to the FUTA offset, the State made voluntary payments totaling $271.8 million to pay the outstanding advance balance in full as of June 30, 2017.

NOTE 3 TAX ABATEMENTS

As of June 30, 2017, the State offers the following tax abatement programs – Job Creation Credit, Sales of Qualified Property Used in an Eligible Computer Data Center (Computer Data Center), Job Retention Credit, Motion Picture Tax Credit and New Markets Tax Credit. The programs are described below:

Job Creation Credit

As established in Ohio Revised Code 122.17, a taxpayer proposing a project to create new jobs in the state may be granted a refundable tax credit through an agreement with the Ohio Tax Credit Authority. This tax credit applies to nonretail projects or the nonretail portion of a project only. The credit equals an agreed upon percentage of the taxpayer's "excess payroll", which is the taxpayer's "Ohio employee payroll" less "baseline payroll." "Ohio employee payroll" is compensation paid by an employer that is subject to Ohio income tax withholding requirements. "Baseline payroll" is "Ohio employee payroll," for the twelve months immediately preceding the agreement. The Ohio Tax Credit Authority must determine that the project will increase payroll; is economically sound, will provide increasing opportunities for employment, and will strengthen the economy; and the tax credit was a major factor in the decision to go forward with the project. The taxpayer is required to maintain operations at the project location for at least the greater of seven years or the term of the credit plus three years. The types of taxes to be abated are insurance, financial institutions, foreign insurance, petroleum activity, income, and commercial activity.

The tax abatements are subject to recapture if the taxpayer fails to maintain operations at the project location, or has failed to meet its commitments, which information should be included in annual reports the taxpayer is required to file.

The computer data center tax abatement, established in Ohio Revised Code 122.175, also requires job creation and is included in the job creation credit category on the following tax abatement table. Sales, storage, use or other consumption of computer data center equipment used or to be used at an eligible computer data center are exempt from the sales and use tax. To be eligible for this tax exemption, the Ohio Tax Credit Authority must determine: that the computer data center will increase payroll and the corresponding taxes withheld; the applicant is economically sound, can affect the completion of the capital investment project, and intends to maintain operations at the project site for the term of agreement; and the exemption was a major factor in the applicant's decision to be part of the capital investment project. The taxpayer operating a computer data center at the project site will, in the aggregate, pay annual compensation that is subject to the withholding obligation of at least one million five hundred thousand dollars to employees at the eligible computer data center. If it is determined that a taxpayer who received the exemption no longer meets eligibility criteria, and/or is no longer in compliance with the agreement, the agreement may be terminated or the taxpayer may have to pay to the state all or a portion of the taxes the taxpayer would have owed.

NOTE 3 TAX ABATEMENTS (Continued)

Job Retention Credit

The Job Retention Credit, established in Ohio Revised Code 122.171, allows an eligible business to be granted a nonrefundable tax credit through an agreement with the Ohio Tax Credit Authority. The credit is equal to a designated percentage of the taxpayer's Ohio employee payroll. The taxpayer is required to maintain operations at the project location for at least the greater of seven years or the term of the credit plus three years. The taxpayer must also retain at least five hundred full-time equivalent employees at the project site and within this state for the entire term of the credit, or the taxpayer must maintain an annual Ohio employee payroll of at least thirty-five million dollars for the entire term of the credit. The types of taxes to be abated are insurance, financial institutions, foreign insurance, petroleum activity, income, and commercial activity.

The tax abatements are subject to recapture if the taxpayer fails to maintain operations at the project location, or has failed to meet its commitments, which information should be included in annual reports the taxpayer is required to file.

Historic Preservation Tax Credit

Ohio Revised Code section 149.311 establishes the historic preservation tax credit. The program provides a tax credit to leverage the private redevelopment of historically designated buildings. The State uses a cost-benefit analysis to determine whether rehabilitation of the historic building will result in a net revenue gain in state taxes once the building is placed into use. The analysis must be completed prior to eligibility approval. The credit shall equal twenty-five percent of the taxpayer's qualified rehabilitation expenditures. The credit claimed shall not exceed $5 million for any calendar or tax year. Tax credits received by the applicant shall be deemed to be an unpaid tax assessment subject to collection if all required criteria are not met. The tax credit can be applied to the financial institution tax, foreign and domestic insurance taxes and individual income tax.

Motion Picture Tax Credit

The motion picture tax credit is established by Ohio Revised Code 122.85. A refundable tax credit may be claimed for Ohio production expenditures by eligible motion picture productions. The credit equals 30 percent of eligible expenditures. The credit is based on the lesser of initially-budgeted production expenditures or actual production expenditures. The total amount of issued credits may not exceed $40 million per fiscal year. The abated tax types are insurance, financial institutions, foreign insurance, and income tax.

No tax credits may be taken until the production is complete and a report has been filed showing the expenses that were incurred, which provides the basis for determining the amount of the tax credit. The Department of Taxation has the authority, under Ohio Revised Code 122.85(C)(3), to examine the claimed expenses for validity.

New Markets Tax Credit

Ohio Revised Code sections 5725.33, 5726.54, and 5729.16 establish the new markets tax credit. Taxpayers with an equity investment in a qualified community development entity may claim a nonrefundable tax credit equal to a designated percentage of the adjusted purchase price of qualified low-income community investments. The credit percentage is zero percent in the first two years of the investment, seven percent in the third year of the investment, and eight percent in the following four years. The taxes abated are insurance, financial institutions, and foreign insurance.

The foregone revenue through tax abatements for fiscal year 2017 is presented in the following table (dollars in thousands):

Abatement Program	Amount of Taxes Abated
Job Creation Credit	$113,355
Job Retention Credit	54,251
Historic Preservation Tax Credit	34,695
Motion Picture Tax Credit	18,957
New Markets Tax Credit	4,359
Total of Tax Abatements	$225,617

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 and 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;
- No-load money market mutual funds;
- 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 of any domestic bank or federally chartered domestic branch office of a foreign bank;
- Certificates of deposit in the eligible institutions applying for interim moneys as provided in section 135.08 of the Ohio Revised Code, 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 interests, other than commercial paper as described 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;
- 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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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, 2017, 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 Unit
Deposits—Custodial Credit Risk
As of June 30, 2017
(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	$ 1,301,929	$ 1,214,691	$ 834	$ 71,697	$ 12,233
Major Discretely Presented Component Unit:					
Ohio State University	1,326,149	1,337,338	-	-	1,329,181

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.

The following table reports the fair value, as of June 30, 2017, of investments by type for the primary government, including fiduciary activities, and the extent of exposure to custodial credit risk (dollars in thousands).

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities)
Investments—Fair Value and Custodial Credit Risk
As of June 30, 2017
(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	$ 19,261,832	$ -
U.S. Government Obligations—Strips	1,162,221	685,513
U.S. Agency Obligations	7,465,151	-
U.S. Agency Obligations—Strips	216,533	-
Common and Preferred Stock	49,010,997	-
Corporate Bonds and Notes	18,938,003	-
Corporate Bonds and Notes—Strips	644	-
Municipal Obligations	723,645	-
Negotiable Certificates of Deposit	466,719	-
Commercial Paper	5,221,466	-
Repurchase Agreements	2,290,391	-
Mortgage and Asset-Backed Securities	7,853,478	-
International Investments:		
Foreign Stocks	37,549,775	-
Foreign Bonds	3,281,513	-
High-Yield and Emerging Markets Fixed Income	6,881,649	-
Securities Lending Collateral:		
Corporate Bonds and Notes	43,992	-
Commercial Paper	284,353	-
Repurchase Agreements	1,981,834	-
Variable Rate Notes	613,969	-
		$ 685,513
Investments Not Subject to Custodial Credit Risk Exposure:		
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:		
U.S. Government Obligations	2,640,635	
U.S. Government Obligations—Strips	83,938	
U.S. Agency Obligations	142,572	
Corporate Bonds and Notes	21,629	
International Investments-Commingled Equity Funds	7,055,359	
Equity Mutual Funds	13,282,653	
Bond Mutual Funds	9,274,918	
Real Estate	24,237,538	
Venture Capital	20,070,522	
Partnerships and Hedge Funds	17,720,188	
Deposit with Federal Government	592,918	
Component Units' Equity in State Treasurer's Cash and Investment Pool	(514,471)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio	(350,458)	
Total Investments — Primary Government	$ 257,506,106	

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 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. The Ohio State University's policy is to hold investments in custodial accounts with the securities registered solely in the name of the university.

Major Discretely Presented Component Units
Investment Custodial Credit Risk
As of June 30, 2017
(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	$ 543,370	$ 543,370
U.S. Agency Obligations	118,318	118,318
Common and Preferred Stock	214,328	214,328
Corporate Bonds and Notes	1,062,540	1,062,540
Municipal Obligations	21,237	21,237
Negotiable Certificates of Deposit	319,578	319,578
Commercial Paper	46,028	46,028
International Investments:		
Foreign Stocks	160,680	160,680
Foreign Bonds	43,042	43,042
Securities Lending Collateral:		
Commercial Paper	4,438	4,438
Repurchase Agreements	10,621	10,621
Variable Rate Notes	890	890
Total Ohio State University		$ 2,545,070

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;
- No-load money market mutual funds must carry a rating of the highest category by one nationally recognized rating agency; and
- Bonds and notes of any other State or political subdivision thereof must be rated in the three highest categories by one nationally recognized 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 "A-1" by Standard & Poor's and an equivalent rating by one other nationally recognized rating agency;

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- Bonds and notes of any other State or political subdivision thereof must be rated in the three highest categories by Standard & Poor's;
- Corporate bonds and notes must be rated in the three highest categories by two nationally recognized rating agencies;
- Banker acceptances must carry a minimum of "A+" for long-term debt ("AAA" for foreign issuers) by a majority of the nationally recognized rating agencies rating the issuer. For short-term debt, the rating must be at least "A-1" or equivalent by at least two nationally recognized rating agencies;
- Foreign debt, or the implicit rating of the issuer of the debt, must be rated in one of the three highest categories by at least two nationally recognized rating agencies;
- 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; and
- Registered investment companies open-end, no-load money market mutual funds must be rated "AAA" or "AAAm" by Standard & Poor's.

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 of the following nationally-recognized bond rating services: Moody's, Fitch or Standard & Poor's, for fixed income securities. If only one of the rating services rates a security, the rating must be investment grade.

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 mostly invested in "BB" and "B" rated securities.

STAR Ohio Investment Trust Fund
Investment policies governing the STAR Ohio external investment pool generally require that all securities must be rated the equivalent of "A-1+" or "A-1" by Standard & Poor's rating agency. Exceptions to the general policy are: mutual funds must be rated AAA or AAAm by Standard and Poor's, while commercial paper, corporate bonds and notes, and bankers' acceptances must have a second equivalent rating from another nationally recognized rating agency, and municipal obligations must be rated in the three highest categories by Standard & Poor's.

Retirement Systems Agency Fund
For the Ohio Public Employees Retirement System, the percentage by market value of non-investment grade securities in the Fixed Income Asset Class will be within 15 percentage points of the percentage by market value of non-investment grade securities in the Fixed Income Aggregate Benchmark.

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 in the portfolios mentioned above 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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The Ohio Facilities Construction Commission Component Unit 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.

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, 2017
(dollars in thousands)

	Credit Rating					
Investment Type	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ 120,470	$ 7,466,281	$ 382	$ 6,267	$ 2,438	$ 2,562
U.S. Agency Obligations-Strips	99,136	117,397	-	-	-	-
Corporate Bonds and Notes	784,713	1,892,636	5,473,982	6,496,834	2,009,117	1,710,898
Corporate Bonds and Notes-Strips	598	-	-	-	-	-
Municipal Obligations	74,410	458,097	163,177	26,372	-	-
Negotiable Certificates of Deposit	450,308	-	-	-	-	-
Commercial Paper	1,007,846	1,331,334	2,452,359	13,684	-	-
Repurchase Agreements	1,080,000	100,000	200,000	-	-	-
Mortgage and Asset-Backed Securities	3,842,554	2,504,866	221,857	210,517	190,318	155,866
Bond Mutual Funds	5,558,389	1,727,894	731,896	10,589	557,522	71,738
International Investments:						
Foreign Bonds	138,796	691,791	747,347	1,048,339	374,249	192,821
High-Yield and Emerging Markets Fixed Income	17,577	22,773	820,464	1,730,552	1,700,930	1,835,434
Securities Lending Collateral:						
Corporate Bonds and Notes	-	43,992	-	-	-	-
Commercial Paper	-	-	284,353	-	-	-
Repurchase Agreements	-	-	890,000	1,091,834	-	-
Variable Rate Notes	-	292,534	291,169	30,266	-	-
Bond Mutual Funds	1,438	-	-	-	-	-
Total Primary Government	$13,176,235	$16,649,595	$12,276,986	$10,665,254	$ 4,834,574	$ 3,969,319

	Credit Rating					
Investment Type	CCC/Caa	CC/Ca	C	D	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$ -	9,323	$ 7,607,723
U.S. Agency Obligations-Strips	-	-	-	-	-	216,533
Corporate Bonds and Notes	473,163	4,359	2,422	15,426	96,082	18,959,632
Corporate Bonds and Notes-Strips	-	-	-	-	46	644
Municipal Obligations	-	44	-	563	982	723,645
Negotiable Certificates of Deposit	-	-	-	-	16,411	466,719
Commercial Paper	-	-	-	-	416,243	5,221,466
Repurchase Agreements	-	-	-	-	910,391	2,290,391
Mortgage and Asset-Backed Securities	134,268	77,307	5,255	55,584	455,086	7,853,478
Bond Mutual Funds	9,828	-	-	-	605,624	9,273,480
International Investments:						
Foreign Bonds	80,680	3,545	59	1,220	2,666	3,281,513
High-Yield and Emerging Markets Fixed Income	433,048	16,555	766	6,514	297,036	6,881,649
Securities Lending Collateral:						
Corporate Bonds and Notes	-	-	-	-	-	43,992
Commercial Paper	-	-	-	-	-	284,353
Repurchase Agreements	-	-	-	-	-	1,981,834
Variable Rate Notes	-	-	-	-	-	613,969
Bond Mutual Funds	-	-	-	-	-	1,438
Total Primary Government	$ 1,130,987	$ 101,810	$ 8,502	$ 79,307	$ 2,809,890	$65,702,459

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Units
Investment Credit Ratings
As of June 30, 2017
(dollars in thousands)

Ohio State University:	Credit Rating					
Investment Type	AAA/Aaa	AA/Aa	A/A	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ 4,109	$ 75,433	$ 33,253	$ -	$ -	$ -
Corporate Bonds and Notes	63,784	188,132	368,115	326,394	19,966	5,249
Municipal Obligations	1,325	9,964	5,259	3,688	-	-
Negotiable Certificates of Deposit	-	-	-	-	-	-
Commercial Paper	-	-	10,949	-	-	-
Bond Mutual Funds	70,005	5,454	18,208	8,302	1,524	619
Foreign Bonds	14,184	2,126	12,724	3,831	-	-
Securities Lending Collateral:						
Commercial Paper	-	-	4,037	-	-	-
Repurchase Agreements	-	-	-	-	-	-
Variable Rate Notes	-	633	257	-	-	-
Total Ohio State University	$ 153,407	$ 281,742	$ 452,802	$ 342,215	$ 21,490	$ 5,868

Ohio State University (continued):	Credit Rating		
Investment Type	CCC/Caa	Unrated	Total
U.S. Agency Obligations	$ -	$ 5,523	$ 118,318
Corporate Bonds and Notes	-	90,900	1,062,540
Municipal Obligations	-	1,001	21,237
Negotiable Certificates of Deposit	-	319,578	319,578
Commercial Paper	-	35,079	46,028
Bond Mutual Funds	1,272	17	105,401
Foreign Bonds	-	10,177	43,042
Securities Lending Collateral:			
Commercial Paper	-	401	4,438
Repurchase Agreements	-	10,621	10,621
Variable Rate Notes	-	-	890
Total Ohio State University	$ 1,272	$ 473,297	$ 1,732,093

At June 30, 2017, the Ohio Facilities Construction Commission had $1.8 million invested in Bond Mutual Funds that had a credit rating of AAA.

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

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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;
- 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 two 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	2
Certificates of Deposit	20
Municipal Obligations	20
STAR Ohio	25
Mutual Funds	100

The investment policies of the Treasurer of State's Office also specify that:

- Commercial paper, when combined with investments in other corporate obligations of a single issuer, are further limited to no more than five percent of the total average portfolio;
- Bankers' Acceptances are further limited to no more than five percent of the total average portfolio in any single issuer;
- Mutual funds are 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 limited in that any one counterparty may not exceed ten percent of the total average portfolio; and
- Municipal obligations are limited to no more than 2.5 percent of the total average portfolio in any single issuer.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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 issue 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 agreements limited at 100 percent; investments with any one counterparty limited at a maximum of five percent for A-2 rated counterparties, 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 STAR Ohio representing no more than ten percent of the total assets under management of any single mutual fund;
- Corporate obligations, limited to 25 percent, and when added to investments in commercial paper, 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, and when added to investments in other corporate obligations, 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 issue 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.

As of June 30, 2017, 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
STAR Ohio Investment Trust Fund:		
Federal Home Loan Bank	$ 1,782,126	20%
Ohio Facilities Construction Commission Component Unit Fund:		
Federal Home Loan Bank	$ 71,109	15%

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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 laws and policies to mitigate this risk.

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 that Bankers Acceptances must mature in two hundred seventy days or less.

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:

- Corporate notes - five years;
- Commercial paper - 270 days;
- Repurchase agreements - 90 days; and
- Foreign debt - five years.

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 Bloomberg Barclay's 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 the 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.

Retirement Systems Agency Fund
The 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 Fixed Income asset class benchmarks.

As of June 30, 2017, investments reported as "Cash Equity with Treasurer" have terms that make their fair values highly sensitive to interest rate changes. The U.S. agency obligations investment type includes $1.18 billion of investments with call dates during fiscal years 2018 through 2019 and maturity dates during fiscal years 2018 through 2022, while the Corporate Bonds and Notes investment type has $310.7 million of investments with call dates during fiscal 2018 through 2022 and maturity dates during fiscal years 2018 through 2022.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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 $2 million have call dates during fiscal year 2018, and maturity dates during fiscal year 2018, and corporate bonds of $43.1 million have call dates during fiscal year 2018, and maturity dates during fiscal year 2018.

Also during fiscal year 2017, the Treasurer of State acted as the custodian of the Retirement Systems Agency Fund's investments. These investments may 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, 2017, 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, 2017
(dollars in thousands)

Investment Type	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 5,146,706	$ 8,694,413	$ 4,286,480	$ 3,774,868	$ 21,902,467
U.S. Government Obligations - strips	207,915	678,005	120,689	239,550	1,246,159
U.S. Agency Obligations	4,158,641	2,467,324	250,939	730,819	7,607,723
U.S. Agency Obligations-strips	25,660	144,983	36,864	9,026	216,533
Corporate Bonds and Notes	2,420,301	4,997,876	4,720,325	6,821,130	18,959,632
Corporate Bonds and Notes - Strips	-	-	-	644	644
Municipal Obligations	3,771	5,395	13,721	700,758	723,645
Negotiable Certificates of Deposit	450,644	16,075	-	-	466,719
Commercial Paper	5,221,466	-	-	-	5,221,466
Repurchase Agreements	2,290,391	-	-	-	2,290,391
Mortgage and Asset-Backed Securities	145,396	1,785,103	547,408	5,375,571	7,853,478
Bond Mutual Funds	7,191,748	1,228,194	344,772	508,766	9,273,480
International Investments:					
Foreign Bonds	131,056	698,253	705,915	1,746,289	3,281,513
High-Yield and Emerging Markets Fixed Income	308,280	1,815,078	3,101,531	1,656,760	6,881,649
Securities Lending Collateral:					
Corporate Bonds and Notes	43,992	-	-	-	43,992
Commercial Paper	284,353	-	-	-	284,353
Repurchase Agreements	1,981,834	-	-	-	1,981,834
Variable Rate Notes	613,969	-	-	-	613,969
Bond Mutual Funds	1,438	-	-	-	1,438
Total Primary Government	$ 30,627,561	$ 22,530,699	$ 14,128,644	$ 21,564,181	$ 88,851,085

Major Discretely Presented Component Units
Investments Subject to Interest Rate Risk
As of June 30, 2017
(dollars in thousands)

Ohio State University:

Investment Type	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 395,780	$ 107,988	$ 28,808	$ 10,794	$ 543,370
U.S. Agency Obligations	12,681	55,202	15,109	35,326	118,318
Corporate Bonds and Notes	294,192	661,584	53,446	53,318	1,062,540
Municipal Obligations	4,803	13,216	175	3,043	21,237
Negotiable Certificates of Deposit	319,578	-	-	-	319,578
Commercial Paper	46,028	-	-	-	46,028
Bond Mutual Funds	4,866	58,314	28,604	13,617	105,401
International Investments:					
Foreign Bonds	31,209	8,803	1,710	1,320	43,042
Securities Lending Collateral:					
Commercial Paper	4,438	-	-	-	4,438
Repurchase Agreements	10,621	-	-	-	10,621
Variable Rate Notes	890	-	-	-	890
Total Ohio State University	$ 1,125,086	$ 905,107	$ 127,852	$ 117,418	$ 2,275,463

At June 30, 2017, the Ohio Facilities Construction Commission had $1.8 million invested in Bond Mutual Funds that had a maturity of less than one year.

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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2017, 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, 2017
(dollars in thousands)

	Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	Commingled International Equity	Total
Argentinean Peso	$ 1	$ 294	$ 43,123	$ -	$ 43,418
Australian Dollar	931,104	-	-	130,443	1,061,547
Bermudian Dollar	-	-	-	2,805	2,805
Brazilian Real	614,998	1,849	309,696	41,993	968,536
British Pound	3,013,523	2,754	21,789	361,313	3,399,379
Canadian Dollar	1,105,565	3,619	-	175,591	1,284,775
Chilean Peso	85,268	576	1,811	7,208	94,863
Chinese Renminbi	8,983	(743)	137	148,073	156,450
Colombian Peso	3,352	(893)	148,235	2,901	153,595
Czech Koruna	16,267	693	-	1,092	18,052
Danish Krone	329,592	10,662	-	33,570	373,824
Dominican Peso	-	-	11,734	-	11,734
Egyptian Pound	8,436	-	4,676	824	13,936
Euro	4,960,021	5,256	151,909	633,970	5,751,156
Ghana Cedi	-	-	38,700	-	38,700
Hong Kong Dollar	2,163,323	-	-	88,826	2,252,149
Hungarian Forint	40,676	-	46,459	2,049	89,184
Indian Rupee	719,635	828	57,060	55,873	833,396
Indonesian Rupiah	205,414	1,111	220,847	15,932	443,304
Israeli Shekel	50,392	-	117	12,962	63,471
Japanese Yen	3,898,290	(117)	-	436,243	4,334,416
Kenya Shilling	1,555	-	11,866	-	13,421
Macau Pataca	-	-	-	2,292	2,292
Malaysian Ringgit	103,408	-	162,756	14,966	281,130
Manx Pound	-	-	-	346	346
Mexican Peso	182,663	(3,233)	292,736	23,944	496,110
Morocan Dirham	1,439	-	-	-	1,439
New Zealand Dollar	60,353	-	-	3,256	63,609
Nigerian Naira	14,546	-	-	-	14,546
Norwegian Krone	143,877	1,464	-	11,453	156,794
Pakistani Rupee	-	-	-	911	911
Peruvian New Sol	374	(209)	32,723	656	33,544
Philippines Peso	62,740	-	9,080	7,411	79,231
Polish Zloty	108,638	-	210,812	8,454	327,904
Qatari Rial	14,305	-	-	4,326	18,631
Romanian Leu	983	-	29,061	-	30,044
Russian Ruble	39,491	(1,016)	190,921	20,054	249,450
Singapore Dollar	228,886	-	-	24,266	253,152
South African Rand	440,352	(721)	231,696	39,454	710,781
South Korean Won	1,449,728	58	9	98,923	1,548,718
Swedish Krona	438,380	-	365	53,860	492,605
Swiss Franc	1,416,452	-	638	168,478	1,585,568
Taiwan Dollar	884,737	(1,389)	-	79,057	962,405
Thailand Baht	246,738	907	77,690	13,780	339,115
Tunisian Dinar	689	-	-	-	689
Turkish Lira	205,523	906	190,891	7,428	404,748
Ugandan Shilling	-	-	8,633	-	8,633
United Arab Emirates Dirham	31,605	-	-	4,729	36,334
Uruguayan Peso	-	235	33,258	-	33,493
Vietnamese Dong	4,611	-	-	-	4,611
Investments Held in Foreign Currency	$24,236,913	$ 22,891	$ 2,539,428	$ 2,739,712	$29,538,944
Foreign Investments Held in U.S. Dollars					25,229,352
Total Foreign Investments - Primary Government, including Fiduciary Activities					$54,768,296

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Units
International Investments—Foreign Currency Risk
As of June 30, 2017
(dollars in thousands)

Ohio State University:

Currency	Stocks	Bonds	Total
Australian Dollar	$ 1,557	$ -	$ 1,557
Brazilian Real	2,473	-	2,473
British Pound	27,369	2,638	30,007
Canadian Dollar	11,022	-	11,022
Chilean Peso	(1)	-	(1)
Czech Koruna	-	2,185	2,185
Danish Krone	2,891	8,543	11,434
Euro	49,766	4,023	53,789
Hong Kong Dollar	10,858	-	10,858
Indian Rupee	(5)	-	(5)
Indonesian Rupiah	(1)	-	(1)
Japanese Yen	28,717	15,099	43,816
Mexican Peso	(2)	(61)	(63)
Norwegian Krone	3,505	-	3,505
Polish Zloty	(7)	-	(7)
Russian Ruble	(2)	-	(2)
South African Rand	(4)	-	(4)
South Korean Won	3,284	-	3,284
Swedish Krona	773	-	773
Swiss Franc	18,495	-	18,495
Taiwan Dollar	(8)	-	(8)
Investments Held in Foreign Currency	$ 160,680	$ 32,427	$ 193,107
Foreign Investments Held in U.S. Dollars			10,615
Total Foreign Currency Investments - Ohio State University			$ 203,722

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, and provided that all denomination of principal and interest be in U.S. dollars.

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.

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, with the exception of U.S. Treasury Bills, which are purchased at a discount and are collateralized at par. 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, 2017, 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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The State invests cash collateral in short-term obligations, which have a weighted average maturity of 32 days while the weighted average maturity of securities loans is 6 days.

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 the insolvency default of the lending counterparty.

During fiscal year 2017, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2017, 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, 2017, the State reports the following investment derivatives in its financial statements (dollars in thousands):

Investment Derivatives
As of June 30, 2017
(dollars in thousands)

		Fair Value at 6/30/2017		Increase (Decrease) in Fair Value	
	Notional	Amount	Reported as	Amount	Reported as
Governmental Activities:					
Investment Derivatives:					
Pay-fixed interest rate swaps	$ 92,650	$ (8,830)	Other Noncurrent Liability	$ 5,513	Operating Restricted Investment Loss - Primary, Secondary and Other Education Function
Fiduciary Funds—Agency:					
Investment Derivatives:					
Credit default swaps	31,215	111	Investments	878	Investment Income
Equity swaps	1,133,584	(1,171)	Investments	(8,264)	Investment Income
Foreign exchange forward currency contracts	10,226,499	(49,042)	Investments	(140,254)	Investment Income
Futures contracts	45,263	(554)	Investments	(1,711)	Investment Income
Interest rate swap	4,079,772	817	Investments	3,229	Investment Income
Options	3,299,182	(649)	Investments	2,658	Investment Income
Total return swaps	1,476,281	(5,458)	Investments	(6,748)	Investment Income
Warrants	21,654	1,178	Investments	(751)	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, 2017, and are reported as investment derivatives. The increases in the fair values for fiscal year 2017 of $5.5 million are reported as operating restricted investment gains for the primary, secondary and other education function in the Statement of Activities.

The credit quality ratings of JPMorgan Chase, the counterparty, are Aa3/A+/AA- as of June 30, 2017. The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2017. 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 4 DEPOSITS AND INVESTMENTS (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 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.

F. Fair Value Disclosures

The State categorizes fair value measurements of its investments within the fair value hierarchy shown in the table on the following page:

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities)
Investments - Fair Value Disclosures
As of June 30, 2017
(dollars in thousands)

	Fair Value at June 30, 2017	Amount of Fair Value Measured Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured by Fair Value Level				
U.S. Government Obligations	$ 21,643,255	$ 4,159,952	$ 17,483,303	$ -
U.S. Government Obligations - Strips	560,646	187,229	373,417	-
U.S. Agency Obligations	7,608,037	-	7,608,037	-
U.S. Agency Obligations-Strips	902,046	685,513	216,533	-
Common and Preferred Stock	47,905,080	47,884,670	19,133	1,277
Corporate Bonds and Notes	18,618,860	38,730	18,413,061	167,069
Corporate Bonds and Notes - Strips	644	-	644	-
Municipal Obligations	723,645	1,533	722,112	-
Negotiable Certificates of Deposit	16,411	-	16,411	-
Commercial Paper	3,537,978	373,540	3,164,438	-
Repurchase Agreements	610,391	10,391	600,000	-
Mortgage and Asset-Backed Securities	7,853,478	-	7,535,754	317,724
Equity Mutual Funds	10,473,131	10,458,131	15,000	-
Bond Mutual Funds	4,403,879	4,385,676	18,203	-
Real Estate	8,795,980	1,095,194	-	7,700,786
Venture Capital	1,475,288	748,225	-	727,063
Partnerships and Hedge Funds	1,072,925	927,496	-	145,429
International Investments:				
Foreign Stocks	37,598,065	35,560,014	2,032,427	5,624
Foreign Bonds	2,818,975	15,058	2,522,280	281,637
High-Yield and Emerging Markets Fixed Income	6,884,441	-	6,788,709	95,732
Commingled Equity Funds	50,485	50,485	-	-
Securities Lending Collateral:				
Corporate Bonds and Notes	43,992	-	43,992	-
Variable Rate Notes	613,969	-	613,969	-
Bond Mutual Funds	1,438	1,438	-	-
	$ 184,213,039	$ 106,583,275	$ 68,187,423	$ 9,442,341
Investment Derivative Instruments				
Pay Fixed Interest Rate Swaps	$ (8,830)	$ -	$ (8,830)	$ -
Credit Default Swaps	107	-	107	-
Equity Swaps	(1,171)	-	(1,171)	-
Foreign Exchange Forward Currency Contracts	(49,042)	-	(49,042)	-
Futures Contracts	(553)	(553)	-	-
Interest Rate Swap	866	-	866	-
Options	(763)	(1,108)	345	-
Total Return Swaps	(5,458)	-	(5,458)	-
Warrants	1,178	-	-	1,178
	$ (63,666)	$ (1,661)	$ (63,183)	$ 1,178

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities)
Investments—Fair Value Disclosures
As of June 30, 2017
(dollars in thousands)

	Net Asset Value at June 30, 2017
Investments measured at the Net Asset Value Level	
Common and Preferred Stock	$ 1,110,658
Equity Mutual Funds	2,794,867
Bond Mutual Funds	3,003,763
Real Estate	15,441,558
Venture Capital	20,368,157
Partnerships and Hedge Funds	14,874,715
International Investments:	
Foreign Bonds	461,788
Commingled Equity Funds	7,004,874
	$ 65,060,380

For investments held by the Treasurer of State, $363.9 million classified in Level 1 were valued using inputs based on published share price. Level 2 classifications in the amount of $9.89 billion were valued using either matrix pricing, or, in the case of variable rate notes, were valued by discounting the current and future coupons using a yield calculation or scale based on the characteristics of the security. For matrix pricing, inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, price basis as determined by the observed market data and reference data including market research publications were used. Interactive Data pricing used by the Treasurer's office also monitors market indicators, and industry and economic events. The Ohio Lottery Commission's structured investments are included in the Treasurer of State's Level 2 investments noted above. Investments in the amount of $147.1 million, classified in Level 3, were bonds for which there is no secondary market, and were therefore, valued at the original principal.

For investments held by the STAR Ohio investment pool, $2.66 billion in open-end investment companies, including money market funds, were classified in Level 1 and were valued using the daily redemption value as reported by the underlying fund, while the $6.3 billion classified in Level 2 was valued using market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids and offers. Market indicators and industry and economic events were also monitored to see if further market data was needed.

Investments held by the Department of Commerce in the amount of $685.5 million for escheat property classified in Level 1, were valued using quoted prices for identical securities in an active market. Investments held by other state agencies in the amount $72.3 million classified in Level 1, were valued using quoted prices in a large and active market.

For investments held by independently audited organizations of the primary government, more information regarding investment valuations can be found in the organizations' stand-alone financial reports. The stand-alone financial reports for the independently audited organizations included in the table above may be found as follows:

- STAR Ohio investment pool at the Treasurer of State's Office, at http://www.tos.ohio.gov/;
- Development Services Agency-Office of Loan Administration, at http://development.ohio.gov/;
- Buckeye Tobacco Settlement Financing Authority, at http://obm.ohio.gov/BondsInvestors/tobacco.aspx;
- Southern Ohio Agricultural and Community Development Foundation, at http://www.soacdf.net/;
- Bureau of Workers' Compensation/Industrial Commission of Ohio, at https://www.bwc.ohio.gov/;
- Tuition Trust Authority, at https://www.collegeadvantage.com/;
- State Highway Patrol Retirement System, at http://www.statepatrol.ohio.gov/;

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- State Teachers Retirement System, at https://www.strsoh.org/;
- School Employees Retirement System, at https://www.ohsers.org/;
- Ohio Public Employees Retirement System, at https://www.opers.org/; and
- Ohio Police and Fire Pension Fund, at https://www.op-f.org/.

The fair value investment hierarchy for Ohio State University, a major discretely presented component unit, is reported in the table below:

Major Discretely Presented Component Units
Investments - Fair Value Disclosures
As of June 30, 2017
(dollars in thousands)

		Amount of Fair Value Measured Using:		
Ohio State University	Fair Value at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured by Fair Value Level				
U.S. Government Obligations	$ 543,370	$ (138)	$ 543,508	$ -
U.S. Agency Obligations	118,318	-	118,318	-
Common and Preferred Stock	214,328	214,328	-	-
Corporate Bonds and Notes	1,062,540	-	1,061,545	995
Municipal Obligations	21,237	-	21,237	-
Negotiable Certificates of Deposit	319,578	319,578	-	-
Commercial Paper	46,028	-	46,028	-
Equity Mutual Funds	164,662	164,662	-	-
Bond Mutual Funds	105,401	105,401	-	-
Real Estate	111,088	18,592	-	92,496
Partnerships and Hedge Funds	28,324	-	-	28,324
Life Insurance	3,206	-	-	3,206
International Investments:				
Foreign Stocks	160,680	160,680	-	-
Foreign Bonds	43,042	-	43,042	-
Commingled Equity Funds	76,814	-	-	76,814
Securities Lending Collateral:				
Commercial Paper	4,438	-	4,438	-
Repurchase Agreements	10,621	-	10,621	-
Variable Rate Notes	890	-	890	-
	$ 3,034,565	$ 983,103	$ 1,849,627	$ 201,835

Ohio State University	Net Asset Value at June 30, 2017
Investments measured at the Net Asset Value Level	
Equity Mutual Funds	$ 480,635
Real Estate	548,657
Partnerships and Hedge Funds	1,937,078
International Investments:	
Commingled Equity Funds	68,558
	$ 3,034,928

More information on Ohio State University's fair value investment valuations can be found in its audited stand-alone financial report at https://www.osu.edu/.

The Ohio Facilities Construction Commission's investments in the amount of $1.8 million were classified in Level 1 based on their valuation using the market approach.

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, 2017, approximately $57.1 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 $918.2 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	$ 412,588	$ -	$ 412,588
Sales Taxes	510,478	-	510,478
Motor Vehicle Fuel Taxes	151,172	89,977	241,149
Commercial Activity Taxes	410,910	14,474	425,384
Public Utility Taxes	81,930	-	81,930
Casino Taxes	-	2,210	2,210
	1,567,078	106,661	1,673,739
Noncurrent-Due in More Than One Year:			
Income Taxes	10,058	-	10,058
Taxes Receivable, Net	$1,577,136	$ 106,661	$ 1,683,797

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, 2017 (dollars in thousands):

	From Nonexchange Programs		From Sales of Goods and Services		
	Federal Government	Local Government	Other State Government	Local Government	Total Primary
Governmental Activities:					
Major Governmental Funds:					
General	$ 741,084	$ -	$ -	$ -	$ 741,084
Job, Family and Other Human Services	184,325	18,433	-	-	202,758
Nonmajor Governmental Funds	361,533	105,860	-	11,423	478,816
Total Governmental Activities	1,286,942	124,293	-	11,423	1,422,658
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	-	45	-	45
Nonmajor Proprietary Funds	-	-	-	5,838	5,838
Total Business-Type Activities	-	-	45	5,838	5,883
Intergovernmental Receivable	$ 1,286,942	$ 124,293	$ 45	$ 17,261	$ 1,428,541

NOTE 5 RECEIVABLES (Continued)

C. Loans Receivable

Loans receivable for the primary government, as of June 30, 2017, are detailed in the following table (dollars in thousands):

Primary Government - Loans Receivable

Loan Program	Governmental Activities: General	Governmental Activities: Nonmajor Governmental Funds	Total Primary Government
Economic Development Office of Loan Administration	$ 254,928	$ -	$ 254,928
Local Infrastructure Improvements	537,946	-	537,946
Housing Finance	289,000	-	289,000
Highway, Transit, & Aviation Infrastructure Bank	-	124,168	124,168
Third Frontier Program Loans	-	30,913	30,913
Wayne Trace Local School District	1,665	-	1,665
Rail Development	-	1,932	1,932
Capital Access Loan Program	-	5,947	5,947
OhioMeansJobs Workforce Development Revolving Loan Program	-	1,154	1,154
Loans Receivable, Net	$ 1,083,539	$ 164,114	$ 1,247,653
Current-Due Within One Year	$ 154,159	$ 18,388	$ 172,547
Noncurrent-Due in More Than One Year	929,380	145,726	1,075,106
Loans Receivable, Net	$ 1,083,539	$ 164,114	$ 1,247,653

The “Loans Receivable” balance reported in the major discretely presented component units, as of June 30, 2017, 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, 2017, 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	$ 212,735	$ 353,372	$ -	$ 5,198	$ 571,305
Tobacco Settlement	-	-	551,898	34,100	585,998
Health Facility Bed Assessments	-	110,546	-	-	110,546
Interest	19,309	-	-	50	19,359
Accounts	13,134	12,447	-	9,186	34,767
Miscellaneous	21,631	-	-	-	21,631
Other Receivables, Net	$ 266,809	$ 476,365	$ 551,898	$ 48,534	$ 1,343,606
Current-Due Within One Year	$ 266,809	$ 476,365	$ -	$ 14,434	$ 757,608
Noncurrent-Due in More Than One Year	-	-	551,898	34,100	585,998
Other Receivables, Net	$ 266,809	$ 476,365	$ 551,898	$ 48,534	$ 1,343,606

	Business-Type Activities				
	Major Proprietary Funds				
Types of Receivables	Workers' Compensation	Lottery Commission	Unemployment Compensation	Nonmajor Proprietary Funds	Total
Accounts	$ 344,667	$ -	$ 42,348	$ 171	$ 387,186
Interest and Dividends (including restricted portion)	137,961	56	-	1,289	139,306
Lottery Sales Agents	-	59,394	-	-	59,394
Other Receivables, Gross	482,628	59,450	42,348	1,460	585,886
Estimated Uncollectible	(1,151)	(306)	(18,094)	-	(19,551)
Other Receivables, Net-Due Within One Year	$ 481,477	$ 59,144	$ 24,254	$ 1,460	$ 566,335
Total Primary Government					$ 1,909,941

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2017, is comprised of interest due of approximately $12.3 million and investment trade receivables of $32.7 million.

In the major discretely presented component units, the "Other Receivables" balance reported, as of June 30, 2017, 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, 2017, follow (dollars in thousands):

Primary Government - Accrued Liabilities

	Wages and Employee Benefits	Accrued Interest	Total Accrued Liabilities
Governmental Activities:			
Major Governmental Funds:			
General	$ 172,345	$ -	$ 172,345
Job, Family and Other Human Services	24,340	-	24,340
Nonmajor Governmental Funds	67,899	-	67,899
	264,584	-	264,584
Reconciliation of fund level statements to government-wide statements due to basis differences	-	164,645	164,645
Total Governmental Activities	264,584	164,645	429,229
Business-Type Activities:			
Nonmajor Proprietary Funds	5,018	-	5,018
Total Primary Government	$ 269,602	$ 164,645	$ 434,247

	Wages and Employee Benefits	Health Benefit Claims	Management and Administrative Expenses	Total Accrued Liabilities
Fiduciary Activities:				
State Highway Patrol Retirement System Pension Trust (12/31/2016)	$ 4,467	$ 181	$ -	$ 4,648
Variable College Savings Plan Private-Purpose Trust	-	-	3,368	3,368
STAR Ohio Investment Trust	-	-	597	597
Total Fiduciary Activities	$ 4,467	$ 181	$ 3,965	$ 8,613

The "Accrued Liabilities" balance reported in the major discretely presented component units, as of June 30, 2017, 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, 2017, 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	$ 632,934	$ 70,952	$ 44,170	$ -	$ 748,056
Job, Family and Other Human Services ...	-	116,131	-	-	116,131
Nonmajor Governmental Funds	87,884	97,488	-	-	185,372
Total Governmental Activities	720,818	284,571	44,170	-	1,049,559
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	-	554	-	554
Total Business-Type Activities	-	-	554	-	554
Total Primary Government........................					$ 1,050,113
Fiduciary Activities:					
Holding and Distribution Agency Fund	$ -	$ 834	$ 3,818	$ 2,857	$ 7,509
Other Agency Fund	172,177	16,272	-	-	188,449
Total Fiduciary Activities	$ 172,177	$ 17,106	$ 3,818	$ 2,857	$ 195,958

As of June 30, 2017, the Ohio Facilities Construction Commission, a major discretely presented component unit fund, reported an intergovernmental payable balance totaling approximately $846.0 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, 2017, 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	$ 919,274	$ 19	$ 919,293
Job, Family and Other Human Services	-	6,108	6,108
Nonmajor Governmental Funds	-	695	695
Total Governmental Activities	$ 919,274	$ 6,822	$ 926,096

	Reserve for Compensation Adjustment	Net Pension Liability	Refund and Security Deposits	Compensated Absences	Other	Total
Business-Type Activities:						
Major Proprietary Funds:						
Workers' Compensation	$ 1,781,700	$ 240,665	$ -	$ 27,396	$1,157,271	$ 3,207,032
Lottery Commission	-	36,541	44,216	3,746	8,870	93,373
Unemployment Compensation	-	-	5,157	-	-	5,157
Nonmajor Proprietary Funds	-	81,551	41	9,923	-	91,515
	1,781,700	358,757	49,414	41,065	1,166,141	3,397,077
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements	(1,781,700)	(358,757)	-	(41,065)	(1,142,026)	(3,323,548)
Total Business-Type Activities	$ -	$ -	$ 49,414	$ -	$ 24,115	$ 73,529
Total Primary Government						$ 999,625

	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement System Pension Trust (12/31/2016)	$ -	$ -	$ -	$ -	$ 816	$ 816
Variable College Savings Plan Private-Purpose Trust	-	-	-	-	8,278	8,278
STAR Ohio Investment Trust	-	-	-	-	427	427
Agency Funds:						
Holding and Distribution	-	11,878	-	-	-	11,878
Centralized Child Support Collections	66,048	-	-	-	-	66,048
Retirement Systems	-	-	-	196,107,133	-	196,107,133
Payroll Withholding and Fringe Benefits	-	-	80,801	-	-	80,801
Other	-	-	-	-	548,979	548,979
Total Fiduciary Activities	$ 66,048	$ 11,878	$ 80,801	$ 196,107,133	$ 558,500	$ 196,824,360

In the major discretely presented component units, the "Refunds and Other Liabilities" balance reported, as of June 30, 2017, 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, 2017, consist of the following (in thousands):

	Due To	
	Governmental Activities	
Due from	Nonmajor Governmental Funds	Total
Nonmajor Governmental Funds	$ 1,370	$ 1,370
Total Governmental Activities	1,370	1,370
Total Primary Government	$ 1,370	$ 1,370

	Business-Type Activities				
	Major Proprietary Funds				
Due from	Workers' Compensation	Lottery Commission	Nonmajor Proprietary Funds	Total	Total Primary Government
Major Governmental Funds:					
General	$ 432,297	$ -	$ 8,508	$ 440,805	$ 440,805
Job, Family and Other Human Services	14,006	-	-	14,006	14,006
Nonmajor Governmental Funds	136,168	2	-	136,170	137,540
Total Governmental Activities	582,471	2	8,508	590,981	592,351
Business-Type Activities:					
Major Proprietary Funds:					
Lottery Commission	1,376	-	-	1,376	1,376
Nonmajor Proprietary Funds	6,765	-	-	6,765	6,765
Total Business-Type Activities	8,141	-	-	8,141	8,141
Total Primary Government	$ 590,612	$ 2	$ 8,508	$ 599,122	$ 600,492

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 $590.6 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, 2017, consist of the following (dollars in thousands):

	Transferred to				
	Governmental Activities				
	Major Governmental Funds				
Transferred from	General	Job, Family & Other Human Services	Buckeye Tobacco Settlement Financing Authority	Nonmajor Governmental Funds	Total
Major Governmental Funds:					
General	$ -	$ 4,560	$ -	$ 2,019,625	$2,024,185
Job, Family and Other Human Services	-	-	-	44,813	44,813
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	17,763	-	-	-	17,763
Nonmajor Governmental Funds	255,039	-	788	174,176	430,003
Total Governmental Activities	272,802	4,560	788	2,238,614	2,516,764
Major Proprietary Funds:					
Workers' Compensation	8,840	-	-	-	8,840
Lottery Commission	1,485	-	-	1,041,235	1,042,720
Unemployment Compensation	8,951	1,830	-	-	10,781
Total Business-Type Activities	19,276	1,830	-	1,041,235	1,062,341
Total Primary Government	$ 292,078	$ 6,390	$ 788	$ 3,279,849	$3,579,105

	Business-Type Activities	
Transferred from	Nonmajor Proprietary Funds	Total Primary Government
Major Governmental Funds:		
General	$ 30,603	$2,054,788
Job, Family and Other Human Services	-	44,813
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	17,763
Nonmajor Governmental Funds	-	430,003
Total Governmental Activities	30,603	2,547,367
Major Proprietary Funds:		
Workers' Compensation	-	8,840
Lottery Commission	-	1,042,720
Unemployment Compensation	-	10,781
Total Business-Type Activities	-	1,062,341
Total Primary Government	$ 30,603	$3,609,708

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 2017, the discretely presented component units reported $2.58 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)

	Receivable from the Component Units	Payable to the Component Units	Program Expenses for State Assistance to Component Units: Primary, Secondary, and Other Education Function	Higher Education Support Function	Transportation Function	Community and Economic Development Function	Total State Assistance to the Component Units
Major Governmental Funds:							
General	$ -	$ 19,501	$ 435,252	$ 2,097,773	$ 2,834	$ 46,313	$ 2,582,172
Nonmajor Governmental Funds	23,857	-	-	-	-	-	-
Total Governmental Activities	23,857	19,501	435,252	2,097,773	2,834	46,313	2,582,172
Total Primary Government	$ 23,857	$ 19,501	$ 435,252	$ 2,097,773	$ 2,834	$ 46,313	$ 2,582,172

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	$ -	$ -	$ 481,565
Ohio State University	2,365	-	541,331
Nonmajor Discretely Presented Component Units	17,095	22,538	1,559,276
Total Discretely Presented Component Units	$ 19,460	$ 22,538	$ 2,582,172

NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2017, reported for the primary government was as follows (dollars in thousands):

	Primary Government			
	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 2,358,859	$ 32,607	$ (236)	$ 2,391,230
Buildings	62,464	-	-	62,464
Land Improvements	1,439	-	-	1,439
Construction-in-Progress	2,197,492	685,461	(200,595)	2,682,358
Infrastructure:				
Highway Network:				
General Subsystem	8,630,137	17,944	(403)	8,647,678
Priority Subsystem	8,634,436	25,921	(2,554)	8,657,803
Bridge Network	2,838,264	40,074	(80,293)	2,798,045
Total Capital Assets Not Being Depreciated	24,723,091	802,007	(284,081)	25,241,017
Other Capital Assets:				
Buildings	3,736,240	85,671	(41,005)	3,780,906
Land Improvements	488,150	27,917	(6,446)	509,621
Machinery and Equipment	1,506,272	131,086	(35,657)	1,601,701
Vehicles	422,288	52,205	(37,936)	436,557
Infrastructure:				
Parks, Recreation and Natural Resources Network	152,161	(731)	(2,598)	148,832
Total Other Capital Assets at Historical Cost	6,305,111	296,148	(123,642)	6,477,617
Less Accumulated Depreciation for:				
Buildings	2,253,035	118,716	(14,704)	2,357,047
Land Improvements	320,421	20,606	(2,914)	338,113
Machinery and Equipment	970,527	232,834	(28,515)	1,174,846
Vehicles	235,371	38,379	(32,764)	240,986
Infrastructure:				
Parks, Recreation and Natural Resources Network	35,585	4,821	-	40,406
Total Accumulated Depreciation	3,814,939	415,356	(78,897)	4,151,398
Other Capital Assets, Net	2,490,172	(119,208)	(44,745)	2,326,219
Governmental Activities - Capital Assets, Net	$ 27,213,263	$ 682,799	$ (328,826)	$ 27,567,236
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 9,466	$ -	$ -	$ 9,466
Construction-In Progress	106,837	1,179	-	108,016
Total Capital Assets Not Being Depreciated	116,303	1,179	-	117,482
Other Capital Assets:				
Buildings	209,410	-	-	209,410
Machinery and Equipment	187,266	4,840	(5,072)	187,034
Vehicles	3,357	856	(616)	3,597
Total Other Capital Assets at Historical Cost	400,033	5,696	(5,688)	400,041
Less Accumulated Depreciation for:				
Buildings	173,463	6,964	-	180,427
Machinery and Equipment	145,053	12,795	(4,947)	152,901
Vehicles	1,707	444	(471)	1,680
Total Accumulated Depreciation	320,223	20,203	(5,418)	335,008
Other Capital Assets, Net	79,810	(14,507)	(270)	65,033
Business-Type Activities - Capital Assets, Net	$ 196,113	$ (13,328)	$ (270)	$ 182,515

NOTE 8 CAPITAL ASSETS (Continued)

For fiscal year 2017, the State charged depreciation expense to the following functions (dollars in thousands):

Governmental Activities:	*Depreciation Expense*
Primary, Secondary and Other Education	$ 3,267
Higher Education Support	5
Public Assistance and Medicaid	142,897
Health and Human Services	21,542
Justice and Public Protection	75,466
Environmental Protection and Natural Resources	19,365
Transportation	80,293
General Government	72,460
Community and Economic Development	8,068
Total Depreciation Expense for Governmental Activities	423,363
Gains (Losses) on Capital Asset Disposals Included in Depreciation	(8,007)
Fiscal Year 2017 Increases to Accumulated Depreciation	$ 415,356
Business-Type Activities:	
Workers' Compensation	$ 16,844
Lottery Commission	10,694
Unemployment Compensation	-
Tuition Trust Authority	8
Office of Auditor of State	304
Total Depreciation Expense for Business-Type Activities	27,850
Gains (Losses) on Capital Asset Disposals Included in Depreciation	(7,647)
Fiscal year 2017 Increase to Accumulated Depreciation	$ 20,203

As of June 30, 2017, the State considered the following governmental capital asset balances as being impaired and removed from service (dollars in thousands).

Governmental Activities:	*Net Book Value*
Temporarily Impaired Assets Removed from Service:	
Buildings	$ 20
Total	$ 20
Permanently Impaired Assets Removed from Service:	
Buildings	$ 4,537
Land Improvements	225
Total	$ 4,762

NOTE 8 CAPITAL ASSETS (Continued)

B. Major Discretely Presented Component Units

Capital asset activity, for the year ended June 30, 2017, 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, 2016	Increases	Decreases	Balance June 30, 2017
Ohio State University:				
Capital Assets Not Being Depreciated:				
Land	$ 106,457	$ 9,828	$ (2,052)	$ 114,233
Construction-in-Progress	129,046	52,830	-	181,876
Patents and Trademarks	18,413	52	-	18,465
Total Capital Assets Not Being Depreciated	253,916	62,710	(2,052)	314,574
Other Capital Assets:				
Buildings	6,111,876	201,349	(19,868)	6,293,357
Land Improvements	820,565	22,037	(750)	841,852
Machinery, Equipment and Vehicles	1,424,480	141,084	(82,246)	1,483,318
Library Books and Publications	183,389	5,109	(492)	188,006
Total Other Capital Assets at Historical Cost	8,540,310	369,579	(103,356)	8,806,533
Less Accumulated Depreciation for:				
Buildings	2,409,018	218,131	(3,891)	2,623,258
Land Improvements	275,492	33,879	416	309,787
Machinery, Equipment and Vehicles	981,860	125,166	(63,495)	1,043,531
Library Books and Publications	157,458	4,577	(491)	161,544
Total Accumulated Depreciation	3,823,828	381,753	(67,461)	4,138,120
Other Capital Assets, Net	4,716,482	(12,174)	(35,895)	4,668,413
Total Capital Assets, Net	$ 4,970,398	$ 50,536	$ (37,947)	$ 4,982,987

For fiscal year 2017, Ohio State University reported approximately $381.8 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 – the Traditional Pension Plan (Traditional Plan) which is a defined benefit plan, the Member-Directed Plan which is a defined contribution plan, and the 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/ or by making a written request to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or calling (800) 222-7377.

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

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.

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.

Senate Bill 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members 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 Group A or B or were hired after January 7, 2013, are in Transition Group C.

The earliest that members of the Traditional and Combined Plans in Transition Groups A and B are eligible to retire is at age 55 with 25 years of credited service, or at or after age 60 with five years of credited service. The earliest that members in Transition Group C are eligible to retire is at age 57 with 25 years of service credit or at age 62 with 5 years of service credit. Regular employees retiring before meeting certain age and service credit eligibility requirements receive a percentage reduction in benefit amounts. The earliest that law enforcement employees in Transition Groups A and B may retire is at age 48 with 25 or more years of credited service, or at age 52 with 15 or more years of service credit, while the earliest that members in Transition Group C may retire is at age 48 with 25 or more years of credited service, or at age 56 with at least 15 years of service credit.

The retirement allowance for the Traditional Plan (defined benefit) is calculated based on age, years of credited service, and the final average salary. The annual allowance for regular employees for members in Transition Groups A and B 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 regular employees for members in Transition Group C is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 35 years and by 2.5 percent for all other years in excess of 35 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 for those who retired prior to January 7, 2013. For those retiring after January 7, 2013, beginning in calendar year 2019, the increase will be based on the average increase in the Consumer Price Index, capped at three percent.

The retirement allowance for the Combined Plan (defined benefit portion) is calculated on the basis of age, years of credited service, and the final average salary. The annual allowance for regular employees for members in Transition Groups A and B 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. The annual allowance for regular employees for members in Transition Group C is determined by multiplying the final average salary by one percent for each year of Ohio contributing service up to 35 years and by 1.25 percent for all other years in excess of 35 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, for those who retired prior to January 7, 2013. For those retiring after January 7, 2013, beginning in calendar year 2019, the increase will be based on the average increase in the Consumer Price Index, capped at three percent. Additionally, retirees receive the proceeds of their individual retirement plans in a manner similar to retirees in the defined contribution plan, as discussed below.

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

Retirees covered under the Traditional and Combined Plans 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.

Regular employees who participate in the Member-Directed Plan (defined contribution) 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 rollovers to another eligible retirement plan, or made payable to the member, or various combinations of these options. Participants direct the investment of their accounts by selecting from professionally managed OPERS investment options.

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 2017, 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, 2016 through June 30, 2017..	10.00%	14.00%
Law Enforcement Employees:		
July 1, 2016 through June 30, 2017..	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, 2017, the State reports a liability of $4.74 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 $10.6 million for the Combined Plan. Ohio State University discretely presented component unit reports liabilities of $2.05 billion, for its proportionate share of the net pension liability for the Traditional Plan. The net pension asset/liability was measured as of December 31, 2016. The Plan's total pension asset/liability used to calculate the Plan's net pension asset/liability was determined by an actuarial valuation as of December 31, 2016. 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. At December 31, 2016, the State's proportion was 20.95 percent for the Traditional Plan based on employer contributions of $299.9 million, as compared to the December 31, 2015, proportion of 20.65 percent. For the Combined Plan, the State's proportion at December 31, 2016 was 19.67 percent based on employer contributions of $8.6 million, as compared to the December 31, 2015, proportion of 19.64 percent. The proportion for the Traditional Plan for Ohio State University discretely presented component unit was 9.1 percent based on employer contributions totaling $188.8 million compared to 9 percent for the previous fiscal year. For purposes of measuring the net pension liability/asset, Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions, and pension expense, information about the fiduciary net

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

position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, deductions are recorded when the liability is incurred and revenues are recognized when earned. Refunds are payable two months after termination of the member's employment.

For the year ended June 30, 2017, the State recognized pension expense of $986.6 million for the Traditional Plan, and $7.4 million for the Combined Plan. Ohio State University discretely presented component unit, recognized $298.9 million. At June 30, 2017, the State reports Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):

Traditional Plan	Primary Government	Ohio State University
Deferred Outflow of Resources:		
Differences Between Expected and Actual Experience	$ 6,369	$ 3,296
Changes of Assumptions	745,578	329,038
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	689,515	306,350
Differences Between Employers' Contributions and Proportionate Share of Contributions	18,338	-
Change in Employers' Proportionate share	36,313	1,163
Contributions Subsequent to the Measurement Date	153,334	94,003
Total	$ 1,649,447	$ 733,850
Deferred Inflow of Resources:		
Differences Between Employers' Contributions and Proportionate Share of Contributions	$ (5,406)	$ -
Change in Employers' Proportionate share	(4,969)	(63)
Differences Between Expected and Actual Experience	(28,626)	(16,279)
Total	$ (39,001)	$ (16,342)

Combined Plan	Primary Government
Deferred Outflow of Resources:	
Change in Employers' Proportionate Share	$ 229
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,510
Change in Assumptions	2,490
Differences Between Employers' Contributions and Proportionate Share of Contributions	38
Contributions Subsequent to the Measurement Date	4,089
Total	$ 9,356
Deferred Inflow of Resources:	
Differences Between Expected and Actual Experience	$ (5,336)
Total	$ (5,336)

Deferred Outflows of Resources of $153.3 million related to pensions resulting from State contributions subsequent to the measurement date for the Traditional Plan will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Deferred Outflows of Resources of $4.1 million for the combined plan will be recognized as an increase to the net pension asset in the year ended June 30, 2018. Ohio State University discretely presented component unit, will recognize $94 million as a reduction of its net pension liability.

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

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

Traditional Plan	Primary Government	Ohio State University
Year Ended June 30:		
2018	$ 601,946	$ 258,014
2019	627,051	266,590
2020	248,855	108,889
2021	(20,695)	(9,353)
2022	(16)	(277)
Thereafter	(29)	(358)

Combined Plan	Primary Government
Year Ended June 30:	
2018	$ 514
2019	513
2020	401
2021	(499)
2022	(395)
Thereafter	(603)

Actuarial Assumptions:
The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Traditional Plan	Combined Plan	
Wage Inflation	3.25	3.25	Percent
Salary Increases (including wage inflation)	3.25-10.75	3.25-8.25	Percent
Investment Rate of Return	7.50	7.50	Percent
COLA or Ad Hoc COLA	3.00	3.00	Percent
Actuarial Cost Method	Individual Entry Age		

The COLA, for both the Traditional and Combined Plans, for retirees prior to January 7, 2013, is three percent simple. For retirees after that date, the COLA is three percent simple through 2018, and then becomes 2.15 percent simple.

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. The Healthy Annuitant Mortality tables were adjusted for mortality improvements back to the observation period base year of 2006, and then established the base year as 2010 for females, and 2015 for males.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted in 2016, for the five-year period 2011 through 2015.

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:

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

Asset Class	Target Allocation	Weighted, Average Long-Term Expected Real Rate of Return*
Fixed Income	23.00%	2.75%
Domestic Equity	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	18.00%	4.92%
Total Fund	100.00%	5.66%

*Arithmetic.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent, a decrease from the 8 percent used in the prior year. 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 7.5 percent was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2016.

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, 2016, calculated using the current period discount rate assumption of 7.5 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 (6.5 percent) or one percentage point higher (8.5 percent) than the current assumption (dollars in thousands):

Traditional Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability:			
Primary Government	$ 7,236,295	$ 4,736,652	$ 2,652,576
Ohio State University	3,147,036	2,054,548	1,144,550

Combined Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Asset:			
Primary Government	$ (752)	$ 10,623	$ 19,468

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 A and B premium reimbursements, to qualifying members of both the Traditional Plan and Combined Plan. As part of plan changes, the Medicare Part B reimbursement ended in 2016, resulting in no reimbursements beginning in 2017. In 2016, retirees who did not qualify for premium-free Medicare Part A and select a plan through the Connector, began receiving 100 percent reimbursement of their premium and spouses will be reimbursed a portion of their premium, which is required by Ohio law. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment healthcare coverage, but qualify for a Retiree Medical Account.

To qualify for post-employment healthcare coverage, age-and-service retirees under the defined benefit and combined plans must have twenty years of qualifying Ohio service credit with a minimum age of 60, or 30 or more years of qualifying service at any age. An OPERS retiree, re-employed in an OPERS covered job, must enroll in

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

the employer's health care plan if offered. The retiree may continue participation in the OPERS health care plan, after the two-month forfeiture period, as secondary coverage. 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.

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 2017, 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	
	Traditional Plan	Combined Plan
July 1, 2016 through June 30, 2017...................	1.0%	1.0%

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. Spouses are being transitioned from the monthly allowance to zero by 2018. Spouses eligible for Medicare will have access to OPERS Medicare Connector and, if not yet eligible for Medicare, will have access to OPERS group coverage at full cost to the spouse thorough 2020. 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. The changes were implemented in a phased-in manner from 2013, and continuing through 2018. With the passage of pension legislation under Senate Bill 343 and the approved healthcare changes, OPERS has continued efforts in 2016 to implement pension changes provided by the legislation.

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):

	2017	2016	2015
Primary Government:			
Regular Employees	$ 37,366	$ 44,519	$ 51,394
Law Enforcement Employees...	508	616	608
Total	$ 37,874	$ 45,135	$ 52,002
Major Discretely Presented Component Units:			
Ohio State University..	$ 19,434	$ 24,104	$ 23,400

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2017, employers paid four 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

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

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 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):

	2017	2016	2015
Primary Government..	$ 2,775	$ 3,886	$ 1,684
Major Discretely Presented Component Units:			
Ohio State University..	$ 2,108	$ 2,904	$ 1,026

The number of active contributing participants for the primary government was 65,040 as of June 30, 2017.

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 the terminations equal or exceed 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 or 20 percent of the total service credited to any participant. The ERI agreements establish an obligation to pay specific amounts on fixed dates.

As of June 30, 2017, the State had no significant liability balances relative to existing ERI agreements with state employees covered by OPERS. During fiscal year 2017, 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 – the Defined Benefit Plan, the Defined Contribution Plan, and the 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 https://www.strsoh.org/.

For retirement dates beginning on or after August 1, 2015, participants in the Defined Benefit Plan may retire after 31 years of credited service regardless of age, or at or after age 65 with five years of credited service. Members retiring before age 65 with less than 31 years of service credit receive a percentage reduction in benefit amounts. Eligibility requirements for an unreduced benefit are based on the final average salary based on the five highest

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

years of earnings, and by multiplying 2.2 percent times the number of years of service credit. Retirees are entitled to a maximum annual retirement benefit, payable in monthly installments for life, equal to the "formula benefit" calculation.

For members who were eligible to retire on July 1, 2015, the annual retirement allowance is the greater of the benefit amount calculated upon retirement under the new benefit formula or the old benefit amount, which is frozen as of July 1, 2015. The old benefit amount was 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.

Retirees choose from one of four payment options, including annuity options and a "partial lump-sum" option. 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, 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. All employee contributions and 9.5 percent of employer contributions are placed into individual member accounts (the remaining 4.5 percent of employer contributions is allocated to the defined benefit unfunded liability), and members direct the investment of their accounts by selecting from various professionally managed investment options. Members vest 20 percent per year in employer contributions, including associated gains and losses on those contributions. Employee contributions vest immediately. Retirees may select from various annuity payment plans or a lump-sum payment option.

Participants in the Combined Plan may start to collect the defined benefit portion of the plan at age 60 with five years of service. Of employee contributions, 12 percent are deposited into the defined contribution portion of the plan, while the remaining 2 percent is deposited into the defined benefit portion of the plan. The annual allowance for the defined benefit portion of the Plan 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.

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 2017 were 14 percent for employers and 14 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.

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

At June 30, 2017, the State reports a liability of $126.9 million for its proportionate share of the net pension liability, as compared to $107.5 million at June 30, 2016. Ohio State University discretely presented component unit reports a liability of $1.51 billion for its proportionate share, as compared to $ 1.24 billion at June 30, 2016. The net pension liability was measured as of June 30, 2016. The Plan's total pension liability used to calculate the Plan's net pension liability was determined by an actuarial valuation as of July 1, 2016. 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. At June 30, 2016, the State's proportion was .379 percent based on employer contributions totaling $5.7 million as compared to the State's proportion at June 30, 2015, of .389 percent. Ohio State University had a proportionate share of 4.5 percent based on employer contributions of $70.4 million, as compared to 4.5 percent for June 30, 2015.

For purposes of measuring the net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the system and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by STRS. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

For the year ended June 30, 2017, the State recognized pension expense of $6.9 million and Ohio State University discretely presented component unit recognized $49.9 million.

At June 30, 2017, the State and Ohio State University 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	$ 5,243	$ 61,044
Differences Between Projected and Actual Investment Earnings	9,974	125,438
Change in employer proportionate share of NPL	-	921
Employer Contributions subsequent to measurement date	5,863	70,306
Total	$ 21,080	$ 257,709
Deferred Inflows of Resources		
Change in employer proportionate share of NPL	$ (5,065)	$ -
Total	$ (5,065)	$ -

Deferred Outflows of Resources of $5.9 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, 2018. Ohio State University discretely presented component unit will recognize $70.3 million as a 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 (dollars in thousands):

	Primary Government	Ohio State University
YEAR ENDED JUNE 30:		
2018	$ 719	$ 30,189
2019	719	30,189
2020	5,079	77,142
2021	3,635	49,883

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

Actuarial Assumptions:
The Total Pension Liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal	
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	2.00	percent simple applied as follows: members retired before August 1, 2013, two percent per year; members retiring August 1, 2013 or later, two percent COLA commences on the fifth anniversary of the retirement date.

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

The actuarial assumptions used in the June 30, 2016 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 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. Only employer contributions that are intended to fund benefits of current plan members and beneficiaries are included. Projected employer contributions that are intended to fund the costs of future plan members and beneficiaries, and projected contributions from future plan members, are not included. 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 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

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 the June 30, 2016, measurement date, calculated using the current period discount rate assumption of 7.75 percent. Also shown in the table below is what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current assumption (dollars in thousands):

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Primary Government..	$ 168,665	$ 126,919	$ 91,704
Ohio State University Discretely Presented Component Unit......	2,007,749	1,510,814	1,091,620

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the State's net pension liability is not expected to be significant.

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. Medicare Part D allows STRS Ohio to recover part of the healthcare cost for providing prescription coverage through its health care plans which include creditable prescription drug coverage.

Under Ohio law, funding for the post-employment healthcare may be deducted from employer contributions. Of the 14 percent employer contribution rate, no covered payroll was allocable to postemployment healthcare for fiscal years 2015, 2016 and 2017. This action will reduce the amortization period for the pension fund. The Board has authority to direct part of the employer contribution back to the Health Care Fund in the future. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

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:

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Valuation Year	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL) (B)-(C)	Ratio of Assets to AAL (C)/(B)	Active Member Payroll	UAAL as Percentage of Active Member Payroll (D)/(F)
2016	$ 5,154,231	$ 3,258,197	$ 1,896,034	63.2%	$ 10,268,859	18.5%
2015	4,676,223	3,454,371	1,221,852	73.9%	10,004,290	12.2%
2014	4,664,445	3,471,886	1,192,559	74.4%	9,972,923	12.0%

As of June 30, 2016 (the most recent information available), net position available for future healthcare benefits was $3.2 billion.

The number of eligible benefit recipients for STRS as a whole was 175,565 as of June 30, 2016 (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, 2017, is unavailable.

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

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 or (800) 860-2268. A copy of the Comprehensive Annual Financial Report for the year ended December 31, 2016, may also be found at SHPRS's website: https://www.ohprs.org.

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 the employee rate paid by contributing members.

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, but are not eligible for health care benefits. 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, 2016	
Active Members	1,670
Retirees Receiving Benefits	1,580
Retirees not Receiving Benefits	10
	3,260

The pension benefit is a percentage of the member's final average salary, which is the average of the member's five 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

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

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 SHPRS Board sets employee contribution rates and cost-of-living adjustment rates. Employee contribution rates may range between ten and 14 percent and cost-of-living adjustments range between zero and three percent. The Board may set the cost-of-living adjustments annually, but in no case shall it exceed three percent. The cost-of-living adjustment eligibility is 60 years of age, or age 53 for members retired prior to January 2013.

The employer and employee contribution rates, as of December 31, 2016, were 26.5 percent and 12.5 percent, respectively.

During calendar year 2016, all of the employees' contributions funded pension benefits while 22.5 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.

The State's net pension liability was determined by an actuarial valuation as of December 31, 2015, and update procedures were used to roll forward the total pension liability to December 31, 2016. The total pension liability at December 31, 2016, was determined using the following actuarial assumptions, applied to all periods included in the measurement: an investment rate of return of 7.75 percent compounded annually, projected salary increase of 3.5 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 2.75 percent annually. Mortality rates were based on the RP-2014 Healthy Annuitant mortality tables for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for females was then established to be 2012. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumes employer contribution rates allocated to pensions will be 22.5 percent in 2016 and 26.5 percent for each year thereafter, and employee contribution rates of 12.5 percent in each year. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members and beneficiaries. Therefore, the long-term expected rate of return of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2016.

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:

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Cash	1.0%	0.1%
Domestic Equity - Large Cap	25.0%	5.7%
Domestic Equity - Small Cap	5.0%	6.5%
International Equity	15.0%	6.7%
Emerging Markets	8.0%	8.8%
Domestic Corporate Fixed Income	10.0%	1.4%
Domestic Government Fixed Income	3.0%	0.9%
Treasury Inflation Protected Securities	0.0%	1.0%
High Yield Bonds	3.0%	4.1%
Real Estate	0.0%	4.2%
Private Equity	10.0%	9.2%
Hedge Funds	10.0%	3.9%
Other Alternatives	10.0%	4.6%
Total Fund	100.0%	

*Long-Term expected rates of return as shown were calculated arithmetically.

Regarding 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, 2016, calculated using the current period discount rate assumption of 7.75 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 (dollars in thousands):

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
$ 540,753	$ 415,584	$ 311,868

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.

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

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

Fiscal year ending December 31, 2016	
Total Pension Liability:	
Service Cost	$ 18,094
Interest on the Total Pension Liability	84,195
Difference Between Expected and Actual Experience	(8,633)
Benefit Payments	(65,720)
Refunds	(1,731)
Net Change in Total Pension Liability	26,205
Total Pension Liability - Beginning	1,111,064
Total Pension Liability - Ending (a)	$ 1,137,269
Plan Fiduciary Net Position:	
Employer Contributions	$ 25,384
Employee Contributions	14,101
Pension Plan Net Investment Income	46,423
Benefit Payments	(65,721)
Refunds	(1,731)
Pension Plan Administrative Expense	(1,353)
Other	357
Net Change in Plan Fiduciary Net Position	17,460
Plan Fiduciary Net Position - Beginning	704,225
Plan Fiduciary Net Position - Ending (b)	$ 721,685
Net Pension Liability - Ending (a) - (b)	$ 415,584
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.5%
Covered Employee Payroll*	108,789
Net Pension Liability as a Percentage of Covered Employee Payroll	382%
Notes to Schedule:	N/A

*Includes members of the DROP.

For the year ended June 30, 2017, the State recognized pension expense of $35.5 million. The amount of employer contributions from the State for the calendar year ended December 31, 2016, totaled $ 25.4 million. At June 30, 2017, the State reports Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):

Deferred Outflows of Resources	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$ 48,611
Changes of Assumptions	25,224
Contributions Subsequent to Measurement Date	12,886
Total	$ 86,721
Deferred Inflows of Resources	
Difference Between Projected and Actual Experience	$ (10,910)
Total	$ (10,910)

Deferred Outflows of Resources of $12.9 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, 2018. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

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

Year Ended June 30:	
2018	$ 21,427
2019	21,427
2020	19,052
2021	1,349
2022	(330)

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 2016, 2 percent of the employer's contributions funded healthcare benefits for the Traditional Plan and Combined Plan. The employer contribution was 4 percent, for participants of the Member-Directed Plan, which is deposited into the Retiree Medical Account. 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, 2016, was 1,670.

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)	$ 30,088
Interest on Net OPEB Obligation	8,567
Adjustment to ARC	(7,083)
Annual OPEB Cost	31,572
Contributions Made	(5,593)
Increase (Decrease) in Net OPEB Obligation	25,979
Net OPEB Obligation, Beginning of Year	171,348
Net OPEB Obligation, End of Year	$ 197,327

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
2016	$ 31,572	17.7%	$ 197,327
2015	27,427	18.9%	171,348
2014	26,002	19.1%	149,131

As of December 31, 2016, the most recent actuarial valuation, the plan was 26.8 percent funded. The actuarial accrued liability was $403.7 million, and the actuarial value of assets was $108.3 million, resulting in an unfunded actuarial liability (UAAL) of $295.4 million. The covered payroll (annual payroll of active employees covered by the plan) was $108.8 million, and the ratio of the UAAL to the covered payroll was 271.6 percent.

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.

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

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)
2016	$ 403,703	$ 108,282	$ 295,421	26.8%	$ 108,789	271.6%
2015	412,352	106,550	305,802	25.8%	99,983	305.9%
2014	376,683	103,813	272,870	27.6%	99,212	275.0%

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, 2016, 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 3.5 percent attributable to inflation and additional projected salary increases ranging from 3.8 percent to 13.5 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 2031 and later. 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 four 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.
The Ohio Department of Higher Education has designated the companies that are eligible to serve as plan providers for the ARP.

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

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, 2017, these contribution rates are ten percent for OPERS and 14 percent for STRS. Employees may also voluntarily make additional contributions to the ARP.

For the year ended June 30, 2017, each public institution of higher education was required to contribute 0.77 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, 2017, to STRS in cases when the employee would have otherwise been enrolled in STRS.

The employer contribution amount is subject to actuarial review every fifth 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, 2017, for the ARP follow (dollars in thousands):

Major Component Unit:	OPERS	STRS
Ohio State University:		
Employer Contributions	$ 29,672	$ 26,753
Employee Contributions	22,458	39,425

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, 2017, the General Assembly had authorized the issuance of $5.17 billion in Common Schools Capital Facilities Bonds, of which $4.77 billion has been issued. As of June 30, 2017, the General Assembly had also authorized the issuance of $4.02 billion in Higher Education Capital Facilities Bonds, of which $3.53 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, 2017, the General Assembly has authorized the issuance of approximately $3.68 billion in Highway Capital Improvements Bonds, of which $2.92 billion has been issued.

Constitutional amendments in 1995, 2005, and 2014 allowed for the issuance of $5.63 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds). In 2014, the annual issuance limitation increased from $150 million to $175 million in the first five fiscal years and will rise to $200 million in each following fiscal year thereafter (plus any obligations unissued from previous fiscal years). As of June 30, 2017, the General Assembly had authorized $4.1 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which $3.75 billion had been issued (net of $214 million in unaccreted discounts at issuance).

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. Not more than $50 million of Natural Resources Bonds may be issued in any fiscal year. As of June 30, 2017, the General Assembly had authorized the issuance of $258 million in Coal Research and Development Bonds, of which $234 million had been issued. Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled $458 million, as of June 30, 2017, of which $418.1 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 (plus any obligations unissued from previous fiscal years). As of June 30, 2017, the General Assembly had authorized the issuance of approximately $600 million in Conservation Projects Bonds of which $450 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, 2017, the General Assembly had authorized the issuance of $1.2 billion in Third Frontier Research and Development Bonds, of which $761 million had been issued.

The issuance of $150 million of Site Development Bonds were 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, 2017, of which all $150 million had been issued.

A 2009 constitutional amendment provided 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, 2017, 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, 2017, 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, 2017. 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, 2017
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities	2004-17	2.5%-5.5%	2037	$3,098,232	$ 400,000
Higher Education Capital Facilities	2009-17	1.2%-5.3%	2037	2,453,760	485,000
Highw ay Capital Improvements	2008-16	2.0%-5.0%	2031	904,446	761,590
Infrastructure Improvements	2002-17	2.0%-5.5%	2037	1,912,691	350,014
Coal Research and Development	2010-16	1.5%-5.0%	2026	35,287	24,000
Natural Resources Capital Facilities	2007-16	3.0%-5.0%	2030	140,050	39,870
Conservation Projects	2007-17	2.0%-5.0%	2032	269,185	150,000
Third Frontier Research and Development	2009-16	1.1%-5.5%	2026	384,073	439,000
Site Development	2010-14	2.5%-4.6%	2023	61,947	-
Veterans' Compensation	2011-12	2.3%-4.9%	2027	37,970	116,090
Total General Obligation Bonds				$9,297,641	$ 2,765,564

Future Funding of Current Interest and Capital Appreciation Bonds:

Year Ending June 30,	Principal	Interest	Total
2018..	$ 713,790	$ 368,046	$ 1,081,836
2019..	740,650	334,180	1,074,830
2020..	746,860	301,172	1,048,032
2021..	736,580	267,491	1,004,071
2022..	701,060	233,925	934,985
2023-2027...	2,422,165	762,534	3,184,699
2028-2032...	1,480,185	330,239	1,810,424
2033-2037...	574,005	67,043	641,048
Total Current Interest and Capital Appreciation Bonds	$ 8,115,295	$ 2,664,630	$ 10,779,925

Future Funding of Variable-Rate Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Sw aps, Net	Total
2018..	$ 63,450	$ 6,995	$ 6,460	$ 76,905
2019..	46,335	5,779	5,771	57,885
2020..	50,465	4,808	5,057	60,330
2021..	52,305	3,999	4,013	60,317
2022..	54,300	3,161	2,929	60,390
2023-2027...	125,555	4,763	4,035	134,353
Total Variable-Rate Bonds..........................	$ 392,410	$ 29,505	$ 28,265	$ 450,180

Total General Obligation Bonds	$ 8,507,705
Unamortized Premium/(Discount), Net.........	789,936
Total..	$ 9,297,641

For the year ended June 30, 2017, NOTE 15 summarizes changes in general obligation bonds.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Hedging Derivatives

As of June 30, 2017, approximately $261.6 million of Infrastructure Improvement Bonds and Common Schools Bonds have associated cash flow hedges with a fair value of ($22.1) 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 $15 million during fiscal year 2017. 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, 2017
(dollars in thousands)

Issue	Type of Cash Flow Hedge	Notional Amount	Underlying Index	Counterparty's Swap Rate at 06/30/2017	State's Swap Rate at 06/30/2017	Effective Date	Termination (Maturity) Date
Infrastructure Improvements, Series 2001B	Pay-fixed interest rate swap	$42,600	SIFMA Index	0.91%	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	$46,755	LIBOR (See terms below)	1.02%	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)	1.05%	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	$52,635	LIBOR (see terms below)	1.05%	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	$52,635	LIBOR (see terms below)	1.05%	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: A1/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, 2017. 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 2017, there were no advance refundings of general obligations bonds.

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, Conservation Bonds of $35.4 million, Common School Bonds of $143.2 million, Higher Education Bonds of $70.6 million, Infrastructure Improvement Bonds of $179.9 million, Natural Resources Bonds of $13.6 million, and Third Frontier Bonds of $22.6 million are considered defeased and no longer outstanding as of June 30, 2017.

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 $2.37 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 2029 are estimated at approximately $888.7 million. For fiscal year 2017, principal and interest payments on the revenue bonds was $162.9 million and pledged receipts was $151.2 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, 2017, the total principal and interest payments remaining to be paid on the bonds were $16.90 billion. Principal and interest paid and total net tobacco settlement receipts for fiscal year 2017 were $331.6 million and $273.5 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 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.

NOTE 11 REVENUE BONDS AND NOTES (Continued)

Revenue bonds and notes outstanding and future bond service requirements for the primary government, as of June 30, 2017, are presented in the following tables.

Primary Government-Governmental Activities
Summary of Revenue Bonds and Notes
As of June 30, 2017
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Treasurer of State: State Infrastructure Bank	2007-17	2.0%-6.0%	2029	$ 815,895
Buckeye Tobacco Settlement Financing Authority	2008	6.3%-7.5%	2052	5,578,752
Total Revenue Bonds and Notes				$ 6,394,647

Primary Government-Governmental Activities
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2017
(dollars in thousands)

Year Ending June 30,	Principal	Interest	Total
2018	$ 376,775	$ 324,813	$ 701,588
2019	225,095	304,967	530,062
2020	235,050	293,832	528,882
2021	215,875	282,905	498,780
2022	180,015	272,622	452,637
2023-2027	809,870	1,224,612	2,034,482
2028-2032	642,115	1,026,082	1,668,197
2033-2037	643,560	843,783	1,487,343
2038-2042	978,430	612,488	1,590,918
2043-2047	1,596,550	3,282,420	4,878,970
2048-2052	128,183	3,289,117	3,417,300
	6,031,518	11,757,641	17,789,159
Unamortized Premium/(Discount), Net	363,129	-	363,129
Total	$ 6,394,647	$ 11,757,641	$ 18,152,288

For the year ended June 30, 2017, 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 $103.4 million, Revitalization Bonds of $28.9 million and State Infrastructure Bonds of $62.5 million are considered defeased and no longer outstanding as of June 30, 2017.

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, 2017, are shown in the following table.

Major Discretely Presented Component Units
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2017
(dollars in thousands)

	Ohio State University		
Year Ending June 30,	Principal	Interest	Total
2018	$ 651,039	$ 133,682	$ 784,721
2019	48,713	126,403	175,116
2020	35,601	124,531	160,132
2021	35,665	122,884	158,549
2022	35,884	121,316	157,200
2023-2027	195,331	579,811	775,142
2028-2032	154,385	539,660	694,045
2033-2037	106,192	511,682	617,874
2038-2042	790,153	398,346	1,188,499
2043-2047	411,170	235,203	646,373
2048-2052	-	170,600	170,600
2053-2057	250,000	165,540	415,540
2058-2062	-	120,000	120,000
2063-2067	-	122,916	122,916
2068-2072	-	120,000	120,000
2073-2077	-	120,000	120,000
2078-2082	-	120,000	120,000
2083-2087	-	120,000	120,000
2088-2092	-	120,000	120,000
2093-2097	-	120,000	120,000
2098-2102	-	120,000	120,000
2103-2107	-	120,000	120,000
2108-2112	500,000	96,000	596,000
	3,214,133	4,528,574	7,742,707
Unamortized Premium/(Discount), Net	86,129	-	86,129
Total	$3,300,262	$ 4,528,574	$7,828,836

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 mental health and developmental disabilities institutions, parks and recreation, cultural and sports facilities, correctional facilities, office buildings for state departments and agencies, transportation, 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, 2017, are presented in the following tables.

Primary Government-Governmental Activities
Summary of Special Obligation Bonds
As of June 30, 2017
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized but Unissued
Treasurer of State Lease Rental Bonds..........	2001-17	0.9%-5.6%	2037	$ 2,016,991	$ 837,825
Total Special Obligation Bonds......				$ 2,016,991	$ 837,825

Future Funding of Special Obligation Bonds: Year Ending June 30,	Principal	Interest	Total
2018..........	$ 224,955	$ 80,185	$ 305,140
2019..........	200,200	71,000	271,200
2020..........	176,725	62,847	239,572
2021..........	169,265	54,973	224,238
2022..........	152,835	47,480	200,315
2023-2027..........	555,165	140,083	695,248
2028-2032..........	266,720	49,275	315,995
2033-2037..........	96,535	8,488	105,023
	1,842,400	514,331	2,356,731
Unamortized Premium/(Discount), Net.....	174,591	-	174,591
Total	$2,016,991	$ 514,331	$2,531,322

For the year ended June 30, 2017, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2017, Treasurer of State Lease Rental had no current/advance refunding issues.

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, $88.2 million of lease rental special obligations bonds are considered defeased and no longer outstanding as of June 30, 2017.

NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 2017, approximately $241.6 million in certificate of participation (COP) obligations were reported in governmental activities.

Beginning in fiscal year 2015, the Ohio Department of Administrative Services participated in the issuance of $59.6 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).

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Beginning in fiscal year 2005, the Ohio Department of Administrative Services participated in the issuance of $204.3 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 $67.1 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).

In fiscal year 2017, the Ohio Attorney General's Office participated in the issuance of $19.6 million of COP obligations to finance the cost of acquisition of the Bureau of Criminal Investigation Records System (BCIRS).

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, 2017, are presented in the following tables.

Primary Government — Governmental Activities
Summary of Certificate of Participation Obligations
As of June 30, 2017
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Attorney General:				
Bureau of Criminal Investigation Records System (BCIRS)..	2017	2.0%-5.0%	2027	$ 21,957
Department of Administrative Services:				
Enterprise Data Center Solutions (EDCS)................................	2015-17	5.0%	2027	61,893
Multi-Agency Radio Communications System (MARCS)	2013-15	3.0%-5.0%	2028	64,846
Ohio Administrative Knowledge System (OAKS)	2014-17	4.0%-5.0%	2027	47,881
State Taxation Accounting and Revenue System (STARS).....	2008-17	2.0%-5.0%	2027	36,786
Treasurer of State:				
Treasury Management Systems (TMS).....................................	2015	5.0%	2025	8,264
Total Certificates of Participation				$ 241,627

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Future Commitments for Certificate of Participation Obligations:			
Year Ending June 30,	Principal	Interest	Total
2018	$ 32,130	$ 9,581	$ 41,711
2019	33,615	8,194	41,809
2020	16,900	7,030	23,930
2021	17,755	6,176	23,931
2022	18,640	5,289	23,929
2023-2027	91,875	12,248	104,123
2028-2032	6,625	141	6,766
	217,540	48,659	266,199
Unamortized Premium, Net	24,087	-	24,087
Total	$ 241,627	$ 48,659	$ 290,286

For the year ended June 30, 2017, NOTE 15 summarizes changes in COP obligations.

NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2017, 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	$ 460,688
Net Pension Liability	4,920,398
Net OPEB Obligation	197,327
Capital Leases Payable	17,361
Derivatives	30,919
Pollution Remediation Liabilities	6,083
Infrastructure, Capital Assets	345,477
Litigation Liabilities	17,500
Estimated Claims Payable	1,201
Liability for Escheat Property	276,034
Total Governmental Activities	6,272,988
Business-Type Activities:	
Compensated Absences	41,065
Net Pension Liability	358,757
Capital Leases Payable	6,277
Workers' Compensation:	
Benefits Payable	15,084,910
Other	2,917,449
Prize Awards Payable	449,169
Tuition Benefits Payable	243,500
Total Business-Type Activities	19,101,127
Total Primary Government	$ 25,374,115

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

For the year ended June 30, 2017, NOTE 15 summarizes the changes in other noncurrent liabilities. Explanations of certain significant noncurrent liability balances reported in the financial statements follow:

A. Compensated Absences
For the primary government, the compensated absences liability, as of June 30, 2017, was $501.8 million, of which $460.7 million is allocable to governmental activities and $41.1 million is allocable to business-type activities.

As of June 30, 2017, major discretely presented component units reported a total of $177.6 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 $5.28 billion, as of June 30, 2017, for the primary government of which $4.92 billion is allocable to governmental activities and $358.8 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 $197.3 million as of June 2017. 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 2017 were approximately $80 million. Fiscal year 2018 future minimum lease commitments for operating leases judged to be noncancelable, as of June 30, 2017, were $4.1 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, 2017, are as follows (dollars in thousands):

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

	Capital Leases		
Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2018	$ 4,478	$ 3,113	$ 7,591
2019	4,236	-	4,236
2020	3,728	-	3,728
2021	2,945	3,164	6,109
2022	2,343	-	2,343
2023-2024	763	-	763
Total Minimum Lease Payments	18,493	6,277	24,770
Amount for Interest	(1,132)	-	(1,132)
Present Value of Net Minimum Lease Payments	$ 17,361	$ 6,277	$ 23,638

As of June 30, 2017, the primary government had the following capital assets under capital leases (dollars in thousands):

	Capital Assets		
	Governmental Activities	Business-Type Activities	Total
Equipment	$ 9,076	$ 108,815	$ 117,891
Vehicles	22,177	-	22,177
Total	$ 31,253	$ 108,815	$ 140,068

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, 2017, are presented in the table below (dollars in thousands):

Capital Leases	
Major Discretely Presented Component Units	
Year Ending June 30,	Ohio State University
2018	$ 2,031
2019	1,966
2020	1,901
2021	1,901
2022	1,125
Total Minimum Lease Payments	8,924
Amount for Interest	(376)
Present Value of Net Minimum Lease Payments	$ 8,548
Equipment & Vehicles	$ 17,523
Total	$ 17,523

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

D. Derivatives
For governmental activities, the State has reported $(30.9) million of investment and hedging derivatives as of June 30, 2017. Additional information regarding the State's derivatives is included in NOTE 4, NOTE 10, and NOTE 18.

E. Pollution Remediation Liabilities
The State recognizes a liability for pollution remediation in the amount of $6.1 million, as of June 30, 2017. 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.

F. Infrastructure, Capital Assets
The State records a liability for the Portsmouth Bypass Highway. This road infrastructure construction in progress cost is being incurred by the developer, but not yet reimbursed by the State. Reimbursement payments will commence in State Fiscal Year 2019. As of June 30, 2017, the liability totaled approximately $345.5 million.

G. 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, 2017, $17.5 million in liabilities was reported in Noncurrent, Other Liabilities, Due in One Year. For more information on the State's loss contingencies arising from pending litigation, see NOTE 20.

H. Estimated Claims Payable
The State reported $1.2 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, 2017. The program is included in governmental activities and is accounted for in the General fund. See NOTE 16 for additional information.

The following table reflects the Ohio Enterprise Bond Fund future debt service obligations as of June 30, 2017 (dollars in thousands):

Year Ending June 30,	Principal Due
2018	$ 522
2019	542
2020	137
Total	$ 1,201

I. 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, 2017, the liability totaled approximately $276 million.

J. 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, 2017, in the amount of approximately $15.08 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.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

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 8 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, 2017, this payable totals $449.2 million.

Future payments of prize awards, stated at present value, as of June 30, 2017, follow (dollars in thousands):

Year Ending June 30,	
2018	$ 71,785
2019	63,069
2020	54,508
2021	49,208
2022	44,228
2023-2027	143,782
2028-2032	95,768
2033-2037	30,574
2038-2042	5,892
2043-2047	300
	559,114
Unamortized Discount	(109,945)
Net Prize Liability	$ 449,169

L. Tuition Benefits Payable

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately $243.5 million, as of June 30, 2017. 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 of June 30, 2017, the market value of actuarial net position available for the payment of the tuition benefits payable was $307.6 million.

M. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately $2.92 billion in other noncurrent liabilities, as of June 30, 2017, of which 1) $1.78 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) $1.09 billion consists of the premium rebate due to private employers and public taxing district employers, 3) $4.5 million is contingent liabilities, and 4) $36.4 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, 2017, are presented for the primary government in the following table.

Primary Government
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2017
(dollars in thousands)

Governmental Activities:	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	$ 9,283,156	$ 929,797	$ 915,312	$ 9,297,641	$ 783,542
Revenue Bonds and Notes (NOTE 11)	6,261,882	313,123	180,358	6,394,647	118,468
Special Obligation Bonds (NOTE 12)	1,930,592	331,261	244,862	2,016,991	253,469
Total Bonds and Notes Payable	17,475,630	1,574,181	1,340,532	17,709,279	1,155,479
Certificates of Participation (NOTE 13)	194,899	85,219	38,491	241,627	32,547
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	444,805	345,524	329,641	460,688	56,093
Net Pension Liability	3,800,346	1,120,052	-	4,920,398	-
Net OPEB Obligation	171,348	31,572	5,593	197,327	-
Capital Leases Payable	8,806	8,555	-	17,361	4,059
Derivatives	51,403	-	20,484	30,919	-
Pollution Remediation Liabilities	5,890	364	171	6,083	365
Infrastructure, Capital Assets	195,762	149,715	-	345,477	-
Litigation Liabilities	6,100	17,500	6,100	17,500	17,500
Estimated Claims Payable	1,700	-	499	1,201	522
Liability for Escheat Property	271,580	92,648	88,194	276,034	83,422
Total Other Noncurrent Liabilities	4,957,740	1,765,930	450,682	6,272,988	161,961
Total Noncurrent Liabilities	$ 22,628,269	$ 3,425,330	$ 1,829,705	$ 24,223,894	$ 1,349,987
Business-Type Activities:					
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	$ 38,163	$ 28,462	$ 25,560	$ 41,065	$ 4,123
Net Pension Liability	275,524	83,233	-	358,757	-
Capital Leases Payable	10,077	-	3,800	6,277	3,113
Workers' Compensation:					
Benefits Payable	15,670,600	1,120,737	1,706,427	15,084,910	1,503,463
Other:					
Adjustment Expenses Liability	1,822,600	78,263	119,163	1,781,700	388,973
Miscellaneous	61,300	1,187,175	112,726	1,135,749	1,135,749
Prize Awards Payable	471,659	52,892	75,382	449,169	55,257
Tuition Benefits Payable	297,200	-	53,700	243,500	41,200
Total Other Noncurrent Liabilities	18,647,123	2,550,762	2,096,758	19,101,127	3,131,878
Total Noncurrent Liabilities	$ 18,647,123	$ 2,550,762	$ 2,096,758	$ 19,101,127	$ 3,131,878

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 2017, 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	$ 394,291
Higher Education Support	155,874
Health and Human Services	1,916
Environmental Protection and Natural Resources	1,207
Transportation	38,571
Community and Economic Development	102,281
Total Interest Expense Charged to Governmental Functions	$ 694,140

B. Major Discretely Presented Component Units
Changes in noncurrent liabilities, for the year ended June 30, 2017, 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, 2017
(dollars in thousands)

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amount Due Within One Year
Ohio Facilities Construction Commission					
Intergovernmental Payable	$ 606,446	$ 493,532	$ 253,979	$ 845,999	$ 381,206
Compensated Absences*	274	778	701	351	69
Total	$ 606,720	$ 494,310	$ 254,680	$ 846,350	$ 381,275
Ohio State University:					
Compensated Absences*	$ 171,012	$ 18,808	$ 12,613	$ 177,207	$ 12,613
Capital Leases Payable* (NOTE 14)	4,547	6,430	2,429	8,548	1,891
Net Pension Liability*	2,794,992	770,752	-	3,565,744	-
Other Liabilities*	395,028	341,168	371,490	364,706	80,744
Revenue Bonds & Notes Payable (NOTE 11)	3,384,259	2,130	86,127	3,300,262	651,039
Total	$ 6,749,838	$1,139,288	$ 472,659	$ 7,416,467	$ 746,287

*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, 2017, a liability of $1.2 million has been recorded in the accompanying financial statements for guarantees extended to defaulted organizations. See NOTE 14H. for additional information. The cumulative guarantee payments made for defaulted organizations with bonds currently outstanding is $4.2 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, 2017.

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 2041, 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, 2017, 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	$ 133,225
Hospital Facilities Bonds	3,820
Ohio Department of Transportation:	
State Transportation Infrastructure BondFund Program	40,660
Total Primary Government	$ 177,705

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, 2017, 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)

	Major Funds				
	General	Job, Family & Other Human Services	Buckeye Tobacco Settlement Financing Authority Revenue Bonds	Nonmajor Governmental Funds	Total
Fund Balance:					
Nonspendable					
Inventories	$ 20,744	$ -	$ -	$ 94,241	$ 114,985
Noncurrent Portion of Loans Receivable	1,664	-	-	-	1,664
Advances to Local Government	21,168	-	-	-	21,168
Total Nonspendable	43,576	-	-	94,241	137,817
Restricted					
Primary, Secondary and Other Education	19	54	-	87,128	87,201
Higher Education Support	272,663	-	-	26,731	299,394
Public Assistance and Medicaid	-	303,681	-	221,813	525,494
Health and Human Services	-	-	-	90,927	90,927
Justice and Public Protection	27,161	1,654	-	103,354	132,169
Environmental Protection and Natural Resources	9,619	-	-	134,978	144,597
Transportation	-	-	-	10,217	10,217
Transit Project Loans	-	-	-	229,681	229,681
Highway Construction/Preservation	-	-	-	737,340	737,340
General Government	7,773	20,873	-	94,702	123,348
Community and Economic Development	56,098	9	-	285,701	341,808
Grants/Loans-Local Government Capital Improvements	777,957	-	-	-	777,957
State/Local Government Road/Bridge Improvements	218,720	-	-	-	218,720
Capital Outlay	-	-	-	512,771	512,771
Debt Service	-	-	4,609,898	25,000	4,634,898
Total Restricted	1,370,010	326,271	4,609,898	2,560,343	8,866,522
Committed					
Primary, Secondary and Other Education	2	-	-	84,296	84,298
Higher Education Support	-	-	-	1,358	1,358
Public Assistance and Medicaid	10,164	82,394	-	55,390	147,948
Health and Human Services	5,695	8,077	-	10,353	24,125
Justice and Public Protection	903	-	-	71,266	72,169
Environmental Protection and Natural Resources	-	-	-	181,919	181,919
Transportation	-	-	-	1,388	1,388
General Government	19,307	16,658	-	97,015	132,980
Community and Economic Development	-	-	-	254,701	254,701
Business Development Loans	703,678	-	-	-	703,678
Total Committed	739,749	107,129	-	757,686	1,604,564
Assigned					
Primary, Secondary and Other Education	74,703	-	-	-	74,703
Higher Education Support	26,425	-	-	-	26,425
Public Assistance and Medicaid	542,530	-	-	-	542,530
Health and Human Services	320,191	-	-	-	320,191
Justice and Public Protection	78,054	-	-	-	78,054
Environmental Protection and Natural Resources	28,714	-	-	-	28,714
General Government	473,989	-	-	-	473,989
Escheat Investments used for Mortgage Insurance/ Minority Contractor Bonding/Housing Finance Loans	1,334,704	-	-	-	1,334,704
Community and Economic Development	116,482	-	-	-	116,482
Total Assigned	2,995,792	-	-	-	2,995,792
Unassigned	239,478	(1,318)	-	-	238,160
Total Fund Balance	$ 5,388,605	$ 432,082	$ 4,609,898	$ 3,412,270	$ 13,842,855

NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING (Continued)

As of June 30, 2017, the Budget Stabilization Fund had a fund balance of $2.03 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, 2017 (dollars in thousands):

Primary Government:	
Nonmajor Proprietary Funds:	
Office of Auditor of State	$ (18,245)
Total Primary Government	$ (18,245)
Discretely Presented Component Units:	
Major Component Units:	
Ohio Facilities Construction Commission	$ (3,868,901)
Nonmajor Component Units:	
Ohio Capital Fund	(69,979)
Cincinnati State Community College	(25,624)
Total Component Units	$ (3,964,504)

Deficits 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, 2017, 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	$ -	$ -	$ -	$ 4,235,667	$ 4,235,667
Total Governmental Activities	-	-	-	4,235,667	4,235,667
Reconciliation of fund level statements to government-wide statements due to basis differences	1,642,156	22,089	141,064	-	1,805,309
Total Governmental Activities	$ 1,642,156	$ 22,089	$ 141,064	$ 4,235,667	$ 6,040,976
Business-Type Activities:					
Major Proprietary Funds:					
Workers' Compensation	$ 90,259	$ -	$ -	$ -	$ 90,259
Lottery Commission	18,384	-	-	-	18,384
Nonmajor Proprietary Funds	29,844	-	-	-	29,844
Total Business-Type Activities	$ 138,487	$ -	$ -	$ -	$ 138,487
Total Primary Government					$ 6,179,463

As of June 30, 2017, The Ohio State University, a major discretely presented component unit, reported deferred outflows of resources totaling approximately $991.7 million for net pension asset/liability and $21.4 million for losses on debt-related transactions.

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

B. Deferred Inflows of Resources

The deferred inflows of resources for the primary government, as of June 30, 2017, 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	Debt Refundings	Total
Governmental Activities:					
Major Governmental Funds:					
General	$ -	$ 786,564	$ 464,522	$ -	$ 1,251,086
Job, Family and Other Human Services	-	-	69,250	-	69,250
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	-	551,877	-	551,877
Nonmajor Governmental Funds	-	34,100	14,815	-	48,915
Total Governmental Activities	-	820,664	1,100,464	-	1,921,128
Reconciliation of fund level statements to government-wide statements due to basis differences	60,168	1,170,853	(1,100,464)	60	130,617
Total Governmental Activities	$ 60,168	$ 1,991,517	$ -	$ 60	2,051,745
Business-Type Activities:					
Major Proprietary Funds:					
Workers' Compensation	$ 9,777	$ -	$ -	$ -	$ 9,777
Lottery Compensation	2,358	-	-	-	2,358
Nonmajor Proprietary Funds	2,046	-	-	-	2,046
Total Business-Type Activities	$ 14,181	$ -	$ -	$ -	$ 14,181
Total Primary Government					$ 2,065,926

As of June 30, 2017, the Ohio Facilities Construction Commission, a major discretely presented component unit, reported deferred inflows of resources totaling approximately $3.45 billion pertaining to resources from the sale of future revenues. In addition, the Ohio State University, another major discretely presented component unit, reported deferred inflows of resources of $16.4 million for net pension asset/liability, $19.1 million for gains on debt-related transactions, and approximately $435.8 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 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.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

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 $197 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, 2016 (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	100.0%

*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, 2016, was as follows (dollars in thousands):

Cash and Investments	$ 125,482
Other Assets	108
Total Assets	$ 125,590
Total Liabilities	$ 1,336
Total Net Position	124,254
Total Liabilities and Net Position	$ 125,590
Total Revenues and Other Additions	$ 7,219
Total Expenditures and Other Deductions	(6,281)
Change in Net Position	$ 938

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.

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.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

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 2017 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	$ 71,092	$ 10,576	$ 81,668
Eastern Gateway	7,877	244	8,121
Lakeland	19,626	4,370	23,996
Lorain County	27,528	3,948	31,476
Rio Grande	6,422	1,989	8,411
Sinclair	50,050	7,573	57,623
Total Local Community Colleges	182,595	28,700	211,295
Technical Colleges:			
Belmont	5,112	493	5,605
Central Ohio	12,940	137	13,077
Hocking	13,412	451	13,863
James A. Rhodes	10,433	205	10,638
Marion	7,457	-	7,457
Zane	8,942	287	9,229
North Central	7,889	1,346	9,235
Stark	30,077	811	30,888
Total Technical Colleges	96,262	3,730	99,992
Total	$ 278,857	$ 32,430	$ 311,287

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.

During fiscal year 2017, the State had the following related-party transactions with its related organizations:

- The General Fund reports a $289 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

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

- 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 $4.2 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 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)

All pending litigation related to floods in Mercer County against the Department of Natural Resources was resolved through a settlement. A court order in furtherance of the settlement was filed in Mercer County in July 2017, and the State paid the settlement amount of $17.5 million in early fiscal year 2018. The State recognized a corresponding liability in the June 30, 2017, Statement of Net Position.

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 2016 State of Ohio Single Audit (issued in February 2017), $246 thousand plus an undetermined amount 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, 2017.

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

NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

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.

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 2017, Ohio received $270.2 million, which is approximately $135.8 million or 33.5 percent less than the pre-adjusted base payment for the year.

As of June 30, 2017, the estimated tobacco settlement receivable in the amount of $586 million is included in "Other Receivables" reported for the governmental funds. The receivable includes $370.5 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 for the State of Ohio in future years follows (dollars in thousands):

Year Ending June 30,	Pre-adjusted MSA Base Payments
2018	$ 431,325
2019	436,331
2020	441,189
2021	446,563
2022	451,881
2023-2027	2,346,281
2028-2032	2,505,977
2033-2037	2,674,512
2038-2042	2,848,790
2043-2047	3,030,814
2048-2052	3,228,246
Total	$ 18,841,909

NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

D. Construction Commitments
As of June 30, 2017, the Ohio Department of Transportation had total contractual commitments of approximately $2.6 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 $1.49 billion, $571.5 million, $492 million, and $54.6 million, respectively.

As of June 30, 2017, 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	$ 32,100
Parks and Recreation Improvements	116,788
Administrative Services Building Improvements	24,061
Youth Services Building Improvements	41,951
Adult Correctional Building Improvements	81,747
Ohio Parks and Natural Resources	20,288
Transportation Building Improvements	6,970
Total	$ 323,905

Major Discretely Presented Component Units	
Ohio State University	$ 262,286

E. Pollution Remediation Activities
During fiscal year 2017, 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).

As a result of the imminent danger to public health, the Ohio Environmental Protection Agency (EPA) has assumed responsibility for operating and maintaining the collection and treatment system at the Lincoln Fields contaminated water system in Mansfield. The liability at June 30 is estimated at $4.3 million. Cost was estimated by the EPA site coordinator using actual invoices to date.

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 $1.8 million. Cost was estimated by the onsite coordinators using actual invoices to date.

The liabilities described above are 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 liabilities for these activities are an estimate and are 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, 2017, no capital assets were created nor reported as a result of any pollution remediation process.

NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

F. Encumbrances

At June 30, 2017, the State has significant encumbrances of $879.7 million in the General Fund, $1.25 billion in the Job, Family and Other Human Services Special Revenue Fund, and $3.78 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 $15.08 billion is reported in the Fund as of June 30, 2017. 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 $1.78 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 $28.2 billion, as of June 30, 2017, and $29.3 billion, as of June 30, 2016. For additional information, refer to the Fund's separately audited financial report, for the fiscal year ended June 30, 2017.

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.

NOTE 21 RISK FINANCING (Continued)

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

	Fiscal Year 2017	Fiscal Year 2016
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	$ 17,493	$ 18,195
Incurred Compensation and Compensation Adjustment Benefits................................	1,199	1,203
Incurred Compensation and Compensation Adjustment Benefit Payments and Other Adjustments	(1,826)	(1,905)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	$ 16,866	$ 17,493

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 three third party administrators (TPAs), Medical Mutual of Ohio (MMO), Aetna and Anthem. The three 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, Aetna or Anthem 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, 2017, approximately $30.2 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 2017	Fiscal Year 2016
Claims Liabilities, as of July 1	$ 53,990	$ 48,214
Incurred Claims	534,804	530,252
Claims Payments	(528,856)	(524,476)
Claims Liabilities, as of June 30	$ 59,938	$ 53,990

NOTE 21 RISK FINANCING (Continued)

As of June 30, 2017, the resources on deposit in the Agency Fund were less than the estimated claims liability by approximately $29.7 million, thereby resulting in a funding deficit. Eighty-five percent or $25.3 million of the deficit, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting increase 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, 2017, the State issued major debt as detailed in the table below:

Debt Issuances
Subsequent to June 30, 2017
(dollars in thousands)

	Date Issued	Net Interest Rate or True Interest Cost	Amount
Primary Government:			
Treasurer of State-General Obligation Bonds:			
Highway Capital Improvement, Series T	09/19/17	2.40%	$204,420
Highway Capital Improvement, Refunding Series U	09/19/17	2.00%	136,265
Total Treasurer of State-General Obligation Bonds			340,685
Ohio Public Facilities Commission (OPFC)- General Obligation Bonds:			
Infrastructure Improvements, Series 2017A	10/11/17	3.28%	175,000
Third Frontier Research and Development-Taxable, Series 2017A	10/11/17	2.52%	90,000
Common Schools Capital Facilities, Refunding Series 2017B	12/07/17	1.93%	203,535
Higher Education Capital Facilities, Refunding Series 2017C	12/07/17	1.93%	194,955
Infrastructure Improvements, Refunding Series 2017B	12/07/17	2.06%	68,630
Natural Resources, Refunding Series V	12/07/17	1.93%	23,765
Total OPFC-General Obligation Bonds			755,885
Total General Obligation Bonds			1,096,570
Treasurer of State-Special Obligation Bonds:			
Adult Correctional Facilities, Series 2017A	10/17/17	3.05%	100,000
Adult Correctional Facilities, Refunding Series 2017B	10/17/17	2.28%	62,320
State Facilities (Administrative Building), Refunding Series 2017B	10/17/17	2.16%	30,790
Mental Health Facilities Improvement, Refunding Series 2017A	10/17/17	1.75%	17,765
Cultural and Sports Capital Facilities, Series 2017A	12/04/17	2.24%	30,000
Parks and Recreation Facilities, Series 2017A	12/04/17	2.74%	100,000
Juvenile Correctional Facilities, Refunding Series 2017A	12/04/17	2.33%	10,515
Total Special Obligation Bonds			351,390
Total Primary Government			$1,447,960
Major Component Units:			
The Ohio State University:			
General Receipts Bonds-Tax Exempt, Series 2017	12/20/17	1.90%	$69,950
Total The Ohio State University			$69,950