

# ***The Ohio State University***

***Report on Federal Awards in Accordance  
With OMB Circular A-133 Federal Entity  
Identification Number 1-31-602-5986-A1  
for the Year Ended June 30, 2003***





**Auditor of State  
Betty Montgomery**

Board of Trustees  
The Ohio State University  
2080 Blankenship Hall  
901 Woody Hayes Dr.  
Columbus, Ohio 43210-4016

We have reviewed the Independent Auditor's Report of the Ohio State University, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio State University is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 20, 2004

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# THE OHIO STATE UNIVERSITY

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THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA Number	Sponsor I.D. Number	2003 Expenditures
Research and Development Cluster:			
Funds received directly from the following federal agencies:			
Environmental Protection Agency		30020000	\$ 87,500
National Aeronautics & Space Administration		30030000	163,416
Ames Research Center		30030103	221,376
John Glenn Research Center-Lewis Field		30030104	602,401
Marshall Space Flight Center		30030201	270,880
Johnson Space Center		30030202	4,196
Kennedy (John F) Space Center		30030203	182,879
Goddard Space Flight Center		30030301	2,594,081
National Endowment For The Humanities		30040100	13,681
National Science Foundation		30050000	54,827
NSF Division Earth Sciences		30050402	6,449
NSF Division Human Resource Development		30050606	38,857
NSF Office Of International Science and Engineering		30050803	14,870
Smithsonian Astrophysical Observatory		30060200	191,072
Veterans Affairs		30170000	231,219
VA Maryland Health Care System		30170200	181
Agency For International Development		30300100	246,854
US Institute Of Peace		30460000	13,334
Forest Service		40020000	91,502
Cooperative State Research, Education and Extension Service		40040100	71,830
Agricultural Research Service		40040200	277,171
Natural Resources Conservation Service		40060000	158,328
Animal & Plant Health Inspection Service		40070000	8,945
Economic Research Service		40120000	78,936
Rural Development		40190000	135,214
National Marine Fisheries Service		42020300	61,554
Office Of National Geodetic Survey		42020400	39,097
National Institute Of Standards and Technology		42040000	42,892
Department Of Defense		50000000	325,576
Air Force Materiel Command		50010100	1,258,036
Air Force Office Of Scientific Research		50010105	275,410
Wright Laboratory		50010800	186,605
Army		50020000	12,559
Army Corps Of Engineers		50020100	47,448
Army Cold Regions Research & Engineering Lab		50020103	72,424
Humphreys Engineer Center Of Support Activity		50020106	447,033
Army Tank Command		50020204	51,662
Army Medical Command		50020300	(8,695)
Army Research Office		50020400	915,051
Army Robert Morris Acquisition Center		50022400	156,393

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THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA Number	Sponsor I.D. Number	2003 Expenditures
Research and Development Cluster:			
Funds received directly from the following federal agencies:			
Space & Naval Warfare Systems Center		50040110	\$ (358)
Naval Medical Research Institute		50041002	340,877
Naval Aerospace Medical Research Lab		50041003	30,000
Advanced Research Projects Agency		50060000	647,711
National Imagery & Mapping Agency		50080000	116,920
Defense Logistics Agency		50130000	233,632
Defense Contracting Command		50180000	45,318
Uniformed Services University Health Sciences		50190000	488
National Reconnaissance Office		50200000	677,342
Strategic Environmental R&D Program		50210000	50,825
Office Of Educational Research & Improvement		53020000	5,325,894
Office Vocational and Adult Education Programs		53060000	49,747
Department Of Energy		55000000	6,216,877
Oak Ridge National Laboratory		55110000	178,413
National Energy Technology Laboratory		55130000	179,543
Centers For Medicare and Medicaid Services		60020000	179,651
Food and Drug Administration		60040200	53,540
National Cancer Institute		60040402	788,261
National Heart Lung Blood		60040403	1,075,551
National Institute of Neurological Disorders & Stroke		60040408	220,310
National Institute Dental and Craniofacial Research		60040412	28,111
National Institute Arthritis, Musculoskeletal and Skin		60040419	424,946
National Institute Deafness and Other Communication Disorders		60040420	122,299
National Institute Mental Health		60040421	350,858
Centers For Disease Control and Prevention		60040600	291,160
Department Of Housing & Urban Development		70000000	11,052
U.S. Fish & Wildlife Service		72030000	(382)
U.S. Geological Survey		72040000	39,642
Bureau Of Labor Statistics		76050000	8,634,636
Department Of Transportation		82000000	658,746
Federal Highway Administration		82010000	14,933
Federal Aviation Administration		82030000	900,794
National Highway Traffic Safety Administration		82040000	190,338

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THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA Number	Sponsor I.D. Number	2003 Expenditures
Research and Development Cluster: Funds received directly from the following federal agencies:			\$
Economic Research Service	1.001	40120000	8,000
Cooperative State Research, Education and Extension Service	10.001	40040100	13,829
Agricultural Research Service	10.001	40040200	629,826
Animal & Plant Health Inspection Service	10.025	40070000	14,800
Animal & Plant Health Inspection Service	10.028	40070000	14,956
Agriculture Science & Education	10.200	40040000	(5,147)
Cooperative State Research, Education and Extension Service	10.200	40040100	1,407,486
North Central Regional Integrated Pest Mgmt Program	10.200	40040102	3,318
Department Of Agriculture	10.206	40000000	195,993
Cooperative State Research, Education and Extension Service	10.206	40040100	1,537,906
National Research Initiative Competitive Grants Program	10.206	40040103	600,574
Cooperative State Research, Education and Extension Service	10.217	40040100	48,057
Cooperative State Research, Education and Extension Service	10.219	40040100	3,345
Economic Research Service	10.250	40120000	134,881
Cooperative State Research, Education and Extension Service	10.302	40040100	891,395
Initiative Future Agriculture & Food System	10.302	40040104	843,838
Cooperative State Research, Education and Extension Service	10.303	40040100	97,393
Cooperative State Research, Education and Extension Service	10.500	40040100	31,509
Forest Service	10.652	40020000	37,858
Forest Service	10.664	40020000	4,390
Rural Development	10.769	40190000	36,697
Rural Development	10.771	40190000	86,525
National Sheep Industry Improvement Center	10.774	40190100	2,461
Natural Resources Conservation Service	10.913	40060000	18,272
Office Of International Cooperation and Development	10.960	40100000	28,196
Office Of International Cooperation and Development	10.961	40100000	12,912
National Oceanic and Atmospheric Administration	11.417	42020000	1,153,958
National Oceanic and Atmospheric Administration	11.460	42020000	147,341
National Institute Of Standards and Technology	11.609	42040000	180,860
Office Of Naval Research	12.300	50040300	2,266,416
Department Of Defense	12.420	50000000	190,915
Army	12.420	50020000	16,324
Army Medical Command	12.420	50020300	979,593
Army Medical Research and Materiel Command	12.420	50020301	341,325
Advanced Research Projects Agency	12.420	50060000	1,350,081
Army Research Office	12.431	50020400	56,992
Army Robert Morris Acquisition Center	12.431	50022400	48,916
Air Force Office Of Scientific Research	12.630	50010105	388,407
National Imagery & Mapping Agency	12.630	50080000	182,589
National Imagery and Mapping Agency	12.630	50080000	280,400
Air Force Materiel Command	12.800	50010100	2,395,260
Air Force Office Of Scientific Research	12.800	50010105	2,133,510
National Security Agency	12.901	50140000	49,354
Air Force Materiel Command	12.910	50010100	550,434

(Continued)

See notes to schedule of expenditures of federal awards.

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

	CFDA Number	Federal Agency	Sponsor I.D. Number	2003 Expenditures
Research and Development Cluster:				
Funds received directly from the following federal agencies:				
Air Force Office Of Scientific Research	12.910		50010105	\$ 100,481
U.S. Fish & Wildlife Service	15.617		72030000	15,455
U.S. Geological Survey	15.805		72040000	123,441
U.S. Geological Survey	15.808		72040000	301,237
Bureau Of Educational & Cultural Affairs	19.405		80020100	72,715
Federal Aviation Administration	20.108		82030000	374,073
National Endowment For The Humanities	45.149		30040100	155,670
National Endowment For The Humanities	45.162		30040100	7,487
National Endowment For The Humanities	45.163		30040100	45,265
National Science Foundation	47.041		30050000	1,000,884
NSF Engineering	47.041		30050300	120,874
NSF Division Engineering, Education & Centers	47.041		30050302	384,996
NSF Division Chemical & Transport Systems	47.041		30050303	101,657
NSF Division Civil & Mechanical Structures	47.041		30050304	217,377
NSF Division Electrical & Communications Systems	47.041		30050305	393,193
NSF Division Design, Manufacture, Industrial	47.041		30050306	685,978
NSF Division Bioengineering & Environmental	47.041		30050307	283,795
NSF Office Of International Science and Engineering	47.041		30050803	1,473
NSF Molecular & Cellular Biosciences	47.047		30050103	8,122
National Science Foundation	47.049		30050000	2,170,116
NSF Office Polar Programs	47.049		30050404	23,070
NSF Division Mathematical Sciences	47.049		30050501	2,476,881
NSF Division Physics	47.049		30050502	1,355,447
NSF Division Chemistry	47.049		30050503	3,386,845
NSF Division Materials Research	47.049		30050504	1,601,846
NSF Division Astronomical Sciences	47.049		30050505	786,036
National Science Foundation	47.050		30050000	332,959
NSF Division Earth Sciences	47.050		30050402	225,738
NSF Division Ocean Sciences	47.050		30050403	19,084
NSF Office Polar Programs	47.050		30050404	445,574
National Science Foundation	47.070		30050000	1,082,605
NSF Computer and Information Science and Engineering	47.070		30050200	692,818
NSF Division Computer & Computation Research	47.070		30050202	487,876
NSF Division Info Robotics and Intelligent Systems	47.070		30050203	304,612
National Science Foundation	47.071		30050000	70,209
NSF Office Science and Technology Infrastructure	47.073		30050900	8,858
National Science Foundation	47.074		30050000	967,008
NSF Biological Sciences	47.074		30050100	565,723
NSF Integrative Biology & Neuroscience	47.074		30050101	409,505
NSF Molecular & Cellular Biosciences	47.074		30050102	772,087
NSF Environmental Biology	47.074		30050103	1,363,962
National Science Foundation	47.075		30050104	91,247
NSF Social, Behavioral and Economic Sciences	47.075		30050000	210,589
NSF Social, Behavioral and Economic Sciences	47.075		30050800	117,906
NSF Office Of International Science and Engineering	47.075		30050801	1,920,184
	47.075		30050803	24,136

See notes to schedule of expenditures of federal awards.

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THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA Number	Sponsor I.D. Number	2003 Expenditures
Research and Development Cluster:			
Funds received directly from the following federal agencies:			
NSF Behavioral And Cognitive Sciences	47.075	30050804	\$ 376
National Academy Science	47.075	31020000	280
National Science Foundation	47.076	30050000	54,531
NSF Education & Human Resources	47.076	30050600	130,145
NSF Division Undergraduate Education	47.076	30050605	581,660
NSF Elementary, Secondary and Informal Education	47.076	30050607	123,819
NSF Division Graduate Education & Research Development	47.076	30050611	279,063
NSF Division Research, Evaluation & Communication	47.076	30050612	92,867
National Science Foundation	47.078	30050000	244,723
NSF Office Polar Programs	47.078	30050404	2,031,021
NSF Division Mathematical Sciences	47.079	30050501	1,850
Army Medical Research and Materiel Command	53.214	50020301	36,781
Environmental Protection Agency	66.500	30020000	472,325
Environmental Protection Agency	66.951	30020000	15,562
Environmental Protection Agency	66.961	30020000	14,453
Department Of Energy	81.049	55000000	211,042
Department Of Energy	81.086	55000000	1,476,008
Department Of Energy	81.114	55000000	98,533
Center For International Education	84.015	53040200	1,545,358
Office Of Postsecondary Education	84.021	53040000	11,562
Office Of Postsecondary Education	84.042	53040000	282,573
Office Of Postsecondary Education	84.047	53040000	235,944
Rehabilitation Services Administration	84.129	53050200	111,091
Department Of Education	84.133	53000000	56,644
National Institute of Disability and Rehabilitation Research	84.133	53050300	394,439
Office Of Educational Research & Improvement	84.168	53020000	(607)
Department Of Education	84.200	53000000	211,096
Office Of Postsecondary Education	84.220	53040000	326,918
National Institute of Disability and Rehabilitation Research	84.224	53050300	521,882
Department Of Education	84.229	53000000	(2,562)
Office Of Postsecondary Education	84.229	53040000	260,959
Office Of Higher Education Programs	84.229	53040100	178,628
Office Of Educational Research & Improvement	84.305	53020000	100,913
Office Of Special Education and Rehabilitative Services	84.324	53050000	82,388
Office Of Special Education Programs	84.324	53050100	115,762
Department Of Education	84.325	53000000	261,634
Department Of Education	84.327	53000000	113,366
Department Of Education	84.333	53000000	79,274
Office Of Postsecondary Education	84.342	53040000	696,217
Office Of Elementary & Secondary Education	84.350	53030000	205,940
Maternal & Child Health Bureau	93.110	60040505	418,799
Office of Population Affairs	93.111	60041100	20,780
National Institute Environmental Health Science	93.113	60040414	688,969
National Institute Environmental Health Science	93.113	60040414	77,716
National Institute Dental and Craniofacial Research	93.114	60040414	5,468,532
National Institute Deafness and Other Communication Disorders	93.121	60040412	1,153,445
	93.173	60040420	

See notes to schedule of expenditures of federal awards.

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THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA Number	Sponsor I.D. Number	2003 Expenditures
Research and Development Cluster:			
Funds received directly from the following federal agencies:			
Bureau Health Professions	93.181	60040501	\$ 157,767
Health Resources & Services Administration	93.191	60040500	74,823
Substance Abuse and Mental Health Services Administration	93.230	60040424	115,011
National Institute Mental Health	93.242	60040421	3,312,750
Health Resources & Services Administration	93.248	60040500	47,670
National Institute for Occupational Safety and Health	93.262	60040601	1,027,129
National Institute Alcohol Abuse and Alcoholism	93.273	60040423	256,416
National Institute Drug Abuse	93.279	60040422	833,302
National Institute Mental Health	93.281	60040421	149,206
National Institute Mental Health	93.282	60040421	421,822
Centers For Disease Control and Prevention	93.283	60040600	205,991
National Institute Biomedical Imaging & Bioengineer	93.286	60040428	437,321
National Center For Research Resources	93.306	60040410	993,370
National Center For Research Resources	93.333	60040410	41,632
National Institute Nursing Research	93.361	60040418	1,265,883
National Institute of General Medical Sciences	93.371	60040407	(14,172)
National Center For Research Resources	93.371	60040410	169,958
National Center For Research Resources	93.389	60040410	559,085
National Institute Dental and Craniofacial Research	93.390	60040412	70,149
National Cancer Institute	93.393	60040402	4,170,719
National Cancer Institute	93.394	60040402	1,182,807
National Cancer Institute	93.395	60040402	9,184,209
National Cancer Institute	93.396	60040402	3,792,893
National Institute of General Medical Sciences	93.396	60040407	129,671
National Cancer Institute	93.397	60040402	2,734,623
National Cancer Institute	93.398	60040402	1,983,531
National Cancer Institute	93.399	60040402	1,177,947
Administration for Children, Youth, & Families	93.632	60070100	383,475
Centers For Medicare and Medicaid Services	93.779	60020000	14,793
National Institute of General Medical Sciences	93.821	60040407	1,693,573
National Institute of Health	93.837	60040400	10,772
National Heart Lung Blood	93.837	60040400	4,898,703
National Institute Biomedical Imaging & Bioengineer	93.837	60040428	78,934
National Heart Lung Blood	93.838	60040403	3,560,617
National Heart Lung Blood	93.839	60040403	206,238
National Institute Arthritis, Musculoskeletal and Skin	93.846	60040419	1,440,188
National Institute Diabetes & Digestive & Kidney Disease	93.847	60040405	1,041,592
National Institute Diabetes & Digestive & Kidney Disease	93.848	60040405	1,372,052
National Institute Diabetes & Digestive & Kidney Disease	93.849	60040405	1,647,526
National Institute Dental and Craniofacial Research	93.849	60040412	49,867
National Institute of Neurological Disorders & Stroke	93.853	60040408	3,640,440
National Institute of Neurological Disorders & Stroke	93.854	60040408	2,702,459
National Institute Allergy Infectious Diseases	93.855	60040404	2,356,174
National Institute Allergy Infectious Diseases	93.856	60040404	5,992,280
National Institute of General Medical Sciences	93.859	60040407	2,659,017
National Institute of General Medical Sciences	93.862	60040407	3,310,680

See notes to schedule of expenditures of federal awards.

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THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

Federal Agency	CFDA Number	Sponsor I.D. Number	2003 Expenditures
Research and Development Cluster:			
Funds received directly from the following federal agencies:			
National Institute Child Health and Human Development	93.864	60040406	\$ 1,043,458
National Institute Child Health and Human Development	93.865	60040406	1,759,774
National Institute of Aging	93.866	60040415	3,556,866
National Eye Institute	93.867	60040411	7,111,470
Bureau Health Professions	93.884	60040501	162,112
Health Resources & Services Administration	93.896	60040500	174,960
Bureau Health Professions	93.896	60040501	7,143
Fogarty International Center	93.934	60040417	89,799
National Institute of General Medical Sciences	93.960	60040407	26,083
Bureau Health Professions	93.964	60040501	12,081
Bureau Health Professions	93.984	60040501	401,457
Corporation For National Service	94.005	31040001	134,557
NSF Molecular & Cellular Biosciences	95.270	30050103	86,598
National Cancer Institute	96.396	60040402	5,000
Cooperative State Research, Education and Extension Service	100.206	40040100	19
			<u>189,040,927</u>

Subtotal of funds received from federal agencies

(Continued)

**THE OHIO STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003**

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2003 Expenditures
<b>Research and Development Cluster:</b>				
Funds received directly from the following pass-through sponsors:				
Environmental Protection Agency	University of Wisconsin	30020000	22000006	\$ 28,504
Environmental Protection Agency	North Carolina State University	30020000	22000136	15,472
Environmental Protection Agency	University of Delaware	30020000	22000138	30,158
Environmental Protection Agency	Case Western Research University	30020000	22000238	21,620
Environmental Protection Agency	University of Alabama at Tuscaloosa	30020000	22000305	(35)
Environmental Protection Agency	Ohio Environment Protection Agency	30020000	26340000	243,207
Environmental Protection Agency	AlliedSignal, Inc	30030000	10011761	115,313
National Aeronautics and Space Administration	Raytheon Company	30030000	10011847	103,641
National Aeronautics and Space Administration	Innovative Scientific Solutions Inc	30030000	10020096	(212)
National Aeronautics and Space Administration	PHPK Technologies Incorporated	30030000	10020108	9,364
National Aeronautics and Space Administration	Rotorcraft Industry Technology Association	30030000	20020103	61,335
National Aeronautics and Space Administration	Space Telescope Science Institute	30030000	20021006	95,689
National Aeronautics and Space Administration	University Research Association Inc	30030000	20021485	565
National Aeronautics and Space Administration	California Institute of Technology	30030000	22000054	229,791
National Aeronautics and Space Administration	Johns Hopkins University	30030000	22000133	10,115
National Aeronautics and Space Administration	Georgia Technical Research Institute	30030000	22000189	(2,622)
National Aeronautics and Space Administration	Georgia Technical Research Institute	30030000	22000245	45,850
National Aeronautics and Space Administration	University Texas Austin	30030000	22000270	24,817
National Aeronautics and Space Administration	Embry-Riddle Aero University	30030000	22000291	5,628
National Aeronautics and Space Administration	Rochester Institute of Technology	30030000	22000335	14,463
Ames Research Center	Raytheon Company	30030103	10011847	103,937
Ames Research Center	Am Museum of Natural History	30030103	20021138	11,891
Ames Research Center	University of Kentucky	30030103	22000143	18,472
John Glenn Research Center-Lewis Field	Ohio Aerospace Institute	30030104	20021048	143,305
John Glenn Research Center-Lewis Field	University Illinois	30030104	22000009	36,978
John Glenn Research Center-Lewis Field	Georgia Technical Research Institute	30030104	22000245	341,140
Goddard Space Flight Center	EG&G, Inc.	30030301	10011343	147,495
National Endowment For The Humanities	Cornell University	30040100	22000081	13,526
National Science Foundation	Horizon Research Inc	30050000	10012237	9,010
National Science Foundation	Cleveland Clinic Foundation	30050000	20010421	61,986
National Science Foundation	Woods Hole Oceanographic Institute	30050000	20020744	118,959
National Science Foundation	University Corp Atmospheric Research	30050000	20020793	106,713
National Science Foundation	Education Development Center	30050000	20021328	193,561
National Science Foundation	International Technology Education Association	30050000	20021487	286,923
National Science Foundation	Purdue University	30050000	22000002	(1,539)
National Science Foundation	Rutgers University	30050000	22000003	40,825
National Science Foundation	University of Medical & Dental NJ	30050000	22000004	12,115
National Science Foundation	University Illinois	30050000	22000009	425,316
National Science Foundation	Virginia Polytechnic Institute	30050000	22000023	17,909
National Science Foundation	Michigan State University	30050000	22000044	271,060
National Science Foundation	Miami University	30050000	22000049	
National Science Foundation	Carnegie-Mellon University	30050000	22000051	82,248
National Science Foundation	Texas A & M University	30050000	22000053	3,329
National Science Foundation	Kansas State University	30050000	22000062	218,534

See notes to schedule of expenditures of federal awards.

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**THE OHIO STATE UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2003**

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2003 Expenditures
Research and Development Cluster:				
Funds received directly from the following pass-through sponsors:				
National Science Foundation	University of Minnesota	30050000	22000067	\$ 146,491
National Science Foundation	Florida State University	30050000	22000070	(2,804)
National Science Foundation	University of Connecticut	30050000	22000076	34,553
National Science Foundation	Cornell University	30050000	22000081	51,459
National Science Foundation	University Maryland	30050000	22000120	15,709
National Science Foundation	Denison University	30050000	22000128	49,254
National Science Foundation	North Carolina State University	30050000	22000136	83,921
National Science Foundation	Stanford University	30050000	22000142	39,444
National Science Foundation	Mississippi State University	30050000	22000196	23,014
National Science Foundation	University Washington	30050000	22000212	44,381
National Science Foundation	Montana State University	30050000	22000236	19,621
National Science Foundation	Drexel University	30050000	22000246	253,242
National Science Foundation	Institute for Advanced Study	30050000	22000273	11,027
National Science Foundation	University California San Diego	30050000	22000288	355,185
National Science Foundation	University of Alabama at Tuscaloosa	30050000	22000305	(9)
National Science Foundation	Polytechnic University	30050000	22000321	55,756
National Science Foundation	Northeastern University	30050000	22000329	969,044
National Science Foundation Biological Sciences	University Missouri	30050100	22000073	9,526
National Science Foundation Environmental Biology	Stroud Water Research Center	30050104	20021389	(4,688)
National Science Foundation-Computer & Information Science & Engineering	Washington State University	30050200	22000142	1,909
National Science Foundation Geosciences	Washington State University	30050400	22000096	12,073
National Science Foundation Office Polar Programs	Texas A & M University	30050404	22000053	14,063
National Science Foundation-Mathematical & Physical Sciences	Princeton University	30050500	22000289	16,426
National Science Foundation Education & Human Resources	Pacific Resources	30050600	20021507	16,045
National Science Foundation Office Small Business Research & Development	Carnegie-Mellon University	30050701	22000051	(1,114)
Small Business Administration	Ohio Business Development Organization	30140000	20020062	17,463
Veterans Administration	University Chicago	30170000	22000018	62,975
Agency for International Development	Development Alternatives Inc	30300100	10011316	248,005
Agency for International Development	Chemronics International	30300100	10011565	20,588
Agency for International Development	American Council on Education	30300100	20020078	10,000
Agency for International Development	United Negro College Foundation	30300100	20021410	229,241
Agency for International Development	International Rice Research Institute	30300100	20021413	43,890
Agency for International Development	University of Wisconsin	30300100	22000006	70,853
Agency for International Development	Oregon State University	30300100	22000103	73,151
Department of Agriculture	Biotech Research & Development Corporation	40000000	10011994	81,801
Department of Agriculture	Environmental Energy	40000000	10012272	5,466
Department of Agriculture	Alden Research Laboratory	40000000	10012406	15,000
Department of Agriculture	Bioprocess Innovative Company, Inc	40000000	10020039	51,073
Department of Agriculture	Dairy Management Inc	40000000	20020911	69,999
US Department of Agriculture	Ohio Vegetable & Potato Growers Association	40000000	20021517	27,936
Department of Agriculture	Purdue University	40000000	22000002	96,656
Department of Agriculture	George Mason University	40000000	22000019	9,467
Department of Agriculture	Michigan State University	40000000	22000044	35,740
Department of Agriculture	Iowa St University	40000000	22000047	5,901

See notes to schedule of expenditures of federal awards.

**THE OHIO STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003**

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2003 Expenditures
Research and Development Cluster: Funds received directly from the following pass-through sponsors:				\$
Department of Agriculture	University Maine At Orono	40000000	22000048	2,337
Department of Agriculture	Cornell University	40000000	22000081	45,811
Department of Agriculture	University Nebraska	40000000	22000085	28,395
Department of Agriculture	Colorado State University	40000000	22000110	56,488
Department of Agriculture	University Arizona	40000000	22000116	55,265
Department of Agriculture	University of Delaware	40000000	22000138	14,322
Department of Agriculture	Universidad Del Este	40000000	22010015	6,019
Department of Agriculture	N. Centralregional Susta Agriculture Research & Education	40040100	20021261	25,611
Cooperative State Research, Education & Extension Service	Midwest Advanced Food Manufacture Alliance	40040100	20021278	47,327
Cooperative State Research, Education & Extension Service	Purdue University	40040100	22000002	230,884
Cooperative State Research, Education & Extension Service	University of Wisconsin	40040100	22000006	33,342
Cooperative State Research, Education & Extension Service	University Illinois	40040100	22000009	26,342
Cooperative State Research, Education & Extension Service	Michigan State University	40040100	22000044	7,591
Cooperative State Research, Education & Extension Service	Iowa State University	40040100	22000047	57
Cooperative State Research, Education & Extension Service	University Maine At Orono	40040100	22000048	9,609
Cooperative State Research, Education & Extension Service	Southern Illinois University	40040100	22000055	9,697
Cooperative State Research, Education & Extension Service	Kansas State University	40040100	22000062	289,199
Cooperative State Research, Education & Extension Service	Cornell University	40040100	22000081	19,536
Cooperative State Research, Education & Extension Service	University Nebraska	40040100	22000085	21,611
Cooperative State Research, Education & Extension Service	University of Florida	40040100	22000108	2,506
Cooperative State Research, Education & Extension Service	Colorado State University	40040100	22000110	5,719
Cooperative State Research, Education & Extension Service	North Carolina State University	40040100	22000136	6,289
Cooperative State Research, Education & Extension Service	University of Kentucky	40040100	22000143	7,851
Cooperative State Research, Education & Extension Service	University of Georgia	40040100	22000144	52,956
Cooperative State Research, Education & Extension Service	University of Mass-Amherst	40040100	22000274	4,873
Cooperative State Research, Education & Extension Service	Colegio University Del Est	40040100	22010012	22,403
Department of Commerce	Ination Corp.	42000000	10012042	32,285
Department of Commerce	Georgia Technology Research Institute	42000000	2200245	19,895
Department of Commerce	University of Massachusetts - Dartmouth	42000000	22000312	(671)
National Oceanic and Atmospheric Administration	Phyotransgenics LLC	42020000	10012342	16,877
National Oceanic and Atmospheric Administration	National Fish & Wildlife Foundation	42020000	20021134	23,185
National Oceanic and Atmospheric Administration	University of Connecticut	42020000	22000076	13,176
National Oceanic and Atmospheric Administration	University New Hampshire	42020000	22000131	7,102
National Institute of Standard & Technology	Ohio Department of National Resource	42040000	26110000	4,475
National Institute of Standard & Technology	Owens Corning	42040000	10011306	36,239
National Institute of Standard & Technology	Edison Materials Technology Center	42040000	10011518	151,042
Department of Defense	OG Technologies Inc.	50000000	10012262	208,639
Department of Defense	TRW Inc	50000000	10011177	174,186
Department of Defense	Veridian-Srl	50000000	10011383	18,646
Department of Defense	Nichols Research Corporation	50000000	10011948	(10,527)
Department of Defense	R & S Associates	50000000	10012346	21,925
Department of Defense-National Imagery and Mapping Agency	Aegis Research Corporation	50000000	10012365	87,048
Department of Defense-US Special Operations Command	Syntonics LLC	50000000	10012359	29,190
Department of Defense	Sytronics, Inc.	50000000	10020077	19,056



**THE OHIO STATE UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2003**

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2003 Expenditures
Research and Development Cluster:				
Funds received directly from the following pass-through sponsors:				
Department of Defense	Illinois Institute of Technology	50000000	20021129	\$ (15,256)
Department of Defense	University Dayton	50000000	22000008	3,710
Department of Defense	Texas Technology University	50000000	22000122	22,758
Department of Defense	Mississippi State University	50000000	22000196	2,137,162
Air Force	Science Applications International Corporation	50010000	10011324	33,564
Air Force	Vertidian-Srl	50010000	10011383	71,240
Air Force	Universal Technical Corporation	50010000	10011471	50,793
Air Force	GE Aircraft Engines	50010000	10011756	87,457
Air Force	Harris Corporation	50010000	10012071	106,724
Air Force	Amberwave Technologies	50010000	10012219	27,116
Air Force	NCI Information Systems	50010000	10012350	11,043
Air Force	S & K Technologies	50010000	10012375	141,974
Air Force	Anteon International	50010000	10012402	24,551
Air Force	Technology Management Concepts	50010000	10020023	9,935
Air Force	UES, Inc.	50010000	10020049	15,000
Air Force	Sytronics, Inc.	50010000	10020077	23,071
Air Force	Innovative Science Solutions	50010000	10020096	161,686
Air Force	Hyper Technology Research	50010000	10020102	10,529
Air Force	Ladish / Chambersburg	50010000	18000013	468,857
Air Force	Dayton Area Graduated Studies	50010000	20021372	10,882
Air Force	Carnegie-Mellon University	50010000	22000051	116,714
Air Force	University of Cincinnati	50010000	22000074	38,926
Air Force	Mit-Lincoln Laboratory	50010000	22000228	133,311
Air Force	PHI Technology Co	50010105	10011673	5,757
Air Force Office of Scientific Research	Monopole Research	50010105	10012374	18,020
Air Force Office of Scientific Research	Innovative Science Solutions	50010105	10020096	37,099
Air Force Office of Scientific Research	University Virginia	50010105	22000203	120,896
Air Force Office of Scientific Research	Vanderbilt University	50010105	22000296	102,150
Army	E-Oir Measurements	50020000	10012263	126,085
Army	High Perform Technologies, Inc	50020000	10012364	82,949
Army	Pixon LLC	50020000	10012394	30,000
Army	URS Corporation	50020000	10012407	50,209
Army	ESA Environmental Specialists, Inc.	50020000	10012415	17,477
Army	Concurrent Tech Corporation	50020000	20021460	205,630
Army	Micro Analysis & Design	50020210	10012320	1,080,648
Army Research Laboratory	BAE Systems	50020210	10030070	77,899
U.S. Army Medical Research	University Chicago	50020300	22000018	(1,243)
Army Medical Research & Materiel Command	University Tennessee	50020301	22000010	139,947
Army Medical Research & Materiel Command	Ohio University	50020301	22000130	10,713
Army Research Office	E-Oir Measurements	50020400	10012263	18,792
Army Research Office	Battelle Memorial Institute	50020400	20020012	12,204
Army Research Office	Mass Institute of Technology	50020400	22000001	73,549
Army Research Office	Duke University	50020400	22000094	(6,026)
Department of Navy	Edison Welding Institute	50040000	10011218	(6,555)

See notes to schedule of expenditures of federal awards.

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal  
Agency  
Sponsor

Pass-Through Sponsor

Sponsor  
I.D.  
Number

Pass-  
Through  
I.D. Number

2003  
Expenditures

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2003 Expenditures
Research and Development Cluster:				
Funds received directly from the following pass-through sponsors:				
Department of Navy	Computer Science Corporation	50040000	10011456	\$ 17,174
Department of Navy	Visualen Corporation	50040000	10012431	30,892
Office of Naval Research	CACI International	50040300	10012391	81,072
Office of Naval Research	University Tennessee	50040300	22000010	60,664
Office of Naval Research	University California	50040300	22000011	50,947
Office of Naval Research	California Institute of Technology	50040300	22000054	164,780
Defense Advanced Research Projects Agency	Northrop Grumman	50060000	10011657	103,758
U.S. Department of Education	Center Civic Education	53000000	20021131	(9,575)
U.S. Department of Education	Education Development Center	53000000	20021328	(1,290)
U.S. Department of Education	National Writing Project Corporation	53000000	20021378	37,819
U.S. Department of Education	The Arc of Michigan	53000000	20021521	79,249
U.S. Department of Education	University of Wisconsin	53000000	22000006	7,925
U.S. Department of Education	Miami University	53000000	22000049	19,240
U.S. Department of Education	Wright State University	53000000	22000087	10,897
U.S. Department of Education	University Maryland	53000000	22000120	(3,345)
U.S. Department of Education	Ohio University	53000000	22000130	(565)
U.S. Department of Education	Washington University	53000000	22000209	(4,546)
U.S. Department of Education	University California San Francisco	53000000	22000317	(6,646)
U.S. Department of Education	Columbus Public Schools	53000000	24000022	22,422
U.S. Department of Education	Livingston Educational Service Agency	53000000	24000465	225,114
U.S. Department of Education	Ohio Department Education	53000000	26080000	36,672
U.S. Department of Education	Ohio Division Career and Technical Adult Education	53000000	26080100	468,392
U.S. Department of Education	Ohio Division of Professional Development & Licensure	53000000	26080700	18,237
U.S. Department of Education	Ohio Board Regents	53040000	26060000	63,452
U.S. Department of Education	University of Wisconsin	53040100	22000006	16,721
U.S. Department of Education	Ohio Office of Exceptional Child	53050000	26080300	44,481
U.S. Department of Education	Ohio Division of Early Childhood	53050000	26080800	28,418
U.S. Department of Education	Ohio Division of Career and Technical Adult Education	53060000	26080100	996,101
U.S. Department of Education	Lockheed Martin Corporation	55000000	10010042	3
U.S. Department of Education	Air Products & Chemicals	55000000	10010612	152,709
U.S. Department of Education	Sandia Corporation	55000000	10011170	481,015
U.S. Department of Education	Fernald Environmental Rest M C	55000000	10011650	(68,921)
U.S. Department of Education	US Automotive Material Partnership	55000000	10012073	65,166
U.S. Department of Education	Linac Systems	55000000	10012130	12,001
U.S. Department of Education	Eurus Technologies	55000000	10012202	21,113
U.S. Department of Education	Suprcon, Inc.	55000000	10012205	(225)
U.S. Department of Education	Ashman Technologies	55000000	10012227	58,333
U.S. Department of Education	MCT, Inc.	55000000	10012251	10,450
U.S. Department of Education	Environmental Energy	55000000	10012272	55,743
U.S. Department of Education	Supergenics LLC	55000000	10012405	616
U.S. Department of Education	H2Fuel LLC	55000000	10012426	65,387
U.S. Department of Education	Faraday Technology	55000000	10020046	28,787
U.S. Department of Education	Nanotech Material Lid	55000000	10020047	39,562
U.S. Department of Education	UES, Inc.	55000000	10020049	89,500

See notes to schedule of expenditures of federal awards.

(Continued)

**THE OHIO STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003**

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2003 Expenditures
Research and Development Cluster: Funds received directly from the following pass-through sponsors:				\$ (487)
Department of Energy	Innovative Science Solutions	55000000	10020096	
Department of Energy	Hyper Technology Research	55000000	10020102	159,333
Department of Energy	Global Research & Development, Inc	55000000	10020103	125,825
Department of Energy	Applied Engineering	55000000	10020114	51,780
Department of Energy	Sibtech, Inc.	55000000	10040112	14,957
Department of Energy	National Ren. Energy Laboratory	55000000	20020800	176,486
Department of Energy	Consortium Plant Biotechnology Research Inc	55000000	20021036	14,194
Department of Energy	Battelle-Pacific NW Laboratory	55000000	20021070	58,175
Department of Energy	Knolls Atomic Power Laboratory	55000000	20021418	65,977
Department of Energy	University Research Associates Inc	55000000	20021485	618,120
Department of Energy	UT-Battelle, LLC	55000000	20021486	45,428
Department of Energy	University Michigan	55000000	22000005	55,802
Department of Energy	University California	55000000	22000011	259,199
Department of Energy	West Virginia University	55000000	22000032	(7)
Department of Energy	University of North Dakota	55000000	22000072	31,690
Department of Energy	University of Cincinnati	55000000	22000074	67,570
Department of Energy	University of Alabama Tusc	55000000	22000305	30,479
Department of Energy	University Illinois	60030000	22000009	52,696
Social Security Administration	Childrens Hospital Research Foundation	60040000	20010182	(16,438)
Public Health Services	Hybrid Plastics Inc.	60040400	10012356	(10,781)
National Institute of Health	Cancervax	60040400	10012419	56,005
National Institute of Health	NSABP Foundation	60040400	20010527	50,500
National Institute of Health	National Safety Council	60040400	20021154	95,403
National Institute of Health	Indiana University	60040400	22000012	18,023
National Institute of Health	Wayne State University	60040400	22000034	93,733
National Institute of Health	Duke University	60040400	22000094	140,422
National Institute of Health	Johns Hopkins University	60040400	22000133	(35,584)
National Institute of Health	University Rochester	60040400	22000193	424
National Institute of Health	Case Western Research University	60040400	22000238	390,835
National Institute of Health	Wake Forest University	60040400	22000286	78,641
National Cancer Institute	IMEDD, Inc.	60040402	10012234	74,954
National Cancer Institute	Oncimmune Ltd.	60040402	10020111	96,929
National Cancer Institute	Childrens Research Institute	60040402	20010182	11,045
National Cancer Institute	Mayo Foundation	60040402	20010289	496,477
National Cancer Institute	Cleveland Clinic Foundation	60040402	20010421	99,328
National Cancer Institute	Foundation for Children's Oncology	60040402	20010553	119,397
National Cancer Institute	Battelle Memorial Institute	60040402	20020012	68,450
National Cancer Institute	Research Triangle Institute	60040402	20020058	12
National Cancer Institute	Southwest Oncology	60040402	20020412	757
National Cancer Institute	Cancer Therapy & Research Foundation	60040402	20020745	59,471
National Cancer Institute	American College Radiology	60040402	20020917	2,152
National Cancer Institute	American College Ob & Gynecolsts	60040402	20021034	36,084
National Cancer Institute	Institute Cancer Prevention	60040402	20021179	12,708
National Cancer Institute	University Kansas Medical Center & Research Institute	60040402	20021356	19,364

(Continued)

See notes to schedule of expenditures of federal awards.

**THE OHIO STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003**

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2003 Expenditures
Research and Development Cluster: Funds received directly from the following pass-through sponsors:				
National Cancer Institute	John Wayne Cancer Institute	60040402	20021377	\$ 4,653
National Cancer Institute	Strang Cancer Prevention Center	60040402	20021428	115,310
National Cancer Institute	Dana-Farber Cancer Institute	60040402	20021438	13,690
National Cancer Institute	University Michigan	60040402	22000005	18,535
National Cancer Institute	University California	60040402	22000011	184,430
National Cancer Institute	University of California Davis	60040402	22000013	70,279
National Cancer Institute	University Chicago	60040402	22000018	1,688,642
National Cancer Institute	University of New Mexico	60040402	22000056	30,977
National Cancer Institute	University of Minnesota	60040402	22000067	56,573
National Cancer Institute	University of Cincinnati	60040402	22000074	108,232
National Cancer Institute	University North Carolina	60040402	22000146	(13)
National Cancer Institute	Harvard University	60040402	22000169	200,402
National Cancer Institute	University Southern California	60040402	22000206	35,225
National Cancer Institute	Washington University	60040402	22000209	21,857
National Cancer Institute	Medical College Ohio	60040402	22000210	209,814
National Cancer Institute	University California San Diego	60040402	22000288	(14,559)
National Cancer Institute	Yeshiva University	60040402	22000331	1,108
National Heart, Lung and Blood Institute	Cleveland Clinic Foundation	60040403	20010421	165,576
National Heart, Lung and Blood Institute	National Jewish Medical Center	60040403	20021369	99,496
National Heart, Lung and Blood Institute	University Pittsburgh	60040403	22000036	63,108
National Heart, Lung and Blood Institute	University of New Mexico	60040403	22000056	46,203
National Heart, Lung and Blood Institute	Duke University	60040403	22000094	2,074
National Heart, Lung and Blood Institute	University Texas	60040403	22000106	829
National Institute of Allergy and Infectious Disease	Johns Hopkins University	60040403	22000133	(2,764)
National Institute of Allergy and Infectious Disease	Amarillo Biosciences	60040404	10040096	23,261
National Institute of Allergy and Infectious Disease	Childrens Research Institute	60040404	20010182	76,741
Nat Institute of Diabetes & Digestive & Kidney Disease	University Mass Worcester	60040405	22000318	113,383
Nat Institute of Diabetes & Digestive & Kidney Disease	University Hospital Cleveland	60040405	10012297	30,467
Nat Institute of Diabetes & Digestive & Kidney Disease	Rhode Island Hospital	60040405	20021502	40,591
Nat Institute of Diabetes & Digestive & Kidney Disease	University California Los Angeles	60040405	22000269	12,500
National Institute of Child Health & Human Development	University of Texas Medical Branch at Galveston	60040406	22000327	7,734
National Institute of Child Health & Human Development	National Bureau of Economic Research	60040406	20020748	45,854
National Institute of Child Health & Human Development	Childrens Hospital Cincinnati	60040406	20021456	8,272
National Institute of Child Health & Human Development	University Michigan	60040406	22000005	38,841
National Institute of Child Health & Human Development	University Alabama at Birmingham	60040406	22000207	33,612
National Institute of Child Health & Human Development	Case Western Research University	60040406	22000238	10,999
National Institute of Child Health & Human Development	University California Los Angeles	60040406	22000269	65,177
National Institute of Child Health & Human Development	Emory University	60040406	22000295	142,206
National Institute of General Medical Sciences	University Illinois	60040407	22000009	27,416
National Institute of General Medical Sciences	State University NY	60040407	22000042	46,446
National Institute of General Medical Sciences	University of South Carolina	60040407	22000241	48,959
National Institute of General Medical Sciences	University California San Francisco	60040407	22000317	371,757
National Institute of Neurological Disorders & Stroke	Oncimmune Ltd.	60040408	10020111	6,000
National Institute of Neurological Disorders & Stroke	Cleveland Clinic Foundation	60040408	20010421	(1,383)

(Continued)

See notes to schedule of expenditures of federal awards.

**THE OHIO STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003**

Federal Agency Sponsor

Research and Development Cluster:

Funds received directly from the following pass-through sponsors:

- National Institute of Neurological Disorders & Stroke
- National Institute of Neurological Disorders & Stroke
- National Institute of Neurological Disorders & Stroke
- National Institute of Neurological Disorders & Stroke
- National Institute of Neurological Disorders & Stroke
- National Institute of Neurological Disorders & Stroke
- National Institute of Neurological Disorders & Stroke
- National Library Of Medicine
- National Eye Institute
- National Eye Institute
- National Eye Institute
- National Eye Institute
- National Eye Institute
- National Institute Dental & Craniofacial Research
- National Institute of Aging
- National Institute of Aging
- National Institute Nursing Research
- National Institute Nursing Research
- National Institute Nursing Research
- National Institute Arthritis & Muscle & Skin Disorder
- National Institute Arthritis & Muscle & Skin Disorder
- National Institute Arthritis & Muscle & Skin Disorder
- National Institute Arthritis & Muscle & Skin Disorder
- National Institute Arthritis & Muscle & Skin Disorder
- National Institute of Mental Health
- National Institute of Drug Abuse
- National Institute of Drug Abuse
- National Institute of Drug Abuse
- National Institute Alcohol Abuse & Alcoholism
- Substance Abuse & Mental Health Services Administration
- Health Resources and Services Administration
- Health Resources and Services Administration
- Health Resources and Services Administration
- Centers for Disease Control & Prevention
- Centers for Disease Control & Prevention
- Centers for Disease Control & Prevention
- Centers for Disease Control & Prevention
- Department of the Interior
- U.S. Fish and Wildlife Service
- U.S. Fish and Wildlife Service
- U.S. Fish and Wildlife Service
- U.S. Geological Survey
- Office of Justice Programs

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2003 Expenditures
	Childrens Hospital, Columbus	60040408	20020124	\$ 38,662
	Loyola University Chicago	60040408	22000115	58,134
	University of Utah	60040408	22000145	12,593
	University Rochester	60040408	22000193	37,743
	Medical College Georgia Research Institute	60040408	22000253	845
	Emory University	60040408	22000295	90
	Georgetown University	60040408	22000339	233
	University Illinois	60040409	22000009	56,434
	JABE Center for Health Research	60040411	20021387	509
	University Illinois	60040411	22000009	150,181
	Johns Hopkins University	60040411	22000133	44,370
	University Pennsylvania	60040411	22000195	3,132
	Pennsylvania College Optometry	60040411	22000322	292
	University of New Mexico	60040412	22000056	28,114
	Wake Forest University	60040415	22000286	16,759
	Duquesne University	60040415	22000306	(1,993)
	Battelle Memorial Institute	60040418	20020012	29,174
	University Illinois	60040418	22000009	(194)
	Emory University	60040418	22000295	2,757
	Barnes-Jewish Hospital	60040419	20021500	122,452
	University of New Mexico	60040419	22000056	36,330
	Yale University	60040419	22000088	79,263
	Duke University	60040419	22000094	62,827
	University Virginia	60040419	22000203	20,295
	Washington University	60040420	22000209	15,918
	Duke University	60040421	22000094	27,965
	Virginia Polytechnic Institute	60040422	22000023	193,836
	Ohio University	60040422	22000130	160,944
	University Washington	60040422	22000212	22,330
	Wake Forest University	60040423	22000286	76,829
	Ohio Department Alcohol & Drug Addiction Services	60040424	26530000	22,837
	ASC of Schools of Public Health	60040500	20021358	14,977
	University Pittsburgh	60040500	22000036	39,692
	Case Western Research University	60040500	22000238	128,815
	Hemophilia Foundation Michigan	60040600	20021026	16,922
	University Pittsburgh	60040600	22000036	190,317
	University Maine at Orono	60040600	22000048	18,530
	Medical College Ohio	60040600	22000210	31,551
	Smart Transitions	72000000	10012438	84,933
	National Fish & Wildlife Foundation	72030000	20021134	15,223
	Ohio Department National Resource	72030000	26110000	6,237
	Ohio Division Wildlife	72030000	26110100	870,520
	Ohio University	72040000	22000130	22,382
	Office of Criminal Justice Service	74040000	26140401	80,813

See notes to schedule of expenditures of federal awards.

(Continued)

**THE OHIO STATE UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2003**

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2003 Expenditures
Research and Development Cluster:				
Funds received directly from the following pass-through sponsors:				
U.S. Department of Labor	Columbus Chamber Commerce	76000000	20020068	\$ 64,284
U.S. Department of Labor	National Opinion Research Center	76000000	20020932	2,149,270
U.S. Department of Labor-Employment & Training Administration	Alaska Labor & Work Department	76010000	24000458	340,446
U.S. Department of Labor-Employment & Training Administration	Ohio Division Career Technical Adult Education	76010000	26080100	395,005
Federal Highway Administration	Ohio Department Transport	82010000	26010000	229,549
Federal Aviation Administration	Ohio University	82030000	22000130	56,717
Federal Aviation Administration	Embry-Riddle Aero University	82030000	22000291	6,361
U.S. Coast Guard	Strategic Research Group	82070000	10020073	181,760
				<u>32,780,465</u>
Subtotal pass-through from other sources				
				<u>221,821,392</u>
Total Research and Development Cluster				(Continued)

**THE OHIO STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003**

	Federal Agency	CFDA Number	Sponsor I.D./CFDA Number	2003 Expenditures
Student Financial Aid Cluster:				
Department of Education:				
Federal Supplemental Educational Opportunity Grant			84.007	\$ 1,469,716
Federal Work Study Program			84.033	4,599,976
Federal Perkins Loans			84.038	108,610
Federal Pell Grant Program			84.063	23,946,695
Department of Health and Human Services:				
Scholarship Program for Students of Exceptional Financial Need			93.925	<u>521,319</u>
Total Student Financial Aid Cluster				<u>30,646,316</u>
USDA - Hatch Program			10.203	9,484,271
USDA - Cooperative Extension Service			10.500	<u>11,155,150</u>
Subtotal				<u>51,285,737</u>
OTHER PROGRAMS:				
Funds received directly from the following Federal agencies:				
National Aeronautics & Space Administration			300300000	27,646
Agency For International Development			303001000	53,609
Coop State Res Educ & Extension Service			400401000	7,443
Health Resources & Services Admin			600405000	6,934
Department of Housing & Urban Development			700000000	6,176
Department of State			800000000	22,122
Cooperative State Research, Education and Extension Service			400401000	11,137
Cooperative State Research, Education and Extension Service			400401000	47,423
Cooperative State Research, Education and Extension Service			400401000	18,000
Cooperative State Research, Education and Extension Service			400401000	15,684
National Oceanic and Atmospheric Administration			420200000	34,585
Department Of State			800000000	50,554
National Endowment For The Humanities			300401000	665
NSF Integrative Biology & Neuroscience			300501020	14,820

(Continued)

See notes to schedule of expenditures of federal awards.

**THE OHIO STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003**

Federal Agency	CFDA Number	Sponsor I.D./CFDA Number	2003 Expenditures
<b>OTHER PROGRAMS:</b>			
Funds received directly from the following Federal agencies:			
NSF Social, Behavioral and Economic Sciences	47.075	30050801	\$ 39
NSF Education & Human Resources	47.076	30050600	57,468
NSF Elementary, Secondary and Informal Education	47.076	30050607	22,155
NSF Division Graduate Education & Research Development	47.076	30050611	50,888
Environmental Protection Agency	66.606	30020000	13,994
Department Of State	82.033	80000000	(103)
Office Of Special Education Programs	84.029	53050100	77,307
Department Of Education	84.047	53000000	260,978
Office Of Vocational and Adult Education Programs	84.051	53060000	2,013,584
Rehabilitation Services Administration	84.129	53050200	89,461
Office Of Elementary & Secondary Education	84.149	53030000	54,867
Office Of Special Education and Rehabilitative Service	84.325	53050000	191,563
Office Of Special Education Programs	84.326	53050100	1,301,313
Department Of Education	84.333	53000000	119,980
Office Of Vocational and Adult Education Programs	84.341	53060000	88,661
National Center For Research Resources	93.333	60040410	2,810,426
Health Resources & Services Administration	93.358	60040500	88,164
National Center For Research Resources	93.389	60040410	78,337
National Cancer Institute	93.398	60040402	46,812
Administration for Children, Youth, & Families	93.600	60070100	2,530,208
Administration Developmental Disabilities	93.632	60070500	18,251
Bureau Health Professions	93.964	60040501	(2,266)
NSF Integrative Biology & Neuroscience	96.102	30050102	(593)
Subtotal funds received directly from other Federal agencies			<u>10,228,292</u>

(Continued)



# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency	Sponsor I.D./ CFDA Number	2003 Expenditures
OTHER SOURCES:		
USDA - Grants for Agriculture Research, Special Research Grants	10.200	\$ 127,846
USDA - Cooperative Forestry Research	10.202	601,930
USDA - Animal Health and Disease Research	10.207	60,303
USDA - Integrated Programs	10.303	317,118
USDA - Child and Adult Care Food Program	10.558	74,003
USDA - Cooperative Forestry Assistance	10.664	15,071
DC - Census Customer Services	11.002	26,494
DC - Public Telecommunications Facilities	11.550	60,000
VA - Vocational and Educational Counseling for Veterans	64.125	26,000
DE - Faculty Research Abroad	84.019A	21,278
DE - Javits Fellowships	84.170	13,240
DE - Child Care Access Means Parents in School	84.335	149,119
DHHS - Head Start	93.600	59,919
U.S. Department of Health and Human Services - Social Services Block Grant	93.667	467,784
Total funds received from other sources		<u>2,020,105</u>

(Continued)

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2003 Expenditures
<b>OTHER PROGRAMS:</b>				
Pass-through:				
Department of Agriculture	Ohio Department of Education	10,559		\$ 46,218
Department of Justice	Ohio Office of Criminal Justice Services	16,579		50,000
Department of Justice	Ohio Criminal Justice Services	16,607		1,425
Department of Labor	Ohio Bureau of Employee Services	17,245		29,139
Department of Labor	Ohio Department of Education	17,258		12,904
Department of Labor	Ohio Department of Job and Family Services	17,260		4,531
Appalachian Regional Commission	Ohio Department of Development	23,002		9,000
Environmental Protection Agency	Ohio Department of Education	66,460		9,420
Fire Administration	Ohio Department of Human Services	83,544		9,091
Department of Education	Ohio Department of Education	84,027		174,404
Department of Education	Ohio Department of Education	84,186		12,691
Department of Education	Ohio Department of Education	84,243		88,383
Department of Education	Ohio Department of Education	84,276		75,000
Department of Education	Ohio Department of Education	84,281		119,121
Department of Education	Ohio SchoolNet	84,318		45,000
Department of Education	Ohio Department of Education	84,323		22,320
Department of Education	Ohio Department of Education	84,330		7,150
Department of Education	Ohio Board of Regents	84,367		25,446
Department of Health and Human Services	Ohio Department of Mental Health	93,230		350,000
Department of Health and Human Services	Ohio Department of Job and Family Services	93,230		233,482
Department of Health and Human Services	Ohio Department of Mental Retardation and Developmental Disabilities	93,556		106,035
Department of Health and Human Services	Ohio Department of Mental Health	93,630		338,750
Department of Health and Human Services	Ohio Department of Alcohol and Drug Addiction Services	93,958		29,744
Department of Health and Human Services	Ohio Department of Health	93,959		66,672
Social Security Administration	Ohio Rehabilitation Services Commission	93,994		60
Environmental Protection Agency	University of Wisconsin	96,001	22000006	(2,529)
National Endowment for The Humanities	Ohio Humanities Council	30020000	26290000	2,000
		30040100		

(Continued)

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2003 Expenditures
<b>OTHER PROGRAMS:</b>				
Pass-through:				
Department of Agriculture	Pennsylvania State University	40000000	22000030	\$ 36,995
Department of Agriculture	Ohio Job & Family Services	40000000	26630000	2,076,576
Cooperative State Research, Education & Extension Service	Michigan State University	40040100	22000044	43,736
Cooperative State Research, Education & Extension Service	Texas A. & M University	40040100	22000053	25,699
Cooperative State Research, Education & Extension Service	Kansas State University	40040100	22000062	1,544
Cooperative State Research, Education & Extension Service	University Nebraska	40040100	22000085	(91)
National Institute of Standard Disease & Technology	Dayton Area Graduated Studies	42040000	20021372	18,577
U.S. Department of Education	Center Civic Education	53000000	20021131	162,623
U.S. Department of Education	University of Minnesota	53000000	22000067	104,500
U.S. Department of Education	Ohio Board Regents	53000000	26060000	23,874
U.S. Department of Education	Ohio Division Early Childhood	53000000	26080000	213,496
Office of Special Education & Rehabilitative Service	University of Oregon	53000000	22000308	3,344
Department of Health & Human Services	Cooperative Education Service Agency	60040400	20021342	89,933
National Institute of Health	National Center of Family Literacy	60040400	20021411	77,612
Health Resources and Services Administration	Wayne State University	60040500	22000034	30,155
Health Resources & Services Administration	University Pittsburgh	60040500	22000036	105,795
Maternal & Childrens Health Bureau	Ohio Department Health	60040505	26090000	(1,027)
Office of Justice	Cuyahoga County Board of Commissioners	74000000	24000430	(5,394)
Department of Justice	Ohio Department of Youth Service	82000000	26200000	7,677
Department of Transportation	Ohio Department of Public Safety		26400000	87,744
Sanofi Pharmaceuticals, Inc	Quintiles Trans Corporation		10011631	899
Ford Motor Company	MSX International		10011879	8,538
Iowa State University	PRIR&D Corporation		10012191	12,517
Warner-Lambert Company	Covaleat Group, Inc.		10012203	17,958
Ohio Department of Development	Advanced Technologies Institute		10012322	42,887
Northeast Ohio Regional Sewer District	Limno-Tech, Inc.		10012371	19,980
Pennsylvania Department of Transportation	Gannett Fleming		10012423	4,742
Ohio Coal Development Office	Applied Sciences Inc		10020085	4,084
Ohio Department of Development	Hyper Tech Research		10020102	22,094
State of Ohio	Leadscope Inc.		10020123	9,666
Shire Laboratories, Inc.	Worldwide Clinic Trial		10040049	(415)
The Breast Cancer Research Foundation	CALGB Foundation		20010031	6,688
Oklahoma Center for Advancement of Science & Technology	Oklahoma Medical Research Foundation		20010530	8,807
King Pharmaceuticals, Inc	Lenox Hill Hospital		20020075	30,814
State of Ohio per SPO	Electronic Power Research Institute		20020104	22,757
National Dairy Council	Dairy Management Inc		20020911	4,411
Pharmacia & Upjohn Company	National Compr Cancer Net		20021360	2,794
American Legacy Foundation	Charles B Wang Chc		20021511	5,896
Smith Bucklin & Associate & United Soybean Board	Purdue University		22000002	20,885
Wyeth-Ayerst	University Michigan		22000005	354

(Continued)

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2003 Expenditures
<b>OTHER PROGRAMS:</b>				
Pass-through:				
W.K. Kellogg Foundation	University of Wisconsin		22000006	\$ (2,071)
Great Lakes Fishery Trust	University Illinois		22000009	17,260
National Dairy Council	University Tennessee		22000010	5,512
William and Flora Hewlett Foundation	Pennsylvania State University		22000030	3,926
Novartis	Duke University		22000094	1,308
George Mason University	University Maryland		22000120	14,386
Ohio Coal Development	Ohio University		22000130	64,103
Animal and Poultry Waste Management Center	North Carolina State University		22000136	255
The United Soybean Board	University of Kentucky		22000143	21,347
Bill and Melinda Gates Foundation	University North Carolina		22000146	8,915
Pharmacia & Upjohn Company	N. Centralregional Susta Agriculture Research & Education		22000193	796
Ohio Learning Network	Kent State University		22000235	6,921
International Spinal Research Trust	Drexel University		22000246	58,897
American Water Works Association Research Foundation	University of Mass-Amherst		22000274	9,149
Wyeth-Ayerst Laboratories	Wake Forest University		22000286	13,101
California Department of Transportation	University California Berkeley		22000294	6,270
Pew Charitable Trusts Grant	Rensselaer Polytech		22000298	13,705
Pew Charitable Trusts Grant	California Polytech		22000309	21,630
Pew Charitable Trusts Grant	University California San Francisco		22000317	24,301
The Ford Foundation	New School University		22000323	69,201
German Federal Ministry for Research and Technology	Eberhard Karls University		22010005	3,730
Ohio EPA	City of Delaware		24000164	11,339
State of Ohio per SPO	Trumbull Job & Family		24000457	33,068
Ohio Department of Human Services	Ohio Board Regents		26060000	5,294
Ohio EPA	Ohio Office of Lake Erie Protection		26590000	397

### TOTAL FEDERAL AWARDS

\$ 291,003,447

See notes to schedule of expenditures of federal awards.

(Concluded)

# THE OHIO STATE UNIVERSITY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**—The accompanying financial schedules include the accounts of The Ohio State University (the “University”); its hospitals and clinics; The Ohio State University Foundation, a not-for-profit organization operating exclusively for the benefit of the University; three separate statutory entities for which the University has special responsibility - The Ohio Agricultural Research and Development Center, and the Ohio Supercomputer Center; and ten legally independent corporations performing special activities related to the University - The Ohio State University Research Foundation, The Ohio State University Student Loan Foundation, Inc., the Transportation Research Center of Ohio, Inc., Campus Partners for Community Urban Redevelopment Inc., University Affiliates, Inc., Reading Recovery and Early Literacy, Inc., Ohio State University Retirees Association, OSU Managed Health Care Systems, Inc., The Ohio State University Physicians, Inc., and the Hospital Helicopter Consortium of Central Ohio, Inc. Such financial schedules have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America for state-assisted colleges and universities.

**Subrecipient**—Certain funds are passed-through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedule of Expenditures of Federal Awards.

The University is also the subrecipient of federal funds which have been reported as expenditures and listed as federal pass-through funds.

### 2. NONCASH FEDERAL AWARDS

During the year ended June 30, 2003, the University did not receive nonmonetary assistance.

### 3. FEDERAL LOAN PROGRAMS ADMINISTERED

Total loan advances and disbursements for federal student financial assistance programs are identified below:

	Year Ended June 30, 2003
Perkins Loan Program	\$6,955,119
Nursing Student Loans (NSL)	<u>353,699</u>
Total	<u>\$7,308,818</u>

The above expenditures include disbursements and expenditures such as loans to students and administrative expenditures. During the year ended June 30, 2003, the University disbursed \$200,684,000 in new loans under the William D. Ford Direct Loan Program (which includes Stafford Loans and Parents Loans for Undergraduate Students).

#### 4. REIMBURSEMENT OF FACILITIES AND ADMINISTRATIVE COSTS

U.S. Office of Management and Budget ("OMB") Circular A-21 ("A-21"), *Costs Principles for Educational Institutions*, requires submission of a Certificate of Facilities and Administrative Costs (the "Certificate") to an institution's cognizant agency. The Certificate is prepared by the University and is used in negotiations with its cognizant agency, the Department of Health and Human Services ("DHHS"), in determining a rate at which the University and the Research Foundation will be reimbursed for the facilities and administrative costs associated with the completion of sponsored research.

The Research Foundation receives reimbursement of facilities and administrative costs as part of the granting agreement at either the rate negotiated with DHHS or at special rates negotiated with the granting agency. Facilities and administrative costs recovered by the Research Foundation are remitted to the University.

On November 22, 1999, DHHS approved facilities and administrative cost recovery rates effective from July 1, 2000 through June 30, 2003. The facilities and administrative cost rate structure, including the rates submitted within the Certificate, are as follows:

Rate Type	Submitted Within Certificate	Negotiated Rate
<b>Organized Research:</b>		
On-Campus		
7/1/00-6/30/02	49.4 %	47.0 %
7/1/02-6/30/03	49.4 %	47.5 %
Off-Campus	26.0 %	26.0 %
<b>Instruction:</b>		
On-Campus		
7/1/00-6/30/02	52.5 %	47.0 %
7/1/02-6/30/03	52.5 %	47.5 %
Off-Campus	26.0 %	26.0 %
<b>Other Sponsored Activities:</b>		
On-Campus	22.5 %	31.0 %
Off-Campus	15.0 %	26.0 %
<b>General Clinical Research Center:</b>		
On-Campus	23.4 %	20.0 %

Differences between the rates submitted in the Certificate and the rates negotiated with DHHS result from DHHS's review of the underlying support and assumptions used by the University in the preparation of the Certificate. Despite DHHS's approval, negotiated rates could be adjusted retroactively, and reimbursement to granting agencies could be required if costs identified as unallowable per A-21 were improperly included in amounts included in the Certificate.

\* \* \* \* \*



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
The Ohio State University  
Columbus, Ohio

We have audited the financial statements of The Ohio State University (the "University") as of and for the year ended June 30, 2003, and have issued our report thereon dated October 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees

in the normal course of performing their assigned functions. We noted no matters involving the University's internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the University in a separate letter dated October 29, 2003.

This report is intended solely for the information and use of the Board of Trustees and management of the University, federal awarding agencies, state funding agencies, pass-through entities, and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte Touche LLP*

October 29, 2003





## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Trustees  
The Ohio State University  
Columbus, Ohio

### **COMPLIANCE**

We have audited the compliance of The Ohio State University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The University's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-1 and 03-2.

## INTERNAL CONTROL OVER COMPLIANCE

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the University as of and for the year ended June 30, 2003, and have issued our report thereon dated October 29, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the management of the University. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees and management of the University, federal awarding agencies, state funding agencies, pass-through entities, and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

October 29, 2003

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2003

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### PART I—SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. Were reportable conditions in internal controls over financial reporting identified? None reported
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Were reportable conditions in internal control over compliance with requirements applicable to major federal award programs identified? None reported
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The major programs were the Research and Development Cluster, the USDA Hatch Program (CFDA 10.203) and the USDA Cooperative Extension Service Program (CFDA 10.500) which are included in the Schedule of Expenditures of Federal Awards.
8. A threshold of \$3,000,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Ohio State University did not qualify as a low risk auditee as that term is defined in OMB Circular A-133.

### PART II—FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable.

### PART III—FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

#### 03-1: HATCH COMPLIANCE WITH INTERNAL CONTROLS

**Grantor:** U.S. Department of Agriculture

**Sponsor Identification Number:** Various

**Project Number:** Various

**Criteria:** The A-102 Common Rule and OMB Circular A-110 require that “entities that receive Federal Awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.”

**Finding:** There is no segregation of duties between performance, review, and recordkeeping of a task in the areas of cash management, period of availability and reporting.

**Effect:** If the University does not have policies and procedures in place that include supervisory review of tasks, management will not have full knowledge of what is being performed within the program. Furthermore, this will decrease the chance of detection of errors made during the task performed.

**Recommendation:** We recommend that the University institute policies and procedures that establish responsibility and provide for periodic monitoring, verification, and report of program progress and accomplishments. This will ensure that management/supervisors are involved in the process and are knowledgeable of any issues that may arise within the project.

### 03-2 HATCH COMPLIANCE WITH UNSPENT MONITORING OF ALLOWABLE COSTS

**Grantor:** U.S. Department of Agriculture

**Sponsor Identification Number:** Various

**Project Number:** Various

**Criteria:** The A-102 Common Rule and OMB Circular A-110 require that “entities that receive Federal Awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.”

**Findings:** In October of 2002, the University established procedures to monitor the expiration of projects. These involved the review of projects on a monthly basis to ensure that expired projects are not being charged. However, these reviews are not being performed on a timely basis. For example, these procedures were not performed for February 2003. Furthermore, when expired projects are identified, the federal charges are removed from the project but are not replaced with charges from another project to ensure expenditure of funds during the period of availability.

**Effect:** If the University does not perform these procedures on a monthly basis, federal funds could be charged to expired projects. Also, if federal funds allocations are not replaced on a timely basis, it may lead to unspent funds at the end of the period of availability.

**Recommendation:** We recommend that the University establish procedures to ensure the timely completion of the reconciliation and the reallocation of federal funds. Furthermore, someone should monitor the progress to ensure that the reconciliation is being performed and federal funds are being reallocated on a timely basis.

**PART IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Number</b>	<b>Finding</b>	<b>Status</b>	<b>Contact</b>
99-1	Section 34 CFR Part 668.22(j)(B) states that if the student drops out of the institution without notifying the institution (does not officially withdraw), the student's withdrawal date is the last date of class attendance by the student as documented by the institution. No students were identified during testing that had unofficially withdrawn from the University without being detected as a withdrawn student by the University. However, the University did not have a system in place to track the unofficial withdrawal by students.	Corrected	Tally Hart, Director of Student Financial Aid
02-1	Hatch Act of 1887, Sec. 7., part(c), "Effect of Failure to expend full allotment - whenever it shall appear to the Secretary of Agriculture from the annual statement of receipts and the expenditures of its funds by any State agricultural experiment station that any portion of the preceding annual appropriation allotted to that station under this Act remains unexpended, such amount shall be deducted from the next succeeding annual allotment to the State concerned." The University had not spent the entire amount of the Hatch Grant in the federal years ended September 30, 1999, 2000 and 2001.	Corrected	Dr. F. William Ravlin, Assistant Director—OARDC
02-2	A-133 Compliance Supplement, 3-B-1, "The General criteria affecting the allowability of the costs under Federal Awards are: Costs must be reasonable and necessary for the performance and administration of the Federal Awards; Costs must be allocated to the Federal Awards under the provisions of the cost principles per GASB standards, as applicable. A cost is allocable to a particular cost objective if the goods or services involved are charged or assigned to such cost objectives in accordance with relative benefits received." The University was charging the Hatch program for salaries and benefits for faculty on projects that have been already terminated, and without another valid Hatch project started.	Corrected	Dr. F. William Ravlin, Assistant Director—OARDC

Number	Finding	Status	Contact
02-3	A-133 Compliance Supplement, 3-B-1, "The general criteria affecting the allowability of the costs under Federal Awards are: Costs must be reasonable and necessary for the performance and administration of the Federal Awards; Costs must be allocated to the Federal Awards under the provisions of the cost principles per GASB standards, as applicable. A cost is allocable to a particular cost objective if the goods or services involved are charged or assigned to such cost objectives in accordance with relative benefits received." The University was charging travel related expenses to an administrative specific project that had not been properly approved by the Cooperative State Research Services ("CSRS").	Corrected	Dr. F. William Ravlin, Assistant Director—OARDC
02-4	Treasury Regulations 31 CFR part 205 (implementation of the Cash Management Improvement Act ("CMIA"), P.L. 101-453), require State recipients to enter into agreements which prescribe specific methods of drawing down federal funds for selected large programs. The longest any of the CMIA funding methods allows federal funds to be requested in advance is three days. Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency. During the months of July 2001, August 2001, October 2001 and March 2002, the University had excess drawn-down funds once Hatch related expenses were paid.	Corrected	Dr. F. William Ravlin, Assistant Director—OARDC
02-5	Circular A-133, Subpart C—Auditees, __.310 Financial Statements, (b) Schedule of expenditures of federal awards, (2). The University is not preparing the required Federal Financial Reports SF-269 and SF-272 related to the Hatch program on a timely basis. The SF-269, in its final form, had not been prepared from the federal fiscal year ended September 1999, 2000 or 2001. The SF-272 had not been prepared since the quarter ended March 31, 2001.	Corrected	Dr. F. William Ravlin, Assistant Director—OARDC

# ***The Ohio State University***

*Independent Accountants' Report on the Application  
of Agreed-Upon Procedures to Statements and  
Records of Booster Organizations' Expenditures  
for or on Behalf of the University's Department of  
Athletics for the Year Ended June 30, 2003*







Dr. Karen Holbrook  
President  
The Ohio State University  
Columbus, Ohio

We have performed the procedures enumerated below, which were agreed to by the Senior Vice President of the Office of Business and Finance, with respect to the accounting records of The Ohio State University (the "University") and the related booster organizations, referred to below, in connection with activities of the Department of Athletics of the University. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures that we performed and our findings are as follows:

- a. We obtained a list of booster organizations and a schedule of receipts/revenues and disbursements/expenses for the year ended June 30, 2003 from the Director of Athletics. This schedule is included as the Exhibit to this report.
- b. We agreed total revenues and expenditures or total cash receipts and cash disbursements of all booster organizations for the year ended June 30, 2003 listed on the schedule with amounts obtained from the official responsible for each respective booster organization.
- c. We received a representation letter signed by the Director of Athletics and all of the head coaches that the booster organizations, as listed in the Exhibit, are the only booster organizations that support the Department of Athletics as defined in the National Collegiate Athletic Association ("NCAA") Financial Audit Guidelines dated May 1996.
- d. We obtained a summary of contributions to or in behalf of the Department of Athletics from the booster organizations and compared such summary to the revenues recorded in the University's accounting records. The in-kind contributions and donated goods or services were not recorded in the University's accounting records. There were no such items in the current year. We also noted that contributions reported by the booster groups were credited to these groups in The Ohio State University Development Fund's records.

We were not engaged to, and did not, conduct an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which would be the expression of an opinion on the accounts of the booster organizations or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we performed an audit of the financial statements of the related outside organizations in accordance with auditing standards generally accepted in the United States of America, other matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above and does not extend to any financial statements of The Ohio State University or related outside organizations, taken as a whole.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than management of The Ohio State University or an authorized representative of the NCAA.

*Deloitte & Touche LLP*

Columbus, Ohio  
December 16, 2003

**THE OHIO STATE UNIVERSITY  
DEPARTMENT OF ATHLETICS**

**Exhibit**

**OUTSIDE ORGANIZATIONS ACTING IN  
BEHALF OF THE DEPARTMENT OF ATHLETICS  
RECEIPTS/REVENUES AND DISBURSEMENTS/EXPENSES  
YEAR ENDED JUNE 30, 2003**

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Organizations reporting on a cash receipts and disbursements basis for the year ended June 30, 2003 are as follows:

Organization	Beginning Cash Balance	Cash Receipts	Cash Disbursements		Ending Cash Balance
			Contributions To or In Behalf of Program	Other	
Varsity "O" Women	\$ 42,261	\$ 18,058		\$ 9,939	\$ 50,380
The Buckeye Diamond Club	367,019	179,954	\$ 144,243	62,981	339,749
The Match Point Club	18,718	12,403	24,138	6,983	
The Buckeye Sideliners	1,171	22,870	10,000	11,507	2,534
The Rebounders Club	8,998	26,419	8,000	22,223	5,194
The Ohio State Men's Swimming and Diving Booster Club	6,405	9,358		10,901	4,862

Organizations reporting revenues and expenditures for the year ended June 30, 2003 are as follows:

Organization	Revenues	Expenditures		Net Income (Loss)
		Contributions To or In Behalf of Program	Other	
Buckeye Boosters, Inc.	\$ 319,323	\$ 30,990	\$ 80,470	\$ 207,863
The Varsity "O" Alumni Center Ice Club	160,468 46,597	1,100	92,160 45,883	67,208 714
OSU Varsity Rifle Team Booster Club	1,230		597	633

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# *The Ohio State University*

*Independent Accountants' Report on the Application  
of Agreed-Upon Procedures to the University's Accounting  
Records and to its System of Internal Accounting Control  
as They Relate to the University's Department of Athletics  
for the Year Ended June 30, 2003*





Dr. Karen Holbook  
President  
The Ohio State University  
Columbus, Ohio

We have audited the financial statements of The Ohio State University (the "University") as of and for the year ended June 30, 2003, and have issued our unqualified report thereon dated October 29, 2003. At your request, we have also performed the procedures enumerated below, which were agreed to by the Senior Vice President of the Office of Business and Finance, with respect to the University's accounting records and system of internal accounting control as they relate to the University's Department of Athletics for the year ended June 30, 2003, solely to assist the University in complying with the National Collegiate Athletic Association ("NCAA") Bylaw 6.2.3.1. The University's management is responsible for the University's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures that we performed and our findings are as follows:

**Statement of Revenues and Expenditures—Agreed-Upon Substantive Procedures**

- a. We obtained the Department of Athletics' Statement of Revenues and Expenditures (the "Statement") for the year ended June 30, 2003, as prepared by management and shown in the Exhibit to this report. We noted the arithmetic accuracy of the amounts in the Statement, compared the amounts in the Statement to management's worksheets and agreed management's worksheets to accounts in the University's general ledger. We noted no differences between the amounts in the University's general ledger and the amounts in the worksheets.
- b. Through discussions with the University's Assistant Director of Athletics, we obtained an understanding of the ticket revenue cycle, and we compared football and men's basketball ticket sales as recorded in the Statement to the Department of Athletics' "Ticket Order Status Report" for the year ended June 30, 2003. Ticket sales as recorded in the Statement were reconciled within \$87,357 or 0.38% of the "Ticket Order Status Report" for football and \$2,822 or 0.07% for basketball.
- c. We compared concession revenues recorded in the Statement to the detailed statements from the independent concessionaire of concession activity and commissions earned for the year ended June 30, 2003. Concession revenues recorded in the University's general ledger agreed to the detailed statements within \$1.

- d. We compared the Department of Athletics' percentage rate of return on interest-bearing cash and investments for the year ended June 30, 2003 to that of the University as a whole for the same period. We noted the University's rate of return was 2.81%, while the Department of Athletics' rate was 2.62%.
- e. We compared gift revenues recorded in the Department of Athletics' accounts for the year ended June 30, 2003, to the amounts recognized by The Ohio State University Development Fund for the same period and noted the amounts agreed without exception.
- f. We compared revenue and expenditures line-items in the Statement with prior year amounts, and made inquiries about fluctuations greater than \$100,000 and 10%. The Department of Athletics provided explanations for the fluctuations.
- g. We inquired of the Business Manager and Development Director of the Department of Athletics and noted that no individual contributions received for the period ended June 30, 2003 were in excess of 10% of total contributions for the period.

Because the above procedures "a" through "g" do not constitute an audit in accordance with auditing standards generally accepted in the United States of America, we do not express an opinion on any of the accounts or items referred to above. We were not engaged to, and did not, conduct an audit or examination, the objective of which would be the expression of an opinion on the specified elements, accounts, or items or on the effectiveness of the internal control over financial reporting, respectively. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made an audit of any financial statements of the Department of Athletics of The Ohio State University in accordance with auditing standards generally accepted in the United States of America, other matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above and does not extend to the financial statements of The Ohio State University or its Department of Athletics taken as a whole.

**Internal Control Structure: Policies and Procedures Related to Intercollegiate Athletics—Agreed-Upon Procedures**

The management of The Ohio State University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.



Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- h. We obtained and read the organization chart for the Department of Athletics. We read the available documentation of the accounting systems and procedures. We also made certain inquiries of management regarding control consciousness, competence of personnel, and protection of records and equipment.
- i. We obtained an understanding of the ticket sales, team travel expenditures, and purchase/payables cycles by testing a sample of transactions. No exceptions were noted.
- j. We obtained an understanding of the University's procedures for monitoring the financial activities of the booster organizations. These monitoring procedures entitled "Guidelines for Athletic Support Groups" consist of ten requirements that all support groups must comply with. For five randomly selected booster organizations, we read files maintained by the University and compared the contents thereof to the requirements of the guidelines. No exceptions were noted.
- k. We selected the largest fundraising activity and the largest expenditure for each booster organization to determine if prior formal written approval was received by the Athletic Department. The Athletic Department does not give formal written approval for recurring activities and expenditures previously approved. No exceptions were noted regarding formal written approval on new fundraising activities or expenditures.

Agreed-upon procedures "h" through "k" applied to certain aspects of the University's system of internal accounting control were more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. Because the scope of our work was limited to applying agreed-upon procedures "h" through "k" to certain aspects of the system of internal accounting control, we are unable to express and do not express an opinion on whether the system of internal accounting control of The Ohio State University in effect for the year ended June 30, 2003, taken as a whole, was sufficient to meet the objectives stated above.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than management of The Ohio State University or an authorized representative of the NCAA.

*Deloitte Touche LLP*

Columbus, Ohio  
December 16, 2003

**THE OHIO STATE UNIVERSITY  
DEPARTMENT OF ATHLETICS**

**Exhibit**

**STATEMENT OF REVENUES AND EXPENDITURES  
YEAR ENDED JUNE 30, 2003 (UNAUDITED)**

	Football	Men's Basketball	Women's Basketball	Other Sports Men	Other Sports Women	Nonprogram Specific	Total
<b>REVENUES:</b>							
Ticket sales	\$23,130,693	\$ 4,335,004	\$ 174,303	\$ 516,956	\$ 33,284	\$ 188,686	\$28,378,926
Post season event	3,414,247	2,251,824					5,666,071
Program sales	389,673	32,547	6,789			52,150	481,159
Novelty Sales						3,928,905	3,928,905
Radio and T.V. rights	3,599,480	3,577,839	2,000	(9,000)			7,170,319
Concessions	1,145,487	363,106	52,197	163,510	19,169	145,758	1,889,227
Gifts:							
Restricted	359,770	49,599	(1,660)	88,431	1,527	1,320,964	1,818,631
Grant-in-aid	1,558,841	296,738	287,080	2,374,470	3,748,158	30,301	8,295,588
Parking	990,378	77,029	33,013				1,100,420
Investment income— unrestricted						586,415	586,415
Postage/service charges	557,634	44,361	122	3,156	(660)	230,392	835,005
Advertising						3,464,980	3,464,980
Entry fees						2,623,491	2,623,491
Facility rentals						104,594	104,594
Miscellaneous	23,582	394,259	178,146	150,742	2,216	1,147,678	1,896,623
Golf course						3,488,366	3,488,366
Ice rink						461,477	461,477
<b>Total revenues</b>	<b>35,169,785</b>	<b>11,422,306</b>	<b>731,990</b>	<b>3,288,265</b>	<b>3,803,694</b>	<b>17,774,157</b>	<b>72,190,197</b>
<b>EXPENDITURES:</b>							
Coaches' salaries	1,931,916	727,796	684,101	1,923,408	2,090,095		7,357,316
Other salaries	565,461	245,504	124,172	295,395	131,944	15,896,627	17,259,103
Travel:							
Team and other	1,640,799	389,880	408,903	665,827	951,558	869,009	4,925,976
Recruiting	283,296	90,766	66,633	163,221	218,577	4,042	826,535
Guarantees—net	175,029	(200,288)	28,715	33,046	5,410	4,574	46,486
Financial aid	1,558,841	296,738	287,080	2,374,470	3,748,158	30,301	8,295,588
Maintenance/general	2,108,562	359,700	242,299	466,763	286,797	12,926,443	16,390,564
Equipment purchases	134,181	26,837	22,577	146,354	105,639	437,668	873,256
Advertising						243,490	243,490
Insurance						109,034	109,034
Telephone	61,700	33,675	30,528	51,184	48,961	388,937	614,985
Food	568,765	23,558	17,366	53,866	60,260	781,474	1,505,289
Lodging	391,802	1,646	98	5,460	9,164	40,101	448,271
Indirect overhead						3,492,168	3,492,168
Physical facilities						1,129,296	1,129,296
<b>Total expenditures</b>	<b>9,420,352</b>	<b>1,995,812</b>	<b>1,912,472</b>	<b>6,178,994</b>	<b>7,656,563</b>	<b>36,353,164</b>	<b>63,517,357</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>							
	<b>\$25,749,433</b>	<b>\$ 9,426,494</b>	<b>\$(1,180,482)</b>	<b>\$(2,890,729)</b>	<b>\$(3,852,869)</b>	<b>\$(18,577,007)</b>	<b>\$ 8,672,840</b>

Note: This schedule was prepared by a representative of the Department of Athletics.

2003 FINANCIAL REPORT







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- 2** Independent Auditors' Report
- 3** Management's Discussion and Analysis
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- 15** Consolidated Statements of Revenues, Expenses, and Other Changes in Net Assets
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## Letter

We are pleased to present the consolidated financial report for The Ohio State University for the years ended June 30, 2003 and 2002.

The accompanying financial report indicates that the university's financial health remains sound, despite a difficult state budget environment. Increases in tuition, growth in sponsored research, growth in gifts to the university, and continued improvement in OSU Health System results helped to offset the impact of an \$11 million cut in state support. Total expendable net assets (equity) increased \$105 million to \$980 million at June 30, 2003. University investment results swung from a \$117 million net loss in 2002 to a \$70 million net gain in 2003. And student enrollment trends reflect continued strong demand for an Ohio State education.

Under the leadership of Karen A. Holbrook, who became the university's 13th president on October 1, 2002, Ohio State has maintained its focus on the implementation of the Academic Plan. The Academic Plan, which was adopted in 2000, drives university spending and budgeting priorities. It focuses on six core strategies:

- Build a world-class faculty
- Develop academic programs that define Ohio State as the nation's leading land-grant university
- Enhance the quality of the teaching and learning environment
- Enhance and better serve the student body
- Create a diverse university community
- Help build Ohio's future

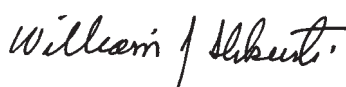
The Management's Discussion and Analysis section of the financial report provides additional details on the university's Academic Plan, including targeted investment areas for 2004 and long-term financial goals that are intended to ensure a continued flow of resources to Academic Plan initiatives.

Achieving Ohio State's academic goals in a time of flat or declining state support will require continued diversification of revenue sources, strategic management of risk, and tough choices. In her recent State of the University address, President Holbrook captured the financial challenges facing the university:

"We will continue to face economic hardships and will need to be more vigilant in conserving resources, controlling expenses, and investing strategically in the programs that best promote our success and excellence. We (will) discontinue programs that are under-producing and streamline administrative functions in order to assure that our students are not short-changed in their education. We will need to generate more of our own resources whenever possible and constantly persuade friends that Ohio State is worthy of their generosity."

We encourage you to read the financial report, and we welcome your interest in this great university. Go Bucks!

Very truly yours,



William J. Shkurti  
Senior Vice President  
for Business and Finance



Greta J. Russell  
University Controller

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& Touche**

## Independent Auditors' Report

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To the Board of Directors of  
The Ohio State University  
Columbus, Ohio

We have audited the accompanying consolidated statements of net assets of The Ohio State University ("The University"), a component unit of the State of Ohio, as of June 30, 2003 and 2002, and the related consolidated statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Ohio State University as of June 30, 2003 and 2002, and their changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis ("MD&A") on pages 3 through 13 is not a required part of the basic financial statements, but is supplementary information required by GASB. This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and we do not express an opinion on it.

*Deloitte & Touche LLP*

October 29, 2003

**Deloitte  
Touche  
Tohmatsu**



## The Ohio State University

# Management's Discussion and Analysis

for the Year Ended June 30, 2003

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University for the year ended June 30, 2003, with comparative information for the year ended June 30, 2002. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

### About The Ohio State University

The Ohio State University is the State of Ohio's flagship research institution and one of the largest universities in the United States of America, with over 57,000 students, 4,700 faculty members, and 16,000 staff members. Founded in 1870 under the Morrill Land Grant Act, the university—which was originally known as the Ohio Agricultural and Mechanical College—has grown over the years into a comprehensive public institution of higher learning, with over 170 undergraduate majors, 110 masters degree programs, and 90 doctoral programs. The university also operates one of the nation's leading academic medical centers, which includes the OSU Health System. The Health System is comprised of three hospitals—The Ohio State University Hospitals, The Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, and University Hospitals East—as well as an inpatient psychiatric care facility, a chemical dependency unit, rehabilitation facility, and 29 outpatient care centers with over 45,000 admissions and 780,000 patient visits annually.

Ohio State is governed by an 11-member Board of Trustees who are responsible for oversight of academic programs, budgets and general administration, and employment of faculty and staff. The governor annually appoints one voting member to a nine-year term and one non-voting student member to a two-year term. The university's 19 colleges, the OSU Health System, and various

academic support units operate largely on a decentralized basis. The Board of Trustees approves annual budgets for university operations, but these budgets are managed at the college and department level.

The following financial statements reflect all assets, liabilities, and net assets (equity) of the university, the OSU Health System, the Ohio Agricultural Research and Development Center, and the Ohio Supercomputer Center. In addition, these statements include consolidated financial results for a number of legally separate entities subject to Board of Trustees control, including:

- The Ohio State University Research Foundation (which administers sponsored research grants and contracts for the university)
- The Ohio State University Foundation (a fund-raising foundation operating exclusively for the benefit of the university)
- Campus Partners for Community Urban Redevelopment (a nonprofit organization participating in the redevelopment of neighborhoods adjacent to the main Columbus campus)
- Transportation Research Center (an automotive research and testing facility in East Liberty, Ohio)
- OSU Managed Health Care Systems (a nonprofit organization that administers university health care benefits)
- OSU Physicians, Inc. (a new central practice group for physician faculty members of the College of Medicine and Public Health)



The entities listed above meet the “financial accountability” criteria set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. The university’s Board of Trustees has the ability to appoint a voting majority of these organizations’ boards and is able to “impose its will” on these organizations, as defined by GASB Statement No. 14.

On July 1, 2002, the university implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14 to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, should be consolidated into the university’s financial reports. The university has determined that none of its affiliated organizations currently meets the GASB 39 criteria for inclusion in the university’s financial statements.

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### About the Financial Statements

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The university presents its financial reports in a “business type activity” format, in accordance with

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial report includes a Statement of Net Assets, a Statement of Revenues, Expenses and Other

Changes in Net Assets, a Statement of Cash Flows, and Notes to the Financial Statements.

The **Statement of Net Assets** is the university’s balance sheet. It reflects the total assets, liabilities, and net assets (equity) of the university as of June 30, 2003, with comparative information as of June 30, 2002. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the university’s land, buildings, improvements, and equipment, are shown net of accumulated depreciation. Net assets are grouped in the following categories:

- Invested in capital assets, net of related debt
- Restricted – Nonexpendable (endowment and annuity funds)
- Restricted – Expendable (primarily current restricted and quasi-endowment funds)
- Unrestricted

The **Statement of Revenues, Expenses, and Other Changes in Net Assets** is the university’s income statement. It details how net assets have increased (or decreased) during the year ended June 30, 2003, with comparative information for Fiscal Year 2002. Tuition revenue is shown net of scholarship allowances, depreciation is provided for capital assets, and there are required subtotals for net operating income (loss) and net income (loss) before capital contributions and additions to permanent endowments.

It should be noted that the required subtotal for net operating income or loss will generally reflect a “loss” for state-supported colleges and universities. This is primarily

due to the way operating and non-operating items are defined under GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating expenses include virtually all university expenses, except for interest on long-term debt. Operating revenues, however, *exclude* certain significant revenue streams that Ohio State and other public institutions have traditionally relied upon to fund current operations, including state instructional support, current-use gifts, and investment income.

The **Statement of Cash Flows** details how cash has increased (or decreased) during the year ended June 30, 2003, with comparative information for Fiscal Year 2002. It breaks out the sources and uses of university cash into the following categories:

- Operating activities
- Non-capital financing activities
- Capital financing activities
- Investing activities

Cash flows associated with the university's expendable net assets appear in the operating and non-capital financing categories. Capital financing activities include payments for capital assets, proceeds from long-term debt, and debt repayments. Purchases and sales of investments are reflected as investing activities.

The **Notes to the Financial Statements**, which follow the financial statements, provide additional details on the numbers in the financial statements.

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### Financial Highlights and Key Trends

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The university's financial health remained sound in 2003, despite a difficult state budget environment.

Increases in tuition, growth in sponsored research, growth in gifts to the university, and continued improvement in Health System results helped to offset the impact of an \$11 million cut in state instructional subsidies. Total unrestricted and restricted-expendable net assets increased \$105 million, to \$980 million at June 30, 2003. University plant debt increased \$5 million, to \$586 million at June 30, 2003. University investment results returned to positive territory, with \$70 million of net investment income in 2003.

Student enrollment trends reflect continued strong demand for an Ohio State education. Total autumn quarter 2002 enrollment for all campuses was 57,721, up from 55,737 in autumn 2001. Freshman retention continues to improve as well. 86.5% of the freshmen enrolled in autumn 2001 returned to Ohio State in autumn 2002, up from 86% in the comparable 2000-2001 period.

The following sections provide additional details on the university's financial position and activities for Fiscal Year 2003 and a look ahead at significant economic conditions that are expected to affect the university in the future.

- I. Summary Statements of Net Assets
- II. Summary of Revenues, Expenses, and Other Changes in Net Assets
- III. University Cash Flows Summary

Student enrollment trends reflect continued strong demand for an Ohio State education. Total autumn quarter 2002 enrollment for all campuses was 57,721, up from 55,737 in autumn 2001.

## I. Summary Statements of Net Assets

(in thousands)

	2003	2002
Cash and current investments	\$836,704	\$759,536
Current receivables, inventories and prepaid expenses	384,685	345,874
Total current assets	1,221,389	1,105,410
Restricted cash and cash equivalents	16,125	24,343
Noncurrent notes and pledges receivable	92,515	107,069
Endowments and other long-term investments	1,017,094	1,011,568
Capital assets, net of accumulated depreciation	1,869,355	1,762,814
Total noncurrent assets	2,995,089	2,905,794
Total assets	\$4,216,478	\$4,011,204
Accounts payable and accrued expenses	\$272,636	\$260,501
Deferred revenues and deposits	138,787	139,259
Commercial paper and current portion of bonds, notes and lease obligations	349,206	285,072
Other current liabilities	9,496	13,900
Total current liabilities	770,125	698,732
Noncurrent portion of bonds, notes and lease obligations	237,027	296,034
Other noncurrent liabilities	171,781	208,659
Total noncurrent liabilities	408,808	504,693
Total liabilities	\$1,178,933	\$1,203,425
Invested in capital assets, net of related debt	\$1,266,371	\$1,181,708
Restricted – nonexpendable net assets	791,188	751,317
Restricted – expendable net assets	445,238	457,521
Unrestricted net assets	534,748	417,233
Total net assets	\$3,037,545	\$2,807,779

**I** Total university **cash and current investment** balances increased \$77 million, primarily due to a \$23 million increase in current gift receipts and a \$44 million increase in OSU Health System cash and investments. The Statement of Cash Flows, which is discussed in more detail below, provides additional details on sources and uses of university cash.

The market value of the university's **endowment and other long-term investments** increased \$6 million, to \$1.02 billion at June 30, 2003, due to market appreciation and additions to the endowment that were offset by distributions made from the endowment fund. The Endowment Fund operates with a long-term investment goal

of preserving the purchasing power of the principal in a diversified portfolio.

**Capital assets**, which include the university's land, buildings, improvements, equipment, and library books, grew \$107 million, to \$1.87 billion at June 30, 2003. The university depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from five years (for computer equipment) to 100 years (for certain building components such as foundations).

Several major construction projects are currently underway or in advanced planning stages, including:

- ▼ *Stanley J. Aronoff Laboratory* (Life Sciences Research Building) – At June 30, work was almost completed on this \$27 million facility, which will provide 107,000 square feet of laboratory and office space for College of Biological Sciences faculty, staff, and students in the departments of entomology; evolution, ecology and organismal biology; and plant biology. The five-story building is located between the Botany and Zoology Building and the 12th Avenue Parking Garage.
- ▼ *Graduate and Professional Student Housing* – Also nearing completion at June 30 was the \$31 million Graduate and Professional Student Housing complex, which is located in the south campus area on Neil Avenue. Students began moving into this new complex during summer 2003.
- ▼ *Knowlton School of Architecture* (A) – Construction continues on the new \$33 million home for the university's Architecture, City and Regional Planning, and Landscape Architecture programs on north campus across from the Fisher College of Business.
- ▼ *Physical Sciences Research Building* – Construction continues on the new

\$53 million home for the university's Department of Physics, on the site of the old Welding Engineering building.

- ▼ *Ross Heart Hospital* – Construction is underway on an \$82 million heart hospital, which is being built on the former site of the Rhodes Hall auditorium. This facility will include inpatient services, outpatient services, clinical and administrative support staff areas, and cardiac rehabilitation services.
- ▼ *New Recreation Center* (B) – Construction is underway on a new 604,800-square-foot recreation center to replace Larkins Hall. The \$140 million facility will house a 50-meter swimming pool and diving well, recreation, class and lap pools, 16 basketball courts, six multi-purpose rooms, squash courts, racquetball courts, and a 28,000-square-foot fitness center.
- ▼ *Hagerty and Page Hall* (C) *Renovations* – Extensive renovations are underway in these main campus buildings. After a \$24 million rehabilitation, Hagerty Hall will house a portion of the College of Humanities. Page Hall is undergoing a \$16 million renovation and will house the John Glenn Institute for Public Service and Public Policy and the School of Public Policy and Management.
- ▼ *Biomedical Research Tower* (D) – Construction is set to begin in Fiscal Year 2004 on a 10-story, \$151 million biomedical research facility that will house up to 120 faculty and 400 additional researchers for the College of Medicine and Public Health.
- ▼ *William Oxley Thompson Memorial Library Renovation* – Planning continues on a \$99 million renovation of the university's main library, which will include an addition to the building, new landscaping of the surrounding area, and an expansion of the Library Book Depository.





The university's estimated future capital commitments, based on contracts and purchase orders, total approximately \$357 million at June 30, 2003.

Total university debt, in the form of **commercial paper, bonds, notes, and capital lease obligations**, increased \$5 million, to \$586 million at June 30, 2003. During 2003, the university issued \$121 million of commercial paper and short-term notes payable. Both issues are secured by the general receipts of the university. The university used these debt proceeds to retire commercial paper previously issued for interim financing of construction projects, to retire old bonds issued at higher interest rates, and to fund current capital expenditures.

The university's plant debt includes variable rate demand bonds that mature at various dates through 2032. Governmental Accounting Standards Board Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the balance sheet classification of these bonds. Under GASB Interpretation No. 1, outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the university's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the university does not have "take-out agreements" in place per the GASB Interpretation No. 1 requirements. Accordingly, the university has classified the total outstanding principal balances on its variable rate demand bonds as

current liabilities. These obligations totaled \$213 million and \$227 million at June 30, 2003 and 2002, respectively.

On September 11, 2003, the university closed on two bond issues totaling \$355 million. Approximately \$112 million of the proceeds were used to refund debt outstanding at June 30, 2003. The remainder was used to fund various construction projects around campus.

**Accounts payable and accrued expenses** increased \$12 million, primarily due to increases in payables to vendors for goods and services (up \$35 million compared with June 30, 2002) and increases in self-insurance accruals for medical malpractice and employee health plans (up \$9 million). These increases were partially offset by minor timing differences in the remittance of payroll withholdings and employee benefit contributions (down \$33 million compared with June 30, 2002).

Other non-current liabilities decreased \$37 million, primarily due to the elimination of the **unfunded workers' compensation liability** recorded at June 30, 2002. Under the State of Ohio's workers' compensation program, public employer state agencies, including state universities and university hospitals, pay workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis. The Bureau of Workers' Compensation determines a rate for each governmental agency that will generate premium collections equal to the losses anticipated to be paid in the coming year. As part of the GASB 34/35 implementation in 2002, the State of Ohio allocated the **unfunded workers' compensation liabilities** for public employer state agencies to the individual agencies and instructed state-assisted universities to incorporate these allocated liabilities in their financial reports.

In 2003, the Auditor of State and the Office of Budget and Management agreed to re-examine the state's allocation policy. Based on their review and consultation with representatives of the state-assisted universities, the agencies determined that the State of Ohio's General Revenue Fund would recognize the entire liability for future workers' compensation claims for the state, including the universities. Accordingly, the university's 2003 financial statements reflect an **extraordinary item for the reallocation of unfunded workers' compensation liabilities to the State of Ohio** of \$53 million, which reduces this liability to \$0 at June 30, 2003.

**II** Net **tuition and fees** increased \$51 million, to \$393 million in 2003, a 15% increase over 2002. Under the two-tiered pricing structure introduced by the university in 2003, tuition rates increased 19% for new undergraduate students at the Columbus campus and 9% for returning students. These increases were implemented in response to continuing reductions in state instructional subsidies.

**Grant and contract revenues** increased \$57 million, to \$482 million in 2003, primarily due to a \$38 million increase in sponsored research programs administered by The Ohio State University Research Foundation. Federal grants and contracts accounted for \$28 million of the increase; private OSURF grants increased \$9 million. Other areas with significant increases include the Transportation Research Center (up \$4 million) and federal Pell student aid grants (up \$3 million).

Fiscal Year 2003 saw moderate growth in total **educational and general expenses**. Total E&G expenses increased approximately 8%, to \$1.36 billion. Additional details are provided in the chart on page 10.

## II. Summary of Revenues, Expenses, and Other Changes in Net Assets

(in thousands)

	2003	2002
<b>Operating Revenues:</b>		
Tuition and fees, net	\$ 392,609	\$ 341,371
Grants and contracts	482,228	425,012
Auxiliary enterprises sales and services, net	141,543	129,521
OSU Health System sales and services, net	819,015	711,753
Departmental sales and other operating revenues	127,474	90,796
Total operating revenues	1,962,869	1,698,453
<b>Operating Expenses:</b>		
Educational and general	1,360,612	1,261,284
Auxiliary enterprises	164,130	141,423
OSU Health System	809,584	701,310
Depreciation	140,608	147,775
Total operating expenses	2,474,934	2,251,792
Net operating income (loss)	(512,065)	(553,339)
<b>Non-operating revenues (expenses):</b>		
State share of instruction and line-item appropriations	437,363	446,115
Gifts – current use	79,144	69,123
Net investment income (loss)	69,754	(117,319)
Other non-operating revenues (expense)	(19,036)	(18,287)
Income (loss) before other revenues, expenses, gains or losses	55,160	(173,707)
State capital appropriations	56,878	50,342
Private capital gifts	18,213	20,917
Additions to permanent endowments	46,026	32,429
Income (loss) before extraordinary item	176,277	(70,019)
<b>Extraordinary item:</b>		
Reallocation of unfunded workers' compensation liability to State of Ohio	53,489	-
Increase (decrease) in net assets	229,766	(70,019)
Net assets – beginning of year	2,807,779	2,877,798
Net assets – end of year	\$3,037,545	\$2,807,779



Total **instructional and departmental research** expenses increased 7% in 2003. This increase is primarily due to faculty/staff salary increases, which averaged 4.5%, increased benefit costs, and the inclusion of first-year expenses associated with OSU Physicians, Inc. **Separately budgeted research** increased 14%, reflecting the continued growth in the volume of federal sponsored research. **Operation and maintenance of plant** decreased 7%, primarily due to the distribution of budget and expense for space rentals from central university administration to the College of Medicine and Public Health. Budget reallocations, in response to the state budget cuts, held down the overall increase in other E&G categories.

Current-use **gifts** to the university increased \$10 million, to \$79 million in 2003.

difficult to project whether or not this trend will continue.

**Additions to permanent endowments** increased \$14 million, to \$46 million in 2003. A total of 188 new named endowments were established in 2003, including 17 new chairs or professorships, 109 new scholarship or fellowship funds, and 62 new funds supporting programs throughout the university. University management believes the five-year average of about \$40 million per year in gift additions to the endowment will continue.

**Private capital gifts**, which are restricted for the purchase or construction of capital assets, decreased \$3 million, to \$18 million in 2003. About \$14.5 million in new pledges to capital projects were received during 2003. University management believes gift income to these types of accounts will continue at the \$15-\$20 million per year level for the next few years.

## Educational and General Expenses

(in thousands)

	2003	2002
Instruction and departmental research	\$ 569,710	\$ 530,027
Separately budgeted research	303,057	265,426
Public service	114,916	110,727
Academic support	90,786	86,661
Student services	62,356	56,473
Institutional support	110,144	101,708
Operation and maintenance of plant	68,154	72,995
Scholarships and fellowships	41,489	37,267
<b>Total</b>	<b>\$1,360,612</b>	<b>\$1,261,284</b>

During 2003, the number of individuals and organizations making donations to the university rose to an all-time high of 102,777, compared with 96,832 donors in 2002. This increase in donors is significant, in that in most years at least 90% of the donors give to current-use funds. Also, there was a significant increase in gifts of \$10,000 or more to current-use funds in 2003. It is

Revenues and expenses for the university's **auxiliary enterprises** continued to grow in 2003. Revenues from auxiliary sales and services increased \$12 million, led by the Department of Athletics (up \$6 million) and the Blackwell Inn (up \$5 million). Athletics also saw a \$5 million increase in **other operating revenues**, primarily due to increased sales of Ohio State apparel and similar items. Expenses for auxiliary operations increased \$23 million. Major contributors to the increase included the Department of Athletics (up \$9 million), Housing, Food Service, and Event Centers (up \$6 million), and the Blackwell Inn (up \$5.5 million). Fiscal Year 2003 was the Blackwell Inn's first full year of operations.

**The Ohio State University Health System's** financial status remained stable during Fiscal Year 2003. Total sales and services revenues grew by \$107 million (15%) during 2003, due to increased patient volumes and



rate increases for selected services, while an increase in intensity of services continues. Cost of labor, supplies, and services continued to increase during Fiscal Year 2003. Consolidated Health System expenses (excluding depreciation, interest, and inter-fund transfers) increased \$108 million, due to higher patient volumes, greater utilization of contract nurses, higher salary and benefit costs, increased malpractice costs, and higher cost of doing business. Health System net income (including depreciation, interest, and inter-fund transfers) increased \$3.7 million, to \$8.1 million in 2003.

A neutral equity market coupled with a strong fixed income market resulted in a **net investment income** of \$70 million in 2003. This figure includes \$43 million of interest and dividends and \$27 million net appreciation in the fair market value of university investments.

**III** Total university cash flows swung from a \$272 million increase to a \$77 million decrease in 2003. Net cash flows from operating activities declined \$63 million, as increases in disbursements for salaries, employee benefits, and payments to vendors for supplies and services more than offset increased receipts for tuition, grants and contracts, and sales and services. Net cash flows from capital financing activities declined \$192 million due to a combination of increased payments for capital assets and a reduction in debt issuance activity. Net cash flows from investing activities declined, reflecting \$122 million of net purchases of temporary investments in 2003.

### **Economic Factors That Will Affect the Future**

The State of Ohio's budget for the 2004-2005 biennium calls for minimal increases in state instructional subsidies and line-item

## **III. University Cash Flows Summary**

*(in thousands)*

	2003	2002
Net cash flows from operating activities	\$(387,450)	\$(324,847)
Net cash flows from noncapital financing activities	578,294	544,453
Capital appropriations and gifts for capital projects	76,797	67,175
Proceeds from issuance of bonds and notes payable	124,461	264,464
Payments for purchase and construction of capital assets	(246,072)	(195,431)
Principal and interest payments on capital debt	(140,976)	(129,757)
Net cash flows from investing activities	(82,084)	45,950
Net increase (decrease) in cash	\$ (77,030)	\$ 272,007

appropriations. Based on the governor's and the Ohio Senate's funding recommendations earlier this year, the university's Board of Trustees approved 2004 tuition increases of 9% for continuing undergraduate students and 9%, plus an additional \$100 per quarter, for new undergraduate students, effective summer quarter. However, these initial increases were set in anticipation of higher levels of state support than were eventually realized.

Recognizing the difficult financial challenges facing Ohio State, the governor and legislature allowed the university to raise tuition above the 9.9% tuition cap placed on most state institutions—up to a maximum of 12.9% above the prior academic year. After the enactment of the state budget and with the realization that state support was below expectations, the university's Board of Trustees approved an additional 3.9% tuition increase for continuing undergraduate students and an additional \$50 per quarter for new students, resulting in overall 2004 tuition increases of 12.9% for both groups. These additional increases are effective fall quarter and bring the total 2004 tuition and fees for a

## Fiscal Year 2004 Undergraduate Tuition at Ohio Public Universities

	New Students
Miami University	\$ 8,353
University of Cincinnati	\$ 7,623
Bowling Green	\$ 7,408
Ohio University	\$ 7,128
Kent State	\$ 6,882
University of Akron	\$ 6,809
<b>Ohio State - Main Campus</b>	<b>\$ 6,624</b>
University of Toledo	\$ 6,428
Cleveland State	\$ 6,072
Wright State	\$ 5,892
Youngstown State	\$ 5,448
Shawnee State	\$ 4,734
Central State	\$ 4,287
<b>State Average</b>	<b>\$ 6,438</b>

new undergraduate student at the Columbus campus to \$6,624, which is slightly above the average for Ohio's 13 public universities.

As the proportion of state support in the university's revenue mix declines, Ohio State's financial profile increasingly resembles that of a large private institution—dependent on a combination of tuition revenues, grants and contracts, gifts, sales of goods and services, and investment returns to fund its land-grant missions of teaching, research, and public service. Strategic management of risk will become increasingly important as the university becomes more entrepreneurial and more diverse in its revenue sources.

The Academic Plan, which was adopted in 2000, drives university spending and budgeting priorities. It focuses on six core strategies:

- Build a world-class faculty
- Develop academic programs that define Ohio State as the nation's leading land-grant university
- Enhance the quality of the teaching and learning environment
- Enhance and better serve the student body
- Create a diverse university community
- Help build Ohio's future

In support of the Academic Plan, the university implemented changes in its annual budget process in 2003, which are collectively known as "budget restructuring." The new budget process is intended to align the allocation of resources with the Academic Plan and decentralize much of the decision making about expenditure priorities to the college and vice presidential level.

The university has selected four critical Academic Plan initiatives for targeted investment in 2004:

### *Build a World-Class Faculty and Staff –*

For 2004, the university provided average pay increases of approximately 3.5% (1% above market) and an estimated 8.5% increase in the university share of employee benefit costs. Salary increases were funded by a combination of revenue growth (for faculty salaries), reallocations of existing budgets, not filling vacant positions, and reductions in operating costs.

### *Develop Strong Academic Programs –*

Initiatives in this area include budget re-basing and selective investments from the provost's Strategic Investment funds and the President's Reserve, a \$2 million allocation to increase research capacity at the Comprehensive Cancer Center, \$1.2 million to fund expansion of laboratory animal facilities, and additional funding for compliance with federal research guidelines.

### *Enhance the Teaching and Learning*

*Environment –* Revenues generated from the tuition increases will fund \$3.7 million in student technology enhancements. Additional funding will also be provided to support the Office of Instructional Technology, increase the safety of off-campus neighborhoods, and improve the appearance of the campus.

### *Enhance and Serve the Student Body –*

Approximately 30% of the anticipated growth in 2004 general funds revenues (over \$17 million) has been allocated to increase student financial aid. Financial aid funds are increased at a rate that ensures that students who are otherwise qualified will not be denied admission for financial reasons. Additional funding also will be provided to improve Enrollment Services and add freshman seminar programs. To support extracurricular activities including student governments, clubs, and student-sponsored activities, the university has begun a three-year phased implementation of a student activity fee. In 2004, all full-time first-year

undergraduate and graduate students will begin paying the \$15 per quarter fee.

To assure a continued flow of resources to the activities and functions of the Academic Plan, the university has set the following long-term financial goals:

- A 0.5% to 1.0% operating margin in the General Fund
- A Rainy Day fund equal to 1% of total annual operating revenues
- Targeted reserves in selected areas of special risk (e.g. malpractice, utilities, etc.)
- At least 30 days of operating cash
- Debt service at no more than 5% of annual operating expenses and a bond rating of at least "AA"
- Multi-year commitments of General Funds do not exceed 1% of current-year revenues

In addition to meeting these specific financial goals, the university is committed to a continuing effort to diversify its revenue base and more effectively control spending. Diversification of revenue includes expanding private giving, increasing federal dollars and sponsored research, and leveraging partnerships with private companies and other nonprofit organizations.

The newly restructured budget process provides greater incentives for both academic and academic support units to manage their costs. The university will continue to review its core business processes for additional cost savings and examine activities that can be discontinued so that resources can be reallocated to priority needs identified in the Academic Plan.

The OSU Health System will be challenged by a national trend to meet a continued increase in demand for health services from an aging population and greater expectations. In Fiscal Year 2004, admissions are projected to increase by 1,500 or 3.3%, and outpatient clinic visits are expected to

increase by 42,000 or 5.4%. Included are Emergency Department visits, which are expected to increase by 3,400 or 3.8%. The Health System will continue to be challenged by the increasing cost of nurses and medical technicians, mounting malpractice costs, increased supplies and service costs, and higher costs for research and technology including pharmaceuticals.

The Health System as part of the Medical Center continues to support investment in research and teaching initiatives, which will result in the delivery of additional leading-edge clinical services while fulfilling its academic mission. In response to the increased demand for services, the Health System has a number of initiatives underway including: the Ross Heart Hospital to open in the Fall of 2004, patient throughput initiatives, potential expansion of the James Cancer Hospital, as well as the opening of entrance and exit ramps to State Route 315 to improve access to the Medical Center. The Health System, in conjunction with OSU Physicians, Inc., also has initiated a combined self-insured malpractice program in 2004, which is expected to benefit the Medical Center. Despite these challenges, the Health System expects to improve its financial position in the face of these challenges and the changing health care environment during the upcoming year. The Health System will continue to play its role in supporting the Medical Center and its goal of becoming a leading research, educational, and patient care provider in the United States by 2008.

In 2003, the university demonstrated the ability to make continued progress towards its academic goals in a difficult state budget environment. University management believes that Ohio State will maintain its sound financial position and is positioned to continue its progress towards a top-tier ranking among the nation's public institutions.

In 2003, the university demonstrated the ability to make continued progress towards its academic goals in a difficult state budget environment.



THE OHIO STATE UNIVERSITY  
**CONSOLIDATED STATEMENTS OF NET ASSETS**

June 30, 2003 and 2002  
 (in thousands)

	2003	2002
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 255,222	\$ 324,034
Temporary investments	581,482	435,502
Accounts receivable, net	284,059	255,063
Notes receivable – current portion, net	10,400	11,500
Pledges receivable – current portion, net	12,750	10,757
Accrued interest receivable	15,752	14,025
Inventories and prepaid expenses	61,724	54,529
<b>Total Current Assets</b>	<b>1,221,389</b>	<b>1,105,410</b>
<b>Noncurrent Assets:</b>		
Restricted cash and cash equivalents	16,125	24,343
Notes receivable, net	49,016	50,809
Pledges receivable, net	43,499	56,260
Endowment investments	974,382	967,972
Other long-term investments	42,712	43,596
Capital assets, net	1,869,355	1,762,814
<b>Total Noncurrent Assets</b>	<b>2,995,089</b>	<b>2,905,794</b>
<b>Total Assets</b>	<b>\$4,216,478</b>	<b>\$4,011,204</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$272,636	\$260,501
Deposits and deferred revenues	138,787	139,259
Commercial paper and current portion of bonds, notes and leases payable	349,206	285,072
Compensated absences – current portion	4,926	4,976
Obligations under annuity and life income agreements – current portion	4,570	5,281
State allocation of unfunded workers' compensation liability – current portion	-	3,643
<b>Total Current Liabilities</b>	<b>770,125</b>	<b>698,732</b>
<b>Noncurrent Liabilities:</b>		
Bonds, notes and leases payable	237,027	296,034
Compensated absences	59,615	56,351
Obligations under annuity and life income agreements	43,915	39,405
Refundable advances for Federal Perkins loans	31,170	35,337
State allocation of unfunded workers' compensation liability	-	49,846
Other noncurrent liabilities	37,081	27,720
<b>Total Noncurrent Liabilities</b>	<b>408,808</b>	<b>504,693</b>
<b>Total Liabilities</b>	<b>1,178,933</b>	<b>1,203,425</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	1,266,371	1,181,708
Restricted:		
Nonexpendable	791,188	751,317
Expendable	445,238	457,521
Unrestricted	534,748	417,233
<b>Total Net Assets</b>	<b>3,037,545</b>	<b>2,807,779</b>
<b>Total Liabilities and Net Assets</b>	<b>\$4,216,478</b>	<b>\$4,011,204</b>

THE OHIO STATE UNIVERSITY  
**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,  
 AND OTHER CHANGES IN NET ASSETS**

Years Ended June 30, 2003 and 2002  
 (in thousands)

	2003	2002
<b>Operating Revenues:</b>		
Student tuition and fees (net of scholarship allowances of \$70,760 and \$66,761, respectively)	\$ 392,609	\$ 341,371
Federal grants and contracts	269,859	234,066
State grants and contracts	34,482	35,726
Local grants and contracts	24,272	21,260
Private grants and contracts	153,615	133,960
Sales and services of educational departments	85,716	58,187
Sales and services of auxiliary enterprises (net of scholarship allowances of \$9,206 and \$8,916, respectively)	141,543	129,521
Sales and services of the OSU Health System (net of charity care of \$20,942 and \$18,906, respectively)	819,015	711,753
Other operating revenues	41,758	32,609
Total Operating Revenues	<u>1,962,869</u>	<u>1,698,453</u>
<b>Operating Expenses:</b>		
Educational and General:		
Instructional and department research	569,710	530,027
Separately budgeted research	303,057	265,426
Public service	114,916	110,727
Academic support	90,786	86,661
Student services	62,356	56,473
Institutional support	110,144	101,708
Operation and maintenance of plant	68,154	72,995
Scholarships and fellowships	41,489	37,267
Auxiliary enterprises	164,130	141,423
OSU Health System	809,584	701,310
Depreciation	140,608	147,775
Total Operating Expenses	<u>2,474,934</u>	<u>2,251,792</u>
Operating Loss	(512,065)	(553,339)
<b>Non-operating Revenues (Expenses):</b>		
State share of instruction and line-item appropriations	437,363	446,115
Gifts	79,144	69,123
Net investment income (loss)	69,754	(117,319)
Interest expense on plant debt	(17,594)	(15,821)
Other non-operating revenues (expenses)	(1,442)	(2,466)
Net Non-operating Revenue (Expense)	<u>567,225</u>	<u>379,632</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	55,160	(173,707)
State capital appropriations	56,878	50,342
Private capital gifts	18,213	20,917
Additions to permanent endowments	46,026	32,429
Income (Loss) Before Extraordinary Item	<u>176,277</u>	<u>(70,019)</u>
<b>Extraordinary item:</b>		
Reallocation of unfunded workers' compensation liability to the State of Ohio	53,489	-
Increase (Decrease) in Net Assets	229,766	(70,019)
Net Assets – Beginning of Year	2,807,779	2,877,798
Net Assets – End of Year	<u>\$3,037,545</u>	<u>\$2,807,779</u>

The accompanying notes are an integral part of these financial statements.

THE OHIO STATE UNIVERSITY  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2003 and 2002  
 (in thousands)

	2003	2002
<b>Cash Flows from Operating Activities:</b>		
Tuition and fee receipts	\$ 293,367	\$ 265,673
Grant and contract receipts	485,406	423,675
Receipts for sales and services	1,034,908	912,635
Payments to or on behalf of employees	(1,163,616)	(1,045,231)
University employee benefit payments	(294,941)	(233,981)
Payments to vendors for supplies and services	(747,729)	(661,839)
Payments to students and fellows	(35,713)	(33,858)
Student loans issued	(11,176)	(11,313)
Student loans collected	17,090	13,633
Student loan interest and fees collected	1,637	2,013
Other receipts (payments)	33,317	43,746
	<hr/>	<hr/>
Net cash provided (used) by operating activities	(387,450)	(324,847)
<b>Cash Flows from Noncapital Financing Activities:</b>		
State share of instruction and line-item appropriations	437,363	446,115
Gift receipts for current use	89,911	66,801
Additions to permanent endowments	46,026	32,429
Drawdowns of federal direct loan proceeds	203,013	194,960
Disbursements of federal direct loans to students	(200,684)	(196,636)
Disbursements of loan proceeds to related organization	(1,017)	(84)
Amounts received for annuity and life income funds	8,190	5,383
Amounts paid to annuitants and life beneficiaries	(4,391)	(5,075)
Agency funds receipts	5,566	5,058
Agency funds disbursements	(5,683)	(4,498)
	<hr/>	<hr/>
Net cash provided (used) by noncapital financing activities	578,294	544,453
<b>Cash Flows from Capital Financing Activities:</b>		
Proceeds from capital debt	124,461	264,464
State capital appropriations	58,584	46,258
Gift receipts for capital projects	18,213	20,917
Payments for purchase or construction of capital assets	(246,072)	(195,431)
Principal payments on capital debt and leases	(121,833)	(113,961)
Interest payments on capital debt and leases	(19,143)	(15,796)
	<hr/>	<hr/>
Net cash provided (used) by capital financing activities	(185,790)	6,451

	2003	2002
<b>Cash Flows from Investing Activities:</b>		
Net (purchases) sales of temporary investments	(122,273)	6,900
Proceeds from sales and maturities of long-term investments	552,070	840,295
Investment income (net of related fees)	42,397	45,041
Purchases of long-term investments	(554,279)	(846,286)
Net cash provided (used) by investing activities	(82,084)	45,950
<b>Net Increase (Decrease) in Cash</b>	<b>(77,030)</b>	<b>272,007</b>
Cash and Cash Equivalents – Beginning of Year	348,377	76,370
Cash and Cash Equivalents – End of Year	<u>\$ 271,347</u>	<u>\$ 348,377</u>
<b>Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>		
Operating loss	\$(512,065)	\$(553,339)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:		
Depreciation expense	140,608	147,775
Changes in assets and liabilities:		
Accounts receivable, net	(33,046)	5,735
Notes receivable, net	3,910	1,372
Accrued interest receivable	(1,973)	(412)
Inventories and prepaid expenses	(7,195)	2,271
Accounts payable and accrued liabilities	13,548	51,585
Deposits and deferred credits	355	17,715
Compensated absences	3,214	5,888
Refundable advances for federal Perkins loans	(4,167)	574
State allocation of unfunded workers' compensation liability	0	(3,686)
Other noncurrent liabilities	9,361	(325)
Net cash provided (used) by operating activities	<u>\$ (387,450)</u>	<u>\$ (324,847)</u>
<b>Non Cash Transactions:</b>		
Equipment	\$ 2,497	\$ 17,966
Capital lease	(2,497)	(17,966)

# Notes to Financial Statements for the Years Ended June 30, 2003 and 2002

All dollar figures stated in these Notes are in thousands.

## NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

### Organization

The Ohio State University is a land-grant institution created in 1870 by the Ohio General Assembly under provisions of the Morrill Act. The university is one of several state-supported universities in Ohio. It is declared by statute to be a body politic and corporate and an instrumentality of the state.

The university is governed by an 11-member Board of Trustees which is granted authority under Ohio law to do all things necessary for the proper maintenance and continual successful operation of the university. Nine trustees are appointed for staggered nine-year terms by the governor with the advice and consent of the state senate. In addition, two non-voting student members are appointed to the Board of Trustees for staggered two-year terms.

The Board of Trustees has responsibility for all the university's financial affairs and assets. The university operates largely on a decentralized basis by delegating this authority to its academic and support departments. The board must approve the annual budgets for unrestricted academic and support functions, departmental earnings operations, and restricted funds operations, but these budgets are managed at the department level.

### Basis of Presentation

The accompanying financial statements present the accounts of the following entities:

- The Ohio State University and its hospitals and clinics
- The Ohio State University Foundation, a not-for-profit fund-raising organization operating exclusively for the benefit of The Ohio State University
- Two separate statutory entities for which the university has special responsibility
  - Ohio Agricultural Research and Development Center
  - Ohio Supercomputer Center
- Nine legally independent corporations engaged in activities related to the university
  - The Ohio State University Research Foundation
  - The Ohio State University Student Loan Foundation, Inc.
  - Transportation Research Center of Ohio, Inc.
  - Campus Partners for Community Urban Redevelopment, Inc.
  - University Affiliates, Inc.
  - Reading Recovery and Early Literacy, Inc.
  - The Ohio State University Retirees Association
  - OSU Managed Health Care Systems, Inc.
  - The Ohio State University Physicians, Inc.

Component units (legally separate organizations for which the university is financially accountable) comprise, in part, the university's reporting entity. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, 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 (i.e. the university) 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

The legally separate organizations listed above meet the financial accountability criteria set forth in GASB Statement No. 14. In addition, these organizations provide services entirely, or almost entirely, to the university or otherwise exclusively, or almost exclusively, benefit the university. Therefore, the transactions and balances for these organizations have been blended with those of the university.

Effective July 1, 2002, the university adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14 to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, for which the primary government is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary government. The university has determined that none of its affiliated organizations meets the criteria set forth for component units under GASB Statement No. 39. Accordingly, the adoption of this new accounting standard does not require the inclusion of any additional affiliated organizations in the university's financial reports.

The university, as a component unit of the State of Ohio, is included as a discrete entity in the State of Ohio's Comprehensive Annual Financial Report.

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### Basis of Accounting

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The financial statements of the university have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. The university is reporting as a special purpose government engaged in business type activities (BTA). Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. In accordance with BTA reporting, the university presents Management's Discussion and Analysis; a Consolidated Statement of Net Assets; a Consolidated Statement of Revenues, Expenses, and Other Changes in Net Assets; a Consolidated Statement of Cash Flows; and Notes to the Financial Statements.

The university's financial resources are classified for accounting and reporting purposes into the following four net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. These balances are maintained in the plant funds in the university's detailed accounting records.
- **Restricted – nonexpendable:** Net assets subject to externally imposed stipulations that they be maintained in perpetuity by the university. These assets primarily consist of the university's permanent endowment funds.
- **Restricted – expendable:** Net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the university pursuant to those stipulations or that expire by

the passage of time. These resources include the current restricted funds, student loan funds, certain plant funds, annuity and life income funds, and restricted funds internally designated to function as endowments (restricted quasi-endowments).

- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. These resources include educational and general funds, auxiliary funds, hospitals funds, certain plant funds, and unrestricted quasi-endowments. Substantially all unrestricted net assets are internally designated for use by university departments to support working capital needs, to fund related academic or research programs, and to provide for unanticipated shortfalls in revenues and deviations in enrollment.

Under the university's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

For internal financial management purposes, the university classifies financial resources into funds that reflect the specific activities, objectives, or restrictions of the resources.

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### Cash and Investments

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Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, and savings accounts. Restricted cash and cash equivalents at June 30, 2003 and 2002, consist of cash and cash equivalents restricted for endowments and annuity/life income funds.

Investments are carried at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The weighted average method is used for purposes of determining gains and losses on the sale of investments. The specific identification method is used for purposes of determining gains and losses on the sale of gifted securities.

Investment in real estate is carried at cost, if purchased, or appraised value at the date of the gift. The carrying and market values of real estate at June 30, 2003, are \$38,766 and \$56,500, respectively.

Investment income is recognized on an accrual basis. Interest and dividend income is recorded when earned.

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### Endowment Policy

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The university Endowment Fund consists of more than 3,000 named funds. Each named fund is assigned a number of shares in the university Endowment Fund based on the value of the gifts to that named fund. The university's policy is to distribute annually to each named fund income equal to 5% of the average market value per share of the endowment during the past three years.

For donor-restricted endowments, the Uniform Management of Institutional Funds Act, as adopted in Ohio, permits the university's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the board deems prudent. Net realized and unrealized endowment appreciation, after the spending rule distributions, is retained with the endowment.

Endowment income is distributed to named endowment funds using the share method of accounting for pooled investments. Based on this method, undistributed gains from prior years were transferred from the endowment fund to current restricted funds. These transfers total \$60,555 and \$52,167 in fiscal years 2003 and 2002, respectively.

### Gift Pledges Receivable

The university receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, endowment pledges are not recorded as assets until the related gift is received.

### Inventories

The university's inventories, which consist principally of publications, general stores, and other goods for resale by earnings operations, are valued at the lower of moving average cost or market. The inventories of the hospitals, which consist principally of pharmaceuticals and operating supplies, are valued at cost on a first-in, first-out basis.

### Capital Assets and Collections

Capital assets are long-life assets in the service of the university and include land, buildings, improvements, equipment, and library books. Capital assets are stated at cost or fair value at date of gift. Depreciation of capital assets (excluding land and construction in progress) is provided on a straight-line basis over the following estimated useful lives:

TYPE OF ASSET	ESTIMATED USEFUL LIFE
Improvements other than buildings	20 years
Buildings	10 to 100 years
Moveable equipment and furniture	5 to 15 years
Library books	10 years

The university does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any way. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

### Deferred Revenues

Deferred revenues primarily consist of receipts relating to tuition, room, board, and athletic events received in advance of the services to be provided. Tuition and fees relating to the summer academic quarter are recorded as revenue in the year to which they pertain. The university will recognize revenue to the extent these services are provided over the coming fiscal year.

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### Operating and Non-Operating Revenues

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The university defines operating activities, for purposes of reporting on the Statement of Revenues, Expenses, and Other Changes in Net Assets, as those activities that generally result from exchange transactions, such as payments received for providing services and payments made for goods or services received. With the exception of interest expense on long-term indebtedness, substantially all university expenses are considered to be operating expenses. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, current-use gifts, and investment income.

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### Tuition, Room, and Board

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Student tuition and residence hall fees are presented net of scholarships and fellowships applied to student accounts. Stipends and other payments made directly to students are presented as scholarship and fellowship expense. Fee authorizations provided to graduate teaching, research, and administrative associates as part of an employment arrangement are presented in instruction, research, and other functional categories of operating expense.

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### State Support

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The university is a state-assisted institution of higher education, which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy, which is based upon a formula devised by the Ohio Board of Regents, is determined annually and is adjusted to state resources available.

The state also provides line-item appropriations which partially support the current operations of various activities, which include clinical teaching expenditures incurred at The Ohio State University Hospitals and other health sciences teaching facilities, The Ohio State University Extension, the Ohio Agricultural Research and Development Center, and the Center for Labor Research.

In addition to current operating support, the State of Ohio provides the funding for and constructs major plant facilities on the university's campuses. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC) which, in turn, initiates the construction and subsequent lease of the facility by the Ohio Board of Regents.

Such facilities are reflected as buildings or construction in progress in the accompanying balance sheet. Neither the obligations for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the university's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

These facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund and future payments to be received by such fund, which is established in the custody of the treasurer of state.

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### Government Grants and Contracts

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Government grants and contracts normally provide for the recovery of direct and indirect costs and are subject to audit by the appropriate government agency. Federal funds are subject to an annual OMB Circular A-133 audit. Grants and contracts determined to be exchange transactions are recognized as revenue when the exchange occurs. Grants and contracts determined to be non-exchange transactions are recognized as revenue when all eligibility requirements have been met. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to three years.

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### Hospital Revenue

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Revenue received under third-party cost reimbursement agreements (primarily the federal Medicare and Medicaid programs) are subject to examination and retroactive adjustments by the agencies administering the programs. In the normal course of business, the hospitals contest certain issues resulting from examination of prior years' reimbursement reports. The accompanying financial statements include provisions for estimated retroactive adjustments arising from such examinations and contested issues. The hospitals recognize settlements of protested adjustments or appeals upon resolution of the matters.

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### Management Estimates

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The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from those estimates.

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### Newly Issued Accounting Pronouncements

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In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and addresses additional risks to which governments are exposed. Under GASB No. 40, state and local governments are required to disclose information covering four principal areas:

- investment credit risk disclosures, including credit quality information issued by rating agencies;
- interest rate disclosures that include investment maturity information, such as weighted average maturities or specific identification of the securities;
- interest rate sensitivity for investments that are highly sensitive to changes in interest rates (example, inverse floaters, enhanced variable-rate investments, and certain asset-backed securities); and
- foreign exchange exposures that would indicate the foreign investment's denomination.

The GASB No. 40 provisions are effective for financial statements for periods beginning after June 15, 2004. University management has not yet determined the impact that implementation of GASB No. 40 will have on the university's financial statements.

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## Other

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The university is exempt from income taxes as a nonprofit organization under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

Certain reclassifications have been made to the 2002 comparative information to conform with the 2003 presentation.

## NOTE 2 — CASH AND INVESTMENTS

At June 30, 2003, the carrying amount of the university's cash and cash equivalents for all funds is \$271,347 as compared to bank balances of \$306,579. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$2,447 is covered by federal deposit insurance and \$304,132 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

The university's investment policy authorizes the university to invest non-endowment funds in the following investments:

- Obligations of the U.S. Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- Certificates of deposit
- Repurchase agreements
- Mutual funds and mutual fund pools
- Money market funds

The university's investment policy authorizes the university to invest endowment funds in the following investments:

- Obligations of the U.S. Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- Certificates of deposit (domestic and eurodollar)
- Repurchase agreements
- Mutual funds
- Commercial paper
- Banker's acceptances
- Corporate bonds and notes
- Common and preferred stock
- Real estate
- Guaranteed investment contracts
- Collateralized mortgage obligations
- Asset-backed securities
- Private equity and venture capital

Statement No. 3 of the Governmental Accounting Standards Board requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year-end. These categories of risk are summarized below.

**Category 1** Insured or registered investments held by the university or its agent in the name of the university.

**Category 2** Uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of the university.

**Category 3** Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the university's name.

The values of investments at June 30, 2003 and 2002, are as follows:

	2003	2002
U.S. government securities	\$ 484,957	\$ 496,264
Common stocks	899,971	806,276
Corporate bonds	140,320	71,006
Real estate	38,766	41,413
Other	34,562	32,111
Total investments	<u>\$ 1,598,576</u>	<u>\$ 1,447,070</u>

The U.S. Government securities are invested through trust agreements with banks who keep the securities in their safekeeping accounts at the Federal Reserve Bank in “book entry” form. The banks internally designate the securities as owned by or pledged to the university (Category 2). Common stocks, corporate bonds, money market instruments, mutual funds, and other investments are invested through trust agreements with banks who keep the investments in their safekeeping accounts at the Depository Trust Company, Bank One or State Street in “book entry” form. The banks internally designate the securities as owned by or pledged to the university (Category 2).

The bulk of the university’s investment assets are accounted for on a pooled basis. The following chart summarizes total pooled and non-pooled amounts at June 30, 2003 and 2002, respectively:

	Pooled	Non-pooled	Total
Temporary investments	\$ 536,196	\$ 45,286	\$ 581,482
Endowment investments	945,192	29,190	974,382
Other long-term investments	32,663	10,049	42,712
Total 2003	<u>\$ 1,514,051</u>	<u>\$ 84,525</u>	<u>\$1,598,576</u>
Total 2002	<u>\$ 1,368,169</u>	<u>\$ 78,901</u>	<u>\$1,447,070</u>

Net appreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the year ended June 30, 2003, the university realized a net loss of \$59,784 from the sale of investments. The calculation of realized gains and losses is independent of the net appreciation in the fair value of investments held at year-end. Realized gains and losses on investments that had been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year. The net appreciation in the fair value of investments during the year ended June 30, 2003, was \$27,025. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized appreciation during the year on investments was \$86,809.

The components of the net investment income (loss) are as follows:

	Interest and Dividends (net)	Net Appreciation (Depreciation) in Market Value of Investments	Net Investment Income (Loss)
Temporary investments	\$ 33,916	\$ 23,707	\$ 57,623
Endowment investments	464	1,425	1,889
Other long-term investments	8,349	1,893	10,242
Total 2003	\$ 42,729	\$ 27,025	\$ 69,754
Total 2002	\$ 40,019	\$ (157,338)	\$ (117,319)

### NOTE 3 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable at June 30, 2003 and 2002 consist of the following:

	2003	2002
Patient receivables – OSU Health System	\$ 290,376	\$ 235,506
Grant and contract receivables	66,537	65,644
Tuition and fees receivable	41,598	34,888
Receivables for departmental and auxiliary sales and services	18,036	11,862
State and federal receivables	8,037	12,072
Other receivables	13,294	2,663
	437,878	362,635
Less: Allowances for doubtful accounts	153,819	107,572
	\$ 284,059	\$ 255,063

Notes receivable at June 30, 2003, consist primarily of Perkins Loans and are net of an allowance for doubtful accounts of \$11,155. Federal capital contributions to the Perkins loan programs represent advances which are ultimately refundable to the federal government.

In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-Exchange Transactions*, the university has recorded \$62,322 in non-endowment pledges receivable at June 30, 2003, and a related allowance for doubtful accounts of \$6,073.

### NOTE 4 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2003 is summarized as follows:



	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 37,654	\$ 4,371	\$ -	\$ 42,025
Improvements other than buildings	180,291	1,668	-	181,959
Buildings and fixed equipment	2,085,107	60,372	4,105	2,141,374
Movable equipment and furniture	680,175	62,482	86,782	655,875
Library books	159,763	3,427	4,718	158,472
Construction in progress	104,309	141,450	8,116	237,643
	3,247,299	273,770	103,721	3,417,348
Less: Accumulated depreciation	1,484,485	140,608	77,100	1,547,993
Capital assets, net	\$ 1,762,814	\$ 133,162	\$ 26,621	\$ 1,869,355

In the above table, additions to construction in progress represent expenditures for new projects, net of the amount of capital assets placed in service.

#### NOTE 5 — ACCOUNTS PAYABLE, ACCRUED EXPENSES, AND SELF-INSURANCE

Accounts payable and accrued expenses at June 30, 2003 and 2002 consist of the following:

	2003	2002
Payables to vendors for supplies and services	\$ 122,971	\$ 88,525
Accrued compensation and benefits	63,527	57,100
Retirement system contributions payable	18,869	49,117
Self-insurance accruals:		
Medical malpractice	28,458	22,859
Employee health insurance	20,337	17,167
Current portion of amounts due to third-party payers – OSU Health System	8,429	15,185
Other accrued expenses	10,045	10,548
	\$272,636	\$260,501

#### Self-Insurance Programs

The hospitals have established a trustee self-insurance fund for professional liability claims. The estimated liability and the related contributions to the fund are based upon an independent actuarial determination as of June 30, 2003.

The hospitals' estimate of professional malpractice liability includes provisions for known claims and actuarially determined estimates of incurred but not reported claims and incidents. This liability at June 30, 2003, of the anticipated future payments on gross claims is estimated at its present value of \$28,458 discounted at an estimated rate of 5.0%.

Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of \$22,874 are less than the recorded liability at June 30, 2003, and the deficit of \$5,584 is included in the hospitals' fund equity.

The university is also self-insured with a stop-loss ceiling of \$4,401 for employee health insurance. As of June 30, 2003, \$20,337 is recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Changes in the reported liabilities since June 30, 2001, result from the following activities:

	Malpractice		Health and Life	
	2003	2002	2003	2002
Liability at beginning of fiscal year	\$22,859	\$19,902	\$17,167	\$ 20,822
Current year claims, changes in estimates	8,946	3,565	111,820	84,894
Claim payments	(3,347)	(608)	(108,650)	(88,549)
Balance at fiscal year end	\$28,458	\$22,859	\$20,337	\$17,167

#### NOTE 6 — DEBT

The university may finance the construction, renovation, and acquisition of certain facilities through the issuance of debt obligations which may include general receipts bonds, certificates of participation, commercial paper, capital lease obligations, and other borrowings.

Debt activity for the year ended June 30, 2003 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Commercial Paper:</b>					
Series D	\$ 37,000	-	\$ 37,000	-	-
Series E	-	\$ 70,150	-	\$ 70,150	\$ 70,150
<b>Notes:</b>					
Ohio Board of Regents Note, due through 2006	850	-	213	637	213
Capital One Funding Corporation, due through 2014	2,734	-	159	2,575	166
Fifth Third Note, due through 2008	-	3,075	34	3,041	205
Fifth Third Line of Credit	-	307	-	307	307
2003 Short-Term Note Payable	-	50,965	-	50,965	50,965
<b>General Receipts Bonds – Fixed Rate:</b>					
1992A1, due serially through 2012	32,430	-	32,430	-	-
1992A2, due serially through 2009	22,700	-	22,700	-	-
1999A, due serially through 2029	78,100	-	2,910	75,190	3,040
2002A, due serially through 2031	150,515	-	5,440	145,075	5,735
<b>General Receipts Bonds – Variable Rate:</b>					
1997, due serially through 2027	57,240	-	6,400	50,840	50,840
1999B1, due serially through 2029	74,000	-	4,700	69,300	69,300
1999B2, due 2006	18,800	-	3,200	15,600	15,600
2001, due serially through 2032	76,950	-	-	76,950	76,950
<b>Capital Lease Obligations</b>	<b>29,787</b>	<b>2,497</b>	<b>6,681</b>	<b>25,603</b>	<b>5,735</b>
	<u>\$581,106</u>	<u>\$126,994</u>	<u>\$121,867</u>	<u>\$586,233</u>	<u>\$349,206</u>

Debt obligations are generally callable by the university, bear interest at fixed and variable rates ranging from 0% to 6% and mature at various dates through 2032. Maturities and interest on debt obligations for the next five years and in five-year periods are as follows:

	Commercial Paper, Bonds and Notes Payable		Capital Leases and Certificates of Participation	
	Principal	Interest	Principal	Interest
2004	\$ 343,471	\$ 13,220	\$ 5,735	\$ 1,017
2005	9,790	10,605	4,998	793
2006	9,462	10,235	4,666	587
2007	9,624	9,856	3,299	404
2008	12,085	9,452	1,084	306
2009–2013	52,865	39,476	2,976	1,076
2014–2018	39,434	27,541	2,845	373
2019–2023	34,165	17,389	-	-
2024–2028	27,780	9,708	-	-
2029–2032	21,954	2,051	-	-
	<u>\$ 560,630</u>	<u>\$ 149,533</u>	<u>\$ 25,603</u>	<u>\$ 4,556</u>

General receipts bonds are backed by the unrestricted receipts of the university, excluding certain items as described in the bond indentures. During Fiscal Year 2003, the university refunded the 1992 Series A1 and 1992 Series A2 general receipts bonds. The refunding reduced university interest costs but did not result in a significant economic gain.

The outstanding bond indentures do not require mandatory reserves for future payment of principal and interest. However, the university has set aside \$46,517 for future debt service which is included in unrestricted net assets.

In prior years, the university defeased various bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The defeased bonds are as follows:

	Amount Defeased	Amount Outstanding at June 30, 2003
Revenue Bonds: Series I	\$5,951	\$1,860

Neither the outstanding indebtedness nor the related trust account assets for the above bonds are included in the university's financial statements.

### Variable Rate Demand Bonds

Series 1997, 1999B1, 1999B2, and 2001 variable rate demand bonds bear interest at rates based upon yield evaluations at par of comparable securities. The maximum interest rate allowable and the effective average interest rate from issue date to June 30, 2003, are as follows:

Series:	Interest Rate Not to Exceed	Effective Average Interest Rate
1997	12%	2.664%
1999 B1	12%	2.346%
1999 B2	12%	2.553%
2001	12%	1.281%

At the discretion of the university, the interest rate on the bonds can be converted to a fixed rate. The bonds may be redeemed by the university or sold by the bondholders to a remarketing agent appointed by the university at any time prior to conversion to a fixed rate at a price equal to the principal amount plus accrued interest.

The university's variable rate demand bonds mature at various dates through 2032. GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the balance sheet classification of these bonds. Under GASB Interpretation No. 1, outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the university's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the university does not have "take-out agreements" in place per the GASB Interpretation No. 1 requirements. Accordingly, the university has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled \$212,690 and \$226,990 at June 30, 2003 and 2002, respectively.

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### Commercial Paper

The General Receipts Commercial Paper Notes (the "Notes") are limited obligations of the university secured by a pledge of the General Receipts of the university. The Notes are not debts or bonded indebtedness of the State of Ohio and are not general obligations of the State of Ohio or the university, and neither the full faith and credit of the State of Ohio nor the university are pledged to the payment of the Notes. The Notes have been issued to provide for interim financing of various projects approved by the Board of Trustees. It is the university's intention to roll each maturity into new Notes as they mature and to issue additional Notes as project expenditures are incurred. It is the university's intention ultimately to roll the Notes into permanent tax-exempt bonds.

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### Capital Lease Obligations

Computer equipment and the facilities for childcare, stores/receiving, and ATI residence hall are financed as capital leases. The original cost and lease obligations related to these capital leases as of June 30, 2003, are \$45,725 and \$25,603, respectively. The original cost and lease obligations related to these capital leases as of June 30, 2002, are \$42,528 and \$29,787, respectively.

## NOTE 7 — OPERATING LEASES

The university leases various buildings, office space, and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the balance sheet. The total rental expense under these agreements was \$20,212 and \$14,964 for the years ended June 30, 2003 and 2002, respectively.

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2003, are as follows:

Year Ending June 30,	
2004	\$ 15,665
2005	14,212
2006	8,431
2007	6,251
2008	4,313
2009–2013	13,995
2014–2018	3,937
2019–2023	688
2024–2028	64
Total minimum lease payments	<u>\$ 67,556</u>

#### NOTE 8 — COMPENSATED ABSENCES

University employees earn vacation and sick leave on a monthly basis.

Classified civil service employees may accrue vacation benefits up to a maximum of three years credit. Administrative and professional staff and faculty may accrue vacation benefits up to a maximum of 240 hours. For all classes of employees, any earned but unused vacation benefit is payable upon termination.

Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the university with 10 or more years of service with the state. The amount of sick leave benefit payable at retirement is one fourth of the value of the accrued but unused sick leave up to a maximum of 240 hours.

The university accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. This liability is calculated using the “termination payment method” which is set forth in Appendix C, Example 4 of the GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, the university calculates a ratio, Sick Leave Termination Cost per Year Worked, that is based on the university’s actual historical experience of sick leave payouts to terminated employees. This ratio is then applied to the total years of service for current employees.

Certain employees of the university (mostly classified civil service employees) receive comp time in lieu of overtime pay. Any unused comp time must be paid to the employee at termination or retirement.

## NOTE 9 — NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2003 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 61,327	\$ 8,140	\$ 4,926	\$ 64,541
Obligations under annuity and life income agreements	44,686	8,136	4,337	48,485
Refundable advances for Federal Perkins loans	35,337	-	4,167	31,170
State allocation of unfunded workers' compensation liability	53,489	-	53,489	-
Other noncurrent liabilities	27,720	11,361	2,000	37,081
		<u>\$ 27,637</u>	<u>\$ 68,919</u>	
Less: Current portion	13,900			9,496
	<u>\$ 208,659</u>			<u>\$ 171,781</u>

Other noncurrent liabilities at June 30, 2003 and 2002 consist of the following:

	2003	2002
Amounts due to third-party payers – OSU Health System	\$ 29,081	\$ 17,720
Advance payments under exclusivity agreements	8,000	10,000
	<u>\$ 37,081</u>	<u>\$ 27,720</u>

## NOTE 10 — UNRESTRICTED AND RESTRICTED-EXPENDABLE NET ASSETS

Substantially all unrestricted net assets are internally designated for use by university departments to support working capital needs, to fund related academic or research programs, and to provide for unanticipated shortfalls in revenues and deviations in enrollment. Major components of unrestricted net assets at June 30, 2003 and 2002, are as follows:

	2003	2002
Educational and general	\$ 316,340	\$ 183,727
Auxiliary enterprises	(13,449)	(3,897)
OSU Health System	119,829	111,824
Loan funds	2,527	2,643
Unrestricted quasi-endowments	41,874	53,374
Plant	67,627	69,562
	<u>\$ 534,748</u>	<u>\$ 417,233</u>

Restricted expendable net assets are subject to various purpose or time-based restrictions set forth by donors or granting agencies. Major components of restricted-expendable net assets at June 30, 2003 and 2002, are as follows:

	2003	2002
Current operations	\$ 289,215	\$ 276,908
Loan funds	37,272	32,332
Restricted quasi-endowments	113,806	141,631
Plant	4,945	6,650
	<u>\$ 445,238</u>	<u>\$ 457,521</u>

#### NOTE 11 — OPERATING EXPENSES BY OBJECT

In accordance with requirements set forth by the Ohio Board of Regents, the university reports operating expenses by functional classification on the Statement of Revenues, Expenses, and Other Changes in Net Assets. Operating expenses by object for the years ended June 30, 2003 and 2002, are summarized as follows:

<i>Year Ended June 30, 2003</i>	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 500,447	\$ 69,263	\$	\$	\$ 569,710
Separately budgeted research	206,140	96,917			303,057
Public service	81,682	33,234			114,916
Academic support	72,203	18,583			90,786
Student services	44,406	17,950			62,356
Institutional support	92,810	17,334			110,144
Operation and maintenance of plant	31,835	36,319			68,154
Scholarships and fellowships	3,420	2,356	35,713		41,489
Auxiliary enterprises	78,495	85,635			164,130
OSU Health System	408,170	401,414			809,584
Depreciation				140,608	140,608
Total operating expenses	<u>\$1,519,608</u>	<u>\$779,005</u>	<u>\$35,713</u>	<u>\$140,608</u>	<u>\$2,474,934</u>

<i>Year Ended June 30, 2002</i>	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 457,566	\$ 72,461	\$	\$	\$ 530,027
Separately budgeted research	193,076	72,350			265,426
Public service	82,216	28,511			110,727
Academic support	79,845	6,816			86,661
Student services	39,868	16,605			56,473
Institutional support	93,294	8,414			101,708
Operation and maintenance of plant	22,579	50,416			72,995
Scholarships and fellowships	2,212	1,197	33,858		37,267
Auxiliary enterprises	69,191	72,232			141,423
OSU Health System	349,716	351,594			701,310
Depreciation				147,775	147,775
Total operating expenses	<u>\$1,389,563</u>	<u>\$680,596</u>	<u>\$33,858</u>	<u>\$147,775</u>	<u>\$2,251,792</u>

## NOTE 12 — RETIREMENT PLANS

University employees are covered by one of three retirement systems. The university faculty is covered by the State Teachers Retirement System of Ohio (STRS). Substantially all other employees are covered by the Public Employees Retirement System of Ohio (PERS). Employees may opt out of STRS and PERS and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements.

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### Defined Benefit Plans

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STRS and PERS offer statewide cost-sharing multiple-employer defined benefit pension plans. STRS and PERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. Both STRS and PERS issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting the two organizations.

#### STRS Ohio

275 East Broad Street  
Columbus, OH 43215-3771  
(614) 227-4090  
(888) 227-7877  
[www.strsoh.org](http://www.strsoh.org)

#### PERS Ohio

277 East Town Street  
Columbus, OH 43215-4642  
(614) 466-2085  
(800) 222-PERS (7377)  
[www.opers.org](http://www.opers.org)

In addition to the retirement benefits described above, STRS and PERS provide post-employment health care benefits.

PERS currently provides post-employment health care benefits to retirees with 10 or more years of qualifying service credit and to primary survivors of those retirees. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. PERS determines the amount, if any, of the associated health care costs that will be absorbed by PERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of PERS is included in the employer contribution rate. For the fiscal year ended December 31, 2002, PERS allocated 5.0% of the employer contribution rate to fund the health care program for retirees. The contributions allocated to retiree health benefits, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

The actuarial value of assets available for these benefits at December 31, 2001, was \$11.6 billion. There were 402,041 active contributing benefit recipients eligible for post-employment benefits at that date.

In December 2001, PERS adopted the Health Care “Choices” Plan. This plan is available to employees hired after January 1, 2003, who have no prior service credit accumulated towards post-retirement health care benefits. This plan will incorporate a cafeteria plan approach in which the benefit recipient chooses coverage options best meeting his or her requirements, and benefits are earned on a graded scale from 10 to 30 years (as opposed to the 10-year vesting requirement for the existing post-retirement health care benefit plan).



STRS currently provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Pursuant to ORC, STRS has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS are included in the employer contribution rate. For the fiscal year ended June 30, 2002, STRS allocated employer contributions equal to 4.5% of covered payroll to a Health Care Reserve Fund (HCRF) from which payments for health care benefits are paid. Effective July 1, 2002, STRS will contribute 1% of covered payroll to the HCRF. The balance in the HCRF was \$3.01 billion at June 30, 2002.

STRS expenditures for post-employment benefits during the year ended June 30, 2002, were \$354.7 million. There were 105,300 benefit recipients eligible for post-employment benefits at that date.

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### Defined Contribution Plan

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ARP is a defined contribution pension plan. Full-time administrative and professional staff and faculty with less than five years of service may choose enrollment in ARP in lieu of PERS or STRS. Classified civil service employees are not eligible to participate in ARP. For those employees selecting participation in ARP, any prior employee contributions to STRS and PERS were transferred from those plans and invested in individual accounts established with one of eight selected external providers.

ARP does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits, or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

Effective July 1, 2003, STRS began offering a defined contribution plan in addition to its long established defined benefit plan. Employee contributions and employer contributions at a rate of 10.5% are placed in an investment account directed by the employee. Nine investment options are available. Employees electing the defined contribution plan receive no post-retirement health care benefits.

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### Combined Plan

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Effective July 1, 2003, STRS began offering a combined plan offering features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive post-retirement health care benefits.

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### Funding Policy

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ORC provides STRS and PERS statutory authority to set employee and employer contributions. Contributions equal to those required by STRS and PERS are required for ARP. For employees enrolling in ARP, ORC requires a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution be contributed to STRS and PERS to enhance the stability

of these plans. The required contribution rates (as a percentage of covered payroll) for plan members and the university are as follows:

*\* Employer contributions include 3.5 percent paid to STRS. The remaining amount, 10.5 percent, is credited to employee's ARP account.*

	STRS	PERS	ARP
Faculty:			
Plan Member	9.3%		9.3%
University	14.0%		14.0%*
Staff:			
Plan Member		8.5%	8.5%
University		13.31%	13.31%
Law Enforcement Staff:			
Plan Member		10.1%	10.1%
University		16.7%	16.7%

The university's contributions, which represent 100% of required employer contributions, for the year ended June 30, 2003, and for each of the two preceding years are as follows:

Year Ended June 30,	STRS Annual Required Contribution	PERS Annual Required Contribution	ARP Annual Required Contribution
2001	\$ 35,972	\$ 54,645	\$ 14,177
2002	\$ 36,871	\$ 71,988	\$ 17,989
2003	\$ 37,345	\$ 76,408	\$ 21,836

### NOTE 13 — CAPITAL PROJECT COMMITMENTS

At June 30, 2003, the university is committed to future contractual obligations for capital expenditures of approximately \$357,117.

These projects are funded by the following sources:

State appropriations	\$267,869
Internal and other sources	89,248
Total	<u>\$357,117</u>

### NOTE 14 — CONTINGENCIES AND RISK MANAGEMENT

The university is a party in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on the university's financial position.

The university is self-insured for hospitals professional malpractice liability, employee health benefits, and employee life, accidental death, and dismemberment benefits. Additional details regarding these self-insurance arrangements are provided in Note 5. The university also carries commercial insurance policies for various property, casualty, and excess liability risks.

Over the past three years, settlement amounts related to these insured risks have not exceeded the university's coverage amounts.

#### NOTE 15 — FUNDS HELD IN TRUST BY OTHERS

The university is the beneficiary of and annually receives income from funds held in trust by other trustees. These funds are administered by outside trustees and are neither in the possession nor under the control of the university. The principal amount of these funds is not determinable at the present time.

#### NOTE 16 — EXTRAORDINARY ITEM: REALLOCATION OF UNFUNDED WORKERS' COMPENSATION LIABILITY TO THE STATE OF OHIO

Under the State of Ohio's workers' compensation program, public employer state agencies, including state universities and university hospitals, pay workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis. The Bureau of Workers' Compensation determines a rate for each governmental agency that will generate premium collections equal to the losses anticipated to be paid in the coming year. As part of the GASB 34/35 implementation in 2002, the State of Ohio allocated the unfunded workers' compensation liabilities for public employer state agencies to the individual agencies and instructed state-assisted universities to incorporate these allocated liabilities in their financial reports.

In 2003, the Auditor of State and the Office of Budget and Management agreed to re-examine the state's allocation policy. Based on their review and consultation with representatives of the state-assisted universities, the agencies determined that the State of Ohio's General Revenue Fund would recognize the entire liability for future workers' compensation claims for the state, including the universities. Accordingly, the university's 2003 financial statements reflect an extraordinary item for the reallocation of unfunded workers' compensation liabilities to the State of Ohio of \$53,489, which reduces this liability to \$0 at June 30, 2003.

#### NOTE 17 — SUBSEQUENT EVENTS

On September 11, 2003 the university closed on two bond issues totaling \$355,075.

The General Receipts Bonds, Series 2003B totaling \$233,780 were issued as fixed rate bonds with serial maturities through 2023 and term bonds maturing in 2028 and 2033 with mandatory annual sinking funds. The yields on the bonds ranged from 1.75% to 5.15%. The proceeds of the bonds were used to 1) refund the Short Term Notes Payable, Series 2003A (\$43,070); 2) refund a portion of outstanding General Receipts Commercial Paper Notes, Series E (\$68,500); and 3) pay the costs of a variety of construction projects. There was no economic gain or loss on these debt refunds.

The General Receipts Bonds, Series 2003C totaling \$121,295 were issued as variable rate bonds with a maturity of 2033 with a mandatory annual sinking fund. The initial rates on the bonds were from .85% to .95%. The proceeds of the bonds were used for paying the costs of a variety of construction projects.

## Acknowledgements

The 2003 Financial Report and the included financial statements are prepared by the staff of the Office of the Controller, Division of Accounting.

Michael A. Baker - Financial Systems Analyst

Suzanne M. Chizmar - Chief Accountant

Thomas F. Ewing - Associate Controller

Allan E. Freeman - Cost Analyst

Steven W. Hoffman - University Tax Compliance Specialist

Robert L. Hupp, II - Financial Systems Analyst

Hang (Becky) Lu - Accountant

Brenda K. Payne - Accountant

Patricia M. Privette - Financial Reporting Analyst

Phil A. Schirtzinger - Senior Cost Analyst

Jan E. Soboslai - Senior Accountant

Anne M. Wilcheck - Senior Accountant

William J. Shkurti - Senior Vice President and Chief Financial Officer

Greta J. Russell - University Controller



## 2003 Board of Trustees



*The 2003 Board of Trustees, pictured with Ohio State President Karen A. Holbrook. Standing (left to right): Secretary David O. Frantz, Paula A. Habib, Walden W. O'Dell, Jo Ann Davidson, Dimon R. McFerson, Douglas G. Borrer, Emily M. Quick. Seated: Karen L. Hendricks, Daniel M. Slane, Zuheir Sofia, President Holbrook, Tami Longaberger, Robert M. Duncan.*

*The expiration date of each trustee's term is given in parentheses.*

Zuheir Sofia, Bexley - Chair (2004)

Tami Longaberger, Zanesville - Vice Chair (2005)

Daniel M. Slane, Columbus (2006)

Robert M. Duncan, Columbus (2007)

Karen L. Hendricks, Cincinnati (2008)

Dimon R. McFerson, Powell (2009)

Jo Ann Davidson, Reynoldsburg (2010)

Douglas G. Borrer, Dublin (2011)

Walden W. O'Dell, Canton (2012)

Paula A. Habib - Student Member (2004)

Emily M. Quick - Student Member (2005)

David O. Frantz, Columbus - Secretary

James L. Nichols, Columbus - Treasurer

## Institutional Highlights 2003

*The proof is in the numbers...*



**A**cademic excellence, diversity, renowned faculty, and some of the nation's top students have made Ohio State one of the most recognized and respected universities in the world. In 2003, our numbers told the story:

- **The profile of the freshman class has improved dramatically since 1995:**
  - Average ACT score has risen from 22.8 to 25.4.
  - Percentage of entrants ranking in top 10% of high school classes has risen from 21 to 33.
  - About one entrant in five is a minority.
- **Undergraduate retention and graduation rates continue to increase:**
  - Freshman first-year retention has risen from 79% in 1995 to 87.7% in autumn 2003.
  - Six-year graduation rate is 62%, an increase of 3% over the previous year and 6% from two years ago.
- Ohio State ranks among *U.S. News & World Report's Top 25 Public Universities in America* and is number one in Ohio.
- **The Ohio State faculty now includes 18 members of national academies:** five members of the National Academy of Sciences, 10 members of the National Academy of Engineering, and three members of the Institute of Medicine.
- Fifteen members of the faculty were selected as members of the **American Association for the Advancement of Science**—the most at any university in the country—for a total of 76 Ohio State members.
- *U.S. News* ranks many **graduate/professional programs among the best** in the nation, including Veterinary Medicine (6), Education (17), Fisher College of Business (19 – and 14 for undergraduate), Nursing (19), Engineering (24), Arts (28), Medicine and Public Health (37 – up from 44 last year), Moritz College of Law (38).
- **Students have been recipients of such prestigious recognition** as: Mellon Fellowships, Goldwater Scholarships, Truman Scholarships, NSF Graduate Fellowships, Udall Scholarships, and national defense and microbiology fellowships.
- The Council for Advancement and Support of Education ranks Ohio State **15th in fund raising** among nation's public universities.

- This year, there are a **record-breaking 411 scholar-athletes**, a 12 percent increase in one year and a 56 percent increase from the 263 scholar-athletes just seven years ago. Today, 48 percent of all student-athletes have a cumulative GPA of 3.0 or higher.
- Quarterback Craig Krenzel was named to the CoSIDA Academic All-America team and selected as the **2003 Academic All-American of the Year**.

If you would like information about making a gift to support The Ohio State University, please visit [www.giveto.osu.edu](http://www.giveto.osu.edu). Thank you for helping to provide the resources that will allow our numbers to continue to rise.





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**OHIO STATE UNIVERSITY**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 3, 2004**