Financial Section

Basic Financial Statements

Red White & BOOM!
Columbus, Ohio

STATE OF OHIO
STATEMENT OF NET POSITION
JUNE 30, 2018
(dollars in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Cash Equity with Treasurer	$ 10,085,088	$ 148,378	$ 10,233,466	$ 357,058
Cash and Cash Equivalents	193,583	1,415,902	1,609,485	2,638,683
Deposit with Federal Government	—	932,190	932,190	—
Investments	1,281,949	25,749,013	27,030,962	12,426,732
Collateral on Lent Securities	2,893,140	31,987	2,925,127	100,566
Taxes Receivable	1,720,294	—	1,720,294	—
Intergovernmental Receivable	1,381,993	6,977	1,388,970	64,936
Premiums and Assessments Receivable	—	684,757	684,757	—
Investment Trade Receivable	—	85,124	85,124	—
Loans Receivable, Net	1,284,361	—	1,284,361	328,937
Receivable from Primary Government	—	—	—	20,358
Receivable from Component Units	4,960	—	4,960	—
Other Receivables	819,329	476,732	1,296,061	1,516,365
Inventories	105,808	—	105,808	160,679
Other Assets	25,092	8,551	33,643	1,701,286
Restricted Assets:				
Cash Equity with Treasurer	—	63	63	—
Cash and Cash Equivalents	390	—	390	861,879
Investments	376,237	697,769	1,074,006	2,278,193
Collateral on Lent Securities	—	54,429	54,429	—
Other Receivables	572,542	3	572,545	—
Capital Assets Being Depreciated, Net	2,326,828	59,465	2,386,293	14,049,697
Capital Assets Not Being Depreciated	25,678,761	106,064	25,784,825	1,587,994
TOTAL ASSETS	48,750,355	30,457,404	79,207,759	38,093,363
DEFERRED OUTFLOWS OF RESOURCES	5,121,436	87,464	5,208,900	1,956,039
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**53,871,791**	**30,544,868**	**84,416,659**	**40,049,402**
LIABILITIES:				
Accounts Payable	785,178	45,223	830,401	745,315
Accrued Liabilities	421,662	4,816	426,478	621,630
Medicaid Claims Payable	1,304,019	—	1,304,019	—
Obligations Under Securities Lending	2,893,140	86,416	2,979,556	100,566
Investment Trade Payable	—	311,908	311,908	—
Intergovernmental Payable	1,030,299	482	1,030,781	6,916
Internal Balances	546,632	(546,632)	—	—
Payable to Primary Government	—	—	—	8,466
Payable to Component Units	20,996	—	20,996	—
Unearned Revenue	491,720	501,997	993,717	486,793
Benefits Payable	—	6,466	6,466	—
Refund and Other Liabilities	1,244,844	209,561	1,454,405	161,343
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year	1,247,872	—	1,247,872	920,309
Due in More Than One Year	17,412,922	—	17,412,922	10,093,202
Certificates of Participation:				
Due in One Year	34,072	—	34,072	—
Due in More Than One Year	170,548	—	170,548	—
Other Noncurrent Liabilities:				
Due in One Year	154,103	3,410,194	3,564,297	739,801
Due in More Than One Year	7,157,461	15,294,536	22,451,997	11,128,028
TOTAL LIABILITIES	34,915,468	19,324,967	54,240,435	25,012,369
DEFERRED INFLOWS OF RESOURCES	2,823,393	101,698	2,925,091	4,983,674
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**37,738,861**	**19,426,665**	**57,165,526**	**29,996,043**

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	24,363,007	162,367	24,525,374	8,111,711
Restricted for:				
Primary, Secondary and Other Education	139,583	—	139,583	—
Higher Education Support	23,579	—	23,579	—
Public Assistance and Medicaid	500,747	—	500,747	—
Health and Human Services	116,726	—	116,726	—
Justice and Public Protection	159,884	—	159,884	—
Environmental Protection and Natural Resources	275,626	—	275,626	—
Transportation	2,534,052	—	2,534,052	172,358
General Government	277,782	—	277,782	—
Community and Economic Development	529,084	—	529,084	25,294
Lottery Prizes	—	27,954	27,954	—
Workers Compensation	—	9,791,094	9,791,094	—
Unemployment Compensation	—	974,990	974,990	—
Tuition Trust Authority	—	97,366	97,366	—
Nonexpendable for				
Colleges and Universities	—	—	—	3,981,215
Expendable for				
Colleges and Universities	—	—	—	3,396,881
Unrestricted	(12,787,140)	64,432	(12,722,708)	(5,634,100)
TOTAL NET POSITION (DEFICITS)	**$ 16,132,930**	**$ 11,118,203**	**$ 27,251,133**	**$ 10,053,359**

STATE OF OHIO

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(dollars in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	PROGRAM REVENUES: OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	PROGRAM REVENUES: CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	NET (EXPENSE) REVENUE
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Primary, Secondary and Other Education	$ 13,244,868	$ 25,993	$ 1,889,366	$ —	$ (11,329,509)
Higher Education Support	2,771,493	4,987	24,146	—	(2,742,360)
Public Assistance and Medicaid	30,454,468	2,680,920	21,636,523	—	(6,137,025)
Health and Human Services	1,744,243	191,181	834,134	—	(718,928)
Justice and Public Protection	3,670,780	1,129,008	220,079	261	(2,321,432)
Environmental Protection and Natural Resources	567,788	244,673	109,298	—	(213,817)
Transportation	2,598,688	148,490	70,513	1,414,262	(965,423)
General Government	951,063	460,910	102,757	415	(386,981)
Community and Economic Development	3,458,487	343,546	275,607	9,759	(2,829,575)
Interest on Long-Term Debt (excludes interest charged as program expense)	97,799	—	—	—	(97,799)
TOTAL GOVERNMENTAL ACTIVITIES	**59,559,677**	**5,229,708**	**25,162,423**	**1,424,697**	**(27,742,849)**
BUSINESS-TYPE ACTIVITIES:					
Workers' Compensation	2,227,977	1,172,347	1,336,579	—	280,949
Lottery Commission	3,022,690	4,153,363	2,465	—	1,133,138
Unemployment Compensation	929,460	1,253,015	15,024	—	338,579
Tuition Trust Authority	57,115	8,892	48,827	—	604
Office of Auditor of State	81,574	46,062	—	—	(35,512)
TOTAL BUSINESS-TYPE ACTIVITIES	**6,318,816**	**6,633,679**	**1,402,895**	**—**	**1,717,758**
TOTAL PRIMARY GOVERNMENT	**$ 65,878,493**	**$ 11,863,387**	**$ 26,565,318**	**$ 1,424,697**	**$ (26,025,091)**
COMPONENT UNITS:					
Ohio Facilities Construction Commission	$ 470,146	$ 28,017	$ 4,117	$ —	$ (438,012)
Ohio State University	6,108,837	5,087,564	757,036	15,470	(248,767)
Other Component Units	7,292,158	5,544,125	852,532	29,873	(865,628)
TOTAL COMPONENT UNITS	**$ 13,871,141**	**$ 10,659,706**	**$ 1,613,685**	**$ 45,343**	**$ (1,552,407)**

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	$ (27,742,849)	$ 1,717,758	$ (26,025,091)	$ (1,552,407)
General Revenues:				
Taxes:				
Income	8,474,637	—	8,474,637	—
Sales	10,358,501	—	10,358,501	—
Corporate and Public Utility	2,843,017	—	2,843,017	—
Cigarette	939,953	—	939,953	—
Other	1,024,397	—	1,024,397	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes	1,891,116	—	1,891,116	—
Total Taxes	25,531,621	—	25,531,621	—
Tobacco Settlement	352,355	—	352,355	—
Escheat Property	158,770	—	158,770	—
Unrestricted Investment Income	24,741	15	24,756	716,044
State Assistance	—	—	—	2,590,150
Other	17	—	17	724,616
Gain (Loss) on Extinguishment of Debt	—	—	—	(11)
Additions (Deductions) to Endowments and Permanent Fund Principal	—	—	—	117,958
Transfers-Internal Activities	1,168,236	(1,168,236)	—	—
TOTAL GENERAL REVENUES, GAINS (LOSSES), CONTRIBUTIONS, SPECIAL ITEMS AND TRANSFERS	**27,235,740**	**(1,168,221)**	**26,067,519**	**4,148,757**
CHANGE IN NET POSITION	**(507,109)**	**549,537**	**42,428**	**2,596,350**
NET POSITION (DEFICITS), JULY 1 (as restated)	16,640,039	10,568,666	27,208,705	7,457,009
NET POSITION (DEFICITS), JUNE 30	**$ 16,132,930**	**$ 11,118,203**	**$ 27,251,133**	**$ 10,053,359**

STATE OF OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
ASSETS:			
Cash Equity with Treasurer	$ 5,864,106	$ 365,233	$ —
Cash and Cash Equivalents	132,272	3,329	390
Investments	1,232,791	—	376,237
Collateral on Lent Securities	1,695,886	103,596	—
Taxes Receivable	1,591,195	—	—
Intergovernmental Receivable	729,206	187,555	—
Loans Receivable, Net	1,103,092	—	—
Interfund Receivable	—	—	—
Receivable from Component Units	—	—	—
Other Receivables	260,433	505,776	572,542
Inventories	21,478	—	—
Other Assets	82	—	—
TOTAL ASSETS	12,630,541	1,165,489	949,169
DEFERRED OUTFLOWS OF RESOURCES	—	—	4,138,761
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 12,630,541**	**$ 1,165,489**	**$ 5,087,930**
LIABILITIES:			
Accounts Payable	$ 266,181	$ 161,703	$ —
Accrued Liabilities	165,162	22,323	—
Medicaid Claims Payable	1,064,641	7,456	—
Obligations Under Securities Lending	1,695,886	103,596	—
Intergovernmental Payable	727,551	117,337	—
Interfund Payable	425,715	11,903	—
Payable to Component Units	19,174	538	—
Unearned Revenue	—	397,543	—
Refund and Other Liabilities	1,237,506	6,658	—
Liability for Escheat Property	317,173	—	—
TOTAL LIABILITIES	5,918,989	829,057	—
DEFERRED INFLOWS OF RESOURCES	1,214,003	62,943	572,482
FUND BALANCES (DEFICITS):			
Nonspendable	52,267	—	—
Restricted	1,465,460	151,494	4,515,448
Committed	772,528	123,932	—
Assigned	2,539,407	—	—
Unassigned	667,887	(1,937)	—
TOTAL FUND BALANCES (DEFICITS)	5,497,549	273,489	4,515,448
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**$ 12,630,541**	**$ 1,165,489**	**$ 5,087,930**

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 3,855,749	$ 10,085,088
57,982	193,973
49,158	1,658,186
1,093,658	2,893,140
129,099	1,720,294
465,232	1,381,993
181,269	1,284,361
1,402	1,402
4,960	4,960
53,120	1,391,871
84,330	105,808
—	82
5,975,959	20,721,158
—	4,138,761
$ 5,975,959	**$ 24,859,919**
$ 357,294	$ 785,178
61,796	249,281
231,922	1,304,019
1,093,658	2,893,140
185,411	1,030,299
110,416	548,034
1,284	20,996
94,177	491,720
680	1,244,844
—	317,173
2,136,638	8,884,684
56,965	1,906,393
84,330	136,597
3,044,928	9,177,330
653,098	1,549,558
—	2,539,407
—	665,950
3,782,356	14,068,842
$ 5,975,959	**$ 24,859,919**

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STATE OF OHIO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2018

(dollars in thousands)

Total Fund Balances for Governmental Funds		**$ 14,068,842**
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		25,010
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:		
Land		2,432,987
Buildings and Improvements, net of $2,470,869 accumulated depreciation		1,562,728
Land Improvements, net of $352,108 accumulated depreciation		169,767
Machinery and Equipment, net of $1,245,938 accumulated depreciation		351,535
Vehicles, net of $262,932 accumulated depreciation		202,771
Infrastructure, net of $45,457 accumulated depreciation		20,326,251
Construction-in-Progress		2,959,550
		28,005,589
The following Deferred Outflows of Resources are not related to the current period and therefore, are not reported in the funds.		
Hedging Derivatives		12,248
Loss on Debt Refundings		131,779
Net Pension and OPEB Liability/Asset		838,648
Total Deferred Outflows of Resources		982,675
The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Accrued Liabilities:		
Interest Payable		(172,381)
Bonds and Notes Payable:		
General Obligation Bonds		(9,734,361)
Revenue Bonds and Notes		(6,689,337)
Special Obligation Bonds		(2,237,096)
Certificates of Participation		(204,620)
Other Noncurrent Liabilities:		
Compensated Absences		(479,706)
Net Pension Liability		(3,508,205)
Net OPEB Liability		(2,552,677)
Capital Leases Payable		(19,632)
Derivatives		(18,228)
Estimated Claims Payable		(679)
Pollution Remediation		(1,870)
Infrastructure Liabilities		(413,394)
		(26,032,186)
The following Deferred Inflows of Resources are not related to the current period and therefore, are not reported in the funds.		
Resources from the Sale of Future Revenues	(1,112,313)	
Net Pension and OPEB Liability/Asset	(905,980)	
Debt Refundings	(2,431)	
Less Unavailable Resources Reported in the Funds:		
Taxes Receivable	68,018	
Intergovernmental Receivable	435,153	
Other Receivables	600,553	
	1,103,724	
Total Deferred Inflows of Resources		(917,000)
Total Net Position of Governmental Activities		**$ 16,132,930**

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, 2018

(dollars in thousands)

	MAJOR FUNDS		
	GENERAL	JOB, FAMILY AND OTHER HUMAN SERVICES	BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY REVENUE BONDS
REVENUES:			
Income Taxes	$ 8,463,620	$ —	$ —
Sales Taxes	10,358,501	—	—
Corporate and Public Utility Taxes	2,776,908	—	—
Motor Vehicle Fuel Taxes	1,139,218	—	—
Cigarette Taxes	939,953	—	—
Other Taxes	694,845	1,276	—
Licenses, Permits and Fees	1,186,458	2,145,291	—
Sales, Services and Charges	121,708	—	—
Federal Government	9,239,529	10,854,781	—
Tobacco Settlement	117	—	331,794
Escheat Property	158,770	—	—
Investment Income	111,458	7,858	5,472
Other	309,746	289,322	508
TOTAL REVENUES	**35,500,831**	**13,298,528**	**337,774**
EXPENDITURES:			
CURRENT OPERATING:			
Primary, Secondary and Other Education	9,784,712	—	78,911
Higher Education Support	2,597,726	243	—
Public Assistance and Medicaid	15,498,497	12,719,268	—
Health and Human Services	670,208	312,939	—
Justice and Public Protection	3,096,084	70,957	—
Environmental Protection and Natural Resources	74,386	—	—
Transportation	7,211	—	—
General Government	536,812	2,981	—
Community and Economic Development	2,642,765	—	—
CAPITAL OUTLAY	—	2,147	—
DEBT SERVICE	—	—	335,249
TOTAL EXPENDITURES	**34,908,401**	**13,108,535**	**414,160**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**592,430**	**189,993**	**(76,386)**
OTHER FINANCING SOURCES (USES):			
Bonds, Notes, and COPs Issued	855,000	—	—
Refunding Bonds and COPs Issued	—	—	—
Payment to Refunded Bond and COPs Escrow Agents	—	—	—
Premiums/Discounts	93,912	—	—
Capital Leases	198	—	—
Transfers-in	629,232	9,955	—
Transfers-out	(2,062,561)	(358,541)	(18,064)
TOTAL OTHER FINANCING SOURCES (USES)	**(484,219)**	**(348,586)**	**(18,064)**
NET CHANGE IN FUND BALANCES	**108,211**	**(158,593)**	**(94,450)**
FUND BALANCES (DEFICITS), July 1	5,388,605	432,082	4,609,898
Increase (Decrease) for Changes in Inventories	733	—	—
FUND BALANCES (DEFICITS), JUNE 30	**$ 5,497,549**	**$ 273,489**	**$ 4,515,448**

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

NONMAJOR GOVERNMENTAL FUNDS	TOTAL
$ 111	$ 8,463,731
—	10,358,501
66,109	2,843,017
751,898	1,891,116
—	939,953
328,276	1,024,397
672,659	4,004,408
31,283	152,991
6,200,262	26,294,572
—	331,911
—	158,770
32,384	157,172
595,199	1,194,775
8,678,181	**57,815,314**
3,018,150	12,881,773
29,923	2,627,892
2,110,059	30,327,824
660,167	1,643,314
328,909	3,495,950
367,618	442,004
2,511,726	2,518,937
358,944	898,737
702,206	3,344,971
769,650	771,797
1,667,689	2,002,938
12,525,041	**60,956,137**
(3,846,860)	**(3,140,823)**
1,082,489	1,937,489
748,540	748,540
(925,161)	(925,161)
360,427	454,339
—	198
3,416,162	4,055,349
(447,947)	(2,887,113)
4,234,510	**3,383,641**
387,650	**242,818**
3,412,270	13,842,855
(17,564)	(16,831)
$ 3,782,356	**$ 14,068,842**

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, 2018

(dollars in thousands)

Net Change in Fund Balances -- Total Governmental Funds		***$ 242,818***
Change in Inventories		*(16,831)*
		225,987

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	*818,341*	
Depreciation Expense	*(379,988)*	
Excess of Capital Outlay Over Depreciation Expense		*438,353*

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	*(1,166,420)*	
Revenue Bonds and Notes	*(369,975)*	
Special Obligation Bonds	*(401,490)*	
Refunding Bonds, including Bond Premium/Discount, Net	*(928,707)*	
Premiums and Discounts, Net:		
General Obligation Bonds	*(153,996)*	
Revenue Bonds and Notes	*(51,900)*	
Special Obligation Bonds	*(67,879)*	
Capital Leases	*(2,271)*	
Total Debt Proceeds		*(3,142,638)*

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	*1,542,972*	
Revenue Bonds and Notes	*162,145*	
Special Obligation Bonds	*362,776*	
Certificates of Participation	*32,130*	
Total Long-Term Debt Repayment		*2,100,023*

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	*14,793*	
Increase in Accrued Interest and Other Accrued Liabilities	*(7,736)*	
Amortization of Bond Premiums/Accretion of Bond Discount, Net	*125,836*	
Decrease in Refunding Loss Included in Deferred Outflows of Resources	*(9,285)*	
Decrease in Pension/OPEB Related Balances Included in Deferred Outflows of Resources	*(803,508)*	
Increase in Compensated Absences	*(19,018)*	
Decrease in Derivative Liabilities (Excluding Hedging Derivatives)	*2,850*	
Decrease in Estimated Claims Payable	*522*	
Decrease in Pollution Remediation	*4,213*	
Increase in Infrastructure Liability	*(67,917)*	
Decrease in Net Pension Liability	*1,412,193*	
Increase in OPEB Liability	*(12,894)*	
Decrease in Litigation Liabilities	*17,500*	
Increase in Deferred Inflow of Resources	*(786,383)*	
Total additional revenues and expenditures		*(128,834)*
Change in Net Position of Governmental Activities		***$ (507,109)***

STATE OF OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS -- ENTERPRISE
JUNE 30, 2018
(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 5,549	$ 106,290	$ —
Cash and Cash Equivalents	1,311,347	69,076	—
Deposit with Federal Government	—	—	932,190
Collateral on Lent Securities	1,574	30,149	—
Restricted Assets:			
Cash Equity with Treasurer	—	63	—
Investments	—	52,834	—
Collateral on Lent Securities	—	54,429	—
Other Receivables	—	3	—
Intergovernmental Receivable	—	—	443
Premiums and Assessments Receivable	29,531	—	30,639
Investment Trade Receivable	85,124	—	—
Interfund Receivable	47,682	—	—
Other Receivables	391,957	60,940	21,929
Other Assets	600	3,354	3,572
TOTAL CURRENT ASSETS	1,873,364	377,138	988,773
NONCURRENT ASSETS:			
Restricted Assets:			
Investments	—	375,749	—
Investments	25,749,013	—	—
Premiums and Assessments Receivable	624,587	—	—
Interfund Receivable	498,577	—	—
Other Assets	819	171	—
Capital Assets Being Depreciated, Net	29,706	28,781	—
Capital Assets Not Being Depreciated	106,064	—	—
TOTAL NONCURRENT ASSETS	27,008,766	404,701	—
TOTAL ASSETS	28,882,130	781,839	988,773
DEFERRED OUTFLOWS OF RESOURCES	66,462	6,380	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**28,948,592**	**788,219**	**988,773**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	33,816	10,311	—
Accrued Liabilities	—	—	—
Obligations Under Securities Lending	1,574	84,578	—
Investment Trade Payable	311,908	—	—
Intergovernmental Payable	—	—	482
Prize Awards Payable	—	52,900	—
Interfund Payable	—	99	—
Unearned Revenue	500,082	1,147	—
Benefits Payable	1,477,596	—	6,466
Refund and Other Liabilities	2,003,748	39,661	6,835
TOTAL CURRENT LIABILITIES	4,328,724	188,696	13,783
NONCURRENT LIABILITIES:			
Prize Awards Payable	—	356,678	—
Interfund Payable	—	1,036	—
Benefits Payable	12,676,113	—	—
Refund and Other Liabilities	1,939,518	48,187	—
TOTAL NONCURRENT LIABILITIES	14,615,631	405,901	—
TOTAL LIABILITIES	18,944,355	594,597	13,783
DEFERRED INFLOWS OF RESOURCES	77,373	7,428	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**19,021,728**	**602,025**	**13,783**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	135,770	25,619	—
Restricted for Lottery Prizes	—	27,954	—
Unrestricted	9,791,094	132,621	974,990
TOTAL NET POSITION (DEFICITS)	**$ 9,926,864**	**$ 186,194**	**$ 974,990**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 36,539	$ 148,378
35,479	1,415,902
—	932,190
264	31,987
—	63
37,200	90,034
—	54,429
—	3
6,534	6,977
—	60,170
—	85,124
1,508	49,190
1,906	476,732
—	7,526
119,430	3,358,705
231,986	607,735
—	25,749,013
—	624,587
—	498,577
35	1,025
978	59,465
—	106,064
232,999	27,646,466
352,429	31,005,171
14,622	87,464
367,051	**31,092,635**
1,096	45,223
4,816	4,816
264	86,416
—	311,908
—	482
—	52,900
—	99
768	501,997
37,200	1,521,262
1,815	2,052,059
45,959	4,577,162
—	356,678
—	1,036
168,300	12,844,413
105,740	2,093,445
274,040	15,295,572
319,999	19,872,734
16,897	101,698
336,896	**19,974,432**
978	162,367
—	27,954
29,177	10,927,882
$ 30,155	**$ 11,118,203**

STATE OF OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
OPERATING REVENUES:			
Charges for Sales and Services	$ —	$ 4,147,514	$ 28,241
Premium and Assessment Income	1,162,940	—	1,189,318
Federal Government	—	—	9,279
Investment Income	—	—	—
Other	9,407	5,849	26,177
TOTAL OPERATING REVENUES	**1,172,347**	**4,153,363**	**1,253,015**
OPERATING EXPENSES:			
Costs of Sales and Services	—	—	—
Administration	70,593	120,921	—
Bonuses and Commissions	—	862,656	—
Prizes	—	1,998,654	—
Benefits and Claims	804,021	—	928,683
Depreciation	21,216	11,018	—
Other	1,332,147	8,587	777
TOTAL OPERATING EXPENSES	**2,227,977**	**3,001,836**	**929,460**
OPERATING INCOME (LOSS)	**(1,055,630)**	**1,151,527**	**323,555**
NONOPERATING REVENUES (EXPENSES):			
Investment Income	1,336,579	2,465	15,024
Interest Expense	—	(1,010)	—
Other	—	(19,844)	—
TOTAL NONOPERATING REVENUES (EXPENSES)	**1,336,579**	**(18,389)**	**15,024**
INCOME (LOSS) BEFORE GAIN (LOSS) AND TRANSFERS	**280,949**	**1,133,138**	**338,579**
Transfers-in	—	—	—
Transfers-out	(8,841)	(1,173,051)	(8,461)
TOTAL GAIN (LOSS) AND TRANSFERS	**(8,841)**	**(1,173,051)**	**(8,461)**
NET INCOME (LOSS)	**272,108**	**(39,913)**	**330,118**
NET POSITION (DEFICITS), JULY 1 (as restated)	9,654,756	226,107	644,872
NET POSITION (DEFICITS), JUNE 30	**$ 9,926,864**	**$ 186,194**	**$ 974,990**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 54,560	$ 4,230,315
—	2,352,258
—	9,279
10,827	10,827
38,394	79,827
103,781	**6,682,506**
75,973	75,973
14,870	206,384
—	862,656
—	1,998,654
47,545	1,780,249
301	32,535
—	1,341,511
138,689	**6,297,962**
(34,908)	**384,544**
15	1,354,083
—	(1,010)
—	(19,844)
15	**1,333,229**
(34,893)	**1,717,773**
22,117	22,117
—	(1,190,353)
22,117	**(1,168,236)**
(12,776)	**549,537**
42,931	10,568,666
$ 30,155	**$ 11,118,203**

STATE OF OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ —	$ 4,145,166	$ —
Cash Received from Multi-State Lottery for Grand Prize Winner	—	85,751	—
Cash Received from Premiums and Assessments	1,947,151	—	1,212,321
Cash Received from Interfund Services Provided	47,771	—	—
Other Operating Cash Receipts	32,484	5,957	65,607
Cash Payments to Suppliers for Goods and Services	(65,938)	(85,342)	—
Cash Payments to Employees for Services	(206,017)	(33,445)	—
Cash Payments for Benefits and Claims	(1,632,432)	—	(842,650)
Cash Payments for Lottery Prizes	—	(2,151,607)	—
Cash Payments for Bonuses and Commissions	—	(862,656)	—
Cash Payments for Premium Reductions and Refunds	(1,265,407)	—	—
Cash Payments for Interfund Services Used	(26,835)	(6,628)	—
Other Operating Cash Payments	—	(1,028)	(102,569)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**(1,169,223)**	**1,096,168**	**332,709**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-in	—	—	—
Transfers-out	(8,841)	(1,173,051)	(8,461)
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**(8,841)**	**(1,173,051)**	**(8,461)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments on Bonds, Notes and Capital Leases	—	(3,113)	—
Acquisition and Construction of Capital Assets	(3,105)	(12,602)	—
Proceeds from Sales of Capital Assets	194	—	—
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(2,911)**	**(15,715)**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Investments	(13,299,559)	(80,035)	—
Proceeds from the Sales and Maturities of Investments	14,564,688	138,199	—
Investment Income Received	733,408	4,827	15,024
Borrower Rebates and Agent Fees	(53,830)	(1,047)	—
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	**1,944,707**	**61,944**	**15,024**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**763,732**	**(30,654)**	**339,272**
CASH AND CASH EQUIVALENTS, JULY 1	553,164	206,083	592,918
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 1,316,896**	**$ 175,429**	**$ 932,190**

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

NONMAJOR PROPRIETARY FUNDS	TOTAL
$ 35,843	$ 4,181,009
—	85,751
—	3,159,472
8,952	56,723
8,683	112,731
(8,362)	(159,642)
(76,851)	(316,313)
—	(2,475,082)
—	(2,151,607)
—	(862,656)
—	(1,265,407)
(4,318)	(37,781)
(47,546)	(151,143)
(83,599)	**176,055**
29,117	29,117
—	(1,190,353)
29,117	**(1,161,236)**
—	(3,113)
(34)	(15,741)
—	194
(34)	**(18,660)**
(194,068)	(13,573,662)
240,375	14,943,262
4,157	757,416
—	(54,877)
50,464	**2,072,139**
(4,052)	**1,068,298**
76,070	1,428,235
$ 72,018	**$ 2,496,533**

(continued)

STATE OF OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS -- ENTERPRISE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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)	$ (1,055,630)	$ 1,151,527	$ 323,555
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Investment Income	—	—	—
Depreciation	21,216	11,018	—
Provision for Uncollectible Accounts	39,577	—	—
Decrease (Increase) in Assets:			
Intergovernmental Receivable	—	—	(398)
Premiums and Assessments Receivable	(14,159)	—	7,242
Interfund Receivable	44,353	2	—
Other Receivables	42,681	(1,852)	2,325
Other Assets	—	1,089	(380)
Increase (Decrease) in Liabilities:			
Accounts Payable	(220)	(3,990)	—
Accrued Liabilities	—	—	—
Intergovernmental Payable	—	—	(72)
Prize Awards Payable	—	(59,396)	—
Interfund Payable	—	(241)	—
Unearned Revenue	(35,238)	(390)	—
Benefits Payable	(931,201)	—	(1,241)
Refund and Other Liabilities	719,398	(1,599)	1,678
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (1,169,223)**	**$ 1,096,168**	**$ 332,709**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in Fair Value of Investments	$ 668,680	$ 11,424	$ —

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

	NONMAJOR PROPRIETARY FUNDS		TOTAL
$	(34,908)	$	384,544
	(10,827)		(10,827)
	301		32,535
	—		39,577
	4,604		4,206
	—		(6,917)
	7,000		51,355
	(446)		42,708
	—		709
	(4,619)		(8,829)
	(202)		(202)
	—		(72)
	—		(59,396)
	(6,765)		(7,006)
	(277)		(35,905)
	(38,000)		(970,442)
	540		720,017
$	**(83,599)**	**$**	**176,055**
$	—	$	680,104

STATE OF OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/17)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ASSETS:			
Cash Equity with Treasurer	$ —	$ —	$ —
Cash and Cash Equivalents	14,498	265,835	343,265
Investments (at fair value):			
U.S. Government and Agency Obligations	17,517	—	1,265,490
Common and Preferred Stock	77,086	—	—
Corporate Bonds and Notes	17,107	—	900,941
Foreign Stocks and Bonds	5,381	—	—
Commercial Paper	—	—	3,599,397
Repurchase Agreements	—	—	716,289
Mutual Funds	515,553	11,097,107	1,932,591
Real Estate	34,011	—	—
Venture Capital	—	—	—
Direct Mortgage Loans	—	—	—
Partnership and Hedge Funds	213,806	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio)	—	—	—
Collateral on Lent Securities	—	—	—
Employer Contributions Receivable	1,859	—	—
Employee Contributions Receivable	1,446	—	—
Other Receivables	6,737	38,771	10,322
Other Assets	6	—	25
Capital Assets, Net	63	—	—
TOTAL ASSETS	**905,070**	**11,401,713**	**8,768,320**
DEFERRED OUTFLOWS OF RESOURCES	420	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**905,490**	**11,401,713**	**8,768,320**
LIABILITIES:			
Accounts Payable	774	—	—
Accrued Liabilities	5,461	4,441	800
Obligations Under Securities Lending	—	—	—
Intergovernmental Payable	—	—	—
Refund and Other Liabilities	1,074	12,349	460
TOTAL LIABILITIES	**7,309**	**16,790**	**1,260**
DEFERRED INFLOWS OF RESOURCES	26	—	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**7,335**	**16,790**	**1,260**
NET POSITION (DEFICITS):			
Restricted for:			
Employees' Pension Benefits	786,356	—	—
Employees' Postemployment Healthcare Benefits	111,799	—	—
Individuals, Organizations and Other Governments	—	11,384,923	—
Pool Participants	—	—	8,767,060
TOTAL NET POSITION (DEFICITS)	**$ 898,155**	**$ 11,384,923**	**$ 8,767,060**

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

AGENCY
$ 344,893
116,315
17,577,465
47,585,601
11,552,349
50,454,986
2,114,840
1,480,000
10,612,922
21,177,736
22,656,673
7,041,969
18,891,388
60,443
97,826
—
—
—
449,477
—
212,214,883
—
212,214,883
—
—
97,826
210,040
211,907,017
212,214,883
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212,214,883
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STATE OF OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(dollars in thousands)

	PENSION TRUST	PRIVATE-PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/17)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
ADDITIONS:			
Contributions from:			
Employer	$ 30,750	$ —	$ —
Employees	14,505	—	—
Plan Participants	—	7,885,656	—
Other	6,642	—	—
Total Contributions	51,897	7,885,656	—
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	105,056	368,241	—
Interest, Dividends and Other	17,285	420,066	121,597
Total Investment Income	122,341	788,307	121,597
Less: Investment Expense	6,389	41,984	4,967
Net Investment Income	115,952	746,323	116,630
Capital Share and Individual Account Transactions:			
Shares Sold	—	—	22,722,508
Reinvested Distributions	—	—	129,043
Shares Redeemed	—	—	(22,167,562)
Net Capital Share and Individual Account Transactions	—	—	683,989
TOTAL ADDITIONS	**167,849**	**8,631,979**	**800,619**
DEDUCTIONS:			
Pension Benefits Paid to Participants or Beneficiaries	75,396	—	—
Healthcare Benefits Paid to Participants or Beneficiaries	15,457	—	—
Refunds of Employee Contributions	1,075	—	—
Administrative Expense	1,641	—	—
Transfers to Other Retirement Systems	140	—	—
Distributions to Shareholders and Plan Participants	—	7,756,367	116,630
TOTAL DEDUCTIONS	**93,709**	**7,756,367**	**116,630**
CHANGE IN NET POSITION RESTRICTED FOR:			
Employees' Pension Benefits	64,713	—	—
Employees' Postemployment Healthcare Benefits	9,427	—	—
Individuals, Organizations and Other Governments	—	875,612	—
Pool Participants	—	—	683,989
TOTAL CHANGE IN NET POSITION	74,140	875,612	683,989
NET POSITION (DEFICITS), JULY 1	824,015	10,509,311	8,083,071
NET POSITION (DEFICITS), JUNE 30	**$ 898,155**	**$ 11,384,923**	**$ 8,767,060**

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, 2018
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
ASSETS:			
CURRENT ASSETS:			
Cash Equity with Treasurer	$ 354,550	$ —	$ 2,508
Cash and Cash Equivalents	—	1,548,826	1,089,857
Investments	1,081	1,655,181	3,035,199
Collateral on Lent Securities	100,566	—	—
Restricted Assets:			
Cash and Cash Equivalents	—	—	155,740
Investments	—	—	57,023
Intergovernmental Receivable	—	21,191	43,745
Loans Receivable, Net	—	25,317	38,612
Receivable from Primary Government	—	5,344	15,014
Other Receivables	1	699,030	553,979
Inventories	—	57,908	102,771
Other Assets	—	71,973	77,175
TOTAL CURRENT ASSETS	456,198	4,084,770	5,171,623
NONCURRENT ASSETS:			
Restricted Assets:			
Cash and Cash Equivalents	—	564,656	141,483
Investments	—	—	2,221,170
Investments	—	5,376,861	2,358,410
Loans Receivable, Net	—	43,666	221,342
Other Receivables	—	70,901	192,454
Other Assets	—	—	1,552,138
Capital Assets Being Depreciated, Net	472	4,640,963	9,408,262
Capital Assets Not Being Depreciated	—	513,840	1,074,154
TOTAL NONCURRENT ASSETS	472	11,210,887	17,169,413
TOTAL ASSETS	456,670	15,295,657	22,341,036
DEFERRED OUTFLOWS OF RESOURCES	—	737,959	1,218,080
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**456,670**	**16,033,616**	**23,559,116**
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	1,533	416,769	327,013
Accrued Liabilities	261	186,641	434,728
Obligations Under Securities Lending	100,566	—	—
Intergovernmental Payable	474,818	—	2,186
Unearned Revenue	—	276,496	246,530
Refund and Other Liabilities	1,193	133,041	260,589
Payable to Primary Government	—	—	8,466
Bonds and Notes Payable	—	637,230	283,079
TOTAL CURRENT LIABILITIES	578,371	1,650,177	1,562,591
NONCURRENT LIABILITIES:			
Intergovernmental Payable	333,439	—	70,320
Unearned Revenue	—	—	2,954
Refund and Other Liabilities	953	5,308,598	5,411,764
Bonds and Notes Payable	—	2,592,314	7,500,888
TOTAL NONCURRENT LIABILITIES	334,392	7,900,912	12,985,926
TOTAL LIABILITIES	912,763	9,551,089	14,548,517
DEFERRED INFLOWS OF RESOURCES	3,370,193	972,275	641,206
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**4,282,956**	**10,523,364**	**15,189,723**
NET POSITION (DEFICITS):			
Net Investment in Capital Assets	472	2,488,574	5,622,665
Restricted for:			
Transportation	—	—	172,358
Community and Economic Development	23,583	—	1,711
Nonexpendable:			
Scholarships and Fellowships	—	—	395,976
Research	—	—	81,351
Endowments and Quasi-Endowments	—	1,551,278	1,407,148
Loans, Grants and Other College and University Purposes	—	—	545,462
Expendable:			
Scholarships and Fellowships	—	—	334,542
Research	—	—	166,052
Instructional Department Uses	—	—	161,255
Student and Public Services	—	—	76,946
Academic Support	—	—	167,458
Debt Service	—	—	20,668
Capital Purposes	—	2,006	155,690
Endowments and Quasi-Endowments	—	460,960	450,766
Current Operations	—	865,827	37,791
Loans, Grants and Other College and University Purposes	—	—	496,920
Unrestricted	(3,850,341)	141,607	(1,925,366)
TOTAL NET POSITION (DEFICITS)	**$ (3,826,286)**	**$ 5,510,252**	**$ 8,369,393**

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

TOTAL
$ 357,058
2,638,683
4,691,461
100,566
155,740
57,023
64,936
63,929
20,358
1,253,010
160,679
149,148
9,712,591
706,139
2,221,170
7,735,271
265,008
263,355
1,552,138
14,049,697
1,587,994
28,380,772
38,093,363
1,956,039
40,049,402
745,315
621,630
100,566
477,004
523,026
394,823
8,466
920,309
3,791,139
403,759
2,954
10,721,315
10,093,202
21,221,230
25,012,369
4,983,674
29,996,043
8,111,711
172,358
25,294
395,976
81,351
2,958,426
545,462
334,542
166,052
161,255
76,946
167,458
20,668
157,696
911,726
903,618
496,920
(5,634,100)
$ 10,053,359

STATE OF OHIO
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(dollars in thousands)

	MAJOR COMPONENT UNITS		
	OHIO FACILITIES CONSTRUCTION COMMISSION	OHIO STATE UNIVERSITY	NONMAJOR COMPONENT UNITS
EXPENSES:			
Primary, Secondary and Other Education	$ 394,365	$ —	$ —
Transportation	—	—	241,440
Community and Economic Development	75,387	—	1,067,474
Education and General:			
Instruction and Departmental Research	—	820,057	1,407,656
Separately Budgeted Research	—	320,283	343,662
Public Service	—	147,011	181,207
Academic Support	—	182,452	495,357
Student Services	—	105,760	298,101
Institutional Support	—	233,480	551,247
Operation and Maintenance of Plant	—	126,726	341,569
Scholarships and Fellowships	—	126,284	288,498
Auxiliary Enterprises	—	322,149	675,308
Hospitals	—	3,205,120	354,587
Interest on Long-Term Debt	—	117,380	324,162
Depreciation	394	402,135	620,036
Other	—	—	101,854
TOTAL EXPENSES	**470,146**	**6,108,837**	**7,292,158**
PROGRAM REVENUES:			
Charges for Services, Fees, Fines and Forfeitures	28,017	5,087,564	5,544,125
Operating Grants, Contributions and Restricted Investment Income	4,117	757,036	852,532
Capital Grants, Contributions and Restricted Investment Income	—	15,470	29,873
TOTAL PROGRAM REVENUES	**32,134**	**5,860,070**	**6,426,530**
NET PROGRAM (EXPENSE) REVENUE	**(438,012)**	**(248,767)**	**(865,628)**
GENERAL REVENUES:			
Unrestricted Investment Income	—	440,393	275,651
State Assistance	480,201	558,810	1,551,139
Other	426	262,691	461,499
TOTAL GENERAL REVENUES	**480,627**	**1,261,894**	**2,288,289**
ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL	—	55,579	62,379
GAIN (LOSS) ON EXTINGUISHMENT OF DEBT	—	—	(11)
CHANGE IN NET POSITION	**42,615**	**1,068,706**	**1,485,029**
NET POSITION (DEFICITS), JULY 1 (as restated)	(3,868,901)	4,441,546	6,884,364
NET POSITION (DEFICITS), JUNE 30	**$ (3,826,286)**	**$ 5,510,252**	**$ 8,369,393**

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

TOTAL
$ 394,365
241,440
1,142,861
2,227,713
663,945
328,218
677,809
403,861
784,727
468,295
414,782
997,457
3,559,707
441,542
1,022,565
101,854
13,871,141
10,659,706
1,613,685
45,343
12,318,734
(1,552,407)
716,044
2,590,150
724,616
4,030,810
117,958
(11)
2,596,350
7,457,009
$ 10,053,359

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2018, 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 14, *The Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations are Component Units*, GASB 61, *The Financial Reporting Entity: Omnibus*, and GASB 80, *Blending Requirements for Certain Component Units*, 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, GASB 61 and GASB 80.

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, 2017.

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.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions and Other Postemployment Benefits (OPEB)
For purposes of measuring the net pension and net OPEB liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from each fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, pension benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Health care benefits are also recognized when due and payable, net of certain health care receipts, in accordance with benefit terms. The pension systems report investments at fair value. Additional disclosures on the pension systems can be found in NOTE 9.

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:

<u>Nonspendable</u>
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.

<u>Restricted</u>
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.

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
Restatements of net position, as of June 30, 2017, for the primary government and discretely presented component units are presented in the following table (dollars in thousands).

Government-Wide Financial Statements:

	Governmental Activities	Business-Type Activities	Total Discretely Presented Component Units
Net Position, as of June 30, 2017, as Previously Reported	$ 18,982,495	$ 10,725,003	$ 10,036,261
Implementation of a New Accounting Standard:			
GASB Statement No. 75	(2,342,456)	(156,337)	(2,576,787)
Change in Reporting Entity:			
University of Akron	-	-	78
Correction of an Error:			
Southern State Community College	-	-	63
Cincinnati State Community College	-	-	(2,606)
Total Changes in Net Position	(2,342,456)	(156,337)	(2,579,252)
Net Position, July 1, 2017, as Restated	$ 16,640,039	$ 10,568,666	$ 7,457,009

B. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements
For the fiscal year ended June 30, 2018, the State implemented the provisions of:

GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* improves accounting and reporting by state and local governments for postemployment benefits other than pensions (OPEB). Decision-usefulness and accountability will also be enhanced through new note disclosures and required supplementary information.

GASB 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

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

GASB 85, *Omnibus 2017,* addresses practice issues identified during implementation and application of certain GASB Statements. A variety of topics are addressed including issues related to blending component units, fair value measurement and application, and pension and other postemployment benefits.

GASB 86, *Certain Debt Extinguishment Issues*, provides guidance for in-substance defeasance of debt transactions in which cash and other monetary assets acquired with only existing resources (resources other than refunding debt proceeds) are placed in an irrevocable trust for the sole purpose of extinguishing debt.

C. GASB Pronouncements for Fiscal Year 2019 Implementation
In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* The provisions of GASB 83 are effective for reporting periods beginning after June 15, 2018. This statement establishes 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 requires disclosures related to those ARO's.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of GASB 88 are effective for reporting periods beginning after June 15, 2018. The objective of this statement is to improve note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing debt related information.

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

D. Extinguishments of Debt – Major Funds
As of June 30, 2018, the State had no material extinguishments of debt to report.

NOTE 3 TAX ABATEMENTS

As of June 30, 2018, 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, Historic Preservation Tax 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 12 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.

NOTE 3 TAX ABATEMENTS (Continued)

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 $1.5 million 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.

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 500 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 $35 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 25 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. No credits will be issued until a minimum of $300 thousand in eligible expenditures have been made. 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.

NOTE 3 TAX ABATEMENTS (Continued)

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 2018 is presented in the following table (dollars in thousands):

Abatement Program	Amount of Taxes Abated
Job Creation Credit	$ 148,550
Job Retention Credit	52,801
Historic Preservation Tax Credit	26,740
Motion Picture Tax Credit	15,839
New Markets Tax Credit	5,051
Total of Tax Abatements	$ 248,981

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 registered U.S. government securities dealer;
- No-load money market mutual funds;

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- 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, business linked deposits as authorized under Sections 135.77 to 135.774, 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.

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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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 institution's trust department or agent in an account indicating the public depositor's security interest in the securities, 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.

The table below reports the carrying amount of deposits, as of June 30, 2018, 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, 2018
(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	$ 1,352,652	$ 1,251,915	$ 40,594	$ 28,654	$ -
Major Discretely Presented Component Unit:					
Ohio State University..	1,921,297	1,903,577	-	-	1,895,933

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, 2018, 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, 2018
(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	$ 22,547,591	$ -
U.S. Government Obligations—Strips	1,163,931	793,977
U.S. Agency Obligations	5,273,330	-
U.S. Agency Obligations—Strips	180,328	-
Common and Preferred Stock	53,726,669	-
Corporate Bonds and Notes	18,537,392	-
Corporate Bonds and Notes—Strips	517	-
Municipal Obligations	585,974	-
Negotiable Certificates of Deposit	366,784	-
Commercial Paper	6,832,084	-
Repurchase Agreements	2,548,770	-
Mortgage and Asset-Backed Securities	7,658,917	-
International Investments:		
Foreign Stocks	40,208,420	-
Foreign Bonds	3,578,985	-
High-Yield and Emerging Markets Fixed Income	8,362,801	-
Securities Lending Collateral:		
Commercial Paper	241,544	-
Repurchase Agreements	2,091,361	-
Variable Rate Notes	791,128	-
		$ 793,977
Investments Not Subject to Custodial Credit Risk Exposure:		
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:		
U.S. Government Obligations	2,981,065	
U.S. Government Obligations—Strips	53,529	
U.S. Agency Obligations	57,441	
Corporate Bonds and Notes	63,415	
International Investments-Commingled Equity Funds	7,248,010	
Equity Mutual Funds	14,222,393	
Bond Mutual Funds	10,168,621	
Real Estate	24,461,559	
Venture Capital	22,656,673	
Partnerships and Hedge Funds	19,105,194	
Deposit with Federal Government	932,190	
Component Units' Equity in State Treasurer's Cash and Investment Pool	(457,624)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio	(777,395)	
Total Investments — Primary Government	$ 275,411,597	

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

The following table reports investments with custodial credit risk exposure for the major discretely presented component unit. 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 Unit
Investment Custodial Credit Risk
As of June 30, 2018
(dollars in thousands)

Ohio State University:	Fair Value	Uninsured, Unregistered, and Held by the Counterparty but not in the Component Unit's Name
U.S. Government Obligations	$ 542,456	$ 542,456
U.S. Agency Obligations	101,834	101,834
Common and Preferred Stock	319,135	319,135
Corporate Bonds and Notes	1,099,320	1,099,320
Municipal Obligations	13,813	13,813
Negotiable Certificates of Deposit	628,727	628,727
Commercial Paper	39,501	39,501
International Investments:		
Foreign Stocks	348,018	348,018
Foreign Bonds	14,526	14,526
Securities Lending Collateral:		
Commercial Paper	1,228	1,228
Repurchase Agreements	19,014	19,014
Variable Rate Notes	19,268	19,268
Total Ohio State University		$ 3,146,840

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;
- Bonds and notes of any other State or political subdivision thereof must be rated in the three highest categories by Standard & Poor's;

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

- 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, 2018
(dollars in thousands)

Investment Type	Credit Rating AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations	$ 348,016	$ 4,948,217	$ 3,413	$ 1,755	$ 322	$ -
U.S. Agency Obligations-Strips	26,535	153,793	-	-	-	-
Corporate Bonds and Notes	770,542	1,648,574	6,082,482	6,042,526	2,000,791	1,458,335
Corporate Bonds and Notes-Strips	481	-	-	-	-	-
Municipal Obligations	70,951	367,771	124,605	19,643	1,398	445
Negotiable Certificates of Deposit	349,788	4,701	-	-	-	-
Commercial Paper	1,308,289	851,683	4,169,595	1,015	-	-
Repurchase Agreements	1,050,000	430,000	-	-	-	-
Mortgage and Asset-Backed Securities	3,808,164	2,668,312	192,787	237,593	120,131	47,629
Bond Mutual Funds	7,074,406	1,728,605	360,815	62,820	566,235	31,547
International Investments:						
Foreign Bonds	370,571	369,343	805,682	1,138,666	410,035	189,594
High-Yield and Emerging Markets Fixed Income	77,622	94,554	1,198,039	2,086,519	2,044,413	2,041,953
Securities Lending Collateral:						
Commercial Paper	-	-	241,544	-	-	-
Repurchase Agreements	-	-	1,257,500	833,861	-	-
Variable Rate Notes	-	14,989	776,139	-	-	-
Bond Mutual Funds	54,994	-	-	-	-	-
Total Primary Government	$15,310,359	$13,280,542	$15,212,601	$ 10,424,398	$5,143,325	$ 3,769,503

Investment Type	Credit Rating CCC/Caa	CC/Ca	C	D	Unrated	Total
U.S. Agency Obligations	$ -	$ -	$ -	$ -	$ 29,048	$ 5,330,771
U.S. Agency Obligations-Strips	-	-	-	-	-	180,328
Corporate Bonds and Notes	274,458	4,811	991	9,159	308,138	18,600,807
Corporate Bonds and Notes-Strips	-	-	1	-	35	517
Municipal Obligations	-	438	-	34	689	585,974
Negotiable Certificates of Deposit	-	-	-	-	12,295	366,784
Commercial Paper	-	-	-	-	501,502	6,832,084
Repurchase Agreements	-	-	-	-	1,068,770	2,548,770
Mortgage and Asset-Backed Securities	71,700	70,519	3,044	45,529	393,509	7,658,917
Bond Mutual Funds	6,349	-	-	-	282,850	10,113,627
International Investments:						
Foreign Bonds	39,135	6,581	-	65	249,313	3,578,985
High-Yield and Emerging Markets Fixed Income	384,357	49,106	4,578	53,731	327,929	8,362,801
Securities Lending Collateral:						
Commercial Paper	-	-	-	-	-	241,544
Repurchase Agreements	-	-	-	-	-	2,091,361
Variable Rate Notes	-	-	-	-	-	791,128
Bond Mutual Funds	-	-	-	-	-	54,994
Total Primary Government	$ 775,999	$ 131,455	$ 8,614	$ 108,518	$3,174,078	$67,339,392

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Units
Investment Credit Ratings
As of June 30, 2018
(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	$ 3,303	$ 49,377	$ 41,579	$ -	$ -	$ -
Corporate Bonds and Notes	59,972	174,267	455,977	308,793	17,706	4,650
Municipal Obligations	1,192	6,033	2,892	3,125	-	-
Negotiable Certificates of Deposit	-	-	-	-	-	-
Commercial Paper	-	-	37,507	1,994	-	-
Bond Mutual Funds	76,825	5,131	16,332	8,223	1,457	739
Foreign Bonds	2,873	3,029	5,236	3,331	-	-
Securities Lending Collateral:						
Commercial Paper	-	-	1,228	-	-	-
Repurchase Agreements	-	-	-	-	-	-
Variable Rate Notes	-	6,361	12,907	-	-	-
Total Ohio State University	$ 144,165	$ 244,198	$ 573,658	$ 325,466	$ 19,163	$ 5,389

Ohio State University (continued):

	Credit Rating		
Investment Type	CCC/Caa	Unrated	Total
U.S. Agency Obligations	$ -	$ 7,575	$ 101,834
Corporate Bonds and Notes	-	77,955	1,099,320
Municipal Obligations	300	271	13,813
Negotiable Certificates of Deposit	-	628,727	628,727
Commercial Paper	-	-	39,501
Bond Mutual Funds	1,010	20	109,737
Foreign Bonds	-	57	14,526
Securities Lending Collateral:			
Commercial Paper	-	-	1,228
Repurchase Agreements	-	19,014	19,014
Variable Rate Notes	-	-	19,268
Total Ohio State University	$ 1,310	$ 733,619	$ 2,046,968

At June 30, 2018, the Ohio Facilities Construction Commission had $1.1 million invested in Bond Mutual Funds with 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 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 book value of the portfolio;
- Bankers' Acceptances are further limited to no more than five percent of the book value of the 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 10 percent of the book value of the portfolio;
- Repurchase Agreements are limited in that any one counterparty may not exceed 10 percent of the book value of the portfolio; and
- Municipal obligations are limited to no more than 2.5 percent of the book value of the 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, 10 percent maximum.

State Highway Patrol Retirement System Pension Trust Fund
Policy prohibits the investment of more than 10 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 limited to no more than five percent of the net assets 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 with terms to maturity of five days or less, 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 10 percent of the total average portfolio invested in any single mutual fund and limited to STAR Ohio representing no more than 10 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 10 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 10 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 10 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 10 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, 2018, 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	$ 799,248	8%
Federal Farm Credit Bank	524,882	5%

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 270 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 that the Fixed Income Asset Class duration will be within 20 percent of the option-adjusted duration of the aggregate market value weighted Fixed Income sub-asset class benchmarks.

As of June 30, 2018, 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 $1.29 billion with call dates in fiscal years 2019 and 2020, and maturity dates from fiscal years 2019 through 2023. The Corporate Bonds and Notes investment type has $352.4 million with call dates and maturity dates from fiscal years 2019 through 2023.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Additionally, several investments reported as "Investments" have terms that make their fair values highly sensitive to interest rate changes. U.S. agency obligations of $8.7 million have call dates in fiscal year 2019, and maturity dates in fiscal years 2019 through 2022. Corporate bonds in the amount of $272.5 million have call dates in fiscal year 2019, and maturity dates in fiscal years 2019 and 2020.

Also, during fiscal year 2018, 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 table below and 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, 2018, 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.

Primary Government (including Fiduciary Activities)
Investments Subject to Interest Rate Risk
As of June 30, 2018
(dollars in thousands)

Investment Type	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 7,590,973	$ 9,939,329	$ 4,998,920	$ 2,999,434	$ 25,528,656
U.S. Government Obligations - strips	428,379	508,769	91,626	188,686	1,217,460
U.S. Agency Obligations	2,103,404	2,333,532	220,405	673,430	5,330,771
U.S. Agency Obligations-strips	50,637	101,532	21,692	6,467	180,328
Corporate Bonds and Notes	2,407,624	5,153,582	4,368,259	6,671,342	18,600,807
Corporate Bonds and Notes - Strips	-	-	-	517	517
Municipal Obligations	1,524	7,420	13,957	563,073	585,974
Negotiable Certificates of Deposit	356,234	10,550	-	-	366,784
Commercial Paper	6,832,084	-	-	-	6,832,084
Repurchase Agreements	2,548,770	-	-	-	2,548,770
Mortgage and Asset-Backed Securities	226,394	1,478,223	481,215	5,473,085	7,658,917
Bond Mutual Funds	6,625,673	700,847	1,333,834	1,453,273	10,113,627
International Investments:					
Foreign Bonds	340,317	1,039,973	880,561	1,318,134	3,578,985
High-Yield and Emerging Markets Fixed Income	523,986	2,373,015	3,258,383	2,207,417	8,362,801
Securities Lending Collateral:					
Commercial Paper	241,544	-	-	-	241,544
Repurchase Agreements	2,091,361	-	-	-	2,091,361
Variable Rate Notes	791,128	-	-	-	791,128
Bond Mutual Funds	54,994	-	-	-	54,994
Total Primary Government	$ 33,215,026	$ 23,646,772	$ 15,668,852	$ 21,554,858	$ 94,085,508

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Units
Investments Subject to Interest Rate Risk
As of June 30, 2018
(dollars in thousands)

Ohio State University:	Investment Maturities (in years)				
Investment Type	Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations	$ 425,816	$ 100,160	$ 1,263	$ 15,217	$ 542,456
U.S. Agency Obligations	4,215	32,493	13,109	52,017	101,834
Corporate Bonds and Notes	269,053	735,521	41,510	53,236	1,099,320
Municipal Obligations	5,574	5,386	49	2,804	13,813
Negotiable Certificates of Deposit	628,727	-	-	-	628,727
Commercial Paper	39,501	-	-	-	39,501
Bond Mutual Funds	7,976	56,420	29,683	15,658	109,737
International Investments:					
Foreign Bonds	5,214	8,129	-	1,183	14,526
Securities Lending Collateral:					
Commercial Paper	1,228	-	-	-	1,228
Repurchase Agreements	19,014	-	-	-	19,014
Variable Rate Notes	19,268	-	-	-	19,268
Total Ohio State University	$ 1,425,586	$ 938,109	$ 85,614	$ 140,115	$ 2,589,424

At June 30, 2018, the Ohio Facilities Construction Commission had $1.1 million invested in Bond Mutual Funds with 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, 2018, 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, 2018
(dollars in thousands)

	Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	Commingled International Equity	Total
Argentinean Peso	$ 2,679	$ 1,935	$ 86,963	$ -	$ 91,577
Australian Dollar	963,517	-	-	133,893	1,097,410
Bermudian Dollar	-	-	-	3,157	3,157
Brazilian Real	598,183	256	385,418	41,608	1,025,465
British Pound	3,455,741	3,055	-	387,244	3,846,040
Canadian Dollar	1,222,486	4,355	-	190,024	1,416,865
Chilean Peso	73,182	863	85,565	7,990	167,600
Chinese Renminbi	34,731	(353)	144	210,195	244,717
Colombian Peso	6,119	-	218,126	3,416	227,661
Czech Koruna	25,000	521	98,277	1,186	124,984
Danish Krone	391,933	-	-	32,483	424,416
Dominican Peso	-	-	17,336	-	17,336
Egyptian Pound	10,831	-	67,834	985	79,650
Euro	5,234,277	(4,698)	23,547	687,765	5,940,891
Georgian Lari	-	-	10,482	-	10,482
Ghana Cedi	-	-	42,670	-	42,670
Hong Kong Dollar	2,636,844	-	-	91,623	2,728,467
Hungarian Forint	29,846	-	80,724	2,000	112,570
Indian Rupee	743,923	-	81,482	61,408	886,813
Indonesian Rupiah	208,937	1,626	309,580	13,594	533,737
Israeli Shekel	47,866	-	-	10,144	58,010
Japanese Yen	4,439,772	(94)	-	470,149	4,909,827
Kenya Shilling	1,698	-	16,030	-	17,728
Macau Pataca	-	-	-	2,778	2,778
Malaysian Ringgit	129,230	-	161,355	17,761	308,346
Manx Pound	-	-	-	1,501	1,501
Mexican Peso	126,768	(2,255)	381,322	21,365	527,200
Morocan Dirham	1,603	-	-	-	1,603
New Zealand Dollar	49,345	-	-	4,132	53,477
Nigerian Naira	22,307	-	27,665	-	49,972
Norwegian Krone	266,137	-	-	14,486	280,623
Pakistani Rupee	-	-	-	568	568
Papua New Guinea Kina	-	-	-	1,289	1,289
Peruvian New Sol	964	-	70,498	375	71,837
Philippines Peso	61,227	(3,452)	4,137	6,900	68,812
Polish Zloty	118,942	365	316,070	7,996	443,373
Qatari Rial	12,099	-	-	5,905	18,004
Romanian Leu	1,596	330	18,515	-	20,441
Russian Ruble	57,498	582	334,578	25,152	417,810
Singapore Dollar	286,211	-	-	24,899	311,110
South African Rand	552,631	(1,761)	311,091	45,958	907,919
South Korean Won	1,525,940	-	-	104,043	1,629,983
Sri Lankan Rupee	-	-	10,236	-	10,236
Swedish Krona	377,794	-	-	49,805	427,599
Swiss Franc	1,330,798	-	-	165,462	1,496,260
Taiwan Dollar	927,506	(242)	-	82,979	1,010,243
Thailand Baht	287,369	-	84,742	15,413	387,524
Turkish Lira	209,370	423	242,079	5,436	457,308
Ugandan Shilling	-	-	8,902	-	8,902
United Arab Emirates Dirham	37,374	-	-	4,580	41,954
Uruguayan Peso	-	-	80,580	-	80,580
Vietnamese Dong	9,372	-	-	-	9,372
Zambian Kwacha	-	-	7,504	-	7,504
Investments Held in Foreign Currency	$ 26,519,646	$ 1,456	$ 3,583,452	$ 2,957,647	$ 33,062,201
Foreign Investments Held in U.S. Dollars					26,336,015
Total Foreign Investments - Primary Government, including Fiduciary Activities					$ 59,398,216

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Major Discretely Presented Component Unit
International Investments—Foreign Currency Risk
As of June 30, 2018
(dollars in thousands)

Ohio State University

Currency	Stocks	Bonds	Commingled International Equity	Total
Australian Dollar	$ 2,933	$ -	$ -	$ 2,933
Brazilian Real	4,477	-	-	4,477
British Pound	60,906	2,509	75,012	138,427
Canadian Dollar	10,755	-	-	10,755
Chilean Peso	287	-	-	287
Chinese Renminbi	77	-	-	77
Colombian Peso	116	-	-	116
Czech Koruna	42	-	-	42
Danish Krone	3,433	-	-	3,433
Egyptian Pound	46	-	-	46
Euro	104,881	1,672	98,131	204,684
Hong Kong Dollar	17,917	-	-	17,917
Hungarian Forint	62	-	-	62
Indian Rupee	2,318	-	-	2,318
Indonesian Rupiah	487	-	-	487
Israeli Shekel	166	-	-	166
Japanese Yen	81,496	-	-	81,496
Malaysian Ringgit	609	-	-	609
Mexican Peso	723	-	-	723
New Zealand Dollar	129	-	-	129
Norwegian Krone	5,380	-	-	5,380
Pakistani Rupee	41	-	-	41
Philippines Peso	233	-	-	233
Polish Zloty	268	-	-	268
Qatari Rial	196	-	-	196
Russian Ruble	447	-	-	447
Singapore Dollar	548	-	-	548
South African Rand	1,602	-	-	1,602
South Korean Won	4,846	-	-	4,846
Swedish Krona	3,028	-	-	3,028
Swiss Franc	31,142	-	24,863	56,005
Taiwan Dollar	3,149	-	-	3,149
Thailand Baht	576	-	-	576
Turkish Lira	197	-	-	197
United Arab Emirates Dirham	139	-	-	139
Investments Held in Foreign Currency	$ 343,652	$ 4,181	$ 198,006	$ 545,839
Foreign Investments Held in U.S. Dollars				14,711
Total Foreign Currency Investments - Ohio State University				$ 560,550

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.

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

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, 2018, the State had no credit exposure since the amount the State owed to the borrowers at least equaled or exceeded the amount borrowers owed to the State.

The State invests cash collateral in short-term obligations, which have a weighted average maturity of 29 days while the weighted average maturity of securities loans is six days.

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 2018, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2018, 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, 2018, the State reports the following investment derivatives in its financial statements (dollars in thousands):

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Investment Derivatives
As of June 30, 2018
(dollars in thousands)

		Fair Value at 6/30/2018 or 12/31/2017		Increase (Decrease) in Fair Value	
	Notional	Amount	Reported as	Amount	Reported as
Governmental Activities:					
Investment Derivatives:					
Pay-fixed interest rate swaps	$ 82,350	$ (5,979)	Other Noncurrent Liability	$ 2,850	Operating Restricted Investment Loss - Primary, Secondary and Other Education Function
Fiduciary Funds—Agency:					
Investment Derivatives:					
Credit default swaps	57,470	(391)	Investments	(502)	Investment Income
Equity swaps	938,595	(6,970)	Investments	(5,799)	Investment Income
Foreign exchange forward currency contracts	8,607,136	54,379	Investments	103,421	Investment Income
Futures contracts	2,146,505	(3,225)	Investments	(2,671)	Investment Income
Interest rate swap	363,149	(740)	Investments	(1,557)	Investment Income
Options	6,696,665	2,702	Investments	3,351	Investment Income
Total return swaps	1,587,978	(5,220)	Investments	238	Investment Income
Warrants	26,407	2,077	Investments	899	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, 2018 and are reported as investment derivatives. The increases in the fair values for fiscal year 2018 of $2.9 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, 2018. The State was not exposed to credit risk because these swaps had negative fair values at June 30, 2018. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the derivative's positive fair value.

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

These swaps, maturing March 15, 2025, are associated with Common Schools Bonds, Series 2005A and Series 2005B. The underlying index is a variable rate based on 62 percent of the 10-year LIBOR. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

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

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

F. Fair Value Disclosures
The State categorizes fair value measurements of its investments within the fair value hierarchy shown in the table below:

Primary Government (including Fiduciary Activities)
Investments - Fair Value Disclosures
As of June 30, 2018
(dollars in thousands)

		Amount of Fair Value Measured Using:		
	Fair Value at June 30, 2018	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	$ 25,176,608	$ 3,105,079	$ 22,071,529	$ -
U.S. Government Obligations - Strips	1,217,460	955,003	262,457	-
U.S. Agency Obligations	5,330,476	-	5,330,476	-
U.S. Agency Obligations-Strips	180,328	-	180,328	-
Common and Preferred Stock	52,518,127	52,477,889	14,285	25,953
Corporate Bonds and Notes	18,146,677	110,978	17,916,872	118,827
Corporate Bonds and Notes - Strips	517	-	517	-
Municipal Obligations	585,974	1,154	584,820	-
Negotiable Certificates of Deposit	366,784	349,788	16,996	-
Commercial Paper	5,319,044	599,754	4,719,290	-
Repurchase Agreements	868,770	18,770	850,000	-
Mortgage and Asset-Backed Securities	7,658,917	-	7,485,941	172,976
Equity Mutual Funds	11,372,421	11,321,886	50,535	-
Bond Mutual Funds	5,300,763	5,266,135	34,628	-
Real Estate	8,907,247	1,229,655	-	7,677,592
Venture Capital	1,476,223	1,197,828	-	278,395
Partnerships and Hedge Funds	1,168,579	1,017,395	-	151,184
International Investments:				
Foreign Stocks	39,360,399	37,935,415	1,421,415	3,569
Foreign Bonds	3,579,533	-	3,038,497	541,036
High-Yield and Emerging Markets Fixed Income	8,365,028	56,344	8,216,724	91,960
Commingled Equity Funds	24,093	24,093	-	-
Securities Lending Collateral:				
Variable Rate Notes	791,128	-	791,128	-
Bond Mutual Funds	54,994	54,994	-	-
	$ 197,770,090	$ 115,722,160	$ 72,986,438	$ 9,061,492
Investment Derivative Instruments				
Pay Fixed Interest Rate Swaps	$ (5,979)	$ -	$ (5,979)	$ -
Credit Default Swaps	(391)	-	(391)	-
Equity Swaps	(6,970)	-	(6,970)	-
Foreign Exchange Forward Currency Contracts	54,379	-	54,379	-
Futures Contracts	(3,225)	(3,225)	-	-
Interest Rate Swap	(740)	-	(740)	-
Options	2,702	(1,810)	4,512	-
Total Return Swaps	(5,220)	-	(5,220)	-
Warrants	2,077	-	-	2,077
	$ 36,633	$ (5,035)	$ 39,591	$ 2,077

NOTE 4 DEPOSITS AND INVESTMENTS (Continued)

Primary Government (including Fiduciary Activities)
Investments—Fair Value Disclosures
As of June 30, 2018
(dollars in thousands)

	Net Asset Value at June 30, 2018
Investments measured at the Net Asset Value Level	
Common and Preferred Stock	$ 1,218,101
Corporate Bonds and Notes	130,779
Equity Mutual Funds	2,838,340
Bond Mutual Funds	3,437,957
Real Estate	15,554,312
Venture Capital	21,177,835
Partnerships and Hedge Funds	17,937,504
International Investments:	
Foreign Bonds	794,908
Commingled Equity Funds	7,223,917
	$ 70,313,653

For investments held by the Treasurer of State, $506.5 million classified in Level 1 were valued using inputs based on published share price. Level 2 classifications in the amount of $10.37 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, 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 $158.6 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, $2.29 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 $7.69 billion in short-term investments 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 $794 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 $36.3 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 https://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 https://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, 2018
(dollars in thousands)

		Amount of Fair Value Measured Using:		
Ohio State University	Fair Value at June 30, 2018	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	$ 542,456	$ 3,313	$ 539,143	$ -
U.S. Agency Obligations	101,834	-	101,834	-
Common and Preferred Stock	319,135	319,135	-	-
Corporate Bonds and Notes	1,099,320	-	1,098,219	1,101
Municipal Obligations	13,813	-	13,813	-
Negotiable Certificates of Deposit	628,727	628,727	-	-
Commercial Paper	39,501	-	39,501	-
Equity Mutual Funds	196,832	196,832	-	-
Bond Mutual Funds	109,737	109,737	-	-
Real Estate	109,195	9,927	-	99,268
Partnerships and Hedge Funds	46,984	-	-	46,984
Life Insurance	3,284	-	-	3,284
International Investments:				
Foreign Stocks	348,018	348,018	-	-
Foreign Bonds	14,526	-	14,526	-
Commingled Equity Funds	135,951	-	-	135,951
Securities Lending Collateral:				
Commercial Paper	1,228	-	1,228	-
Repurchase Agreements	19,014	-	19,014	-
Variable Rate Notes	19,268	-	19,268	-
	$ 3,748,823	$ 1,615,689	$ 1,846,546	$ 286,588

Ohio State University	Net Asset Value at June 30, 2018
Investments measured at the Net Asset Value Level	
Equity Mutual Funds	$ 662,679
Real Estate	536,025
Partnerships and Hedge Funds	2,041,842
International Investments:	
Commingled Equity Funds	62,055
	$ 3,302,601

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 $1.1 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 is expected to be collected in the next fiscal year while noncurrent taxes receivable is not expected to be collected until more than one year from the balance sheet date. As of June 30, 2018, approximately $68 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 $1.24 billion 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	$ 408,879	$ -	$ 408,879
Sales Taxes	484,177	-	484,177
Motor Vehicle Fuel Taxes	184,287	113,170	297,457
Commercial Activity Taxes	408,989	12,840	421,829
Public Utility Taxes	93,019	-	93,019
Casino Taxes	-	3,089	3,089
	1,579,351	129,099	1,708,450
Noncurrent-Due in More Than One Year:			
Income Taxes	11,844	-	11,844
Taxes Receivable, Net	$1,591,195	$ 129,099	$ 1,720,294

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, 2018 (dollars in thousands):

	From Nonexchange Programs		From Sales of Goods and Services		
	Federal Government	Local Government	Other State Government	Local Government	Total Primary Government
Governmental Activities:					
Major Governmental Funds:					
General	$ 729,206	$ -	$ -	$ -	$ 729,206
Job, Family and Other Human Services	170,956	16,599	-	-	187,555
Nonmajor Governmental Funds	386,755	68,288	-	10,189	465,232
Total Governmental Activities	1,286,917	84,887	-	10,189	1,381,993
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	-	-	443	-	443
Nonmajor Proprietary Funds	-	-	-	6,534	6,534
Total Business-Type Activities	-	-	443	6,534	6,977
Intergovernmental Receivable	$ 1,286,917	$ 84,887	$ 443	$ 16,723	$ 1,388,970

NOTE 5 RECEIVABLES (Continued)

C. Loans Receivable

Loans receivable for the primary government, as of June 30, 2018, are detailed in the following table (dollars in thousands):

Primary Government - Loans Receivable

	Governmental Activities		
Loan Program	General	Nonmajor Governmental Funds	Total Primary Government
Economic Development Office of Loan Administration	$ 219,155	$ -	$ 219,155
Local Infrastructure Improvements	559,312	-	559,312
Housing Finance	323,336	-	323,336
Highway, Transit, & Aviation Infrastructure Bank	-	127,488	127,488
Third Frontier Program Loans	-	44,479	44,479
Wayne Trace Local School District	1,289	-	1,289
Rail Development	-	1,496	1,496
Capital Access Loan Program	-	5,056	5,056
OhioMeansJobs Workforce Development Revolving Loan Program	-	2,750	2,750
Loans Receivable, Net	$ 1,103,092	$ 181,269	$ 1,284,361
Current-Due Within One Year	$ 151,244	$ 21,511	$ 172,755
Noncurrent-Due in More Than One Year	951,848	159,758	1,111,606
Loans Receivable, Net	$ 1,103,092	$ 181,269	$ 1,284,361

The "Loans Receivable" balance reported in the major discretely presented component units, as of June 30, 2018, 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, 2018, 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	$ 193,610	$ 327,524	$ -	$ 4,706	$ 525,840
Tobacco Settlement	-	-	572,542	34,100	606,642
Health Facility Bed Assessments	-	102,761	-	-	102,761
Managed Care Franchise Fees	-	62,316	-	-	62,316
Interest	24,732	-	-	24	24,756
Accounts	12,129	13,175	-	14,290	39,594
Miscellaneous	29,962	-	-	-	29,962
Other Receivables, Net	$ 260,433	$ 505,776	$ 572,542	$ 53,120	$ 1,391,871
Current-Due Within One Year	$ 260,433	$ 505,776	$ -	$ 19,020	$ 785,229
Noncurrent-Due in More Than One Year	-	-	572,542	34,100	606,642
Other Receivables, Net	$ 260,433	$ 505,776	$ 572,542	$ 53,120	$ 1,391,871

	Business-Type Activities				
	Major Proprietary Funds				
Types of Receivables	Workers' Compensation	Lottery Commission	Unemployment Compensation	Nonmajor Proprietary Funds	Total
Accounts	$ 262,444	$ -	$ 39,351	$ 15	$ 301,810
Interest and Dividends (including restricted portion)	130,699	3	-	1,891	132,593
Lottery Sales Agents	-	61,481	-	-	61,481
Other Receivables, Gross	393,143	61,484	39,351	1,906	495,884
Estimated Uncollectible	(1,186)	(541)	(17,422)	-	(19,149)
Other Receivables, Net-Due Within One Year	$ 391,957	$ 60,943	$ 21,929	$ 1,906	$ 476,735
Total Primary Government					$ 1,868,606

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2018, is comprised of interest due of approximately $19.2 million and investment trade receivables of $36.6 million.

In the major discretely presented component units, the "Other Receivables" balance reported, as of June 30, 2018, 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, 2018, follow (dollars in thousands):

Primary Government - Accrued Liabilities

	Wages and Employee Benefits	Accrued Interest	Total Accrued Liabilities
Governmental Activities:			
Major Governmental Funds:			
General	$ 165,162	$ -	$ 165,162
Job, Family and Other Human Services	22,323	-	22,323
Nonmajor Governmental Funds	61,796	-	61,796
	249,281	-	249,281
Reconciliation of fund level statements to government-wide statements due to basis differences	-	172,381	172,381
Total Governmental Activities	249,281	172,381	421,662
Business-Type Activities:			
Nonmajor Proprietary Funds	4,816	-	4,816
Total Primary Government	$ 254,097	$ 172,381	$ 426,478

	Wages and Employee Benefits	Health Benefit Claims	Management and Administrative Expenses	Total Accrued Liabilities
Fiduciary Activities:				
State Highway Patrol Retirement System Pension Trust (12/31/2017)	$ 4,777	$ 684	$ -	$ 5,461
Variable College Savings Plan Private-Purpose Trust	-	-	4,441	4,441
STAR Ohio Investment Trust	-	-	800	800
Total Fiduciary Activities	$ 4,777	$ 684	$ 5,241	$ 10,702

The "Accrued Liabilities" balance reported in the major discretely presented component units, as of June 30, 2018, 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, 2018, 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	$ 630,758	$ 56,012	$ 40,781	$ -	$ 727,551
Job, Family and Other Human Services	-	117,337	-	-	117,337
Nonmajor Governmental Funds	90,266	95,145	-	-	185,411
Total Governmental Activities	$ 721,024	$ 268,494	$ 40,781	$ -	$ 1,030,299
Business-Type Activities:					
Major Proprietary Funds:					
Unemployment Compensation	$ -	$ 130	$ 352	$ -	$ 482
Total Business-Type Activities	$ -	$ 130	$ 352	$ -	$ 482
Total Primary Government					$ 1,030,781
Fiduciary Activities:					
Holding and Distribution Agency Fund	$ -	$ 448	$ 7,203	$ 2,739	$ 10,390
Other Agency Fund	184,255	15,395	-	-	199,650
Total Fiduciary Activities	$ 184,255	$ 15,843	$ 7,203	$ 2,739	$ 210,040

As of June 30, 2018, the Ohio Facilities Construction Commission, a major discretely presented component unit fund, reported an intergovernmental payable balance totaling approximately $803.5 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, 2018, 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	$ 1,237,389	$ 117	$ 1,237,506
Job, Family and Other Human Services	-	6,658	6,658
Nonmajor Governmental Funds	-	680	680
Total Governmental Activities	$ 1,237,389	$ 7,455	$ 1,244,844

	Reserve for Compensation Adjustment	Net Pension / OPEB Liability	Refund and Security Deposits	Compensated Absences	Other	Total
Business-Type Activities:						
Major Proprietary Funds:						
Workers' Compensation	$ 1,758,600	$ 273,796	$ -	$ 28,050	$1,882,820	$ 3,943,266
Lottery Commission	-	43,287	34,223	3,817	6,521	87,848
Unemployment Compensation	-	-	6,835	-	-	6,835
Nonmajor Proprietary Funds	-	97,632	51	9,872	-	107,555
	1,758,600	414,715	41,109	41,739	1,889,341	4,145,504
Reconciliation of balances included in the “Other Noncurrent Liabilities” balance in the government-wide financial statements	(1,758,600)	(414,715)	-	(41,739)	(1,720,889)	(3,935,943)
Total Business-Type Activities	$ -	$ -	$ 41,109	$ -	$ 168,452	$ 209,561
Total Primary Government						$ 1,454,405

	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total
Fiduciary Activities:						
State Highway Patrol Retirement System Pension Trust (12/31/2017)	$ -	$ -	$ -	$ -	$ 1,074	$ 1,074
Variable College Savings Plan Private-Purpose Trust	-	-	-	-	12,349	12,349
STAR Ohio Investment Trust	-	-	-	-	460	460
Agency Funds:						
Holding and Distribution	-	10,999	-	-	-	10,999
Centralized Child Support Collections	64,055	-	-	-	-	64,055
Retirement Systems	-	-	-	211,127,021	-	211,127,021
Payroll Withholding and Fringe Benefits	-	-	129,481	-	-	129,481
Other	-	-	-	-	575,461	575,461
Total Fiduciary Activities	$ 64,055	$ 10,999	$ 129,481	$ 211,127,021	$ 589,344	$ 211,920,900

In the major discretely presented component units, the “Refunds and Other Liabilities” balance reported, as of June 30, 2018, 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, 2018, consist of the following (in thousands):

	Due To			
Due from	Nonmajor Governmental Funds	Workers' Compensation	Nonmajor Proprietary Funds	Total
General	$ -	$ 424,207	$ 1,508	$ 425,715
Job, Family and Other Human Services	-	11,903	-	11,903
Nonmajor Governmental Funds	1,402	109,014	-	110,416
Lottery Commission	-	1,135	-	1,135
Total	$ 1,402	$ 546,259	$ 1,508	$ 549,169

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 $546.3 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.

B. Interfund Transfers

Interfund transfers, for the fiscal year ended of June 30, 2018, consist of the following (dollars in thousands):

	Transferred to				
Transferred from	General	Job, Family & Other Human Services	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	Total
General	$ -	$ 9,741	$ 2,030,703	$ 22,117	$ 2,062,561
Job, Family and Other Human Services	335,146	-	23,395	-	358,541
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	17,995	-	69	-	18,064
Nonmajor Governmental Funds	257,518	-	190,429	-	447,947
Workers' Compensation	8,841	-	-	-	8,841
Lottery Commission	1,485	-	1,171,566	-	1,173,051
Unemployment Compensation	8,247	214	-	-	8,461
Total	$ 629,232	$ 9,955	$ 3,416,162	$ 22,117	$ 4,077,466

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 2018, the discretely presented component units reported $2.59 billion in state assistance revenue from the primary government in the Statement of Activities.

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

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

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

Primary Government
(dollars in thousands)

			Program Expenses for State Assistance to Component Units				
	Receivable from the Component Units	Payable to the Component Units	Primary, Secondary, and Other Education Function	Higher Education Support Function	Transportation Function	Community and Economic Development Function	Total State Assistance to the Component Units
Major Governmental Funds:							
General	$ -	$ 19,174	$ 445,849	$ 2,106,926	$ 3,023	$ 34,352	$2,590,150
Job, Family and Other Human Services	-	538	-	-	-	-	-
Nonmajor Governmental Funds	4,960	1,284	-	-	-	-	-
Total Primary Government	$ 4,960	$ 20,996	$ 445,849	$ 2,106,926	$ 3,023	$ 34,352	$2,590,150

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..................	$ -	$ -	$ 480,201
Ohio State University	5,344	-	558,810
Nonmajor Discretely Presented Component Units	15,014	8,466	1,551,139
Total Discretely Presented Component Units	$ 20,358	$ 8,466	$2,590,150

NOTE 8 CAPITAL ASSETS

A. Primary Government

Capital asset activity, for the year ended June 30, 2018, reported for the primary government was as follows (dollars in thousands):

	Primary Government			
	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 2,391,230	$ 47,127	$ (5,370)	$ 2,432,987
Buildings	62,464	-	-	62,464
Land Improvements	1,439	-	-	1,439
Construction-in-Progress	2,682,358	581,347	(304,155)	2,959,550
Infrastructure:				
Highway Network:				
General Subsystem	8,647,678	15,393	(1,173)	8,661,898
Priority Subsystem	8,657,803	66,504	-	8,724,307
Bridge Network	2,798,045	70,610	(32,539)	2,836,116
Total Capital Assets Not Being Depreciated	25,241,017	780,981	(343,237)	25,678,761
Other Capital Assets:				
Buildings	3,780,906	234,214	(43,987)	3,971,133
Land Improvements	509,621	19,142	(8,327)	520,436
Machinery and Equipment	1,601,701	107,859	(112,087)	1,597,473
Vehicles	436,557	77,873	(48,727)	465,703
Infrastructure:				
Parks, Recreation and Natural Resources Network	148,832	673	(118)	149,387
Total Other Capital Assets at Historical Cost	6,477,617	439,761	(213,246)	6,704,132
Less Accumulated Depreciation for:				
Buildings	2,357,047	140,391	(26,569)	2,470,869
Land Improvements	338,113	21,156	(7,161)	352,108
Machinery and Equipment	1,174,846	162,038	(90,946)	1,245,938
Vehicles	240,986	51,295	(29,349)	262,932
Infrastructure:				
Parks, Recreation and Natural Resources Network	40,406	5,108	(57)	45,457
Total Accumulated Depreciation	4,151,398	379,988	(154,082)	4,377,304
Other Capital Assets, Net	2,326,219	59,773	(59,164)	2,326,828
Governmental Activities - Capital Assets, Net	$ 27,567,236	$ 840,754	$ (402,401)	$ 28,005,589
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 9,466	$ -	$ -	$ 9,466
Construction-In Progress	108,016	-	(11,418)	96,598
Total Capital Assets Not Being Depreciated	117,482	-	(11,418)	106,064
Other Capital Assets:				
Buildings	209,410	29	-	209,439
Machinery and Equipment	187,034	15,300	(4,874)	197,460
Vehicles	3,597	416	(327)	3,686
Total Other Capital Assets at Historical Cost	400,041	15,745	(5,201)	410,585
Less Accumulated Depreciation for:				
Buildings	180,427	6,964	-	187,391
Machinery and Equipment	152,901	13,462	(4,504)	161,859
Vehicles	1,680	441	(251)	1,870
Total Accumulated Depreciation	335,008	20,867	(4,755)	351,120
Other Capital Assets, Net	65,033	(5,122)	(446)	59,465
Business-Type Activities - Capital Assets, Net	$ 182,515	$ (5,122)	$ (11,864)	$ 165,529

NOTE 8 CAPITAL ASSETS (Continued)

For fiscal year 2018, the State charged depreciation expense to the following functions (dollars in thousands):

Governmental Activities:	*Depreciation Expense*
Primary, Secondary and Other Education	$ 3,277
Public Assistance and Medicaid	93,514
Health and Human Services	13,383
Justice and Public Protection	75,846
Environmental Protection and Natural Resources	39,534
Transportation	50,714
General Government	100,532
Community and Economic Development	7,998
Total Depreciation Expense for Governmental Activities	384,798
Gains (Losses) on Capital Asset Disposals Included in Depreciation	(4,810)
Fiscal Year 2018 Increases to Accumulated Depreciation	$ 379,988
Business-Type Activities:	
Workers' Compensation	$ 21,216
Lottery Commission	11,018
Tuition Trust Authority	9
Office of Auditor of State	293
Total Depreciation Expense for Business-Type Activities	32,536
Gains (Losses) on Capital Asset Disposals Included in Depreciation	(11,669)
Fiscal year 2018 Increase to Accumulated Depreciation	$ 20,867

As of June 30, 2018, the State considered the following governmental capital asset balances as being impaired and removed from service (dollars in thousands).

Governmental Activities:	*Net Book Value*
Permanently Impaired Assets Removed from Service:	
Buildings	$ 4,198
Land Improvements	225
Total	$ 4,423

NOTE 8 CAPITAL ASSETS (Continued)

B. Major Discretely Presented Component Units

Capital asset activity, for the year ended June 30, 2018, 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, 2017	Increases	Decreases	Balance June 30, 2018
Ohio State University:				
Capital Assets Not Being Depreciated:				
Land	$ 114,233	$ 1,201	$ (211)	$ 115,223
Construction-in-Progress	181,876	216,741	-	398,617
Patents and Trademarks	18,465	-	(6)	18,459
Total Capital Assets Not Being Depreciated	314,574	217,942	(217)	532,299
Other Capital Assets:				
Buildings	6,293,357	178,310	(8,337)	6,463,330
Land Improvements	841,852	37,156	(30,793)	848,215
Machinery, Equipment and Vehicles	1,483,318	149,916	(51,946)	1,581,288
Library Books and Publications	188,006	4,295	(1,026)	191,275
Total Other Capital Assets at Historical Cost	8,806,533	369,677	(92,102)	9,084,108
Less Accumulated Depreciation for:				
Buildings	2,623,258	219,974	(3,959)	2,839,273
Land Improvements	309,787	34,749	(29,256)	315,280
Machinery, Equipment and Vehicles	1,043,531	142,723	(44,410)	1,141,844
Library Books and Publications	161,544	4,689	(1,026)	165,207
Total Accumulated Depreciation	4,138,120	402,135	(78,651)	4,461,604
Other Capital Assets, Net	4,668,413	(32,458)	(13,451)	4,622,504
Total Capital Assets, Net	$ 4,982,987	$ 185,484	$ (13,668)	$ 5,154,803

For fiscal year 2018, Ohio State University reported approximately $402.1 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, 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.

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

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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 age and service requirements for State and Law Enforcement employees in all transition groups are shown in the table below:

Unreduced Benefit	**Group A**		**Group B**		**Group C**	
	Age	Service	Age	Service	Age	Service
State	Any	30	52	31	55	32
	N/A	N/A	Any	32	N/A	N/A
	65	5	66	5	67	5
Law Enforcement	48	25	50	25	52	25
	62	15	64	15	64	15

Reduced Benefit	**Group A**		**Group B**		**Group C**	
	Age	Service	Age	Service	Age	Service
State	55	25	55	25	57	25
	60	5	60	5	62	5
Law Enforcement	52	15	52	15	56	15
	N/A	N/A	48	25	48	25

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 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 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,

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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.

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, a PLOP, 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 2018, 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, 2017 through June 30, 2018..........................	10.00%	14.00%
Law Enforcement Employees:		
July 1, 2017 through June 30, 2018..........................	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 Member Directed defined contribution plan, both the employee and employer share of the costs are used to finance the plan.

At June 30, 2018, the State reports a liability of $3.27 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 $26 million for the Combined Plan. Ohio State University discretely presented component unit reports liabilities of $1.47 billion, for its proportionate share of the net pension liability for the Traditional Plan. The net pension liability/asset was measured as of December 31, 2017. The Plan's total pension liability/asset used to calculate the Plan's net pension liability/asset was determined by an actuarial valuation as of December 31, 2017. The State's proportion of the net pension liability/asset 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, 2017, the State's proportion was 20.85 percent for the Traditional Plan based on employer contributions of $362.3 million, as compared to the December 31, 2016, proportion of 20.95 percent. For the Combined Plan, the State's proportion at December 31, 2017 was 19.13 percent based on employer contributions of $9.8 million, as compared to the December 31, 2016, proportion of 19.67 percent. The proportion for the Traditional Plan for Ohio State University discretely presented component unit was 9.4 percent based on employer contributions totaling $201.1 million compared to 9.1 percent for the previous fiscal year. For purposes

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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 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. All investments are reported at fair value.

For the year ended June 30, 2018, the State recognized pension expense of $690.2 million for the Traditional Plan, and $4 million for the Combined Plan. Ohio State University discretely presented component unit, recognized $219.1 million in pension expense.

At June 30, 2018, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):

	Pension	
Traditional Plan	Primary Government	Ohio State University
Deferred Outflow of Resources:		
Differences Between Expected and Actual Experience	$ 3,344	$ 2,277
Changes of Assumptions	391,421	171,962
Change in Employers' Proportionate share	17,708	4,061
Contributions Subsequent to the Measurement Date	195,207	99,914
Total	$ 607,680	$ 278,214
Deferred Inflow of Resources:		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$ (701,472)	$ (332,347)
Change in Employers' Proportionate share	(6,098)	(54)
Differences Between Expected and Actual Experience	(64,720)	(34,978)
Total	$ (772,290)	$ (367,379)

Combined Plan	Primary Government
Deferred Outflow of Resources:	
Change in Employers' Proportionate Share	$ 157
Change in Assumptions	2,200
Contributions Subsequent to the Measurement Date	5,455
Total	$ 7,812
Deferred Inflow of Resources:	
Change in Employers' Proportionate Share	$ (10)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	(3,974)
Differences Between Expected and Actual Experience	(7,502)
Total	$ (11,486)

Deferred Outflows of Resources of $195.2 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, 2019. Deferred Outflows of Resources of $5.5 million resulting from State contributions subsequent to the measurement period for the Combined Plan will be recognized as an increase to the net pension asset in the year ended June 30, 2019. Ohio State University, a discretely presented component unit, will recognize $99.9 million resulting from contributions subsequent to the measurement period as a reduction of its net pension liability.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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):

	Pension	
Traditional Plan	Primary Government	Ohio State University
Year Ended June 30:		
2019	$ 304,838	$ 121,921
2020	(66,523)	(35,226)
2021	(309,367)	(141,775)
2022	(288,672)	(132,700)
2023	(30)	(503)
Thereafter	(63)	(796)

Combined Plan	Primary Government
Year Ended June 30:	
2019	$ (1,240)
2020	(1,349)
2021	(2,239)
2022	(2,145)
2023	(750)
Thereafter	(1,406)

OPEB Benefits

In addition to the pension plan, OPERS maintains a cost-sharing, multiple-employer postemployment health care plan for the Traditional Plan and Combined Plan, which includes hospitalization, medical expenses and prescription drugs for non-Medicare retirees and eligible dependents. Medicare Eligible retirees must select coverage through the OPERS Medicare Connector and may receive an allowance to offset a portion of the monthly premium to retirees and eligible dependents. The allowance is deposited into a Health Retirement Account to be used to reimburse eligible health care expenses. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage, but qualify for a Retiree Medical Account.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible recipients, with one exception. Ohio law currently requires OPERS to provide a Medicare Part A equivalent plan or reimbursement for members and dependents who do qualify for Medicare Part A. Authority to establish and amend OPEB benefits is provided in Chapter 145 of the Ohio Revised Code as well.

To qualify for postemployment health care coverage, age-and-service retirees under the Traditional and Combined plans must have 20 years of qualifying Ohio service credit with a minimum age of 60, or 30 or more years of qualifying service at any age. The Member Directed Plan participants can use vested retiree medical account funds upon retirement for reimbursement of qualified medical expenses. Currently, an employee's interest in the medical account for qualifying health care expenses vests based on length of service, with 100 percent vesting attained after five years of credited service for employees hired prior to July 1, 2015. Members who elect the Member-Directed Plan after July 1, 2015, will vest at 15 years of service at a rate of 10 percent each year starting with the sixth year of participation.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Medicare-eligible retirees who choose to become re-employed in an OPERS covered position must enroll in the employer's health care plan if the employer offers a plan. After the two-month forfeiture period, the retiree may continue participation in an OPERS health care plan. The coverage provided by the employer plan is primary coverage and the OPERS health care plan is secondary coverage. OPERS provides a monthly allowance to offset a portion of the monthly premium. Medicare eligible spouses and dependents can also enroll in this plan if the retiree is enrolled. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. 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 through 2020.

The Ohio Revised Code provides the statutory authority which allows public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside for the funding of post-retirement health care benefits. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The OPEB contribution rates for regular and law enforcement employees for 2017 and 2018 were one and zero percent, respectively, for the Traditional and Combined Plans. The employer contribution to the Member Directed Plan participants health care accounts for 2017 was four percent (last year available). Employers make no further contributions to a member's health care account after retirement, nor do employers have any further obligation to provide postemployment health care benefits.

A new accounting pronouncement, GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), was implemented for the year ended June 30, 2017. GASB Statement No. 74 uses terminology such as the total OPEB liability and net OPEB liability which has been modeled after GASB Statement No. 67 for pensions. GASB Statement No. 75, Postemployment Benefit Plans Other Than Pensions was effective for periods beginning after June 15, 2017 and has an impact on the financial statements of contributing employer systems by requiring employers to record a net OPEB liability based on their proportionate share of total net OPEB liability.

At June 30, 2018, the State reports a liability of $2.25 billion for its proportionate share of the net OPEB liability. Ohio State University discretely presented component unit reports liabilities of $1.06 billion, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017. The Plan's total OPEB liability used to calculate the Plan's net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The State's proportion of the net OPEB 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. At December 31, 2017, the State's proportion was 20.74 percent based on employer contributions of $411.2 million, of which $31.9 million was contributed to OPEB. The proportion for the Ohio State University discretely presented component unit was 9.7 percent based on employer contributions totaling $201.1 million. For purposes of measuring the net OPEB liability, Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB, and OPEB 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 the plan. For this purpose, deductions are recorded when the liability is incurred, and revenues are recognized when earned.

For the year ended June 30, 2018, the State recognized OPEB expense of $190.2 million. Ohio State University discretely presented component unit, recognized $74.7 million in OPEB expense. At June 30, 2018, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (dollars in thousands):

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

	OPEB	
	Primary Government	Ohio State University
Deferred Outflow of Resources:		
Differences Between Expected and Actual Experience	$ 1,755	$ 822
Changes of Assumptions	164,001	76,832
Change in Employers' Proportionate share	330	-
Total	$ 166,086	$ 77,654
Deferred Inflow of Resources:		
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	$ (167,791)	$ (78,608)
Change in Employers' Proportionate share	(219)	-
Total	$ (168,010)	$ (78,608)

There were no State contributions related to OPEB subsequent to the measurement date and therefore, there will be no reduction of the net OPEB liability resulting from state contributions subsequent to the measurement date recognized in the year ended June 30, 2019.

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

	OPEB	
	Primary Government	Ohio State University
Year Ended June 30:		
2019	$ 37,352	$ 17,475
2020	37,352	17,475
2021	(34,683)	(16,251)
2022	(41,945)	(19,653)

Actuarial Assumptions for Pension and OPEB Liabilities

The total pension and OPEB liabilities were determined using the following actuarial assumptions listed in the individual tables below, applied to all periods included in the measurement:

	Pension	
	Traditional Plan	Combined Plan
Wage Inflation	3.25%	3.25%
Salary Increases (including wage inflation)	3.25-10.75%	3.25-8.25%
Investment Rate of Return	7.50%	7.50%
COLA or Ad Hoc COLA *	3.00%	3.00%
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.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

	OPEB
Wage Inflation	3.25%
Salary Increases (including wage inflation)	3.25%-10.75%
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.5% initial, 3.25% ultimate in 2028
Actuarial Cost Method	Individual Entry Age

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at statutory contribution rates. In each period of the projection, employer contributions were assumed to be applied first to the service cost of all members, with any remaining amount included in projected employer contributions for current members. Therefore, the long-term expected rate of return of 7.5 percent was applied to all periods of projected benefit payments to determine the total liability.

A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects a long-term expected rate of return on OPEB plan investments and tax-exempt municipal bond rates based on an index of 20-year general obligation bonds with an average AA credit rating. This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.5 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at the actuarily determined rate; therefore, the contributions were sufficient for health care costs to 2034. The health care investment rate was applied to projected costs to 2034, and the municipal bond rate applied thereafter.

For both tables, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For disabled retirees, mortality rates are based on the PR-2014 Disabled 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, 2017 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 for pension and OPEB 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:

	Pension		OPEB	
Asset Class	Target Allocation	Weighted, Average Long-Term Expected Real Rate of Return*	Target Allocation	Weighted, Average Long-Term Expected Real Rate of Return*
Fixed Income	23%	2.20%	34%	1.88%
Domestic Equity	19%	6.37%	21%	6.37%
Real Estate	10%	5.26%	6%	5.91%
Private Equity	10%	8.97%	0%	0.00%
International Equities	20%	7.88%	22%	7.88%
Other Investments	18%	5.26%	17%	5.39%
Total Fund	100%	5.66%	100%	4.98%

*Arithmetic.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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/(asset) as of December 31, 2017, calculated using the current period discount rate assumption of 7.5 percent. Also shown is what the net pension liability/(asset) 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):

	Pension		
Traditional Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability:			
Primary Government	$ 5,809,143	$ 3,271,382	$ 1,155,657
Ohio State University	2,621,235	1,466,955	505,528
Combined Plan			
Net Pension (Asset):			
Primary Government	$ (14,154)	$ (26,038)	$ (34,236)

The table below represents sensitivity of the State's proportionate share of the net OPEB liability to changes in the current period single discount rate assumption of 3.85 percent, as of December 31, 2017. The table below shows the expected net OPEB liability if it were calculated using a discount rate that is one percentage point lower (2.85 percent) or one percentage point higher (4.85 percent) than the current single discount rate (dollars in thousands):

	OPEB		
	1% Decrease (2.85%)	Current Single Discount Rate (3.85%)	1% Increase (4.85%)
Net OPEB Liability:			
Primary Government	$ 2,992,448	$ 2,252,428	$ 1,653,758
Ohio State University	1,401,965	1,055,239	774,788

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. Retiree health care valuations use a health care cost trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. The actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation. The following table represents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current health care cost trend rate assumption (dollars in thousands):

	OPEB		
	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Net OPEB Liability:			
Primary Government	$ 2,155,093	$ 2,252,428	$ 2,352,972
Ohio State University	1,009,663	1,055,239	1,102,370

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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, 2018, the State had no significant liability balances relative to existing ERI agreements with state employees covered by OPERS. During fiscal year 2018, 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, survivor, and disability 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 Website at https://www.strsoh.org.

For retirement dates between August 1, 2017 and July 1, 2019, participants in the Defined Benefit Plan may retire with an unreduced benefit after 32 years of credited service regardless of age, or age 65 with five years of credited service. Participants may also retire with a percentage reduction in benefit amounts at any age with 30 years of credited service, or at age 55 with 27 years of credited service, or at age 60 with 5 years of credited service. Benefits are based on the final average salary based on the five highest 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 August 1, 2015, or later, the annual benefit amount will be the greater of either the benefit amount calculated under the current benefit formula as described above, or the benefit amount calculated as of July 1, 2015, under the previous benefit formula, as described below.

For members who were eligible to retire on or before July 1, 2015, the annual retirement allowance is the greater of the benefit amount calculated upon retirement under the current benefit formula or the previous benefit formula, which is frozen as of July 1, 2015. The previous benefit formula 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 0.1 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 0.1 percent starting at 2.6 percent for the 32nd year.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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 9.53 percent of employer contributions are placed into individual member accounts (the remaining 4.47 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 unreduced defined benefit portion of the plan at age 60 with five years of service, or participants may collect a reduced defined benefit portion of the plan before 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 two 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 2018 were 14 percent for employers and 14 percent for employees for the Defined Benefit, Defined Contribution, and Combined Plans.

At June 30, 2018, the State reports a liability of $90.4 million for its proportionate share of the net pension liability, as compared to $126.9 million at June 30, 2017. Ohio State University discretely presented component unit reports a net pension liability of $1.08 billion for its proportionate share, as compared to $1.51 billion at June 30, 2017. The net pension liability was measured as of June 30, 2017. The Plan's total pension liability was used to calculate the net pension liability, as determined by an actuarial valuation as of July 1, 2017. 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, 2018, the State's proportion was .381 percent based on employer contributions totaling $5.9 million as compared to the State's proportion at June 30, 2017, of .379 percent. Ohio State University had a proportionate share of 4.6 percent based on employer contributions of $74.4 million as compared to 4.5 percent for June 30, 2017.

For purposes of measuring the net pension liability, and related deferred inflows and outflows of resources and pension expenses, 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.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

For the year ended June 30, 2018, the State recognized pension expense of $(36.3) million and Ohio State University discretely presented component unit recognized pension expense of $(481.1) million.

At June 30, 2018, the State and Ohio State University reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):

	Pension	
	Primary Government	Ohio State University
Deferred Outflows of Resources		
Differences Between Expected and Actual Experience	$ 3,492	$ 41,745
Changes of Assumptions	19,775	236,438
Change in Employer Proportionate Share of NPL	305	1,036
Employer Contributions Subsequent to the Measurement Date	5,888	74,173
Total	$ 29,460	$ 353,392
Deferred Inflows of Resources		
Differences Between Expected and Actual Experience	$ (729)	$ (8,713)
Change in Employer Proportionate Share of NPL	(4,028)	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	(2,984)	(35,676)
Total	$ (7,741)	$ (44,389)

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, 2019. Ohio State University discretely presented component unit will recognize $74.2 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):

	Pension	
	Primary Government	Ohio State University
YEAR ENDED JUNE 30:		
2019	$ 2,421	$ 49,592
2020	6,481	96,547
2021	5,273	69,287
2022	1,656	19,404

OPEB Benefits

Additionally, STRS offers a cost-sharing, multiple employer health care plan which provides access to health care to eligible retirees who participate in the Defined Benefit Plan or Combined Plan. Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of a portion of the monthly Medicare Part B premiums. Medicare part B premium reimbursements will be discontinued effective January 1, 2019. Retirees enrolled in the Defined Contribution Plan receive no postemployment health care benefits.

Ohio Revised Code Chapter 3307 gives the STRS board discretionary authority over how much, if any, of associated health care costs are absorbed by the health care plan. All benefit recipients of the health care plan, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Medicare Part D allows STRS Ohio to recover part of the health care cost for providing prescription coverage through its health care plans which include creditable prescription drug coverage. For the Defined Benefit and Combined Plans, all employer contributions are used to fund pension obligations, and none was allocable to postemployment health care benefits for 2018. Under Ohio law, funding for the postemployment health care may be deducted from employer

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

contributions. 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.

At June 30, 2018, the State reports a net OPEB liability of $14.9 million for its proportionate share. Ohio State University discretely presented component unit reports a net OPEB liability of $177.6 million. The net OPEB liability was measured as of June 30, 2017. The Plan's total OPEB liability was used to calculate the net OPEB liability, respectively, determined by an actuarial valuation as of June 30, 2017. The State's proportion of the net OPEB 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 to the plan. At June 30, 2018, the State's proportion was .381 percent based on employer contributions totaling $5.9 million. Ohio State University had a proportionate share of 4.6 percent based on employer contributions of $74.4 million.

For purposes of measuring the net OPEB liability, related deferred inflows and outflows of resources and expenses, 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, 2018, the State recognized OPEB expense of $(4.5) million and Ohio State University discretely presented component unit recognized OPEB expense of $(54.2) million.

At June 30, 2018, the State and Ohio State University reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (dollars in thousands):

	OPEB	
	Primary Government	Ohio State University
Deferred Outflows of Resources		
Differences Between Expected and Actual Experience	$ 857	$ 10,250
Change in Employer Proportionate Share of NOL	67	-
Total	$ 924	$ 10,250
Deferred Inflows of Resources		
Changes of Assumptions	$ (1,196)	$ (14,303)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	(635)	(7,589)
Total	$ (1,831)	$ (21,892)

There were no State contributions to OPEB subsequent to the measurement date and therefore, there will be no reduction of the net OPEB liability resulting from subsequent contributions recognized in the year ended June 30, 2019. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

	OPEB	
	Primary Government	Ohio State University
YEAR ENDED JUNE 30:		
2019	$ (204)	$ (2,573)
2020	(204)	(2,573)
2021	(204)	(2,573)
2022	(204)	(2,573)
2023	(45)	(675)
Thereafter	(46)	(675)

Actuarial Assumptions for Pension and OPEB Liabilities

The total pension liability in the July 1, 2017 actuarial valuation, and total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, respectively, applied to all periods included in the measurement:

	Pension	
Actuarial Cost Method	Entry Age Normal	
Inflation	2.50	percent
Salary Increases	12.50	percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45	percent, net of pension plan investment expense, including inflation
COLA or Ad Hoc COLA	0	percent

	OPEB	
Actuarial Cost Method	Entry Age Normal	
Inflation	2.50	percent
Salary Increases	12.50	percent at age 20 to 2.50 percent at age 65
Payroll Increases	3.00	percent
Blended Discount Rate of Return	4.13	percent
Investment Rate of Return	7.45	percent, net of OPEB plan investment expense, including inflation
COLA or Ad Hoc COLA	0	percent
Health Care Cost Trends	6-11	percent initial, 4.5 percent ultimate

Pension and OPEB mortality rates were based on the RP-2014 Annuitant mortality table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. The disabled rates are based on the RP-2014 Disabled mortality table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. The actuarial assumptions used in the valuation were adopted by the board based on the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

Certain changes to the pension actuarial assumptions since the prior measurement date were approved in 2017. The long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. The inflation assumption was lowered from 2.75 percent to 2.50 percent. The total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

In addition, benefit terms were changed since the prior measurement date. Effective July 1, 2017, the COLA was reduced to zero.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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:

	Pension and OPEB	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28%	7.35%
International Equity	23%	7.55%
Alternatives	17%	7.09%
Fixed Income	21%	3.00%
Real Estate	10%	6.00%
Liquidity Reserves	1%	2.25%
Total Fund	100%	

*10-year annualized geometric nominal returns, w hich 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 7.45 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 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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, 2017, measurement date, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption (dollars in thousands):

	Pension		
	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Net Pension Liability:			
Primary Government	$ 129,611	$ 90,418	$ 57,404
Ohio State University Discretely Presented Component Unit	1,549,653	1,081,053	686,328

The projection of cash flows used to determine the net OPEB liability discount rates assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, a blended discount rate of 4.13 percent which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2017. Shown in the table below is what the net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption (dollars in thousands):

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

	OPEB		
	1% Decrease (3.13%)	Current Single Discount Rate (4.13%)	1% Increase (5.13%)
Net OPEB Liability:			
Primary Government	$ 19,937	$ 14,850	$ 10,831
Ohio State University	238,366	177,556	129,496

Sensitivity of the net OPEB liability to changes in the health care cost trend rates calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher is presented below (dollars in thousands):

	OPEB		
	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Net OPEB Liability:			
Primary Government	$ 10,317	$ 14,850	$ 20,816
Ohio State University	123,358	177,556	248,886

Assumptions changes updated were the valuation year per capita health care costs and the salary scale, since the prior measurement date for the current health care cost trend rate. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. In addition, the discount rate increased from 3.26 percent and the long term expected rate of return was reduced from 7.75 percent.

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. SHPRS's Comprehensive Annual Financial Report for the year ended December 31, 2017, may also be found at 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.

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' 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.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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 an age and service pension, and health care benefits, upon reaching both an age and service requirement. Employees with at least 20 years of service credit, but less than 25 years of service credit may retire at age 52 with unreduced benefits, or age 48 with reduced benefits. Employees with more than 25 years of service may retire at age 48 with unreduced benefits. 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 20 or more years of service credit, the percentage is determined by multiplying 2.5 percent for the first 20 years of service, plus 2.25 percent for the next five years of service, plus two percent for each year in excess of 25 years of service. A member's pension may not exceed 79.25 percent of the final average salary.

Employees who left SHPRS prior to meeting the requirements for receiving an age and service pension, but who have at least 15 years of service credit, are eligible for a deferred pension. Such employees who have less than 20 years of service credit, may collect a pension at age 55, at a percentage of their final average salary determined by multiplying 1.5 percent times the number of years of service credit. These employees are not eligible for health care benefits. Employees who are eligible for the deferred pension and who have at least 20 years of service credit, may receive a pension once they meet the age requirements for the age and service pension, calculated in the same manner as the age and service pension described above.

Membership data for SHPRS is presented in the table below:

Membership Data as of December 31, 2017	
Active Members	1,650
Retirees receiving benefits	1,637
Retirees not receiving benefits	11
	3,298

The SHPRS Board sets employee contribution rates and cost-of-living adjustment rates. Employee contribution rates may range between 10 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 7, 2013.

The employer and employee contribution rates, as of December 31, 2017, were 26.5 percent and 12.5 percent, respectively. During calendar year 2017, employer's contributions funded 22.5 percent of pension benefits and all the employees' contributions funded pension benefits.

The State's net pension liability was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total pension liability to December 31, 2017. Detailed information about SHPRS' pension plan fiduciary net position and the OPEB plan fiduciary net position is available in the separately issued SHPRS financial report. 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

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

Fiscal year ending December 31, 2017	Pension
Total Pension Liability:	
Service Cost	$ 19,635
Interest on the Total Pension Liability	85,936
Benefit Changes	(5,681)
Difference Between Expected and Actual Experience	17,854
Benefit Payments	(75,393)
Refunds	(1,075)
Net Change in Total Pension Liability	41,276
Total Pension Liability - Beginning	1,137,269
Total Pension Liability - Ending (a)	$ 1,178,545
Plan Fiduciary Net Position:	
Employer Contributions	$ 26,110
Employee Contributions	14,505
Pension Plan Net Investment Income	101,482
Benefit Payments	(75,393)
Refunds	(1,075)
Pension Plan Administrative Expense	(1,437)
Other	479
Net Change in Plan Fiduciary Net Position	64,671
Plan Fiduciary Net Position - Beginning	721,685
Plan Fiduciary Net Position - Ending (b)	$ 786,356
Net Pension Liability - Ending (a) - (b)	$ 392,189
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.72%
Covered Employee Payroll*	112,705
Net Pension Liability as a Percentage of Covered Employee Payroll	347.98%
Notes to Schedule:	N/A

*Includes members of the DROP.

For the year ended June 30, 2018, the State recognized pension expense of $47.3 million. The amount of employer contributions from the State for the calendar year ended December 31, 2017, totaled $26.1 million for pension. At June 30, 2018, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources (dollars in thousands):

Deferred Outflows of Resources	Pension
Differences Between Expected and Actual Experience	$ 14,436
Changes of Assumptions	17,449
Contributions subsequent to measurement date	15,432
Total	$ 47,317
Deferred Inflows of Resources	
Difference between Expected and Actual experience	$ (8,036)
Net difference between projected and actual earnings on Pension plan investments	(5,498)
Total	$ (13,534)

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Deferred Outflows of Resources of $15.4 million related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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):

YEAR ENDED June 30:	Pension
2019	$ 15,449
2020	13,074
2021	(4,628)
2022	(6,308)
2023	764

OPEB Benefits

In addition to providing pension benefits, SHPRS, a single employer plan, is authorized by Chapter 5505, Ohio Revised Code, to provide a postemployment health care plan which includes medical, hospitalization and prescription drug coverage. Health care benefits are not guaranteed and are subject to change at any time, as determined by the Board and certified by the Office of Budget and Management. 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. Qualifications for postemployment health care coverage are described along with pension qualifications under the Pension Plan section.

During calendar year 2017, four percent of the employer's contributions funded postemployment health care benefits. Beginning January 1, 2018, the portion of employer contributions allocated to postemployment health care decreased to zero. None of the employees' contributions funded postemployment health care. The cost of retiree health care benefits is recognized as claims are incurred and premiums are paid.

The pension and OPEB plans' fiduciary net position has been determined on the same basis used by the pension plan.

The Schedule of Changes in Net OPEB Liability is presented as follows (dollars in thousands):

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

Fiscal year ending December 31, 2017	OPEB
Total OPEB Liability:	
Service Cost	$ 23,657
Interest on the Total OPEB Liability	19,243
Benefit Changes	709
Difference Between Expected and Actual Experience	(1,204)
Assumption Changes	46,862
Benefit Payments	(9,434)
Net Change in Total OPEB Liability	79,833
Total OPEB Liability - Beginning	486,297
Total OPEB Liability - Ending (a)	$ 566,130
Plan Fiduciary Net Position:	
Employer Contributions	$ 4,640
Net Investment Income	14,467
Benefit Payments (includes refunds of employee contributions)	(9,433)
OPEB Plan Administrative Expense	(204)
Net Change in Plan Fiduciary Net Position	9,470
Plan Fiduciary Net Position - Beginning	102,329
Plan Fiduciary Net Position - Ending (b)	$ 111,799
Net OPEB Liability - Ending (a) - (b)	$ 454,331
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	19.8%
Covered Employee Payroll*	112,705
Net OPEB Liability as a Percentage of Covered Employee Payroll	403.1%
Notes to Schedule:	N/A

For the year ended June 30, 2018, the State recognized OPEB expense of $41.7 million. The amount of employer contributions from the State for the calendar year ended December 31, 2017, totaled $4.6 million to OPEB. At June 30, 2018, the State reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (dollars in thousands):

Deferred Outflows of Resources	OPEB
Changes of Assumptions	$ 39,676
Total	$ 39,676
Deferred Inflows of Resources	
Difference between Expected and Actual experience	$ (1,019)
Net difference between projected and actual earnings on OPEB plan investments	(5,384)
Total	$ (6,403)

There were no State contributions to OPEB subsequent to the measurement date and therefore, there will be no reduction of the net OPEB liability resulting from subsequent state contributions recognized in the year ended June 30, 2019. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

YEAR ENDED June 30:	OPEB
2019	$ 5,655
2020	5,655
2021	5,655
2022	5,655
2023	7,002
Thereafter	3,651

Actuarial Assumptions for Pension and OPEB Liabilities

The total pension and OPEB liabilities at December 31, 2017, were 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 10 percent attributable to seniority and merit, and price inflation of 2.75 percent annually. The actuarial assumptions were based off a December 31, 2016 actuarial valuation date and rolled forward to December 31, 2017. A five-year experience study covering the five-year period ending December 31, 2014 was the basis for the assumptions.

Mortality rates were based on the RP-2014 Healthy Annuitant mortality and the RP-2014 Disabled 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.

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:

	Pension and OPEB	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Cash	1%	-0.21%
Domestic Equity - Large Cap	25%	5.62%
Domestic Equity - Small Cap	5%	5.78%
International Equity	15%	6.00%
Emerging Markets	8%	8.78%
Domestic Corporate Fixed Income	10%	1.11%
Domestic Government Fixed Income	3%	0.43%
Treasury Inflation Protected Securities	0%	0.77%
High Yield Bonds	3%	2.92%
Real Estate	0%	4.32%
Private Equity	10%	8.21%
Hedge Funds	10%	4.22%
Other Alternatives	10%	4.18%
Total Fund	100%	

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

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 2017 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, 2017.

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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, 2017, 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 (6.75 percent) or one percentage point higher (8.75 percent) than the current assumption (dollars in thousands):

Pension		
1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
$ 523,822	$ 392,189	$ 282,395

Net OPEB Liability uses a single discount rate of 3.42 percent. This Single Discount Rate was based on an expected rate of return on OPEB plan investments of 7.75 percent and a municipal (fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds) bond rate of 3.31 percent. The projection of cash flows used to determine this Single Discount Rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate; if these assumptions were met, the net position and contributions were sufficient through 2027. Therefore, the long-term expected rate of return was applied through 2027 and the municipal rate was applied thereafter. Shown in the table below is what the net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower (2.42 percent) or one percentage point higher (4.42 percent) than the current assumption (dollars in thousands):

OPEB		
1% Decrease 2.42%	Current Discount Rate 3.42%	1% Increase 4.42%
$ 573,757	$ 454,331	$ 362,441

It is expected that health care premium rates will continue to exceed wage inflation for the next 10 years leveling off at an ultimate rate of four percent. This information is determined from historical trends. The sensitivity of the net OPEB liability to changes in the health care cost trend rates calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher is presented below (dollars in thousands):

OPEB		
1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
$ 367,873	$ 454,331	$ 555,494

NOTE 9 PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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.

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, 2018, these contribution rates are 10 percent for OPERS and 14 percent for STRS. Employees may also voluntarily make additional contributions to the ARP.

For the year ended June 30, 2018, each public institution of higher education was required to contribute 2.44 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 4.47 percent of a participating employee's gross salary, for the year ended June 30, 2018, 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 health care 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 unit, employer and employee contributions required and made for the year ended June 30, 2018, for the ARP follow (dollars in thousands):

Major Component Unit:	OPERS	STRS
Ohio State University:		
Employer Contributions	$ 27,707	$ 28,762
Employee Contributions	23,972	42,252

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, 2018, the General Assembly had authorized the issuance of $5.55 billion in Common Schools Capital Facilities Bonds, of which $5.07 billion has been issued. As of June 30, 2018, the General Assembly had also authorized the issuance of $4.45 billion in Higher Education Capital Facilities Bonds, of which $3.83 billion has been issued.

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, 2018, the General Assembly has authorized the issuance of approximately $3.68 billion in Highway Capital Improvements Bonds, of which $3.13 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). Not more than $175 million of Infrastructure Bonds may be issued in each fiscal year beginning in 2018 through fiscal year 2022 and $200 million in each fiscal year beginning in fiscal year 2023 through fiscal year 2027, plus any obligations unissued from previous fiscal years. As of June 30, 2018, the General Assembly had authorized $4.43 billion of these bonds to be sold (excluding any amounts for unaccreted discount on capital appreciation bonds at issuance), of which $3.92 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, 2018, the General Assembly had authorized the issuance of $260 million in Coal Research and Development Bonds, of which $246 million had been issued. Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled $482 million, as of June 30, 2018, of which $453.1 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, 2018, the General Assembly had authorized the issuance of approximately $700 million in Conservation Projects Bonds of which $500 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, 2018, the General Assembly had authorized the issuance of $1.2 billion in Third Frontier Research and Development Bonds, of which $851 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, 2018, 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, 2018, the General Assembly had authorized all $200 million in Veterans' Compensation Bonds, of which $83.9 million had been issued.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2018, are presented in the table below. 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, 2018. As rates vary, variable-rate bond interest payments and net swap payments vary.

Primary Government-Governmental Activities
Summary of General Obligation Bonds
and Future Funding Requirements
As of June 30, 2018
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities	2004-18	2.5%-5.5%	2038	$3,154,673	$ 475,000
Higher Education Capital Facilities	2009-18	1.4%-5.3%	2038	2,610,855	615,000
Highw ay Capital Improvements	2010-18	1.3%-5.0%	2033	1,057,684	557,170
Infrastructure Improvements	2002-18	2.0%-5.5%	2038	1,936,145	500,014
Coal Research and Development	2010-18	1.5%-5.0%	2028	43,371	14,000
Natural Resources Capital Facilities	2010-18	2.0%-5.0%	2033	158,321	28,870
Conservation Projects	2010-18	2.0%-5.0%	2032	294,021	200,000
Third Frontier Research and Development	2009-18	1.1%-5.0%	2028	399,072	349,000
Site Development	2010-14	2.5%-4.6%	2023	47,789	-
Veterans' Compensation	2011-12	3.2%-4.9%	2027	32,430	116,090
Total General Obligation Bonds				$9,734,361	$2,855,144

Future Funding of Fixed-Rate Bonds:

Year Ending June 30,	Principal	Interest	Total
2019..	$ 797,105	$ 382,784	$ 1,179,889
2020..	799,880	349,339	1,149,219
2021..	791,050	313,560	1,104,610
2022..	757,060	277,873	1,034,933
2023..	708,870	243,598	952,468
2024-2028..	2,372,150	822,871	3,195,021
2029-2033..	1,618,015	371,495	1,989,510
2034-2038..	665,775	79,129	744,904
Total Fixed-Rate Bonds	$ 8,509,905	$ 2,840,649	$11,350,554

Future Funding of Variable-Rate Bonds:

Year Ending June 30,	Principal	Interest	Interest Rate Sw aps, Net	Total
2019..	$ 46,335	$ 7,175	$ 4,457	$ 57,967
2020..	50,465	6,048	3,890	60,403
2021..	52,305	5,000	3,072	60,377
2022..	54,300	3,916	2,222	60,438
2023..	46,560	2,864	1,490	50,914
2024-2028..	78,995	2,989	1,524	83,508
Total Variable-Rate Bonds..........................	$ 328,960	$ 27,992	$ 16,655	$ 373,607

Total General Obligation Bonds	$ 8,838,865
Unamortized Premium/(Discount), Net.........	895,496
Total..	$ 9,734,361

For the year ended June 30, 2018, NOTE 15 summarizes changes in general obligation bonds.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Hedging Derivatives

As of June 30, 2018, approximately $236.7 million of Infrastructure Improvement Bonds and Common Schools Bonds have associated cash flow hedges with a fair value of ($12.2) 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 $9.8 million during fiscal year 2018. 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, 2018
(dollars in thousands)

Issue	Type of Cash Flow Hedge	Notional Amount	Underlying Index	Counterparty's Swap Rate at 06/30/2018	State's Swap Rate at 06/30/2018	Effective Date	Termination (Maturity) Date
Infrastructure Improvements, Series 2001B	Pay-fixed interest rate swap	$34,800	SIFMA Index	1.51%	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/A+/AA- Wells Fargo							
Infrastructure Improvements, Refunding Series 2004A	Pay-fixed interest rate swap	$39,660	LIBOR (See terms below)	1.57%	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/A+/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)	1.61%	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/A+/AA- Wells Fargo							
Terms: 65% of 1-month LIBOR + 25 basis points							
Common Schools, Series 2006B	Pay-fixed interest rate swap	$47,610	LIBOR (see terms below)	1.61%	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	$47,610	LIBOR (see terms below)	1.61%	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, 2018. 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 2018, there were five advance refundings of general obligations bonds. Proceeds of the refunding (new) bonds were 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. Details on the advance refundings are presented in the table on the following page.

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. At June 30, 2018, Conservation Bonds of $22.6 million, Common School Bonds of $143.2 million, Higher Education Bonds of $70.6 million, Infrastructure Improvement Bonds of $55.2 million, Natural Resources Bonds of $13.6 million, and Third Frontier Bonds of $22.6 million are outstanding and considered defeased.

NOTE 10 GENERAL OBLIGATION BONDS (Continued)

Primary Government — Governmental Activities
General Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2018
(dollars in thousands)

Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	True Interest Cost Rates of Refunding Bonds	Carrying Amount of Bonds Refunded (in substance)	Refunding Bond Proceeds Placed in Escrow	Reduction (Increase) in Debt Service Payments	Economic Gain / (Loss) Resulting from Refunding
Highway Capital, Series U................	10/3/2017	$ 136,265	1.98%	$ 142,950	$ 168,470	$ 12,033/11 yrs	$ 10,851
Common Schools, Series 2017B	12/21/2017	203,535	1.92%	227,570	253,577	34,857/12 yrs	28,158
Higher Education, Series 2017C.......	12/21/2017	194,955	1.92%	210,840	243,468	31,381/12 yrs	25,435
Infrastructure, Series 2017B...........	12/21/2017	68,630	2.05%	77,990	86,905	16,260/14 yrs	13,682
Natural Resources, Series V...........	12/21/2017	23,765	1.90%	25,820	29,393	3,484 / 11 yrs	2,835
Total		$ 627,150		$ 685,170	$ 781,813		$ 80,961

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 $2.74 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 2030 are estimated at approximately $1.23 billion. For fiscal year 2018, principal and interest payments on the revenue bonds was $151.7 million and pledged receipts was $149.2 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, 2018, the total principal and interest payments remaining to be paid on the bonds were $16.58 billion. Principal and interest paid and total net tobacco settlement receipts for fiscal year 2018 were $335.2 million and $337.2 million, respectively. In the event the assets of BTSFA have been exhausted, no amounts thereafter will 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-

NOTE 11 REVENUE BONDS AND NOTES (Continued)

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

Revenue bonds and notes outstanding and future bond service requirements for the primary government, as of June 30, 2018, are presented in the following tables:

Primary Government-Governmental Activities
Summary of Revenue Bonds and Notes
As of June 30, 2018
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Treasurer of State: State Infrastructure Bank	2007-18	2.0%-6.0%	2030	$1,104,627
Buckeye Tobacco Settlement Financing Authority.......	2008	6.3%-7.5%	2052	5,584,710
Total Revenue Bonds and Notes				$6,689,337

Primary Government-Governmental Activities
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2018
(dollars in thousands)

Year Ending June 30,	Principal	Interest	Total
2019....................	$ 460,250	$ 336,816	$ 797,066
2020....................	259,595	310,568	570,163
2021....................	241,550	298,508	540,058
2022....................	207,010	286,908	493,918
2023....................	214,065	276,328	490,393
2024-2028....................	929,520	1,222,713	2,152,233
2029-2033....................	710,425	993,594	1,704,019
2034-2038....................	690,520	804,899	1,495,419
2039-2043....................	1,050,840	553,092	1,603,932
2044-2048....................	1,347,390	3,196,772	4,544,162
2049-2052....................	128,183	3,289,117	3,417,300
	6,239,348	11,569,315	17,808,663
Unamortized Premium/(Discount), Net........	449,989	-	449,989
Total	$6,689,337	$11,569,315	$18,258,652

For the year ended June 30, 2018, NOTE 15 summarizes changes in revenue bonds and notes.

In prior years, the Treasurer of State defeased certain bond issues by placing cash and other monetary assets and 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. At June 30, 2018, $87.6 million of Economic Development Bonds and $3.3 million of Revitalization Bonds outstanding are considered defeased.

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, 2018, are shown in the following table:

Major Discretely Presented Component Units
Future Funding Requirements for Revenue Bonds and Notes
As of June 30, 2018
(dollars in thousands)

	Ohio State University		
Year Ending June 30,	Principal	Interest	Total
2019	$ 637,230	$ 134,456	$ 771,686
2020	36,761	123,783	160,544
2021	35,157	122,181	157,338
2022	35,317	120,626	155,943
2023	44,304	119,148	163,452
2024-2028	186,215	568,194	754,409
2029-2033	140,919	532,720	673,639
2034-2038	100,559	507,086	607,645
2039-2043	794,705	348,686	1,143,391
2044-2048	387,166	219,355	606,521
2049-2053	-	170,600	170,600
2054-2058	250,000	155,420	405,420
2059-2063	-	120,000	120,000
2064-2068	-	122,589	122,589
2069-2073	-	120,000	120,000
2074-2078	-	120,000	120,000
2079-2083	-	120,000	120,000
2084-2088	-	120,000	120,000
2089-2093	-	120,000	120,000
2094-2098	-	120,000	120,000
2099-2103	-	120,000	120,000
2104-2108	-	120,000	120,000
2109-2113	500,000	72,000	572,000
	3,148,333	4,396,844	7,545,177
Unamortized Premium/(Discount), Net	81,211	-	81,211
Total	$ 3,229,544	$ 4,396,844	$ 7,626,388

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, 2018, are presented in the following tables:

Primary Government-Governmental Activities
Summary of Special Obligation Bonds
As of June 30, 2018
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized but Unissued
Treasurer of State Lease Rental Bonds	2001-18	1.2%-5.4%	2038	$ 2,237,096	$ 1,173,135
Total Special Obligation Bonds				$ 2,237,096	$ 1,173,135

Future Funding of Special Obligation Bonds:			
Year Ending June 30,	Principal	Interest	Total
2019	$ 220,820	$ 91,126	$ 311,946
2020	196,710	81,437	278,147
2021	190,905	72,569	263,474
2022	174,825	63,867	238,692
2023	173,135	55,715	228,850
2024-2028	600,865	172,751	773,616
2029-2033	349,495	62,898	412,393
2034-2038	104,555	9,674	114,229
	2,011,310	610,037	2,621,347
Unamortized Premium/(Discount), Net	225,786	-	225,786
Total	$ 2,237,096	$ 610,037	$ 2,847,133

For the year ended June 30, 2018, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2018, Treasure of State Lease Rental had four current/advance refunding issues. 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. Details on advanced refunding for fiscal year 2018 are presented in the following table.

NOTE 12 SPECIAL OBLIGATION BONDS (Continued)

Primary Government — Governmental Activities
Special Obligation Bonds
Details of Advance Refundings
For the Year Ended June 30, 2018
(dollars in thousands)

Refunding Bond Issue	Date of Refunding	Amount of Refunding Bonds Issued	True Interest Cost Rates of Refunding Bonds	Carrying Amount of Bonds Refunded (in substance)	Refunding Bond Proceeds Placed in Escrow	Reduction (Increase) in Debt Service Payments	Economic Gain / (Loss) Resulting from Refunding
Treasurer of State Lease Rental Bonds:							
Adult Correctional Facilities, Series 2017B..	11/7/2017	$ 62,320	2.25%	$ 67,125	$ 74,805	$ 8,334/14 yrs	$ 6,720
Administrative Facilities, Series 2017B........	11/7/2017	30,790	2.11%	32,935	36,330	3,768/13 yrs	2,996
Mental Health Facilities, Series 2017A.........	11/7/2017	17,765	1.65%	18,315	20,421	1,182 / 7 yrs	1,104
Juvenile Correctional, Series 2017A............	12/14/2017	10,515	2.20%	10,640	11,785	500 / 10 yrs	391
Total		$121,390		$129,015	$143,341		$ 11,211

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. At June 30, 2018, $196.7 million of lease rental special obligations bonds outstanding are considered defeased.

NOTE 13 CERTIFICATES OF PARTICIPATION

As of June 30, 2018, approximately $204.6 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).

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.

NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)

Obligations outstanding and future commitments for the primary government under COP financing arrangements, as of June 30, 2018, are presented in the following tables:

Primary Government — Governmental Activities
Summary of Certificate of Participation Obligations
As of June 30, 2018
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
Attorney General:				
Bureau of Criminal Investigation Records System (BCIRS)..	2017	4.0%-5.0%	2027	$ 19,942
Department of Administrative Services:				
Enterprise Data Center Solutions (EDCS)................................	2015-17	5.0%	2027	55,366
Multi-Agency Radio Communications System (MARCS)	2013-15	3.0%-5.0%	2028	59,670
Ohio Administrative Knowledge System (OAKS)	2014-17	4.0%-5.0%	2027	33,117
State Taxation Accounting and Revenue System (STARS).....	2008-17	3.0%-5.0%	2027	29,229
Treasurer of State:				
Treasury Management Systems (TMS).....................................	2015	5.0%	2025	7,296
Total Certificates of Participation				$ 204,620

Future Commitments for Certificate of Participation Obligations:			
Year Ending June 30,	Principal	Interest	Total
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..	19,570	4,363	23,933
2024-2028..	78,930	8,022	86,952
	185,410	39,074	224,484
Unamortized Premium, Net.........................	19,210	-	19,210
Total	$ 204,620	$ 39,074	$ 243,694

For the year ended June 30, 2018, NOTE 15 summarizes changes in COP obligations.

NOTE 14 OTHER NONCURRENT LIABILITIES

As of June 30, 2018, 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	$ 479,706
Net Pension Liability	3,508,205
Net OPEB Liability	2,552,677
Capital Leases Payable	19,632
Derivatives	18,228
Pollution Remediation Liabilities	1,870
Infrastructure, Capital Assets	413,394
Estimated Claims Payable	679
Liability for Escheat Property	317,173
Total Governmental Activities	7,311,564
Business-Type Activities:	
Compensated Absences	41,739
Net Pension Liability	245,784
Net OPEB Liability	168,931
Capital Leases Payable	3,164
Workers' Compensation:	
Benefits Payable	14,153,709
Other	3,476,325
Prize Awards Payable	409,578
Tuition Benefits Payable	205,500
Total Business-Type Activities	18,704,730
Total Primary Government	$ 26,016,294

For the year ended June 30, 2018, 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, 2018, was $521.4 million, of which $479.7 million is allocable to governmental activities and $41.7 million is allocable to business-type activities.

As of June 30, 2018, major discretely presented component units reported a total of $186.1 million in compensated absences liabilities, as detailed by major discretely presented component unit in NOTE 15.

B. Net Pension Liability and Net OPEB Liability

The State recognizes a net pension liability in the amount of $3.76 billion, as of June 30, 2018, for the primary government of which $3.51 billion is allocable to governmental activities and $245.8 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 liability in the amount of $2.72 billion as of June 30, 2018, of which $2.55 billion is allocable to government activities and $168.9 million is allocable to business-type activities. The net OPEB liability represents the State's proportionate share of the difference between the total OPEB liability and the fiduciary net position for OPERS, STRS and SHPRS. See NOTE 9 for further details.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

C. Lease Agreements
The State's primary government leases office buildings, computers 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 2018 were approximately $108.4 million. Fiscal year 2019 future minimum lease commitments for operating leases judged to be noncancelable, as of June 30, 2018, 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, 2018, are as follows (dollars in thousands):

	Capital Leases		
Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2019	$ 5,740	$ 1,552	$ 7,292
2020	5,213	1,612	6,825
2021	4,380	-	4,380
2022	3,526	-	3,526
2023	1,721	-	1,721
2024-2025	401	-	401
Total Minimum Lease Payments	20,981	3,164	24,145
Amount for Interest	(1,349)	-	(1,349)
Present Value of Net Minimum Lease Payments	$ 19,632	$ 3,164	$ 22,796

As of June 30, 2018, the primary government had the following capital assets under capital leases (dollars in thousands):

	Capital Assets		
	Governmental Activities	Business-Type Activities	Total
Equipment	$ 8,985	$ 108,815	$ 117,800
Vehicles	28,806	-	28,806
Total	$ 37,791	$ 108,815	$ 146,606

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, 2018, are presented in the table on the following page (dollars in thousands):

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

Capital Leases

Major Discretely Presented Component Units	
Year Ending June 30,	Ohio State University
2019	$ 5,065
2020	4,918
2021	5,131
2022	1,125
Total Minimum Lease Payments	16,239
Amount for Interest	(813)
Present Value of Net Minimum Lease Payments	$ 15,426
Equipment & Vehicles	$ 22,903
Total	$ 22,903

D. Derivatives
For governmental activities, the State has reported $(18.2) million of investment and hedging derivatives as of June 30, 2018. 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 $1.9 million, as of June 30, 2018. 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. As of June 30, 2018, the liability totaled approximately $413.4 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, 2018, no noncurrent liabilities ultimately payable from various governmental funds have been recorded for this purpose. For more information on the State's loss contingencies arising from pending litigation, see NOTE 20.

H. Estimated Claims Payable
The State reported $679 thousand 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, 2018. 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, 2018 (dollars in thousands):

Year Ending June 30,	Principal Due
2019	$ 542
2020	137
Total	$ 679

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

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, 2018, the liability totaled approximately $317.2 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, 2018, in the amount of approximately $14.15 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.

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, 2018, the prize awards payable totals $409.6 million.

Future payments of prize awards, stated at present value, as of June 30, 2018, follow (dollars in thousands):

Year Ending June 30,	
2019	$ 67,277
2020	54,967
2021	49,838
2022	44,861
2023	37,645
2024-2028	131,333
2029-2033	92,219
2034-2038	21,265
2039-2043	6,311
2044-2048	200
	505,916
Unamortized Discount	(96,338)
Net Prize Liability	$ 409,578

L. Tuition Benefits Payable
The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately $205.5 million, as of June 30, 2018. 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: 3.5 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, 2018, the market value of actuarial net position available for the payment of the tuition benefits payable was $269.2 million.

NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

M. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately $3.48 billion in other noncurrent liabilities, as of June 30, 2018, of which 1) $1.76 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) $1.24 billion consists of the premium rebate due to private employers and public taxing district employers, 3) $437.1 million consists of retrospective rating adjustments for employers within similar industries that are enrolled in group experience rating plans, 4) $4.5 million is contingent liabilities, and 5) $39.9 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, 2018, are presented for the primary government in the following table:

Primary Government
Changes in Noncurrent Liabilities
For the Fiscal Year Ended June 30, 2018
(dollars in thousands)

Governmental Activities:	Balance June 30, 2017 (Restated)	Additions	Reductions	Balance June 30, 2018	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10)	$ 9,297,641	$ 2,104,794	$ 1,668,074	$ 9,734,361	$ 850,904
Revenue Bonds and Notes (NOTE 11)	6,394,647	473,115	178,425	6,689,337	140,998
Special Obligation Bonds (NOTE 12)	2,016,991	613,704	393,599	2,237,096	255,970
Total Bonds and Notes Payable	17,709,279	3,191,613	2,240,098	18,660,794	1,247,872
Certificates of Participation (NOTE 13)	241,627	-	37,007	204,620	34,072
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	460,688	361,854	342,836	479,706	57,975
Net Pension Liability	4,920,398	-	1,412,193	3,508,205	-
Net OPEB Obligation (Prior to GASB 75)	197,327	-	197,327	-	-
Net OPEB Liability	2,342,456	210,498	277	2,552,677	-
Capital Leases Payable	17,361	2,271	-	19,632	5,203
Derivatives	30,919	-	12,691	18,228	-
Pollution Remediation Liabilities	6,083	115	4,328	1,870	120
Infrastructure, Capital Assets	345,477	67,917	-	413,394	-
Litigation Liabilities	17,500	-	17,500	-	-
Estimated Claims Payable	1,201	-	522	679	542
Liability for Escheat Property	276,034	130,747	89,608	317,173	90,263
Total Other Noncurrent Liabilities	8,615,444	773,402	2,077,282	7,311,564	154,103
Total Noncurrent Liabilities	$ 26,566,350	$ 3,965,015	$ 4,354,387	$ 26,176,978	$ 1,436,047
Business-Type Activities:					
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences	$ 41,065	$ 28,096	$ 27,422	$ 41,739	$ 4,085
Net Pension Liability	358,757	-	112,973	245,784	-
Net OPEB Liability	156,637	12,294	-	168,931	-
Capital Leases Payable	6,277	-	3,113	3,164	1,552
Workers' Compensation:					
Benefits Payable	15,084,910	784,538	1,715,739	14,153,709	1,477,596
Other:					
Adjustment Expenses Liability	1,781,700	19,462	42,562	1,758,600	399,521
Miscellaneous	1,135,749	668,651	86,675	1,717,725	1,437,340
Prize Awards Payable	449,169	32,307	71,898	409,578	52,900
Tuition Benefits Payable	243,500	-	38,000	205,500	37,200
Total Other Noncurrent Liabilities	19,257,764	1,545,348	2,098,382	18,704,730	3,410,194
Total Noncurrent Liabilities	$ 19,257,764	$ 1,545,348	$ 2,098,382	$ 18,704,730	$ 3,410,194

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 2018, 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	$ 400,176
Higher Education Support	162,088
Health and Human Services	1,576
Environmental Protection and Natural Resources	1,330
Transportation	34,154
Community and Economic Development	101,348
Total Interest Expense Charged to Governmental Functions	$ 700,672

B. Major Discretely Presented Component Units

Changes in noncurrent liabilities, for the year ended June 30, 2018, 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, 2018
(dollars in thousands)

	Balance June 30, 2017 (Restated)	Additions	Reductions	Balance June 30, 2018	Amount Due Within One Year
Ohio Facilities Construction Commission:					
Intergovernmental Payable	$ 845,999	$ 368,691	$ 411,163	$ 803,527	$ 470,088
Compensated Absences*	351	941	226	1,066	113
Total	$ 846,350	$ 369,632	$ 411,389	$ 804,593	$ 470,201
Ohio State University:					
Compensated Absences*	$ 177,207	$ 22,576	$ 14,779	$ 185,004	$ 14,779
Capital Leases Payable* (NOTE 14)	8,548	10,660	3,782	15,426	4,681
Net Pension Liability*	3,565,744	-	1,017,499	2,548,245	-
Net OPEB Liability*	1,225,012	24,662	-	1,249,674	-
Advance from Concessionaire*	-	1,046,342	-	1,046,342	-
Other Liabilities*	364,706	375,339	382,607	357,438	74,071
Revenue Bonds & Notes Payable (NOTE 11)	3,300,262	89,169	159,887	3,229,544	637,230
Total	$ 8,641,479	$1,568,748	$1,578,554	$ 8,631,673	$ 730,761

*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.

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, 2018, a liability of $679 thousand 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 $4.8 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, 2018.

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 the State will be required to make any payments as a result of these guarantees.

As of June 30, 2018, 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	$ 114,445
Hospital Facilities Bonds	3,250
Ohio Department of Transportation:	
State Transportation Infrastructure Bond Fund Program............	37,310
Total Primary Government	$ 155,005

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, 2018, 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	$ 21,478	$ -	$ -	$ 84,330	$ 105,808
Noncurrent Portion of Loans Receivable	1,288	-	-	-	1,288
Advances to Local Government	29,501	-	-	-	29,501
Total Nonspendable	52,267	-	-	84,330	136,597
Restricted					
Primary, Secondary and Other Education	19	67	-	123,899	123,985
Higher Education Support	325,682	-	-	24,315	349,997
Public Assistance and Medicaid	-	128,745	-	217,212	345,957
Health and Human Services	-	-	-	55,826	55,826
Justice and Public Protection	33,133	1,343	-	60,179	94,655
Environmental Protection and Natural Resources	12,083	-	-	153,921	166,004
Transportation	-	-	-	10,119	10,119
Transit Project Loans	-	-	-	233,124	233,124
Highway Construction/Preservation	-	-	-	801,307	801,307
General Government	5,889	21,330	-	113,694	140,913
Community and Economic Development	74,025	9	-	332,602	406,636
Grants/Loans-Local Government Capital Improvements	794,948	-	-	-	794,948
Local Government Road/Bridge Improvements	219,681	-	-	-	219,681
Capital Outlay	-	-	-	910,051	910,051
Debt Service	-	-	4,515,448	8,679	4,524,127
Total Restricted	1,465,460	151,494	4,515,448	3,044,928	9,177,330
Committed					
Primary, Secondary and Other Education	2	-	-	84,149	84,151
Higher Education Support	-	-	-	1,808	1,808
Public Assistance and Medicaid	-	107,885	-	68,991	176,876
Health and Human Services	1,144	-	-	13,150	14,294
Justice and Public Protection	996	-	-	83,409	84,405
Environmental Protection and Natural Resources	-	-	-	192,520	192,520
Transportation	-	-	-	1,324	1,324
General Government	20,010	16,047	-	95,068	131,125
Community and Economic Development	21,998	-	-	112,679	134,677
Business Development Loans	728,378	-	-	-	728,378
Total Committed	772,528	123,932	-	653,098	1,549,558
Assigned					
Primary, Secondary and Other Education	50,737	-	-	-	50,737
Higher Education Support	9,267	-	-	-	9,267
Public Assistance and Medicaid	483,696	-	-	-	483,696
Health and Human Services	92,428	-	-	-	92,428
Justice and Public Protection	102,492	-	-	-	102,492
Environmental Protection and Natural Resources	27,707	-	-	-	27,707
General Government	449,349	-	-	-	449,349
Escheat Investments used for Mortgage Insurance/ Minority Contractor Bonding/Housing Finance Loans	1,242,482	-	-	-	1,242,482
Community and Economic Development	81,249	-	-	-	81,249
Total Assigned	2,539,407	-	-	-	2,539,407
Unassigned	667,887	(1,937)	-	-	665,950
Total Fund Balance	$ 5,497,549	$ 273,489	$ 4,515,448	$ 3,782,356	$ 14,068,842

NOTE 17 FUND DEFICITS AND FUND BALANCE REPORTING (Continued)

As of June 30, 2018, 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, 2018 (dollars in thousands):

Primary Government:	
Nonmajor Proprietary Funds:	
Office of Auditor of State	$ (67,251)
Total Primary Government	$ (67,251)
Discretely Presented Component Units:	
Major Component Units:	
Ohio Facilities Construction Commission	$ (3,826,286)
Nonmajor Component Units:	
Ohio Capital Fund	(72,525)
Cincinnati State Community College	(21,766)
Total Component Units	$ (3,920,577)

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, 2018, follow (dollars in thousands):

Primary Government - Deferred Outflows of Resources

	Net Pension and OPEB Liability/Asset	Hedging Derivatives	Loss on Debt Refundings	Resources of a Future Period	Total
Governmental Activities:					
Major Governmental Funds:					
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	$ -	$ -	$ -	$4,138,761	$ 4,138,761
Total Governmental Activities	-	-	-	4,138,761	4,138,761
Reconciliation of fund level statements to government-wide statements due to basis differences	838,648	12,248	131,779	-	982,675
Total Governmental Activities	$ 838,648	$ 12,248	$ 131,779	$4,138,761	$ 5,121,436
Business-Type Activities:					
Major Proprietary Funds:					
Workers' Compensation	$ 66,462	$ -	$ -	$ -	$ 66,462
Lottery Commission	6,380	-	-	-	6,380
Nonmajor Proprietary Funds	14,622	-	-	-	14,622
Total Business-Type Activities	$ 87,464	$ -	$ -	$ -	$ 87,464
Total Primary Government					$ 5,208,900

As of June 30, 2018, The Ohio State University, a major discretely presented component unit, reported Deferred Outflows of Resources totaling approximately $719.6 million for net pension and OPEB liability/asset and $18.4 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, 2018, are comprised of the following (dollars in thousands):

Primary Government - Deferred Inflows of Resources	Net Pension and OPEB Liability/Asset	Resources from the Sale of Future Revenues	Unavailable Resources	Debt Refundings	Total
Governmental Activities:					
Major Governmental Funds:					
General	$ -	$ 768,569	$ 445,434	$ -	$1,214,003
Job, Family and Other Human Services	-	-	62,943	-	62,943
Buckeye Tobacco Settlement Financing Authority Revenue Bonds	-	-	572,482	-	572,482
Nonmajor Governmental Funds	-	34,100	22,865	-	56,965
Total Governmental Activities	-	802,669	1,103,724	-	1,906,393
Reconciliation of fund level statements to government-wide statements due to basis differences	905,980	1,112,313	(1,103,724)	2,431	917,000
Total Governmental Activities	$ 905,980	$ 1,914,982	$ -	$ 2,431	$2,823,393
Business-Type Activities:					
Major Proprietary Funds:					
Workers' Compensation	$ 77,373	$ -	$ -	$ -	$ 77,373
Lottery Compensation	7,428	-	-	-	7,428
Nonmajor Proprietary Funds	16,897	-	-	-	16,897
Total Business-Type Activities	$ 101,698	$ -	$ -	$ -	$ 101,698
Total Primary Government					$2,925,091

As of June 30, 2018, the Ohio Facilities Construction Commission, a major discretely presented component unit, reported Deferred Inflows of Resources totaling approximately $3.37 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 $512.3 million for net pension and OPEB liability/asset, $18.9 million for gains on debt-related transactions, $14.8 million for irrevocable split-interest agreements, and $426.2 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.

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

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

Annually, one-third of the GLPF's net earnings is allocated and paid to the member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the state's contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio applies its distribution (approximately $199 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, 2017 (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, 2017, was as follows (dollars in thousands):

Cash and Investments	$ 138,331
Other Assets	94
Total Assets	$ 138,425
Total Liabilities	$ 1,280
Total Net Position	137,145
Total Liabilities and Net Position	$ 138,425
Total Revenues and Other Additions..........................	$ 18,482
Total Expenditures and Other Deductions...................	(5,591)
Change in Net Position	$ 12,891

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

Local Community and Technical Colleges

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

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

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

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

Fiscal year 2018 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	$ 72,106	$ 11,794	$ 83,900
Eastern Gateway	8,837	1,318	10,155
Lakeland	20,433	4,128	24,561
Lorain County	28,824	2,698	31,522
Rio Grande	6,359	798	7,157
Sinclair	50,293	4,466	54,759
Total Local Community Colleges	186,852	25,202	212,054
Technical Colleges:			
Belmont	4,740	2,620	7,360
Central Ohio	12,430	336	12,766
Hocking	12,500	1,111	13,611
James A. Rhodes	10,382	1,549	11,931
Marion	7,461	1,022	8,483
Zane	8,395	1,873	10,268
North Central	7,990	1,604	9,594
Stark	29,499	6,140	35,639
Total Technical Colleges	93,397	16,255	109,652
Total	$ 280,249	$ 41,457	$ 321,706

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

B. Related Organizations

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

NOTE 19 JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

During fiscal year 2018, the State had the following related-party transactions with its related organizations:

- The General Fund reports a $323.3 million loans receivable balance due from the Ohio Housing Finance Agency. The State made the loans to finance and support the agency's housing programs.
- Separate funds, established for the Ohio Housing Finance Agency, the Petroleum Underground Storage Tank Release Compensation Board, and the Higher Education Facility Commission, were accounted for on the primary government's Ohio Administrative Knowledge System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the agency funds.
- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid the Ohio Legal Assistance Foundation approximately $4.1 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. There are no legal proceedings, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the State's financial 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 2017 State of Ohio Single Audit (issued in February 2018), $78 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, 2018.

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

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

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

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

NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

In addition to the base payments in 2008 through 2017, BTSFA received 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. Strategic contribution payments ended in 2017. Beginning in 2018, payments consist solely of the base payment plus amounts, if any, paid by participating manufacturers relating to prior years and amounts, if any, released from the disputed payment account.

During fiscal year 2018, Ohio received $331.8 million, which is approximately $99.5 million or 23.08 percent less than the pre-adjusted base payment for the year.

As of June 30, 2018, the estimated tobacco settlement receivable in the amount of $606.4 million is included in "Other Receivables" reported for the governmental funds. The receivable includes $390.9 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
2019	$ 436,331
2020	441,189
2021	446,563
2022	451,881
2023	457,447
2024-2028	2,376,767
2029-2033	2,539,413
2034-2038	2,708,501
2039-2043	2,884,757
2044-2048	3,068,685
2049-2052	2,599,051
Total	$ 18,410,585

NOTE 20 CONTINGENCIES AND COMMITMENTS (Continued)

D. Construction Commitments

As of June 30, 2018, the Ohio Department of Transportation had total contractual commitments of approximately $2.91 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 $1.38 billion, $734.3 million, $719.5 million, and $80.3 million, respectively.

As of June 30, 2018, 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	$ 29,760
Parks and Recreation Improvements	42,129
Administrative Services Building Improvements	45,536
Youth Services Building Improvements	23,753
Adult Correctional Building Improvements	171,797
Ohio Parks and Natural Resources	14,669
Transportation Building Improvements	103,750
Total	$ 431,394

Major Discretely Presented Component Units	
Ohio State University	$ 330,460

E. Pollution Remediation Activities

During fiscal year 2018, the State was involved in remediation activities for pollution as described in the following paragraph. These activities include site investigation, cleanup, and monitoring. The associated estimated cost of remediation activities is shown below (in general, projects with a liability of less than $1 million at June 30 are not listed).

The Ohio Department of Transportation has been named as a responsible party to remediate pollution resulting from contaminated soil on the agency-owned property and contaminated groundwater on the surrounding properties. The June 30 liability to eliminate the pollution and continue monitoring activities is estimated to be $1.9 million. Cost was estimated by the onsite coordinators using actual invoices to date.

The liability described above is reported as "Other Noncurrent Liabilities-Due in One Year" and "Other Noncurrent Liabilities-Due in More Than One Year" for governmental activities in the government-wide Statement of Net Position. The reported liability for this activity is an estimate and 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, 2018, no capital assets were created nor reported as a result of any pollution remediation process.

F. Encumbrances

At June 30, 2018, the State has significant encumbrances of $735.3 million in the General Fund, $999.1 million in the Job, Family and Other Human Services Special Revenue Fund, and $4.26 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 $14.15 billion is reported in the Fund as of June 30, 2018. 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 $1.76 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 $26.6 billion, as of June 30, 2018, and $28.2 billion, as of June 30, 2017. For additional information, refer to the Fund's separately audited financial report, for the fiscal year ended June 30, 2018.

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

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

	Fiscal Year 2018	Fiscal Year 2017
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1	$ 16,866	$ 17,493
Incurred Compensation and Compensation Adjustment Benefits..................	804	1,199
Incurred Compensation and Compensation Adjustment Benefit Payments and Other Adjustments	(1,758)	(1,826)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30	$ 15,912	$ 16,866

NOTE 21 RISK FINANCING (Continued)

B. State Employee Healthcare Plan

Employees of the State's primary government have the option of participating in the Ohio Med PPO Plan (Plan). The Plan is managed by 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, 2018, approximately $68.5 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 2018	Fiscal Year 2017
Claims Liabilities, as of July 1	$ 59,938	$ 53,990
Incurred Claims	591,261	534,804
Claims Payments	(576,123)	(528,856)
Claims Liabilities, as of June 30	$ 75,076	$ 59,938

As of June 30, 2018, the resources on deposit in the Agency Fund were less than the estimated claims liability by approximately $6.6 million, thereby resulting in a funding deficit. Eighty-five percent or $5.6 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, 2018, the State issued major debt as detailed in the table below:

Debt Issuances
Subsequent to June 30, 2018
(dollars in thousands)

	Date Issued	Net Interest Rate or True Interest Cost	Amount
Primary Government:			
Ohio Public Facilities Commission (OPFC)- General Obligation Bonds:			
Infrastructure Improvements, Series 2018A	10/23/18	3.47%	$160,000
Treasurer of State-General Obligation Bonds:			
Highway Capital Improvement, Series V	11/28/18	3.02%	187,125
Total General Obligation Bonds			347,125
Treasurer of State-Special Obligation Bonds:			
State Facilities (Administrative Building), Series 2018A	10/30/18	3.68%	63,000
State Facilities (Administrative Building)-Taxable, Series 2018B	10/30/18	3.49%	7,000
Parks and Recreation Facilities, Series 2018A	10/30/18	3.65%	100,000
Total Special Obligation Bonds			170,000
Department of Administrative Services - Certificates of Participation:			
Enterprise Data Center Solutions, Series 2018	11/14/18	2.72%	26,815
Secretary of State - Certificates of Participation:			
Voting Systems Acquisition, Series 2018	11/14/18	2.71%	72,435
Total Certificates of Participation			99,250
Total Primary Government			$616,375