

***The Ohio State University***  
***(A Component Unit***  
***of the State of Ohio)***

*Financial Statements as of and for the*  
*Years Ended June 30, 2006 and 2005,*  
*and Independent Auditors' Report*





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
The Ohio State University  
2040 Blankenship Hall  
901 Woody Hayes Drive  
Columbus, Ohio 43210-4016

We have reviewed the *Independent Auditors' Report* of The Ohio State University, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2005 through June 30, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 20, 2007

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees 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, 2006 and 2005, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, 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 University as of June 30, 2006 and 2005, 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 2 through 14 is not a required part of the consolidated financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2006, on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Deloitte + Touche LLP*

December 28, 2006

## Management's Discussion and Analysis for the Year Ended June 30, 2006

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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, 2006, with comparative information for the years ended June 30, 2005 and June 30, 2004. 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, 5,200 faculty members and 19,000 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 160 undergraduate majors, 120 masters degree programs and 90 doctoral programs. The University operates one of the nation's leading academic medical centers, which includes the OSU Health System. The Health System is comprised of The Ohio State University Hospital, The Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, Richard M. Ross Heart Hospital, University Hospital East, OSU Harding Hospital, and 24 outpatient care centers. The System provided services to over 54,000 inpatients and 883,000 outpatients during fiscal year 2006.

Ohio State is governed by a board of trustees who are responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The University's 17 colleges, two independent schools, the OSU Health System and various academic support units operate largely on a decentralized basis. The Board approves annual budgets for University operations, but these budgets are managed at the college and department level.

In 2005, the Ohio General Assembly voted to expand the board from 11 to 17 members. The standard term for voting members of the board is nine years. However, as part of the transition to a larger board membership, the additional trustees appointed in 2005 and 2006 will serve terms ranging from four to eight years. The board also includes two non-voting student trustees who are appointed to two-year terms.

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 control, including:

- the OSU Research Foundation (which administers sponsored research grants and contracts for University)
- the OSU Foundation (a fundraising foundation operating exclusively for the benefit of the University)
- Campus Partners for Community Urban Redevelopment (a non-profit organization participating in the redevelopment of neighborhoods adjacent to the main Columbus campus)

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- Transportation Research Center (an automotive research and testing facility in East Liberty, Ohio)
  - OSU Managed Health Care Systems (a non-profit organization that administers University health care benefits)
  - OSU Physicians, Inc. (the 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*. A complete listing of the entities that are included in the University’s financial report is provided in the Basis of Presentation section of the footnotes.

### **About the Financial Statements**

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, 2006, with comparative information as of June 30, 2005. 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, 2006, with comparative information for Fiscal Year 2005. 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*



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*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, 2006, with comparative information for Fiscal Year 2005. It breaks out the sources and uses of University cash into the following categories:

- Operating activities
- Noncapital financing activities
- Capital financing activities
- Investing activities

Cash flows associated with the University's expendable net assets appear in the operating and noncapital 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.

#### **Financial Highlights and Key Trends**

The University's financial health remained sound in 2006, with growth in tuition, grants and contracts and patient care revenues offsetting similar increases in operating expenses. Total unrestricted and restricted-expendable net assets increased \$245 million, to \$1.38 billion at June 30, 2006, primarily due to the issuance of long-term bonds (which shifted the negative equity associated with construction activity from unrestricted net assets to capital assets, net of related plant debt). Total University plant debt increased \$229 million, to \$1.11 billion. University investments yielded \$220 million of net investment income.

Student enrollment trends reflect continued strong demand for an Ohio State education, improvement in freshman retention rates and a significant improvement in graduation rates. 57,748 students were enrolled in Autumn 2005, down slightly from Autumn 2004 total enrollment of 58,365. 89.7% of the freshmen enrolled in Autumn 2004 returned to OSU in Autumn 2005, up from 88.1% in the comparable 2003-2004 period. Over the past decade, the University's six-year graduation rate has climbed 16 percentage points, from 55% of students entering OSU in 1990 to 71% of students entering OSU in 2000.

The following sections provide additional details on the University's 2006 financial results and a look ahead at significant economic conditions that are expected to affect the University in the future.

## Statement of Net Assets

Summary Statement of Net Assets <i>(in thousands)</i>	2006	2005	2004
Cash and current investments	\$ 773,718	\$ 583,805	\$ 1,128,570
Current receivables, inventories and prepaid expenses	453,420	470,770	405,275
<b>Total current assets</b>	<b>1,227,138</b>	<b>1,054,575</b>	<b>1,533,845</b>
Restricted cash and cash equivalents	25,992	50,203	34,030
Noncurrent notes and pledges receivable	75,662	85,428	89,082
Endowments and other long-term investments	2,010,771	1,721,226	1,152,338
Capital assets, net of accumulated depreciation	2,695,648	2,468,776	2,088,665
<b>Total noncurrent assets</b>	<b>4,808,073</b>	<b>4,325,633</b>	<b>3,364,115</b>
<b>Total assets</b>	<b>\$ 6,035,211</b>	<b>\$ 5,380,208</b>	<b>\$ 4,897,960</b>
Accounts payable and accrued expenses	\$ 395,132	\$ 368,127	\$ 323,468
Deferred revenues and deposits	165,048	154,424	140,647
Commercial paper and current portion of bonds, notes and lease obligations	491,468	480,580	411,270
Other current liabilities	9,761	10,140	10,809
<b>Total current liabilities</b>	<b>1,061,409</b>	<b>1,013,271</b>	<b>886,194</b>
Noncurrent portion of bonds, notes and lease obligations	614,759	396,960	403,336
Other noncurrent liabilities	196,830	190,896	181,678
<b>Total noncurrent liabilities</b>	<b>811,589</b>	<b>587,856</b>	<b>585,014</b>
<b>Total liabilities</b>	<b>\$ 1,872,998</b>	<b>\$ 1,601,127</b>	<b>\$ 1,471,208</b>
Invested in capital assets, net of related debt	\$ 1,589,420	\$ 1,590,235	\$ 1,273,058
Restricted-nonexpendable net assets	1,189,475	1,050,685	966,758
Restricted-expendable net assets	486,095	462,574	465,002
Unrestricted net assets	897,223	675,587	721,934
<b>Total net assets</b>	<b>\$ 4,162,213</b>	<b>\$ 3,779,081</b>	<b>\$ 3,426,752</b>

Total University **cash and current investment** balances increased \$190 million in 2006, primarily due to two August 2005 bond issues, which yielded net proceeds (after refunding of existing debt) of \$203 million. 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 \$290 million, to \$2.01 billion at June 30, 2006, primarily due to a combination of net investment income (\$159 million), transfers from temporary investments (\$120 million) and new endowment gifts (\$47 million). These additions were partially offset by endowment income distributions and expenses. 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 \$227 million, to \$2.70 billion at June 30, 2006. The University depreciates its capital assets on a straight-line basis, using estimated useful lives ranging

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from 5 years (for computer equipment) to 100 years (for certain building components such as foundations).

Major projects completed in 2006 include Phase I of the Recreation & Physical Activity Center, the new Psychology Building, renovation of the Wexner Center for the Arts, and the Oval restoration project. In addition, several major construction projects are currently underway or in advanced planning stages, including:

- Biomedical Research Tower – Construction is nearing completion on a ten-story \$121 million biomedical research facility that will house up to 120 faculty and 400 additional researchers for the College of Medicine and Public Health.
- Mechanical Engineering Building Replacement (Scott Laboratory) – Also nearing completion is a \$71.1 million project to construct new space for the Mechanical Engineering Department on the former Robinson Lab site.
- McCracken Power Plant Improvements – Work continues on a \$69 million Emissions Compliance Project to replace four boilers at the main campus power plant. The new boilers will reduce emissions, increase capacity and meet future campus steam demands.
- Jennings Hall Renovation (Botany and Zoology) – A \$33 million project is underway to renovate Jennings Hall for use by the College of Biological Sciences, the Mathematical Biosciences Institute and the central classroom pool.
- William Oxley Thompson Memorial Library Renovation – Work began in Summer 2006 on a \$108.9 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.
- Ohio Union Replacement – Planning continues for a new Ohio Union, to be built on the site of the existing Ohio Union on High Street. Construction of the \$115 million, 300,000 square foot facility is expected to begin in 2007.

The University's estimated future capital commitments, based on contracts and purchase orders, total approximately \$177 million at June 30, 2006.

Total University debt, in the form of **commercial paper, bonds, notes and capital lease obligations**, increased \$229 million, to \$1.11 billion at June 30, 2006. During 2006, the University issued \$409 million in bonds and \$29 million in commercial paper, secured by the general receipts of the University. The University used these debt proceeds to retire existing bonds and commercial paper and to fund current capital expenditures.

The University's plant debt includes variable rate demand bonds that mature at various dates through 2035. Governmental Accounting Standards Board Interpretation 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the balance sheet classification of these bonds. Under GASB Interpretation 1, outstanding principal

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balances on variable rate demand bonds may be classified as noncurrent 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 1 requirements. Accordingly, the University has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. These obligations totaled \$420 million and \$305 million at June 30, 2006 and 2005, respectively.

**2005-2004 Highlights:** In 2005, the University transferred approximately \$478 million of temporary investments to the Endowment Fund to establish the Long Term Component and President’s Strategic Investment endowment funds. Total unrestricted and restricted-expendable net assets decreased \$49 million, to \$1.14 billion at June 30, 2005, primarily due to expenditures for capital projects. Total University plant debt increased \$63 million, to \$878 million.

## Statement of Revenues, Expenses and Other Changes in Net Assets

Summary of Revenues, Expenses and Changes in Net Assets <i>(in thousands)</i>			
	2006	2005	2004
<b>Operating Revenues:</b>			
Tuition and fees, net	\$ 537,386	\$ 501,941	\$ 436,218
Grants and contracts	584,708	534,476	508,974
Auxiliary enterprises sales and services, net	170,685	160,711	163,162
OSU Health System sales and services, net	1,222,974	1,078,181	932,200
OSU Physicians sales and services, net	215,757	189,101	112,036
Departmental sales and other operating revenues	119,243	119,531	110,319
Total operating revenues	<u>2,850,753</u>	<u>2,583,941</u>	<u>2,262,909</u>
<b>Operating Expenses:</b>			
Educational and general	1,609,110	1,485,938	1,406,768
Auxiliary enterprises	189,283	175,950	178,645
OSU Health System	1,140,710	1,041,979	937,748
OSU Physicians	182,169	169,005	101,778
Depreciation	191,991	145,976	141,477
Total operating expenses	<u>3,313,263</u>	<u>3,018,847</u>	<u>2,766,416</u>
Net operating income (loss)	(462,510)	(434,906)	(503,507)
<b>Non-operating revenues (expenses):</b>			
State share of instruction and line-item appropriations	443,933	438,499	433,984
Gifts - current use	70,293	65,676	52,500
Net investment income (loss)	220,313	154,289	244,013
Other non-operating revenue (expense)	(45,474)	(29,895)	(19,617)
Income (loss) before other revenues, expenses gains or losses	226,555	193,663	207,373
State capital appropriations	90,606	87,305	102,709
Private capital gifts	18,548	16,638	27,647
Additions to permanent endowments	47,423	54,723	51,478
Increase (decrease) in net assets	383,132	352,329	389,207
Net assets - beginning of year	<u>3,779,081</u>	<u>3,426,752</u>	<u>3,037,545</u>
Net assets - end of year	<u>\$ 4,162,213</u>	<u>\$ 3,779,081</u>	<u>\$ 3,426,752</u>

Net **tuition and fees** increased \$35 million, to \$537 million in 2006. Undergraduate instructional and general fees were increased 6% for the 2005-2006 academic year. Tuition increases for graduate and professional programs ranged from 6% to 15%.

**Grant and contract revenues** increased \$50 million, to \$585 million in 2006. Revenues for sponsored research programs administered by the OSU Research Foundation increased \$21 million, with most of the increase coming from state and private sources (up \$7 million and \$9 million, respectively). Other areas with significant increases in grant and contract revenues included federal grants to the Ohio Supercomputer Center (up \$6 million), private grants to the College of Medicine and Public Health (up \$7 million) and private contract revenues at the Transportation Research Center (up \$4 million).

**Educational and general expenses** increased 8.3%, to \$1.61 billion in 2006. Additional details are provided below.

<b>Educational and General Expenses</b> <i>(in thousands)</i>			
	2006	2005	2004
Instruction and departmental research	\$ 647,940	\$ 623,938	\$ 577,500
Separately budgeted research	368,920	342,831	317,310
Public service	117,250	97,469	110,750
Academic support	120,969	115,735	103,502
Student services	73,060	70,244	65,906
Institutional support	125,620	96,336	109,331
Operation and maintenance of plant	94,774	84,910	73,133
Scholarships and fellowships	60,577	54,475	49,336
<b>Total</b>	<b>\$ 1,609,110</b>	<b>\$ 1,485,938</b>	<b>\$ 1,406,768</b>

Total **instructional and departmental research** expenses increased \$24 million in 2006, primarily due to a combination of faculty/staff salary increases and increases in fee authorizations for graduate associates. Increases in **separately budgeted research** reflect continued growth in sponsored research programs administered by the OSU Research Foundation. **Public service** increased \$20 million, primarily due to increased expenses for Campus Partners. **Institutional support** increased \$29 million, primarily due to reversals of prior-year adjustments for self-insured employee health plans. **Operation and maintenance of plant** expenses increased \$10 million, reflecting higher utility costs.

Sales and service revenues of the University's **Auxiliary Enterprises** increased \$10 million, to \$171 million in 2006, primarily due to increases in Athletics and Housing, Food Service and Event Center (HFSEC) revenues. Auxiliary expenses increased \$13 million, reflecting increased expenditures in Athletics and HFSEC.

**The Ohio State University Health System** continued to grow during Fiscal Year 2006. The Richard M. Ross Heart Hospital, with 90 beds and specialized operating and procedure rooms, completed its first full year of operations. Similarly, the Health System saw expanded use of outpatient services at the Morehouse Medical Plaza on Kenny Road and emergency services at University Hospital East.

Health System inpatient admissions increased 7.3%, while outpatient volume grew by 72,318 patients after accounting for restructuring of Primary Care offices. Consolidated Health System sales and service revenues increased \$145 million (13.4%) due to volume increases along with selective rate increases. Expenses for the consolidated Health System (excluding depreciation, interest and interfund transfers) increased \$99 million (9.5%). Salaries and benefits increased 13.3% due to increased patient activity and a competitive labor market. Supplies increased 17.5% due to medical advances, inflation and more intensive patient care services, but the increase was tempered by cost-saving initiatives continued from the previous year. The Health System's total margin (including depreciation and interest) for 2006 was \$86.7 million. After investing \$47.4 million in research and education, the change in net assets was \$40.1 million.

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Looking ahead, the OSU Health System will be challenged by the national trend to meet the increase in demand for health services arising from an aging population and increasing consumer expectations. The Health System expects revenues to increase by 8% with focus on the six signature programs – Cancer, Critical Care, Heart, Imaging, Neuroscience and Transplantation. The Health System will continue to be challenged by the increasing cost for care givers, malpractice costs, supplies, pharmaceuticals, purchased service and technology.

The Health System continues to invest in the Medical Center research and teaching initiatives, resulting 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 expansion of the Ross Heart Hospital, Doan Hall construction to support clinical and faculty space, and planning for significant expansion of clinical facilities in the next decade. Despite the challenges and the changing healthcare environment, the Health System expects to improve its financial position during the upcoming year. The Health System will continue to play a key role in supporting the Medical Center and its goal of becoming a leading academic medical center provider by 2008.

Revenues and expenses of **OSU Physicians, Inc.**, the University's central practice group for physician faculty members of the College of Medicine and Public Health, continued to grow in 2006. Total patient revenues grew from \$189 million to \$216 million as a result of volume increases in existing departments, increased rates from contract negotiations, and the addition of OSU Otolaryngology, Head & Neck Surgeons, LLC starting November 1, 2005. Total OSUP expenses (excluding depreciation, interest and interfund transfers) grew from \$169 million to \$182 million.

OSUP is the single member of 16 limited liability companies ("LLCs"). As of June 30, 2006, only 14 of the limited liability companies were active. The other two LLCs (Anesthesiology and Orthopedics) have been created but had no 2006 activity.

The following table lists the LLCs that were included in OSUP's financial statements as of June 30, 2006 and 2005:

Practice Plan	2006	2005
Family Medicine Foundation, LLC ("FM")	X	X
OSU Anesthesiology, LLC ("Anesthesiology")		
OSU Children's Pediatrics, LLC	X	X
OSU Emergency Medicine, LLC ("EM")	X	X
OSU Eye Physicians and Surgeons, LLC ("Eye")	X	X
OSU GYN and OB Consultants, LLC ("OBGYN")	X	X
OSU Internal Medicine, LLC ("IM")	X	X
OSU Neuroscience Center, LLC ("Neurology")	X	X
OSU Orthopedics, LLC ("Orthopedics")		
OSU Otolaryngology-Head and Neck Surgery, LLC ("Otolaryngology")	X	
OSU Pathology, LLC ("Pathology")	X	X
OSU Physical Medicine and Rehabilitation ("Phys Med")	X	X
OSU Psychiatry, LLC ("Psychiatry")	X	X
OSU Radiation Medicine, LLC ("Rad Med")	X	
OSU Radiology, LLC ("Radiology")	X	X
OSU Surgery, LLC ("Surgery")	X	X

**Non-endowment gifts** to the University (including gifts for current use and gifts to capital projects) totaled \$89 million in 2006, compared with \$82 million in 2005. New gift **additions to permanent endowments** decreased \$7 million, a 13% decrease from 2005. University Development estimates that gift additions to existing and new endowment funds for 2007 will be in the range of \$50 million.

During 2006, the number of donors to the University reached an all-time high of 115,723, an 11% increase over last year's record of 104,607.

A strong equity market, particularly for international equities, coupled with a decrease in bond prices due to higher interest rates resulted in **net investment income** of \$220 million. This figure includes \$76 million of interest income and \$144 million net appreciation in the fair market value of university investments.

**2005-2004 Highlights:** Last year, the University reported significant growth in tuition, OSU Health System and OSU Physicians revenues, with total operating revenues increasing \$321 million, to \$2.58 billion. Modest returns in the equity market, coupled with a slight increase in bond prices due to falling rates for long-term bonds, resulted in net investment income of \$154 million. Total operating expenses increased \$252 million, to \$3.02 billion, primarily due to increases in OSU Health System and OSU Physicians expenses.



## Statement of Cash Flows

University Cash Flows Summary <i>(in thousands)</i>	2006	2005	2004
Net cash flows from operating activities	\$ (226,525)	\$ (281,695)	\$ (333,195)
Net cash flows from noncapital financing activities	568,947	562,654	549,711
Capital appropriations and gifts for capital projects	117,169	102,938	119,597
Proceeds from issuance of bonds and notes payable	493,887	174,622	390,955
Payments for purchase and construction of capital assets	(424,869)	(527,563)	(346,387)
Principal and interest payments on capital debt	(298,961)	(140,854)	(177,091)
Net cash flows from investing activities	(136,557)	20,497	(160,457)
Net increase (decrease) in cash	<u>\$ 93,091</u>	<u>\$ (89,401)</u>	<u>\$ 43,133</u>

Total University cash and cash equivalents increased \$93 million in 2006. Total cash provided by operating and noncapital financing activities was \$342 million, up \$61 million compared with 2005. Total cash used for capital financing activities decreased from \$391 million to \$113 million in 2006, reflecting the August 2005 bond issues and a slight slowdown in capital expenditures. Total cash used for investing activities was \$137 million, reflecting net purchases of temporary and endowment investments.

### Economic Factors That Will Affect the Future

The Academic Plan, which was adopted in 2000, drives University spending and budgeting priorities. It focuses on six core strategies that are necessary for Ohio State to become a truly great teaching and research university:

- 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 colleges are the key focal points to advance the objectives of the Academic Plan. Consequently, the University's decentralized budget system is designed to make sure that at least three quarters of increased annual revenues from tuition and fees and state share of instruction, as well as all indirect cost recoveries, are distributed back to the generating colleges. Key University-wide initiatives identified in the Fiscal Year 2007 budget process include:

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**Competitive Compensation** – College and support unit operating budgets will fund salary increases averaging 3.5% to 4% for faculty and staff. In addition, the Provost is providing additional funding to high quality academic units that lag behind their benchmark faculty salary levels.

**Targeted Investments in Excellence** – 2007 is the first year of a planned five-year funding cycle for 10 programs selected for targeted investments. Over the next five years, over \$50 million will be invested in high-quality, high-impact research initiatives in the following areas:

- Climate, Water and Carbon Program
- Public Health Preparedness Program for Emerging Infectious Disease Threats
- Mathematical Biosciences
- Center for Cosmology and Astro-Particle Physics
- Center for Clean and Sustainable Energy
- Advanced Materials Initiative
- Multidisciplinary Initiative in Population and Health
- Translational Plant Sciences
- Music Industry Program
- MicroRNA Genes in Diagnosis, Prognosis, Prevention and Therapy of Cancer

Other key University-wide initiatives identified in the budget process include reform of the undergraduate curriculum, quality graduate programs, the 2008 enrollment plan and enterprise-wide systems (including a new Student Information System).

The University continues to seek ways to reduce expenses and improve services in its core academic support processes. The following new or enhanced cost reduction initiatives are being funded in 2007:

**Plan for Health** – The University is investing \$2 million in wellness programs and coordinated care management. This is expected to save \$3 to \$6 million each year in years one to three, and \$5 to \$8 million each year thereafter, by improving the health of University faculty and staff and improving the effectiveness of care for chronic conditions.

**Transition to Work** – This plan is modeled after successful efforts elsewhere that demonstrate savings to employers in Workers' Compensation costs and significant benefits to employees by returning employees with temporary medical or psychological restrictions to work sooner. An upfront investment of \$289,000 is expected to save at least \$2.8 million annually.

**Energy Management and Sustainability** – The rising cost of energy has made it cost effective to enhance conservation efforts and explore alternative energy sources across campus. \$236,000 in continuing funds and \$200,000 in one-time funds will be used to improve metering and building designs. Additional internal funds will be used to fund building energy audits as part of this program. Based on current energy costs, long-term savings are expected to be over \$2 million annually.

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Sound finances are crucial to the University's quest to become a truly great teaching and research institution. 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 of \$25 million
- Targeted reserves in selected areas of special risk (e.g. malpractice, utilities, etc.)
- At least 30 days of operating cash
- Debt service at less 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

These goals were developed ten years ago. They are currently under review and, with the approval of the President and the Board of Trustees, will be updated over the next 12 months.

In 2006, the University made continued progress towards its academic goals in a relatively stable financial environment. Based on what is now known about FY 2007, University management believes that Ohio State will continue to maintain its sound financial position in the year ahead.

Looking ahead to FY 2008 and beyond, University management sees continuing challenges regarding the levels of state support, increased resistance to tuition and fee increases, increased competition from other institutions for the best faculty, staff and students, and continued political uncertainty internationally. Consequently, we are committed to building upon current efforts to enhance the University's academic reputation, diversify our revenue base, reduce our operating and capital costs, strengthen internal controls and effectively manage our financial risks. By doing so, we feel The Ohio State University will continue to maintain its sound financial position while continuing its progress towards becoming a top-tier public research university.

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

June 30, 2006 and 2005  
(in thousands)

	<u>2006</u>	<u>2005</u>
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents (including bond proceeds restricted for capital expenditures of \$96,704 and \$67,528, respectively)	\$ 192,174	\$ 74,872
Temporary investments	581,544	508,933
Accounts receivable, net	358,332	373,220
Notes receivable -current portion, net	8,429	9,108
Pledges receivable - current portion, net	15,140	16,402
Accrued interest receivable	15,127	19,641
Inventories and prepaid expenses	56,392	52,399
Total Current Assets	<u>1,227,138</u>	<u>1,054,575</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	25,992	50,203
Notes receivable, net	61,444	62,946
Pledges receivable, net	14,218	22,482
Endowment investments	1,998,385	1,703,845
Other long-term investments	12,386	17,381
Capital assets, net	2,695,648	2,468,776
Total Noncurrent Assets	<u>4,808,073</u>	<u>4,325,633</u>
<b>Total Assets</b>	<u>\$ 6,035,211</u>	<u>\$ 5,380,208</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 395,132	\$ 368,127
Deposits and deferred revenues	165,048	154,424
Commercial paper and current portion of bonds, notes and leases payable	491,468	480,580
Compensated absences - current portion	5,554	5,568
Obligations under annuity and life income agreements-current portion	4,207	4,572
Total Current Liabilities	<u>1,061,409</u>	<u>1,013,271</u>
Noncurrent Liabilities:		
Bonds, notes and leases payable	614,759	396,960
Compensated absences	79,500	73,184
Obligations under annuity and life income agreements	45,266	46,288
Refundable advances for Federal Perkins loans	30,065	29,323
Other noncurrent liabilities	41,999	42,101
Total Noncurrent Liabilities	<u>811,589</u>	<u>587,856</u>
<b>Total Liabilities</b>	<u>1,872,998</u>	<u>1,601,127</u>
Net Assets:		
Invested in capital assets, net of related debt	1,589,420	1,590,235
Restricted:		
Nonexpendable	1,189,475	1,050,685
Expendable	486,095	462,574
Unrestricted	897,223	675,587
<b>Total Net Assets</b>	<u>4,162,213</u>	<u>3,779,081</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 6,035,211</u>	<u>\$ 5,380,208</u>

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

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

Years Ended June 30, 2006 and 2005  
(in thousands)

	<u>2006</u>	<u>2005</u>
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$92,943 and \$83,161, respectively)	\$ 537,386	\$ 501,941
Federal grants and contracts	311,712	301,817
State grants and contracts	59,155	51,800
Local grants and contracts	22,495	23,225
Private grants and contracts	191,346	157,634
Sales and services of educational departments	73,063	73,044
Sales and services of auxiliary enterprises (net of scholarship allowances of \$11,218 and \$10,234, respectively)	170,685	160,711
Sales and services of the OSU Health System (net of charity care of \$74,537 and \$41,786, respectively)	1,222,974	1,078,181
Sales and services of OSU Physicians, Inc., (net of charity care of \$2,053 and \$1,716, respectively)	215,757	189,101
Other operating revenues	46,180	46,487
Total Operating Revenues	<u>2,850,753</u>	<u>2,583,941</u>
Operating Expenses:		
Educational and General:		
Instruction and departmental research	647,940	623,938
Separately budgeted research	368,920	342,831
Public service	117,250	97,469
Academic support	120,969	115,735
Student services	73,060	70,244
Institutional support	125,620	96,336
Operation and maintenance of plant	94,774	84,910
Scholarships and fellowships	60,577	54,475
Auxiliary enterprises	189,283	175,950
OSU Health System	1,140,710	1,041,978
OSU Physicians, Inc.	182,169	169,005
Depreciation	191,991	145,976
Total Operating Expenses	<u>3,313,263</u>	<u>3,018,847</u>
Operating Loss	(462,510)	(434,906)
Non-operating Revenues (Expenses):		
State share of instruction and line-item appropriations	443,933	438,499
Gifts	70,293	65,676
Net investment income (loss)	220,313	154,289
Interest expense on plant debt	(42,313)	(29,168)
Other non-operating revenues(expenses)	(3,161)	(727)
Net Non-operating Revenue (Expense)	<u>689,065</u>	<u>628,569</u>
Income (Loss) before Other Revenues, Expenses, Gains or Losses	226,555	193,663
State capital appropriations	90,606	87,305
Private capital gifts	18,548	16,638
Additions to permanent endowments	47,423	54,723
Increase (Decrease) in Net Assets	383,132	352,329
Net Assets - Beginning of Year	<u>3,779,081</u>	<u>3,426,752</u>
Net Assets - End of Year	<u>\$ 4,162,213</u>	<u>\$ 3,779,081</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, 2006 and 2005  
(in thousands)

	<u>2006</u>	<u>2005</u>
<b>Cash Flows from Operating Activities:</b>		
Tuition and fee receipts	\$ 457,313	\$ 388,395
Grant and contract receipts	582,736	521,681
Receipts for sales and services	1,675,894	1,478,045
Payments to or on behalf of employees	(1,547,608)	(1,417,472)
University employee benefit payments	(381,667)	(333,815)
Payments to vendors for supplies and services	(1,012,333)	(915,504)
Payments to students and fellows	(54,945)	(50,502)
Student loans issued	(10,375)	(13,177)
Student loans collected	15,512	13,062
Student loan interest and fees collected	1,727	1,721
Other receipts (payments)	47,221	45,871
Net cash provided (used) by operating activities	<u>(226,525)</u>	<u>(281,695)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
State share of instruction and line-item appropriations	443,933	438,499
Gift receipts for current use	79,819	69,751
Additions to permanent endowments	47,423	54,723
Drawdowns of federal direct loan proceeds	274,877	264,480
Disbursements of federal direct loans to students	(273,271)	(263,085)
Disbursement of loan proceeds to related organization	(3,465)	(666)
Repayment of loans to related organization	1,007	0
Amounts received for annuity and life income funds	2,938	3,296
Amounts paid to annuitants and life beneficiaries	(4,325)	(4,698)
Agency funds receipts	4,434	4,857
Agency funds disbursements	(4,423)	(4,503)
Net cash provided (used) by noncapital financing activities	<u>568,947</u>	<u>562,654</u>
<b>Cash Flows from Capital Financing Activities:</b>		
Proceeds from capital debt	493,887	174,622
State capital appropriations	98,621	86,300
Gift receipts for capital projects	18,548	16,638
Payments for purchase or construction of capital assets	(424,869)	(527,563)
Principal payments on capital debt and leases	(255,488)	(111,916)
Interest payments on capital debt and leases	(43,473)	(28,938)
Net cash provided (used) by capital financing activities	<u>(112,774)</u>	<u>(390,857)</u>
<b>Cash Flows from Investing Activities:</b>		
Net (purchases) sales of temporary investments	(72,611)	439,192
Proceeds from sales and maturities of long-term investments	827,325	1,371,130
Investment income, net of related fees	76,255	59,284
Purchases of long-term investments	(967,526)	(1,849,109)
Net cash provided (used) by investing activities	<u>(136,557)</u>	<u>20,497</u>
<b>Net Increase (Decrease) in Cash</b>	<b>93,091</b>	<b>(89,401)</b>
Cash and Cash Equivalents - Beginning of Year	<u>125,075</u>	<u>214,476</u>
Cash and Cash Equivalents - End of Year	<u>\$ 218,166</u>	<u>\$ 125,075</u>

**THE OHIO STATE UNIVERSITY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS, Cont'd**

**Reconciliation of Net Operating Loss to Net Cash**

<b>Provided (Used) by Operating Activities:</b>		
Operating loss	\$ (462,510)	\$ (434,906)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:		
Depreciation expense	191,991	145,976
Changes in assets and liabilities:		
Accounts receivable, net	5,268	(71,092)
Notes receivable, net	4,638	(9)
Accrued interest receivable	(781)	2
Inventories and prepaid expenses	(3,993)	9,591
Accounts payable and accrued liabilities	30,998	45,177
Deposits and deferred credits	10,633	13,386
Compensated absences	6,302	8,234
Refundable advances for federal Perkins loans	741	(809)
Other noncurrent liabilities	(9,812)	2,755
	<u>\$ (226,525)</u>	<u>\$ (281,695)</u>
<b>Net cash provided (used) by operating activities</b>		
<b>Non Cash Transactions:</b>		
Equipment	\$ 5,557	\$ 6,784
Capital Lease	(5,557)	(6,784)

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

## Notes to Financial Statements – Years Ended June 30, 2006 and 2005

(dollars in thousands)

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### 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 a 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. Trustees are appointed by the governor, with the advice and consent of the state Senate. In 2005, the Ohio General Assembly voted to expand the board from 11 to 17 members. The standard term for voting members of the board is nine years. However, as part of the transition to a larger board membership, the additional trustees appointed in 2005 and 2006 will serve terms ranging from four to eight years. The board also includes two non-voting student trustees who are appointed to 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 fundraising 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

Thirteen 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.
- Ohio State University Retirees Association
- OSU Managed Health Care Systems, Inc.



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- The Ohio State University Physicians, Inc.
  - UMC Partners
  - Prologue Research International, Inc.
  - Oval Limited
  - Adria Kravinsky Foundation

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.

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.

### **Basis of Accounting**

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 follows all GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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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.

#### **Cash and Investments**

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, and savings accounts and include bond proceeds restricted for capital expenditures. Restricted cash and cash equivalents at June 30, 2006 and 2005 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*

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*Pools.* The fair value of private equity investments is based on estimated current values. 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.

The University holds investments in limited partnerships, private equity and other investments, which are carried at estimated fair value provided by the management of these funds. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Methods for determining estimated fair values include discounted cash flows and estimates provided by general partners. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements using the equity method of accounting. As of June 30, 2006, the University has made commitments to limited partnerships totaling \$41,324 that have not yet been funded.

Investment in real estate is carried at cost, if purchased, or appraised value at the date of the gift. Holdings in real estate investment trusts (REITs) are carried at estimated fair values. The carrying and market values of real estate at June 30, 2006 are \$99,457 and \$123,276, respectively.

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

### **Endowment Policy**

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. 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.

Annual endowment distributions are based on the average market value per share of the endowment over the past five years multiplied by a stated rate. For endowment funds established prior to June 30, 2004, the University distribution equaled 4.75% of the average market value per share for fiscal year 2005 and 4.5% of the average market value per share in fiscal year 2006. For endowment funds established after June 30, 2004, the University distribution equaled 4% of the average market value per share in both fiscal years.

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 \$84,147 and \$77,551 in fiscal years 2006 and 2005, respectively.

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### 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

Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. \$7,928 and \$7,250 of interest was capitalized in the years ended June 30, 2006 and 2005, respectively. 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**

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.

### **Tuition, Room and Board**

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.

### **State Support**

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

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payments to be received by such fund, which is established in the custody of the Treasurer of State.

### **Government Grants and Contracts**

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.

### **Hospital Revenue**

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.

### **OSU Physicians Revenue**

Net patient service revenue represents amounts received and the estimated net realizable amounts due from patients and third-party payers for services rendered. OSU Physicians provides care to patients under various reimbursable agreements, including Medicare and Medicaid. These arrangements provide for payment for covered services at agreed-upon rates and under certain fee schedules and various discounts from charges. Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between the customary charges for services rendered and related reimbursement.

### **Management Estimates**

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.

### **Newly Issued Accounting Pronouncements**

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this Statement apply for trust funds

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included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. This Statement is effective for periods beginning after December 15, 2006.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006.

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement explains when pollution remediation-related obligations should be reported and how those obligations' costs and liabilities should be determined. The Statement also requires note disclosures about the liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007.

University management has not yet determined the impact that implementation of GASB Statements 43, 45, 48 and 49 will have on the University's financial statements.

#### **Other**

The University is exempt from income taxes as a non-profit organization under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

Certain reclassifications have been made to the 2005 comparative information to conform with the 2006 presentation.

#### **NOTE 2 — CASH AND CASH EQUIVALENTS**

At June 30, 2006, the carrying amount of the University's cash and cash equivalents for all funds is \$218,166 as compared to bank balances of \$271,951. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$4,263 is covered by federal deposit insurance and \$267,688 is

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uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

### **NOTE 3 — INVESTMENTS**

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

- Obligations of the US 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 US 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

The University's endowment fund operates with a long-term investment goal of preserving the purchasing power of the principal in a diversified portfolio. Mutual funds held by the University include a wide range of investments, including hedge funds. These hedge funds may include, but are not limited to, investments in equity securities, mutual funds, limited and general partnerships, foreign securities, short sales positions, distressed securities, fixed income securities, options, currencies, commodities, futures and derivatives. The University's objective for investing in these hedge funds is to provide stable, absolute returns that are uncorrelated to fluctuations in the stock and bond markets.



US Government and Agency 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. 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, JPMorgan Chase or State Street in "book entry" form. The banks internally designate the securities as owned by or pledged to the University.

The values of investments at June 30, 2006 and 2005 are as follows:

	2006	2005
Common stock	\$ 638,984	\$ 492,865
Equity mutual funds	735,694	679,019
US government obligations	67,130	89,117
US government agency obligations	179,841	197,539
Repurchase agreements	136,873	82,730
Corporate bonds and notes	97,996	75,389
Bond mutual funds	431,504	416,494
International bonds	19,384	26
Real estate	99,457	87,596
Partnerships and hedge funds	154,110	83,954
Other	31,342	25,430
Total	<u>\$ 2,592,315</u>	<u>\$ 2,230,159</u>

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, 2006 and 2005, respectively:

	Pooled	Non-pooled	Total
Temporary investments	\$ 521,503	\$ 60,041	\$ 581,544
Endowment investments	1,967,287	31,098	1,998,385
Other long-term investments	10,195	2,191	12,386
Total 2006	<u>\$2,498,985</u>	<u>\$ 93,330</u>	<u>\$2,592,315</u>
Total 2005	<u>\$2,146,793</u>	<u>\$83,366</u>	<u>\$2,230,159</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, 2006, the University realized a net gain of \$81,972 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, 2006, was \$143,712. 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 \$61,740.

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	\$ 66,536	\$(5,476)	\$61,060
Endowment investments	734	149,348	150,082
Other long-term investments	9,331	(160)	9,171
Total 2006	<u>\$ 76,601</u>	<u>\$ 143,712</u>	<u>\$220,313</u>
Total 2005	<u>\$ 63,381</u>	<u>\$ 90,908</u>	<u>\$154,289</u>

#### Additional Risk Disclosures for Investments:

Statement Nos. 3 and 40 of the Governmental Accounting Standards Board require certain additional disclosures related to the interest-rate, credit and foreign currency risks associated with deposits and investments.

**Interest-rate risk** – Interest-rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

The maturities of the University's interest-bearing investments at June 30, 2006 are as follows:

	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
US government obligations	\$ 67,130	\$ 2,825	\$ 41,292	\$ 13,534	\$ 9,479
US agency obligations	179,841	39,183	104,046	15,400	21,212
Repurchase agreements	136,873	136,873	-	-	-
Corporate bonds	97,996	4,647	43,981	27,432	21,936
Bond mutual funds	431,504	84,757	190,055	105,045	51,647
International bonds	19,384	236	339	8,005	10,804
Total	<u>\$ 932,728</u>	<u>\$ 268,521</u>	<u>\$ 379,713</u>	<u>\$ 169,416</u>	<u>\$ 115,078</u>

The maturities of the University's interest-bearing investments at June 30, 2005 are as follows:

	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
US government obligations	\$ 89,117	\$ 3,594	\$ 51,340	\$ 19,078	\$ 15,105
US agency obligations	197,539	15,202	131,101	34,981	16,255
Repurchase agreements	82,730	82,730	-	-	-
Corporate bonds	75,389	3,089	38,975	13,180	20,145
Bond mutual funds	416,494	80,014	174,194	104,017	58,269
International bonds	26	11	15	-	-
Total	\$ 861,295	\$ 184,640	\$ 395,625	\$ 171,256	\$ 109,774

**Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information – as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of the University's interest-bearing investments at June 30, 2006 are as follows:

Credit Rating (Moody's)	Total	US				International Bonds
		Government and Agency Obligations	Repurchase Agreements	Corporate Bonds	Bond Mutual Funds	
Aaa	\$ 659,311	\$ 246,971	\$ 136,873	\$ 24,812	\$ 250,655	-
Aa	37,133	-	-	6,987	30,146	-
A	87,502	-	-	22,550	63,821	\$ 1,131
Baa	43,426	-	-	16,025	24,781	2,620
Ba	32,453	-	-	4,321	16,846	11,286
B	56,311	-	-	18,691	34,456	3,164
Caa	9,494	-	-	4,610	4,686	198
Ca	-	-	-	-	-	-
C	551	-	-	-	551	-
Not Rated	6,547	-	-	-	5,562	985
Total	\$ 932,728	\$ 246,971	\$ 136,873	\$ 97,996	\$ 431,504	\$ 19,384

The credit ratings of the University's interest-bearing investments at June 30, 2005 are as follows:

Credit Rating (Moody's)	Total	US				International Bonds
		Government and Agency Obligations	Repurchase Agreements	Corporate Bonds	Bond Mutual Funds	
Aaa	\$ 655,302	\$ 286,656	\$ 82,730	\$ 22,646	\$ 263,270	-
Aa	38,293	-	-	9,109	29,184	-
A	90,793	-	-	24,844	65,949	-
Baa	50,250	-	-	18,442	31,782	\$ 26
Ba	4,086	-	-	348	3,738	-
B	21,026	-	-	-	21,026	-
Caa	1,545	-	-	-	1,545	-
Ca	-	-	-	-	-	-
C	-	-	-	-	-	-
<b>Total</b>	<b>\$ 861,295</b>	<b>\$ 286,656</b>	<b>\$ 82,730</b>	<b>\$ 75,389</b>	<b>\$ 416,494</b>	<b>\$ 26</b>

**Foreign currency risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

At June 30, 2006, the University's exposure to foreign currency risk is as follows:

Currency	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds	International Bonds
Argentine peso	-	\$ 218	-	-	\$ 962
Australian dollar	\$ 2,061	3,763	\$ 2,358	-	-
Brazilian real	894	1,718	554	-	1,583
Canadian dollar	4,300	5,373	3,346	-	-
Chinese yuan	-	1,124	-	-	-
Euro	31,683	23,814	14,930	\$ 226	-
Hong Kong dollar	2,963	1,090	-	-	-
Japanese yen	23,301	16,998	7,761	-	-
Mexican peso	542	704	851	-	610
Norwegian kroner	4,169	1,274	-	-	-
Polish zloty	-	103	1,366	-	-
Pound sterling	18,141	18,112	2,454	-	-
Russian ruble	-	1,265	-	-	-
Singapore dollar	676	563	1,425	-	-
South African rand	3,228	1,072	79	-	-
South Korean won	1,926	2,184	-	-	-
Swedish krona	2,776	1,598	950	-	-
Swiss franc	3,849	2,836	-	-	-
Taiwan dollar	-	1,312	-	-	-
Thailand bhat	789	399	119	-	-
Other currencies	1,500	1,422	1,287	-	23
<b>Total</b>	<b>\$ 102,798</b>	<b>\$ 86,942</b>	<b>\$ 37,480</b>	<b>\$ 226</b>	<b>\$ 3,178</b>

At June 30, 2005, the University's exposure to foreign currency risk is as follows:

Currency	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds	International Bonds
Australian dollar	\$ 417	\$ 7,061	\$ 156	-	-
Canadian dollar	740	8,982	987	-	-
Euro	7,707	43,109	21,298	\$ 234	-
Hong Kong dollar	539	2,002	-	-	-
Japanese yen	5,176	26,337	14,909	-	-
Korean won	-	3,443	-	-	-
Pound sterling	5,829	32,570	2,753	-	-
Swedish krona	300	2,171	-	-	-
Swiss franc	2,243	6,217	-	-	-
Taiwan dollar	-	2,875	-	-	-
Other currencies	719	13,738	831	-	\$ 26
<b>Total</b>	<b>\$ 23,670</b>	<b>\$ 148,505</b>	<b>\$ 40,934</b>	<b>\$ 234</b>	<b>\$ 26</b>

#### NOTE 4 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable at June 30, 2006 and 2005 consist of the following:

	2006	2005
Patient receivables – OSU Health System	\$558,062	\$453,599
Patient receivables – OSU Physicians, Inc.	67,375	63,571
Grant and contract receivables	70,134	77,772
Tuition and fees receivable	33,023	47,687
Receivables for departmental and auxiliary sales and services	44,861	38,320
State and federal receivables	9,806	19,427
	783,261	700,376
Less: Allowances for doubtful accounts	424,929	327,156
	<u>\$358,332</u>	<u>\$373,220</u>

Notes receivable consist primarily of Perkins Loans and are net of an allowance for doubtful accounts of \$13,800 at June 30, 2006 and \$12,405 at June 30, 2005. 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 \$39,156 in non-endowment pledges receivable at June 30, 2006 and a related allowance for doubtful accounts of \$9,798.

## NOTE 5 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 is summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Land	\$ 44,016	\$ 8,962	\$ 435	\$ 52,543
Improvements other than buildings	217,841	23,421	53	241,209
Buildings and fixed equipment	2,670,413	225,815	18,554	2,877,674
Movable equipment and furniture	748,383	98,029	39,651	806,761
Library books	161,043	3,857	1,976	162,924
Construction in progress	370,753	62,604	-	433,357
	<u>4,212,449</u>	<u>422,688</u>	<u>60,669</u>	<u>4,574,468</u>
Less: Accumulated depreciation	1,743,673	191,991	56,844	1,878,820
Capital assets, net	<u>\$ 2,468,776</u>	<u>\$ 230,697</u>	<u>\$ 3,825</u>	<u>\$ 2,695,648</u>

Capital assets activity for the year ended June 30, 2005 is summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Land	\$ 42,202	\$ 4,934	\$ 3,120	\$ 44,016
Improvements other than buildings	193,563	25,925	1,647	217,841
Buildings and fixed equipment	2,281,483	396,167	7,237	2,670,413
Movable equipment and furniture	685,915	114,322	51,854	748,383
Library books	160,540	2,816	2,313	161,043
Construction in progress	377,423	(6,670)	-	370,753
	<u>3,741,126</u>	<u>537,494</u>	<u>66,171</u>	<u>4,212,449</u>
Less: Accumulated depreciation	1,652,461	145,976	54,764	1,743,673
Capital assets, net	<u>\$ 2,088,665</u>	<u>\$ 391,518</u>	<u>\$ 11,407</u>	<u>\$ 2,468,776</u>

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

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## NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2006 and 2005 consist of the following:

	2006	2005
Payables to vendors for supplies and services	\$ 129,408	\$ 137,049
Accrued compensation and benefits	93,897	86,983
Retirement system contributions payable	29,402	24,908
Self-insurance accruals:		
Medical malpractice	92,387	71,549
Employee health insurance	17,359	15,373
Current portion of amounts due to third-party payers – OSU Health System	19,428	9,414
Other accrued expenses	13,251	22,851
	<u>\$ 395,132</u>	<u>\$ 368,127</u>

### Self-Insurance Programs

The Hospitals have established trusteed self-insurance funds for professional medical malpractice liability claims with a \$4 million limit per occurrence with no annual aggregate. The University self-insurance funds have insurance in excess of \$4 million per occurrence through Oval Limited, a blended component unit of the University. Oval Limited provided coverage with limits of \$35 million per occurrence and in the aggregate for the year ended June 30, 2006 and \$25 million per occurrence and in the aggregate for the year ended June 30, 2005. A portion of the risks written by Oval Limited to date is reinsured by a single reinsurance company rated A by A.M. Best. The reinsurance company's net retention was 50% of the first \$15 million and 100% for the remaining \$10 million per occurrence and in the aggregate for the years ended June 30, 2006 and June 30, 2005. The estimated liability and the related contributions to the fund are based upon an independent actuarial determination as of June 30, 2006. OSU Physicians, Inc. participates in the University self-insurance fund for professional medical malpractice liability claims. OSU Physicians premiums incurred and paid to the University were \$9,626 and \$9,112 during the years ended June 30, 2006 and 2005, respectively.

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, 2006 of the anticipated future payments on gross claims is estimated at its present value of \$58,554 discounted at an estimated rate of 5.0% (University funds) and an additional \$33,833 discounted at an estimated rate of 3.0% (Oval Limited).

Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of \$98,637 are more than the recorded liability at June 30, 2006, and the surplus of \$6,250 is included in unrestricted net assets.

The University is also self-insured for employee health insurance. As of June 30, 2006, \$17,359 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, 2004 result from the following activities:

	Malpractice		Health	
	2006	2005	2006	2005
Liability at beginning of fiscal year	\$71,549	\$34,891	\$15,373	\$15,090
Current year claims, changes in estimates	21,973	38,530	126,090	125,569
Claim payments	(1,135)	(1,872)	(124,104)	(125,286)
Balance at fiscal year end	\$92,387	\$71,549	\$17,359	\$15,373

#### NOTE 7 — 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, 2006 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Commercial Paper:</b>					
Series F	\$150,000		\$150,000	-	-
Series G		\$29,000		\$29,000	\$29,000
<b>Notes:</b>					
Ohio Board of Regents Note, due through 2006	212		212	-	-
Capital One Funding Corporation, due through 2014	2,223		196	2,027	204
Fifth Third Note, due through 2008	6,548	6,677	7,529	5,696	871
Fifth Third Line of Credit	134		134	-	-
Campus Partners ESIC	12,000			12,000	-
Campus Partners UDCDE Note A	-	23,077		23,077	95
Campus Partners UDCDE Note B	-	10,376		10,376	-
UMC Partners	-	2,100		2,100	2,100
Adria Kravinsky Foundation	-	4,599		4,599	4,599
<b>General Receipts Bonds – Fixed Rate:</b>					
1999A, due serially through 2029	68,965		58,080	10,885	2,535
2002A, due serially through 2031	133,330		6,445	126,885	6,680
2003B, due serially through 2033	177,345		6,255	171,090	7,065
2005A, due serially through 2035		279,050	11,925	267,125	12,015
<b>General Receipts Bonds – Variable Rate:</b>					
1997, due serially through 2027	43,540		4,000	39,540	39,540
1999B1, due serially through 2029	60,000		3,700	56,300	56,300
1999B2, due 2006	8,300		4,000	4,300	4,300
2001, due serially through 2032	76,950			76,950	76,950
2003C, due serially through 2031	116,355		3,000	113,355	113,355
2005B, due serially through 2035		129,990		129,990	129,990
<b>Capital Lease Obligations</b>	21,638	6,974	7,680	20,932	5,869
	<b>\$877,540</b>	<b>\$491,843</b>	<b>\$263,156</b>	<b>\$1,106,227</b>	<b>\$491,468</b>

Debt activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Commercial Paper:</b>					
Series E	\$ 22,100		\$ 22,100	-	-
Series F	-	\$ 150,000		\$ 150,000	\$150,000
<b>Notes:</b>					
Ohio Board of Regents Note, due through 2006	425		213	212	212
Capital One Funding Corporation, due through 2014	2,405		182	2,223	190
Fifth Third Note, due through 2008	9,691	1,403	4,546	6,548	2,948
Fifth Third Line of Credit	300	4,663	4,829	134	134
ESIC New Markets Partners II note		12,000		12,000	-
<b>General Receipts Bonds – Fixed Rate:</b>					
1999A, due serially through 2029	72,150		3,185	68,965	2,410
2002A, due serially through 2031	139,340		6,010	133,330	6,445
2003B, due serially through 2033	226,040		48,695	177,345	6,255
<b>General Receipts Bonds – Variable Rate:</b>					
1997, due serially through 2027	47,340		3,800	43,540	43,540
1999B1, due serially through 2029	64,600		4,600	60,000	60,000
1999B2, due 2006	12,100		3,800	8,300	8,300
2001, due serially through 2032	76,950			76,950	76,950
2003C, due serially through 2031	119,255		2,900	116,355	116,355
<b>Capital Lease Obligations</b>	21,910	6,784	7,056	21,638	6,841
	<b>\$ 814,606</b>	<b>\$174,850</b>	<b>\$111,916</b>	<b>\$877,540</b>	<b>\$480,580</b>

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 2035. 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
2007	\$ 485,599	\$ 42,700	\$ 5,869	\$ 655
2008	33,010	27,470	3,429	508
2009	32,020	26,211	2,803	425
2010	33,168	24,930	2,242	354
2011	43,858	23,535	1,280	289
2012-2016	153,975	89,133	4,089	784
2017-2021	126,033	57,844	1,220	62
2022-2026	95,852	29,679	-	-
2027-2031	56,875	11,590	-	-
2032-2035	24,905	1,082	-	-
	<b>\$ 1,085,295</b>	<b>\$ 334,174</b>	<b>\$ 20,932</b>	<b>\$ 3,077</b>

General receipts bonds are backed by the unrestricted receipts of the University, excluding certain items as described in the bond indentures.

The outstanding bond indentures do not require mandatory reserves for future payment of principal and interest. However, the University has set aside \$45,060 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, 2006
Revenue Bonds: Series I	\$5,951	\$545

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, 2001, 2003C and 2005B 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, 2006 are as follows:

Series:	Interest Rate Not to Exceed	Effective Average Interest Rate
1997	12%	2.400 %
1999 B1	12%	2.135 %
1999 B2	12%	2.293 %
2001	12%	1.732 %
2003 C	12%	1.853 %
2005 B	12%	3.043 %

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 2035. 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

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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 \$420,435 and \$305,145 at June 30, 2006 and 2005, respectively.

#### **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.

#### **Capital Lease Obligations**

Computer equipment and the facilities for child care, 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, 2006 are \$53,928 and \$20,932 respectively. The original cost and lease obligations related to these capital leases as of June 30, 2005 are \$46,955 and \$21,638 respectively.

#### **NOTE 8 — 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 \$28,100 and \$26,242 for the years ended June 30, 2006 and 2005, respectively.

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Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2006 are as follows:

Year Ending June 30,	
2007	\$ 11,629
2008	9,524
2009	8,084
2010	7,050
2011	5,669
2012-2016	15,444
2017-2021	9,499
2022-2026	2,060
2027-2031	13
2032-2036	13
2037-2041	12
2042-2046	12
2047-2051	2
Total minimum lease payments	<u>\$ 69,011</u>

#### **NOTE 9 — 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 ten 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 10 — NONCURRENT LIABILITIES

Non-current liability activity for the year ended June 30, 2006 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 78,752	\$ 11,856	\$ 5,554	\$ 85,054
Obligations under annuity and life income agreements	50,860	2,938	4,325	49,473
Refundable advances for Federal Perkins loans	29,323	742	-	30,065
Other non-current liabilities	42,101	1,898	2,000	41,999
	201,036	\$ 17,434	\$ 11,879	206,591
Less: Current portion	10,140			9,761
	<u>\$ 190,896</u>			<u>\$ 196,830</u>

Non-current liability activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 70,518	\$ 13,802	\$ 5,568	\$ 78,752
Obligations under annuity and life income agreements	52,263	3,169	4,572	50,860
Refundable advances for Federal Perkins loans	30,132	-	809	29,323
Other non-current liabilities	39,574	4,527	2,000	42,101
	192,487	\$ 21,498	\$ 12,949	201,036
Less: Current portion	10,809			10,140
	<u>\$ 181,678</u>			<u>\$ 190,896</u>

Other non-current liabilities at June 30, 2006 and 2005 consist of the following:

	2006	2005
Amounts due to third-party payers - OSU Health System	\$ 25,973	\$ 33,785
Advance payments under exclusivity agreements	2,000	4,000
Bond premium	14,026	4,316
	<u>\$ 41,999</u>	<u>\$ 42,101</u>

## NOTE 11 — 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, 2006 and 2005 are as follows:

	2006	2005
Educational and general	\$ 524,479	\$ 478,312
Auxiliary enterprises	4,999	(3,017)
OSU Health System	181,712	151,835
Loan funds	2,823	2,716
Unrestricted quasi-endowments	47,080	43,651
Plant	136,130	2,090
	<u>\$ 897,223</u>	<u>\$ 675,587</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, 2006 and 2005 are as follows:

	2006	2005
Current operations	\$ 287,914	\$ 265,434
Loan funds	41,304	41,033
Restricted quasi-endowments	148,182	139,399
Plant	8,695	16,708
	<u>\$486,095</u>	<u>\$462,574</u>

## NOTE 12 – 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, 2006 and 2005 are summarized as follows:

### Year Ended June 30, 2006

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 587,574	\$ 60,366			\$ 647,940
Separately budgeted research	242,447	126,473			368,920
Public service	75,711	41,539			117,250
Academic support	99,378	21,591			120,969
Student services	50,346	22,714			73,060
Institutional support	109,874	15,746			125,620
Operation and maintenance of plant	34,802	59,972			94,774
Scholarships and fellowships	3,815	1,817	\$ 54,945		60,577
Auxiliary enterprises	89,397	99,886			189,283
OSU Health System	615,727	524,983			1,140,710
OSU Physicians, Inc.	134,448	47,721			182,169
Depreciation				\$ 191,991	191,991
Total operating expenses	<u>\$ 2,043,519</u>	<u>\$ 1,022,808</u>	<u>\$ 54,945</u>	<u>\$ 191,991</u>	<u>\$ 3,313,263</u>

**Year Ended June 30, 2005**

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 554,258	\$ 69,680			\$ 623,938
Separately budgeted research	235,622	107,209			342,831
Public service	74,229	23,240			97,469
Academic support	91,984	23,751			115,735
Student services	47,266	22,978			70,244
Institutional support	83,553	12,783			96,336
Operation and maintenance of plant	37,477	47,433			84,910
Scholarships and fellowships	2,433	1,540	\$ 50,502		54,475
Auxiliary enterprises	85,245	90,705			175,950
OSU Health System	546,106	495,872			1,041,978
OSU Physicians, Inc.	120,008	48,997			169,005
Depreciation				\$ 145,976	145,976
Total operating expenses	<b>\$ 1,878,181</b>	<b>\$ 944,188</b>	<b>\$ 50,502</b>	<b>\$ 145,976</b>	<b>\$ 3,018,847</b>

**NOTE 13 — 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 Ohio). Substantially all other employees are covered by the Public Employees Retirement System of Ohio (OPERS). Employees may opt out of STRS Ohio and OPERS and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements.

STRS Ohio and OPERS each offer three separate plans: 1) a defined benefit plan, 2) a defined contribution plan and 3) a combined plan. Each of these three options is discussed in greater detail in the following sections.

**Defined Benefit Plans**

STRS Ohio and OPERS offer statewide cost-sharing multiple-employer defined benefit pension plans. STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors. Both STRS Ohio and OPERS 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 43215-3371  
(614) 227-4090  
(888) 227-7877  
[www.strsoh.org](http://www.strsoh.org)

Ohio PERS  
277 East Town Street  
Columbus, OH 43215-4642  
(614) 222-6701  
(800) 222-7377  
[www.opers.org](http://www.opers.org)



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In addition to the retirement benefits described above, STRS Ohio and OPERS provide postemployment health care benefits.

OPERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For the fiscal year ended December 31, 2005, OPERS allocated 4.0% of the employer contribution rate to fund the health care program for retirees.

The actuarial value of assets available for these benefits at December 31, 2004 (the date of the system's latest actuarial review) was \$10.8 billion. There were 376,109 active contributing participants as of December 31, 2005.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. HCPP incorporates a cafeteria approach, offering a broad range of health care options which allows benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

STRS Ohio currently provides access to health care coverage to retirees who participated in the deferred benefit or combined plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All 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 Ohio are included in the employer contribution rate. For the fiscal year ended June 30, 2005, STRS Ohio allocated employer contributions equal to 1.0% of covered payroll to a Health Care Stabilization Fund (HCSF) from which payments for health care benefits are paid. The balance in the HCSF was \$3.3 billion at June 30, 2005.

STRS Ohio expenditures for postemployment benefits during the year ended June 30, 2005 were \$254.8 million. There were 115,395 benefit recipients eligible for postemployment benefits at that date.

Postemployment health care benefits are not guaranteed by ORC to be covered under either OPERS or STRS Ohio defined benefit plans.

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## **Defined Contribution Plans**

ARP is a defined contribution pension plan. Full-time administrative and professional staff and faculty may choose enrollment in ARP in lieu of OPERS or STRS Ohio. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement 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.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement 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.

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 10.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no postretirement health care benefits.

## **Combined Plans**

STRS Ohio offers a combined plan with 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 postretirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution 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 postretirement health care benefits. OPERS provides retirement, disability, survivor and postretirement health benefits to qualifying members of the combined plan.

## **Funding Policy**

ORC provides STRS Ohio and OPERS statutory authority to set employee and employer contributions. Contributions equal to those required by STRS Ohio and OPERS 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 Ohio and OPERS 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:

	STRS Ohio	OPERS	ARP
Faculty:			
Plan member (entire year)	10.00%		10.00%
University (entire year)	14.00%		14.00%*
Staff:			
Plan member (7/05 – 12/05)		8.50%	8.50%
Plan member (1/06 – 6/06)		9.00%	9.00%
University (7/05 – 12/05)		13.31%	13.31%
University (1/06 – 6/06)		13.54%	13.54%
Law enforcement staff:			
Plan member (entire year)		10.10%	10.10%
University (7/05 – 12/05)		16.70%	16.70%
University (1/06 – 6/06)		16.93%	16.93%

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

The University's contributions, which represent 100% of required employer contributions, for the year ended June 30, 2005 and for each of the two preceding years are as follows:

Year Ended June 30,	STRS Ohio Annual Required Contribution	OPERS Annual Required Contribution	ARP Annual Required Contribution
2004	\$ 38,155	\$ 82,927	\$ 23,337
2005	\$ 40,597	\$ 91,424	\$ 27,094
2006	\$ 42,599	\$ 103,502	\$ 30,055

#### OSU Physicians Retirement Plan

Retirement benefits are provided for the employees of OSU Physicians (OSUP) through a tax-sheltered 403(b) and 401(a) program administered by an insurance company. OSUP is required to make nondiscretionary contributions of no less than 7.5% under the Interim Retirement Plan; however, some subsidiaries make an additional discretionary contribution of up to 17.5%, for a range of total employer contributions of 7.5% to 25%. Employees are allowed, but not required, to make contributions to the 403(b) plan. OSUP's share of the cost of these benefits was \$11,164 for the year ended June 30, 2006.

#### NOTE 14 — CAPITAL PROJECT COMMITMENTS

At June 30, 2006, the University is committed to future contractual obligations for capital expenditures of approximately \$177,370.

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These projects are funded by the following sources:

State appropriations	\$60,883
Internal and other sources	<u>116,487</u>
Total	<u>\$177,370</u>

**NOTE 15 — 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.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. While questioned costs may occur, ultimate repayments required of the University have been infrequent in prior years.

**NOTE 16 — 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.

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of  
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, 2006, and have issued our report thereon dated December 28, 2006. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

### **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 reportable 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 caused by error or fraud 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 internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

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 grant agreements, 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*.

We noted certain matters that we reported to management of the University in a separate letter dated December 28, 2006.

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

*Deloitte + Touche LLP*

December 28, 2006

## Acknowledgements

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The 2006 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

## Board of Trustees

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

Robert M. Duncan – Chair, Columbus (2007)

Karen L. Hendricks – Vice Chair, Cincinnati (2008)

Dimon R. McFerson, Powell (2009)

G. Gilbert Cloyd, Cincinnati (2009)

Jo Ann Davidson, Reynoldsburg (2010)

John D. Ong, Hudson (2010)

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Leslie H. Wexner, New Albany (2011)

Walden W. O'Dell, Columbus (2012)

Alex Shumate, Columbus (2012)

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Robert H. Schottenstein, Jefferson Township (Franklin County), (2014)

Alan W. Brass, Toledo (2014)

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Younhee P. Ha - Student Member (2007)

Christopher Alvarez-Breckenridge - Student Member (2008)

David O. Frantz, Columbus - Secretary

James L. Nichols, Columbus - Treasurer



# *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, 2006*

# THE OHIO STATE UNIVERSITY

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# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

### Federal Agency/Pass-Through Grantor

Student Financial Aid Cluster:  
U.S. Department of Education:  
Supplemental Educational Opportunity Grants  
College Workstudy Program  
Federal Direct Student Loan  
Pell Grant Program

Total U.S. Department of Education

U.S. Department of Health and Human Services—SDS Award

Total Student Financial Aid Cluster

### Research and Development Cluster—

Funds received directly from the following federal agencies:

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
Smithsonian Astrophysical Observatory	43.002	30060200	62,581
Appalachian Regional Commission	23.001	30070100	15,449
Veterans Affairs	64.30170000	30170000	1,128
Nuclear Regulatory Commission	81.30220000	30220000	686,587
Agency for International Development	98.30300100	30300100	109,269
Central Intelligence Agency	13.30350100	30350100	112,867
Institute of Museum and Library Sciences	45.30510000	30510000	144,269
Corporation for National and Community Service	94.005	31040001	98,077
Environmental Protection Agency	66.32000000	32000000	89,035
Environmental Protection Agency	66.469	32000000	3,301
Environmental Protection Agency	66.500	32000000	183,148
Environmental Protection Agency	66.509	32000000	12,021
Environmental Protection Agency	66.511	32000000	28,292
Environmental Protection Agency	66.515	32000000	6,159
Environmental Protection Agency	66.714	32000000	2,433
Environmental Protection Agency	66.716	32000000	447
National Aeronautics and Space Administration	43.002	33000000	130,575
National Aeronautics and Space Administration	43.33000000	33000000	80,683
Langley Research Center	43.33000102	33000102	(529)
Ames Research Center	43.33000103	33000103	199,289
John Glenn Research Center-Lewis Field	43.001	33000104	73,983
John Glenn Research Center-Lewis Field	43.002	33000104	3,410,120
John Glenn Research Center-Lewis Field	43.33000104	33000104	20,311
National Aeronautics and Space Administration Headquarters	43.001	33000105	69,769
National Aeronautics and Space Administration Headquarters	43.002	33000105	1,006,043
	93.925	6084209-03	288,146
			<u>28,865,909</u>

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

### Federal Agency/Pass-Through Grantor

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
National Aeronautics and Space Administration Headquarters	43.33000105	33000105	\$ 3,523
Marshall Space Flight Center	43.002	33000201	8,620
Johnson Space Center	43.002	33000202	209,236
Goddard Space Flight Center	43.001	33000301	280,026
Goddard Space Flight Center	43.002	33000301	1,920,669
Goddard Space Flight Center	43.33000301	33000301	94,135
Jet Propulsion Lab	43.002	33000303	41,396
Jet Propulsion Lab	43.33000303	33000303	256,777
NASA Dryden Flight Research Center	43.002	33000304	52,394
National Endowment for the Humanities	45.161	34000100	36,717
National Endowment for the Humanities	45.163	34000100	68,319
National Endowment for the Arts	45.024	34000200	28,668
National Science Foundation	47.014	35000000	17,330
National Science Foundation	47.041	35000000	452,539
National Science Foundation	47.049	35000000	1,665,314
National Science Foundation	47.050	35000000	552,083
National Science Foundation	47.070	35000000	620,757
National Science Foundation	47.074	35000000	1,031,044
National Science Foundation	47.075	35000000	59,159
National Science Foundation	47.076	35000000	98,897
National Science Foundation	47.078	35000000	94,564
NSF Directorate for Biological Sciences	47.074	35000100	670,329
NSF Div of Biological Instrumentation and Resources	47.074	35000101	338,399
NSF Div of Integrative Organismal Biology	47.074	35000102	958,792
NSF Div of Molecular and Cellular Biosciences	47.074	35000103	2,312,345
NSF Div of Environmental Biology	47.074	35000104	792,091
NSF Div of Biological and Neural Sciences	47.074	35000105	37,440
NSF Div of Social and Economic Sciences	47.075	35000106	282,446
NSF Div of Biological Infrastructure	47.074	35000107	154,789
NSF Div of Emerging Frontiers	47.074	35000108	19,550
NSF Directorate for Computer and Info Sciences and Eng	47.070	35000200	844,199
NSF Div of Computer and Computation Research	47.070	35000202	457,055
NSF Div of Info Robotics and Intelligent Systems	47.070	35000203	479,396
NSF Div of Advanced Scientific Computing	47.070	35000205	174,111
NSF Div of Computer and Network Systems	47.070	35000207	944,776
NSF Directorate for Engineering	47.041	35000300	422,767
NSF Directorate for Engineering	47.049	35000300	473,520
NSF Directorate for Engineering	47.070	35000300	51,311
NSF Div of Engineering, Education and Centers	47.041	35000302	2,334,493
NSF Div of Chemical and Transport Systems	47.041	35000303	617,009
NSF Div of Civil and Mechanical Structures	47.041	35000304	113,994

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
NSF Div of Electrical and Communications Systems	47.041	35000305	\$ 491,040
NSF Div of Design and Manufacturing Innovation	47.041	35000306	906,118
NSF Div of Bioengineering and Environmental Systems	47.041	35000307	443,479
NSF Div of Atmospheric Sciences	47.050	35000401	497,227
NSF Div of Earth Sciences	47.050	35000402	509,081
NSF Div of Earth Sciences	47.070	35000402	84,167
NSF Div of Earth Sciences	47.074	35000402	52,643
NSF Div of Ocean Sciences	47.050	35000403	54,158
NSF Office of Polar Programs	47.050	35000404	15,279
NSF Office of Polar Programs	47.078	35000404	2,570,562
NSF Div of Mathematical Sciences	47.049	35000501	4,471,624
NSF Div of Mathematical Sciences	47.050	35000501	24,879
NSF Div of Physics	47.049	35000502	1,569,688
NSF Div of Chemistry	47.070	35000502	131,309
NSF Div of Materials Research	47.049	35000503	2,394,406
NSF Div of Astronomical Sciences	47.049	35000504	1,468,698
NSF Div of Research Career Development	47.049	35000505	222,321
NSF Div of Research Career Development	47.050	35000604	101,112
NSF Div of Undergraduate Education	47.070	35000604	99,904
NSF Div of Undergraduate Education	47.046	35000605	85,862
NSF Div of Human Resource Development	47.076	35000605	530,406
NSF Div of Elementary, Secondary and Informal Educ	47.076	35000606	581,470
NSF Div of Graduate Educ and Res Development	47.076	35000607	105,050
NSF Div of Research, Evaluation and Communication	47.076	35000611	1,805,455
NSF Dir Social, Behavioral and Economic Sciences	47.076	35000612	252,075
NSF Div of Social, Behavioral and Economic Research	47.075	35000800	11,032
NSF Office of International Science and Eng	47.075	35000801	1,626,065
NSF Office of International Science and Eng	47.045	35000803	4,441
NSF Office of International Science and Eng	47.075	35000803	9,883
NSF Office of International Science and Eng	74.075	35000803	(795)
NSF Div of Behavioral and Cognitive Sciences	47.074	35000804	121,865
NSF Div of Behavioral and Cognitive Sciences	47.075	35000804	136,782
US Department of Agriculture	10.206	40000000	(5)
USDA Forest Service	10.206	40020000	9,338
USDA Forest Service	10.40020000	40020000	13,562
USDA Forest Service	10.652	40020000	180,220
USDA Forest Service	10.664	40020000	141,207
USDA Forest Service	10.670	40020000	5,837
USDA Forest Service	10.673	40020000	928
National Urban and Community Forestry Advisory Council	10.670	40020200	12,707
Cooperative State Research, Education, and Extension Service	10.200	40040100	3,172,247

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
Cooperative State Research, Education, and Extension Service	10.206	40040100	\$ 2,363,847
Cooperative State Research, Education, and Extension Service	10.207	40040100	26,976
Cooperative State Research, Education, and Extension Service	10.210	40040100	13,906
Cooperative State Research, Education, and Extension Service	10.217	40040100	112,626
Cooperative State Research, Education, and Extension Service	10.219	40040100	91,312
Cooperative State Research, Education, and Extension Service	10.302	40040100	321,652
Cooperative State Research, Education, and Extension Service	10.303	40040100	1,031,876
Cooperative State Research, Education, and Extension Service	10.305	40040100	33,251
Cooperative State Research, Education, and Extension Service	10.40040100	40040100	5,785
Cooperative State Research, Education, and Extension Service	10.200	40040102	83,114
Cooperative State Research, Education, and Extension Service	10.206	40040103	544,643
Cooperative State Research, Education, and Extension Service	10.302	40040104	504,414
Cooperative State Research, Education, and Extension Service	10.001	40040200	1,038,755
Cooperative State Research, Education, and Extension Service	10.40060000	40060000	(17)
Cooperative State Research, Education, and Extension Service	10.902	40060000	47,234
Cooperative State Research, Education, and Extension Service	10.025	40070000	25,857
Cooperative State Research, Education, and Extension Service	10.028	40070000	(117)
Cooperative State Research, Education, and Extension Service	10.960	40100000	33,432
Cooperative State Research, Education, and Extension Service	10.001	40120000	63
Cooperative State Research, Education, and Extension Service	10.250	40120000	49,303
Cooperative State Research, Education, and Extension Service	10.40130000	40130000	17,826
Cooperative State Research, Education, and Extension Service	10.475	40130000	33,567
Cooperative State Research, Education, and Extension Service	10.450	40180000	66,815
Cooperative State Research, Education, and Extension Service	10.771	40190000	203,706
Cooperative State Research, Education, and Extension Service	10.960	40200000	956
Cooperative State Research, Education, and Extension Service	10.961	40200000	40,127
Cooperative State Research, Education, and Extension Service	11.400	42020000	21,404
Cooperative State Research, Education, and Extension Service	11.417	42020000	1,329,742
Cooperative State Research, Education, and Extension Service	11.420	42020000	858
Cooperative State Research, Education, and Extension Service	11.460	42020000	64,442
Cooperative State Research, Education, and Extension Service	11.42020300	42020300	2,132
Cooperative State Research, Education, and Extension Service	11.42020400	42020400	10,458
Cooperative State Research, Education, and Extension Service	11.609	42040000	48,554
Cooperative State Research, Education, and Extension Service	12.420	50000000	55,013
Cooperative State Research, Education, and Extension Service	12.50000000	50000000	55,323
Cooperative State Research, Education, and Extension Service	12.50010000	50010000	64,335
Cooperative State Research, Education, and Extension Service	12.800	50010000	246,952
Cooperative State Research, Education, and Extension Service	12.800	50010100	2,849,007
Cooperative State Research, Education, and Extension Service	12.910	50010100	637
Cooperative State Research, Education, and Extension Service	12.630	50010105	2,133,404
Cooperative State Research, Education, and Extension Service	12.800	50010105	1,900,417

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
Air Force Office of Scientific Research	12.910	50010105	\$ 111
Air Force Research Laboratory	12.50010126	50010126	251,627
Air Force Research Laboratory	12.800	50010126	296,805
Wright Laboratory	12.50010800	50010800	(561)
United States Army	12.420	50020000	52,667
Army Cold Regions Research and Engineering Laboratory	12.50020103	50020103	78,532
Humphreys Engineer Center Support Activity	12.50020106	50020106	421,214
Army Tank Command	12.50020204	50020204	99,782
Army Medical Command	12.420	50020300	2,361
Army Medical Research and Materiel Command	12.420	50020301	784,603
Army Medical Research and Materiel Command	12.50020301	50020301	415,849
Army Research Office	12.300	50020400	173,038
Army Research Office	12.431	50020400	693,971
Army Research Office	12.50020400	50020400	1,575
Army Robert Morris Acquisition Center	12.431	50022400	53,201
Army Space and Missile Defense Command	12.431	50022500	7,503
Army Yuma Proving Ground	12.50022600	50022600	178,265
Army Medical Research Acquisition Activity	12.420	50022700	10,437
United States Navy	12.50040000	50040000	140,749
Naval Air Systems Command	12.50040101	50040101	132,588
Space and Naval Warfare Systems Center	12.50040110	50040110	76,681
Office of Naval Research	12.300	50040300	2,580,430
Office of Naval Research	12.50040300	50040300	3
Navy Research Lab	12.300	50040301	237,289
Naval Medical Research Center	12.50041002	50041002	(3,094)
Defense Advanced Research Projects Agency	12.420	50060000	(139,273)
Defense Advanced Research Projects Agency	12.431	50060000	93,138
Defense Advanced Research Projects Agency	12.50060000	50060000	619,650
National Geospatial-Intelligence Agency	12.630	50080000	624,959
Defense Logistics Agency	12.50130000	50130000	41,157
National Security Agency	12.50140000	50140000	557,670
National Security Agency	12.901	50140000	129,094
Uniformed Services University of the Health Sciences	12.50190000	50190000	182,247
National Reconnaissance Office	12.50200000	50200000	64,825
Strategic Environmental Research and Development Program	12.50210000	50210000	(20)
Defense Threat Reduction Agency	12.50220000	50220000	44,268
US Department of Education	84.047	53000000	223,183
US Department of Education	84.184	53000000	55,671
US Department of Education	84.305	53000000	145,907
US Department of Education	84.325	53000000	306,278
US Department of Education	84.327	53000000	25,323

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
US Department of Education	84.333	53000000	\$ 125,364
US Department of Education	84.53000000	53000000	722,198
Institute of Education Sciences	84.305	53020000	164,433
Institute of Education Sciences	84.53020000	53020000	1,668,845
Fund Improvement Postsecondary Education	84.116	53020300	170,259
Office of Elementary and Secondary Education	84.53030000	53030000	568,387
Office of Postsecondary Education	84.021	53040000	50,499
Office of Postsecondary Education	84.042	53040000	75,313
Office of Postsecondary Education	84.220	53040000	405,807
Office of Postsecondary Education	84.229	53040000	373,109
Center for International Education	84.015	53040200	1,048,824
Center for International Education	84.53040200	53040200	338,462
Office of Special Education Programs	84.324	53050100	230,795
Office of Special Education Programs	84.325	53050100	250,004
Rehabilitation Services Administration	84.129	53050200	11,452
National Institute on Disability and Rehabilitation Research	84.133	53050300	377,718
National Institute on Disability and Rehabilitation Research	84.224	53050300	225,196
National Institute on Disability and Rehabilitation Research	84.53050300	53050300	165,825
US Department of Energy	81.049	55000000	6,261,624
US Department of Energy	81.086	55000000	377,493
US Department of Energy	81.089	55000000	274,421
US Department of Energy	81.112	55000000	35,919
US Department of Energy	81.114	55000000	160,312
US Department of Energy	81.115	55000000	257,742
US Department of Energy	81.117	55000000	879
US Department of Energy	81.123	55000000	81,958
US Department of Energy	81.55000000	55000000	254,581
National Energy Technology Laboratory	81.064	55130000	255
National Energy Technology Laboratory	81.086	55130000	19,314
National Energy Technology Laboratory	81.089	55130000	372,363
National Energy Technology Laboratory	81.117	55130000	31,648
National Energy Technology Laboratory	81.55130000	55130000	36,150
US Department of Health and Human Services	93.60000000	60000000	22,585
Centers for Medicare and Medicaid Services	93.779	60020000	66,458
Public Health Service	93.137	60040000	146,930
Agency for Healthcare Research and Quality	93.226	60041200	18,114
Food and Drug Administration	93.62000000	62000000	11,400
National Institutes of Health	93.113	64000000	368,141
National Institutes of Health	93.172	64000000	138,088
National Institutes of Health	93.173	64000000	231,573
National Institutes of Health	93.213	64000000	175,756



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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
National Institutes of Health	93.394	64000000	\$ 69,775
National Institutes of Health	93.395	64000000	170,332
National Institutes of Health	93.398	64000000	30,308
National Institutes of Health	93.64000000	64000000	11,684
National Institutes of Health	93.837	64000000	41,364
National Institutes of Health	93.848	64000000	312,780
National Institutes of Health	93.849	64000000	122,017
National Institutes of Health	93.853	64000000	244,306
National Institutes of Health	93.855	64000000	153,231
National Institutes of Health	93.856	64000000	207,452
National Institutes of Health	93.859	64000000	15,957
National Cancer Institute	93.393	64000002	6,435,277
National Cancer Institute	93.394	64000002	1,660,208
National Cancer Institute	93.395	64000002	14,268,886
National Cancer Institute	93.396	64000002	7,439,301
National Cancer Institute	93.397	64000002	6,711,012
National Cancer Institute	93.398	64000002	2,337,203
National Cancer Institute	93.399	64000002	3,387,665
National Cancer Institute	93.64000002	64000002	743,921
National Cancer Institute	93.981	64000002	72,302
National Heart, Lung, and Blood Institute	93.837	64000003	22
National Heart, Lung, and Blood Institute	93.64000003	64000003	310,086
National Heart, Lung, and Blood Institute	93.837	64000003	7,351,486
National Heart, Lung, and Blood Institute	93.838	64000003	1,982,427
National Heart, Lung, and Blood Institute	93.839	64000003	453,733
National Heart, Lung, and Blood Institute	96.838	64000003	87,853
National Institute of Allergy and Infectious Diseases	93.855	64000004	4,597,082
National Institute of Allergy and Infectious Diseases	93.856	64000004	7,286,476
National Institute of Diabetes and Digestive and Kidney Diseases	93.64000005	64000005	66,742
National Institute of Diabetes and Digestive and Kidney Diseases	93.847	64000005	1,710,105
National Institute of Diabetes and Digestive and Kidney Diseases	93.848	64000005	1,365,313
National Institute of Diabetes and Digestive and Kidney Diseases	93.849	64000005	1,151,423
National Institute of Diabetes and Digestive and Kidney Diseases	93.864	64000006	459,538
National Institute of Child Health and Human Development	93.865	64000006	3,138,145
National Institute of Child Health and Human Development	93.929	64000006	165,161
National Institute of Child Health and Human Development	93.396	64000007	10,847
National Institute of General Medical Sciences	93.821	64000007	1,429,667
National Institute of General Medical Sciences	93.859	64000007	6,297,477
National Institute of General Medical Sciences	93.862	64000007	1,036,532
Nat Inst Neurological Disorders and Stroke	93.853	64000008	2,111
National Institute of Neurological Disorders and Stroke	93.853	64000008	7,210,597

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
National Institute of Neurological Disorders and Stroke	95.853	64000008	\$ 402,393
National Center for Research Resources	93.306	64000010	29,846
National Center for Research Resources	93.333	64000010	(2,222)
National Center for Research Resources	93.389	64000010	6,099,988
National Center for Research Resources	93.865	64000010	146,000
National Eye Institute	93.867	64000011	4,875,276
National Institute of Dental and Craniofacial Research	93.121	64000012	2,878,608
National Institute of Dental and Craniofacial Research	93.390	64000012	2,179
National Institute of Environmental Health Sciences	93.113	64000014	480,119
National Institute on Aging	93.866	64000015	1,783,668
John F Fogarty International Center	93.934	64000017	(417)
John F Fogarty International Center	93.989	64000017	3,559
National Institute of Nursing Research	93.361	64000018	936,798
National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.846	64000019	2,922,571
National Institute on Deafness and Other Communication Disorders	93.173	64000020	2,525,774
National Institute of Mental Health	93.242	64000021	3,863,648
National Institute of Mental Health	93.281	64000021	23,152
National Institute of Mental Health	93.282	64000021	257,098
National Institute on Drug Abuse	93.277	64000022	110,452
National Institute on Drug Abuse	93.279	64000022	2,340,701
National Institute on Alcohol Abuse and Alcoholism	93.273	64000023	489,694
National Human Genome Research Institute	93.172	64000026	64,945
National Center for Complementary and Alternative Medicine	93.213	64000027	615,262
National Institute of Biomedical Imaging and Bioengineering	93.286	64000028	2,988,502
Health Resources and Services Administration	93.191	65000000	137,018
Health Resources and Services Administration	93.358	65000000	92,832
Health Resources and Services Administration	93.359	65000000	288,441
Health Resources and Services Administration	93.884	65000000	126,186
Health Resources and Services Administration	93.887	65000000	432,914
Health Resources and Services Administration	93.888	65000000	238,167
Health Resources and Services Administration	93.896	65000000	(4,925)
Bureau of Health Professions	93.996	65000000	279,319
Bureau of Health Professions	93.884	65000001	281,795
Maternal and Child Health Bureau	93.964	65000001	10,164
Centers for Disease Control and Prevention	93.110	65000005	325,432
Centers for Disease Control and Prevention	93.136	66000000	84,033
Centers for Disease Control and Prevention	93.283	66000000	1,460,587
National Institute for Occupational Safety and Health	93.66000000	66000000	4,575
National Institute for Occupational Safety and Health	93.262	66000001	1,270,602
National Institute for Occupational Safety and Health	93.956	66000001	1,090,884
National Center for Infectious Diseases	93.283	66000003	295,920

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
Administration on Children, Youth and Families	93.632	67000100	\$ 458,901
US Department of Housing and Urban Development	14.506	70000000	11,088
US Department of Housing and Urban Development	14.512	70000000	58,714
US Department of Housing and Urban Development	14.516	70000000	100
US Department of Housing and Urban Development	14.520	70000000	5,382
US Fish and Wildlife Service	15.228	72030000	10,036
US Fish and Wildlife Service	15.608	72030000	508
US Fish and Wildlife Service	15.635	72030000	36,998
US Fish and Wildlife Service	15.637	72030000	7,045
US Fish and Wildlife Service	15.72030000	72030000	41,144
US Geological Survey	15.72040000	72040000	8,865
US Geological Survey	15.805	72040000	61,955
US Geological Survey	15.808	72040000	91,747
National Park Service	15.72070000	72070000	19,796
Office of Surface Mining Reclamation and Enforcement	15.253	72090000	30,344
National Institute of Justice	16.560	74040100	54,260
Occupational Safety and Health Administration	17.502	76020000	16,764
Bureau of Labor Statistics	17.76050000	76050000	14,216,123
Bureau of Educational and Cultural Affairs	19.405	80020100	53,948
US Department of Transportation	20.82000000	82000000	284,113
Federal Highway Administration	20.215	82010000	1,500
Federal Aviation Administration	20.108	82030000	139,703
Federal Aviation Administration	20.82030000	82030000	294,071
National Highway Traffic Safety Administration	20.82040000	82040000	526,589
Subtotal of Research and Development Cluster funds received directly from Federal Agencies			<u>240,208,133</u>

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
Research and Development Cluster—					
Pass-through from other sources:					
US Department of Defense	Lockheed Martin Corp	12.50000000	50000000	10010042	\$ 1,935
US Department of Defense	General Dynamics Corp	12.50000000	50000000	10010725	15,610
Air Force Office of Scientific Research	CeramPhysics, Inc	12.50010105	50010105	10011166	3,543
US Department of Energy	Sandia Corp	81.55000000	55000000	10011170	316,241
National Institute of Standards and Technology	Edison Welding Inst Inc	11.42040000	42040000	10011218	35,316
National Institute of Standards and Technology	Owens Corning Corp	11.42040000	42040000	10011306	90,308
Agency for International Development	Development Alternatives Inc	98.30300100	30300100	10011316	288,603
Air Force Research Laboratory	Sci Applications Intl Corp	12.50010126	50010126	10011324	(3,374)
Defense Advanced Research Projects Agency	Sci Applications Intl Corp	12.50060000	50060000	10011324	58,693
National Cancer Institute	Sci Applications Intl Corp	46.101	64000002	10011324	19
National Cancer Institute	Sci Applications Intl Corp	93.64000002	64000002	10011324	580,380
National Institute of Neurological Disorders and Stroke	Sci Applications Intl Corp	93.64000008	64000008	10011324	2,552
National Aeronautics and Space Administration	Sci Applications Intl Corp	43.33000000	33000000	10011343	8,882
Air Force Research Laboratory	EGandG Inc	12.50010126	50010126	10011383	139,616
United States Air Force	General Dynamics Advanced Info Systems	12.50010000	50010000	10011383	52,484
US Department of Defense	General Dynamics Advanced Info Systems	12.50000000	50000000	10011383	54,802
Defense Advanced Research Projects Agency	General Dynamics Advanced Info Systems	12.50000000	50000000	10011406	14,427
Air Force Research Laboratory	Alcoa Research Laboratories	12.50060000	50060000	10011471	48,197
United States Air Force	Universal Tech Corp	12.50010126	50010126	10011471	136,670
US Department of Energy	Universal Tech Corp	12.50010000	50010000	10011471	103,864
National Institute of Standards and Technology	Honeywell International Inc	81.55000000	55000000	10011512	26,564
Air Force Research Laboratory	Edison Materials Tech Ctr	11.42040000	42040000	10011518	174,366
Defense Advanced Research Projects Agency	Northrop Grumman Corp	12.800	50010126	10011657	(42)
National Reconnaissance Office	Northrop Grumman Corp	12.50060000	50060000	10011657	62,982
National Institute of Standards and Technology	Northrop Grumman Corp	12.50200000	50200000	10011657	85,949
Defense Advanced Research Projects Agency	Ford Motor Company	11.42040000	42040000	10011724	(1,760)
National Center for Complementary and Alternative Medicine	General Electric Aircraft Engines	12.50060000	50060000	10011756	363
National Institute of Neurological Disorders and Stroke	Mount Sinai Medical Center	93.64000027	64000027	10011783	1,792
Air Force Research Laboratory	Mount Sinai Medical Center	93.853	64000008	10011783	1,792
United States Army	Systran Corp	12.800	50010126	10011833	(3,015)
US Department of Defense	Systran Corp	12.50020000	50020000	10011833	10,939
Ames Research Center	Systran Corp	12.50000000	50000000	10011833	141,371
United States Navy	Raytheon Co	43.33000103	33000103	10011847	(57,877)
US Department of Defense	Raytheon Co	12.50040000	50040000	10011847	78,258
National Cancer Institute	Raytheon Co	12.50000000	50000000	10011847	4,552
USDA Agricultural Research Service	Booz Allen Hamilton Inc	93.64000002	64000002	10011980	712,248
Air Force Office of Scientific Research	Biotechnology Res and Dev Corp	10.40040200	40040200	10011994	(30)
National Institute of Standards and Technology	Physical Sciences, Inc	12.50010105	50010105	10012027	291,952
United States Air Force	Imation Corp	11.42040000	42040000	10012042	(28,163)
US Department of Defense	Harris Corp	12.800	50010000	10012071	23,614
	Harris Corp	12.50000000	50000000	10012071	23,877

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FOR THE YEAR ENDED JUNE 30, 2006**

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
Defense Advanced Research Projects Agency	Pratt and Whitney Engines	12.50060000	50060000	10012090	\$ 131,504
US Department of Energy	Bechtel Bettis, Inc	81.55000000	55000000	10012230	34,020
National Science Foundation	Horizon Res Inc	47.35000000	35000000	10012237	(17,543)
National Science Foundation Directorate for Engineering	OG Technologies, Inc	47.35000300	35000300	10012262	46,697
United States Army	EOIR Technologies	12.50020000	50020000	10012263	1,717
US Department of Agriculture	Environ Energy	10.40000000	40000000	10012272	44,072
US Department of Energy	Environ Energy	81.55000000	55000000	10012272	12,474
United States Army	Ansoft Corp	12.50020000	50020000	10012311	120,617
Army Research Office	Micro Analysis and Design	12.50020400	50020400	10012320	918,872
Defense Logistics Agency	Advanced Tech Inst	12.50130000	50130000	10012322	80,640
US Department of Defense	Advanced Tech Inst	12.50000000	50000000	10012322	43,963
US Department of Energy	Advanced Tech Inst	81.55000000	55000000	10012322	228,421
National Institutes of Health	Hybrid Plastics Inc	93.64000000	64000000	10012356	(550)
United States Army	ARINC Inc	12.50020000	50020000	10012359	76,595
United States Navy	ARINC Inc	12.50040000	50040000	10012359	18,610
US Department of Defense	High Performance Technologies Inc	12.50000000	50000000	10012364	756
United States Air Force	S and K Technologies Inc	12.50010000	50010000	10012375	31,579
US Department of Energy	Makel Engineering Inc	81.55000000	55000000	10012377	6,936
Army Research Office	Pixon LLC	12.50020400	50020400	10012394	4,906
United States Air Force	Syntonics LLC	12.50010000	50010000	10012399	47,281
United States Navy	Syntonics LLC	12.50040000	50040000	10012399	55,693
National Science Foundation Div of Design and Manufacturing Innovation	Applied Metallurgy Corp	47.35000306	35000306	10012400	(14,147)
Air Force Research Laboratory	Anteon Intl Corp	12.50010126	50010126	10012402	91,374
United States Air Force	Anteon Intl Corp	12.50010000	50010000	10012402	(26)
US Department of Energy	Supergenics LLC	81.55000000	55000000	10012405	75,091
National Cancer Institute	Westat Inc	93.64000002	64000002	10012409	3,070
United States Navy	Applied EM, INC.	12.50040000	50040000	10012411	94,637
United States Army	ESA Environ Specialists Inc	12.50020000	50020000	10012415	84,077
National Institutes of Health	Cancervax	93.64000000	64000000	10012419	17,204
United States Navy	Visualum Corp	12.50040000	50040000	10012431	83,151
US Department of Energy	Seafire Micros, Inc	81.049	55000000	10012447	56,657
National Institute of Mental Health	Passive Motion Therapeutics Inc	93.242	64000021	10012485	7,757
Air Force Research Laboratory	RNET Technologies	12.800	50010126	10012505	65,413
National Institutes of Health	Space Hardware Optimization Technology	93.64000000	64000000	10012510	7,219
Air Force Office of Scientific Research	Princeton Scientific Instruments Inc	12.50010105	50010105	10012513	143,493
National Science Foundation	Luna Innovations Inc	47.35000000	35000000	10012514	11,145
Air Force Research Laboratory	Wyle Laboratories	12.50010126	50010126	10012528	93,465
United States Air Force	Wyle Laboratories	12.50010000	50010000	10012528	57,612
Air Force Research Laboratory	MetroLaser Inc	12.50010126	50010126	10012538	185,485
Air Force Materiel Command	S12 Technologies, Inc.	12.50010100	50010100	10012543	8,146
Defense Advanced Research Projects Agency	Kaman Aerospace Corp	12.50060000	50060000	10012550	35,248
US Department of Energy	General Atomics	81.55000000	55000000	10012568	480,621

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
US Department of Energy	Kitware, Inc	81.55000000	55000000	10012569	\$ 42,078
Air Force Research Laboratory	Ball Aerospace and Technologies Corp	12.50010126	50010126	10012578	6,671
John Glenn Research Center-Lewis Field	Electron Energy Corp	43.33000104	33000104	10012579	63
Office of Naval Research	Intelligent Automation, Inc	12.50040300	50040300	10012597	46,026
US Department of Defense	Intelligent Automation, Inc	12.50000000	50000000	10012597	29,167
Defense Advanced Research Projects Agency	Boston Micromachines Corp	12.50060000	50060000	10012599	59,723
National Cancer Institute	BioReliance Corp	93.64000002	64000002	10012605	(21,610)
United States Army	VaxDesign Corp	12.50020000	50020000	10012607	267,708
Air Force Research Laboratory	ITN Energy Systems, Inc	12.50010126	50010126	10012614	57,535
Air Force Research Laboratory	SuperPower, Inc	12.50010126	50010126	10012622	21,712
US Department of Defense	Support Systems Associates, Inc	12.50000000	50000000	10012664	21,766
US Department of Defense	ATK Missile Systems Co	12.50000000	50000000	10012668	33,674
United States Air Force	Trilion Quality Systems	12.50010000	50010000	10012693	29,615
United States Air Force	Geneva Aerospace, Inc	12.50010000	50010000	10012700	34,154
National Cancer Institute	Klein Buendel, Inc	93.393	64000002	10012707	47,862
National Institutes of Health	Fisher BioServices, Inc	93.64000000	64000000	10012728	137,764
United States Navy	Sverdrup Technologies Inc	12.50040000	50040000	10020016	11,543
National Science Foundation	Bioprocessing Innovative Co Inc	47.041	35000000	10020039	738
National Science Foundation Div of Design and Manufacturing Innovation	Bioprocessing Innovative Co Inc	47.35000306	35000306	10020039	6,342
USDA Agricultural Research Service	Bioprocessing Innovative Co Inc	10.40040200	40040200	10020039	16
US Department of Energy	Faraday Tech Inc	81.55000000	55000000	10020046	(7,182)
National Institutes of Health	BIOMECH, Inc	93.64000000	64000000	10020062	83,882
Air Force Office of Scientific Research	Innovative Scientific Solutions Inc	12.50010105	50010105	10020096	48,519
Air Force Research Laboratory	Innovative Scientific Solutions Inc	12.50010126	50010126	10020096	21,105
National Aeronautics and Space Administration Headquarters	Innovative Scientific Solutions Inc	43.33000105	33000105	10020096	238
United States Air Force	Innovative Scientific Solutions Inc	12.50010000	50010000	10020096	225,264
Air Force Office of Scientific Research	Hyper Tech Res Inc	12.50010105	50010105	10020102	28,071
National Aeronautics and Space Administration Headquarters	Hyper Tech Res Inc	43.33000105	33000105	10020102	74,705
United States Air Force	Hyper Tech Res Inc	12.50010000	50010000	10020102	(143)
United States Navy	Hyper Tech Res Inc	12.50040000	50040000	10020102	26,263
US Department of Defense	Hyper Tech Res Inc	12.50000000	50000000	10020102	307
US Department of Energy	Hyper Tech Res Inc	81.55000000	55000000	10020102	145,400
US Department of Energy	Hyper Tech Res Inc	81.55000000	55000000	10020103	17,945
Air Force Research Laboratory	Global Res and Dev Inc	81.55000000	55000000	10020114	9,987
United States Army	Applied Eng Solutions LLC	81.55000000	55000000	10020137	(2,558)
National Cancer Institute	MKLets Technologies, Inc	12.800	50010126	10020150	49,447
National Institutes of Health	SOFCo-EFS Holdings LLC	12.50020000	50020000	10020170	39,329
Army Research Office	Columbus NanoWorks, Inc	93.396	64000002	10020175	3,482
National Aeronautics and Space Administration Headquarters	FutureCom Technologies, Inc	93.64000000	64000000	10030070	153,260
United States Army	BAE Systems	50020400	50020400	10030070	35,462
US Department of Energy	Pharmacia and Upjohn Inc	43.33000105	33000105	10040004	240
	Sibtech Inc	12.50020000	50020000	10040004	37,039
		81.55000000	55000000	10040112	

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
National Cancer Institute	Cancer and Leukemia Group B Fdn	93.64000002	64000002	20010031	\$ 9,657
Army Medical Research and Materiel Command	Childrens Res Inst (Columbus)	12.50020301	50020301	20010182	3,110
National Cancer Institute	Childrens Res Inst (Columbus)	93.395	64000002	20010182	63,999
National Institutes of Health	Childrens Res Inst (Columbus)	93.173	64000000	20010182	190,632
National Institutes of Health	Childrens Res Inst (Columbus)	93.865	64000000	20010182	16,406
US Department of Health and Human Services	Childrens Res Inst (Columbus)	93.60000000	60000000	20010182	4,443
National Cancer Institute	Mayo Fdn for Medical Educ and Res	93.395	64000002	20010289	250,805
National Institute of Neurological Disorders and Stroke	Mayo Fdn for Medical Educ and Res	93.853	64000008	20010289	182,141
Army Medical Research and Materiel Command	Cleveland Clinic Fdn	12.420	50020301	20010421	131,050
National Heart, Lung, and Blood Institute	Cleveland Clinic Fdn	93.837	64000003	20010421	39,641
National Institutes of Health	Cleveland Clinic Fdn	93.395	64000000	20010421	50,370
National Science Foundation	Cleveland Clinic Fdn	47.041	35000303	20010421	(7,142)
Div of Chemical and Transport Systems	NSABP Fdn Inc	93.395	64000002	20010527	2,910
National Cancer Institute	Fdn for the Children's Oncology G	93.395	64000002	20010553	129,938
National Cancer Institute	The Shodor Educ Fdn, Inc	47.076	35000000	20012131	60,124
National Science Foundation	Henry M Jackson Fdn for the Advn Mil Med	12.50190000	50190000	20012161	315,524
Uniformed Services University of the Health Sciences	Henry M Jackson Fdn for the Advn Mil Med	12.420	50020000	20012161	348,783
United States Army	Battelle Memorial Inst	12.50020204	50020204	20020012	109,468
Army Tank Command	Battelle Memorial Inst	93.66000000	66000000	20020012	38,739
Centers for Disease Control and Prevention	Battelle Memorial Inst	93.64000002	64000002	20020012	173
National Cancer Institute	Battelle Memorial Inst	81.55130000	55130000	20020012	113,397
National Energy Technology Laboratory	Battelle Memorial Inst	12.50020000	50020000	20020012	97,058
United States Army	Battelle Memorial Inst	81.55000000	55000000	20020012	98,773
US Department of Energy	Battelle Memorial Inst	93.395	64000002	20020024	64,027
National Cancer Institute	Gynecologic Oncology Group	93.838	64000003	20020041	128,538
National Heart, Lung, and Blood Institute	Am Lung Assn	93.64000002	64000002	20020058	1,362
National Cancer Institute	Res Triangle Inst	98.012	30300100	20020078	431,406
Agency for International Development	Am Cncl on Educ	98.30300100	30300100	20020078	85,924
Agency for International Development	Am Cncl on Educ	43.33000105	33000105	20020103	80,964
National Aeronautics and Space Administration Headquarters	Center for Rotorcraft Innovation	81.087	50000000	20020666	494,968
US Department of Defense	Academy for Educational Dev	47.049	35000503	20020744	71,247
National Science Foundation	Woods Hole Oceanographic Inst	93.399	64000002	20020745	(1,089)
National Cancer Institute	Cancer Therapy and Res Fdn of South Texas	43.000	33000000	20020745	92,346
National Aeronautics and Space Administration	Univ Corp for Atmospheric Res	47.35000401	35000401	20020793	221,747
National Science Foundation	Univ Corp for Atmospheric Res	81.55000000	55000000	20020793	107,938
US Department of Energy	Nat Renewable Energy Lab	43.002	33000105	20020800	14,988
National Aeronautics and Space Administration Headquarters	Universities Space Res Assoc	93.395	64000002	20020887	664
National Cancer Institute	Am Coll of Radiology	19.404	80020100	20020917	1,901
Bureau of Educational and Cultural Affairs	NAFSA: Assn of International Educators	43.002	33000000	20020989	10,609
National Aeronautics and Space Administration	Space Telescope Sci Inst	43.000	33000000	20021006	977
National Aeronautics and Space Administration	Space Telescope Sci Inst	93.283	66000000	20021006	24,819
Centers for Disease Control and Prevention	Hemophilia Fdn of Michigan	93.65000005	65000005	20021026	14,050
Maternal and Child Health Bureau	Hemophilia Fdn of Michigan				

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FOR THE YEAR ENDED JUNE 30, 2006**

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
USDA Agricultural Research Service	Great Lakes Comsn	10.802	40040200	20021027	\$ 13,975
Environmental Protection Agency	Consortium Plant Biotechnology Res Inc	66.500	32000000	20021036	55,710
US Department of Energy	Consortium Plant Biotechnology Res Inc	81.087	55000000	20021036	132,711
Air Force Research Laboratory	Ohio Aerospace Inst	12.50010126	50010126	20021048	(354)
National Aeronautics and Space Administration Headquarters	Ohio Aerospace Inst	43.001	33000105	20021048	21,549
US Department of Energy	Pacific Northwest National Laboratory	81.55000000	55000000	20021070	90,727
National Oceanic and Atmospheric Administration	Nat Fish and Wildlife Fdn	11.42020000	42020000	20021134	879
Defense Advanced Research Projects Agency	Am Museum of Natural History	12.431	50060000	20021138	118,459
National Science Foundation	Am Museum of Natural History	47.070	35000000	20021138	16,537
National Cancer Institute	Inst for Cancer Prevention	93.393	64000002	20021179	885
US Department of Agriculture	Midwest Advanced Food Manufact Alliance	10.200	40000000	20021278	16,605
US Department of Education	Educ Dev Center Inc	93.647	53000000	20021328	44,999
US Department of Education	Educ Dev Ctr Inc	84.53000000	53000000	20021328	6,426
National Institute of Child Health and Human Development	Rand Corp	93.865	64000006	20021340	208,508
National Institute of Child Health and Human Development	Rehabilitation Institute of Chicago	93.865	64000006	20021341	3,560
US Department of Education	Rehabilitation Institute of Chicago	84.53000000	53000000	20021341	44,468
Centers for Disease Control and Prevention	Assn of Schools of Public Health	93.283	66000000	20021358	293,887
National Institute of Child Health and Human Development	Moss Rehabilitation Res Inst	93.929	64000006	20021363	24,629
National Heart, Lung, and Blood Institute	Nat Jewish Medical Ctr	93.64000003	64000003	20021369	(2,610)
National Institute of Standards and Technology	Dayton Area Graduate Studies Inst	11.42040000	42040000	20021372	(1,560)
United States Air Force	Dayton Area Graduate Studies Inst	12.50010000	50010000	20021372	9,657
US Department of Education	Nat Writing Project Corp	84.53000000	53000000	20021378	98,293
National Eye Institute	Jaeb Ctr for Health Res	93.867	64000011	20021387	2,481
Army Medical Research and Materiel Command	House Ear Inst	12.420	50020301	20021422	3,516
US Department of Energy	Gas Tech Inst	81.55000000	55000000	20021447	39,622
US Department of Defense	Concurrent Technologies Corp	12.50000000	50000000	20021460	96,387
US Department of Energy	Universities Res Assn Inc	81.55000000	55000000	20021485	210,976
US Department of Energy	UT-Battelle LLC	81.55000000	55000000	20021486	86,331
National Cancer Institute	Rhode Island Hosp	93.399	64000002	20021502	50,803
National Institute of Diabetes and Digestive and Kidney Diseases	Rhode Island Hosp	93.64000005	64000005	20021502	15,411
National Institute of Child Health and Human Development	Health RES, Inc	93.929	64000006	20021512	31,579
National Science Foundation	Am Distance Educ Consr	47.080	35000000	20021544	6,118
Agency for International Development	Intl Center for Tropical AG	98.30300100	30300100	20021554	44,539
National Institute on Disability and Rehabilitation Research	Institute for Rehabilitation and Research	84.224	53050300	20021559	88,200
US Department of Justice	American Statistical Association	16.734	74000000	20021578	51,529
US Department of Defense	Wright Brothers Inst, Inc	12.50000000	50000000	20021585	88,954
National Cancer Institute	Massachusetts General Hospital	93.395	64000002	20021587	408,730
National Institutes of Health	Massachusetts General Hospital	93.226	64000000	20021587	2,360
Environmental Protection Agency	Midwest Technology Assistance Center	66.32000000	32000000	20021592	8,838
National Institute of Neurological Disorders and Stroke	Summa Health System	93.853	64000008	20021593	11,527
National Science Foundation	Joint Oceanographic Institutions	47.050	35000000	20021599	9,542
US Department of Health and Human Services	The Burke Medical Research Institute	93.60000000	60000000	20021601	74,005



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Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
National Institute of Allergy and Infectious Diseases	Sidney Kimmel Cancer Center	93.856	64000004	20021604	\$ 52,953
National Institute of Arthritis and Musculoskeletal and Skin Diseases	California Pacific Medical Center	93.846	64000019	20021610	26,029
US Department of Energy	Brookhaven Sci Assoc, LLC	81.55000000	55000000	20021624	45,322
National Institute of Diabetes and Digestive and Kidney Diseases	St Joseph's Hospital and Medical Center	93.849	64000005	20021650	989
Air Force Office of Scientific Research	Advanced Virtual Engine Test Cell, Inc	12.800	50010105	20021654	306,367
Federal Mediation and Conciliation Service	Columbus Area Labor-Management Committee	34.002	30390000	20021667	394
Army Research Office	Massachusetts Inst Tech	12.431	50020400	22000001	92,827
National Science Foundation	Massachusetts Inst Tech	47.070	35000000	22000001	1,495
National Science Foundation	Massachusetts Inst Tech	47.074	35000000	22000001	1,648
Office of Naval Research	Massachusetts Inst Tech	12.300	50040300	22000001	56,280
Cooperative State Research, Education, and Extension Service	Purdue Univ	10.40040100	40040100	22000002	4,905
Cooperative State Research, Education, and Extension Service	Purdue Univ	10.500	40040100	22000002	9,972
National Aeronautics and Space Administration	Purdue Univ	43.002	33000000	22000002	10,000
National Cancer Institute	Purdue Univ	93.399	64000002	22000002	258,854
National Institutes of Health	Purdue Univ	93.173	64000000	22000002	255,256
US Department of Agriculture	Purdue Univ	10.200	40000000	22000002	(123)
US Department of Agriculture	Purdue Univ	10.206	40000000	22000002	149,817
Cooperative State Research, Education, and Extension Service	Rutgers Univ	10.206	40040100	22000003	781
National Cancer Institute	Rutgers Univ	93.399	64000002	22000003	38,007
United States Election Assistance Commission	Rutgers Univ	90.30540000	30540000	22000003	103,647
US Department of Agriculture	Rutgers Univ	10.200	40000000	22000003	13,034
National Institutes of Health	Rutgers Univ	93.853	64000000	22000004	27,477
Nat Oceanic and Atmospheric Admin	Univ of Michigan and Dentistry of New Jersey	11.417	42020000	22000005	229
National Aeronautics and Space Administration	Univ of Michigan	43.002	33000000	22000005	115,344
National Cancer Institute	Univ of Michigan	93.396	64000002	22000005	8,964
National Oceanic and Atmospheric Administration	Univ of Michigan	11.432	42020000	22000005	40,208
National Science Foundation Dir- Social, Behavioral and Economic Sciences	Univ of Michigan	47.075	35000800	22000005	40,676
Office of Naval Research	Univ of Michigan	12.300	50040300	22000005	88,143
US Department of Energy	Univ of Michigan	81.049	55000000	22000005	(238)
Cooperative State Research, Education, and Extension Service	Univ of Wisconsin	10.303	40040100	22000006	70,960
Office of Postsecondary Education	Univ of Wisconsin	84.53040000	53040000	22000006	4,800
US Department of Agriculture	Univ of Wisconsin	10.303	40000000	22000006	30,708
Agency for International Development	Univ of Illinois	98.30300100	30300100	22000009	59,111
Air Force Office of Scientific Research	Univ of Illinois	12.190	50010105	22000009	144,462
National Eye Institute	Univ of Illinois	93.867	64000011	22000009	22,108
National Institute for Occupational Safety and Health	Univ of Illinois	93.262	66000001	22000009	25,221
National Institutes of Health	Univ of Illinois	93.859	64000000	22000009	22,745
National Library of Medicine	Univ of Illinois	93.879	64000009	22000009	11,885
National Science Foundation	Univ of Illinois	47.070	35000000	22000009	(38)
National Science Foundation Div of Chemical and Transport Systems	Univ of Illinois	47.35000303	350000303	22000009	811
US Department of Agriculture	Univ of Illinois	10.200	40000000	22000009	107,181
US Department of Energy	Univ of Illinois	81.086	55000000	22000009	49,163

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
Army Medical Research and Materiel Command	Univ of Tennessee	12.420	50020301	22000010	\$ 1,995
Cooperative State Research, Education, and Extension Service	Univ of Tennessee	10.206	40040100	22000010	19,736
National Institutes of Health	Univ of Tennessee	93.395	64000000	22000010	23,875
National Institutes of Health	Univ of Tennessee	93.64000000	64000000	22000010	117,476
National Science Foundation	Univ of California	47.049	35000000	22000011	53,090
National Science Foundation Div of Undergraduate Education	Univ of California	47.076	35000605	22000011	53,495
Office of Naval Research	Univ of California	12.300	50040300	22000011	33,575
Office of Naval Research	Univ of California	12.800	50040300	22000011	73,739
US Department of Energy	Univ of California	81.121	55000000	22000011	75,773
US Department of Energy	Univ of California	81.55000000	55000000	22000011	58,012
National Cancer Institute	Indiana Univ	93.396	64000002	22000012	14,832
National Institute of Diabetes and Digestive and Kidney Diseases	Indiana Univ	93.847	64000005	22000012	6,548
US Department of Energy	Indiana Univ	81.049	55000000	22000012	240,910
National Science Foundation	Univ of California-Davis	47.070	35000000	22000013	10,934
US Department of Agriculture	Univ of California-Davis	10.206	40000000	22000013	22,613
Institute of Education Sciences	Univ of Chicago	84.305	53020000	22000018	98,960
National Cancer Institute	Univ of Chicago	93.394	64000002	22000018	288,285
National Cancer Institute	Univ of Chicago	93.395	64000002	22000018	744,351
National Cancer Institute	Univ of Chicago	93.399	64000002	22000018	248,252
National Cancer Institute	Univ of Chicago	93.64000002	64000002	22000018	27,487
National Institute of Allergy and Infectious Diseases	Univ of Chicago	93.856	64000004	22000018	123,843
National Institutes of Health	Univ of Chicago	93.395	64000000	22000018	60,312
National Institutes of Health	Univ of Chicago	93.399	64000000	22000018	422
National Science Foundation	Univ of Chicago	47.35000000	35000000	22000018	38,500
Cooperative State Research, Education, and Extension Service	George Mason Univ	10.40040100	40040100	22000019	48
Agency for International Development	Virginia Polytechnic Inst	98.001	30300100	22000023	170,791
Agency for International Development	Virginia Polytechnic Inst	98.30300100	30300100	22000023	110,920
National Institute of Arthritis and Musculoskeletal and Skin Diseases	Virginia Polytechnic Inst	93.846	64000019	22000023	83,864
National Science Foundation Div of Biological Instrumentation and Resources	Virginia Polytechnic Inst	47.074	35000101	22000023	110,436
National Heart, Lung, and Blood Institute	George Washington Univ	93.64000003	64000003	22000025	4,309
National Human Genome Research Institute	Pennsylvania State Univ	93.172	64000026	22000030	77,451
National Institute of Allergy and Infectious Diseases	Pennsylvania State Univ	93.856	64000004	22000030	50,254
Office of Naval Research	Pennsylvania State Univ	12.300	50040300	22000030	74,866
US Department of Energy	Pennsylvania State Univ	81.114	55000000	22000030	128,022
US Department of Energy	West Virginia Univ	81.55000000	55000000	22000032	29,760
National Cancer Institute	Wayne State Univ	93.64000002	64000002	22000034	106,254
Agency for Healthcare Research and Quality	Univ of Pittsburgh	93.60041200	60041200	22000036	(8,514)
Centers for Disease Control and Prevention	Univ of Pittsburgh	93.66000000	66000000	22000036	26,754
Health Resources and Services Administration	Univ of Pittsburgh	93.249	65000000	22000036	28,723
National Institutes of Health	Univ of Pittsburgh	93.837	64000000	22000036	616
National Oceanic and Atmospheric Administration	Univ of Alaska	11.432	42020000	22000037	69,468
National Institute of Arthritis and Musculoskeletal and Skin Diseases	Northwestern University	93.846	64000019	22000041	24,128

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
National Science Foundation Div of Research, Evaluation and Communication	Northwestern University	47.601	35000612	22000041	\$ 15,173
Cooperative State Research, Education, and Extension Service	Michigan State Univ	10.200	40040100	22000044	446
Cooperative State Research, Education, and Extension Service	Michigan State Univ	10.206	40040100	22000044	13,611
Cooperative State Research, Education, and Extension Service	Michigan State Univ	10.303	40040100	22000044	16,896
Cooperative State Research, Education, and Extension Service	Michigan State Univ	10.304	40040100	22000044	46,040
National Science Foundation Div of Biological Instrumentation and Resources	Michigan State Univ	47.074	35000101	22000044	226,680
US Department of Agriculture	Michigan State Univ	10.200	40000000	22000044	25
US Department of Agriculture	Michigan State Univ	10.206	40000000	22000044	25,338
US Department of Agriculture	Michigan State Univ	10.303	40000000	22000044	12,488
US Department of Agriculture	Michigan State Univ	10.771	40000000	22000044	72,122
USDA Agricultural Research Service	Michigan State Univ	10.303	40040200	22000044	(19,960)
Cooperative State Research, Education, and Extension Service	Iowa State Univ	10.200	40040100	22000047	11,687
US Department of Agriculture	Iowa State Univ	10.206	40000000	22000047	33,216
US Department of Agriculture	Iowa State Univ	10.224	40000000	22000047	15,248
USDA Agricultural Research Service	Iowa State Univ	10.200	40040200	22000047	31,022
Cooperative State Research, Education, and Extension Service	Univ of Maine at Orono	10.200	40040100	22000048	7,648
National Oceanic and Atmospheric Administration	Univ of Maine at Orono	10.200	42020000	22000048	6,678
National Science Foundation Directorate for Biological Sciences	Miami Univ	47.074	35000100	22000049	30
National Science Foundation Div of Integrative Organismal Biology	Miami Univ	47.074	35000102	22000049	54,067
USDA Agricultural Research Service	Miami Univ	10.206	40040200	22000049	7,698
United States Air Force	Carnegie-Mellon Univ	12.50010000	50010000	22000051	40,058
National Science Foundation	Texas A and M Univ	47.049	35000000	22000053	27,450
National Science Foundation Office of Polar Programs	Texas A and M Univ	47.078	35000404	22000053	(5)
Jet Propulsion Lab	California Inst of Tech	43.002	33000303	22000054	47,747
Jet Propulsion Lab	California Inst of Tech	43.33000303	33000303	22000054	126,205
Office of Naval Research	California Inst of Tech	12.300	50040300	22000054	(59,776)
Cooperative State Research, Education, and Extension Service	Southern Illinois Univ	10.200	40040100	22000055	31,783
National Cancer Institute	Univ of New Mexico	93.846	64000002	22000056	26,324
National Institute of Dental and Craniofacial Research	Univ of New Mexico	93.121	64000012	22000056	42,091
National Institute on Alcohol Abuse and Alcoholism	Univ of New Mexico	93.279	64000023	22000056	102,011
US Department of Agriculture	Kansas State Univ	10.200	40000000	22000062	53,553
Cooperative State Research, Education, and Extension Service	Univ of Minnesota	10.303	40040100	22000067	20,652
National Institute of Allergy and Infectious Diseases	Univ of Minnesota	93.856	64000004	22000067	35,673
National Institute of Diabetes and Digestive and Kidney Diseases	Univ of Minnesota	93.849	64000005	22000067	59
National Institute of Neurological Disorders and Stroke	Univ of Minnesota	93.853	64000008	22000067	8,527
National Science Foundation	Univ of Minnesota	47.041	35000000	22000067	706
National Science Foundation	Univ of Minnesota	47.070	35000000	22000067	72,539
Office of Vocational and Adult Education Programs	Univ of Minnesota	84.051	53060000	22000067	30,194
National Institute of General Medical Sciences	Univ of Missouri	93.859	64000007	22000073	37,670
National Science Foundation Div of Integrative Organismal Biology	Univ of Missouri	47.074	35000102	22000073	61,634
National Science Foundation Div of Integrative Organismal Biology	Univ of Cincinnati	47.074	35000102	22000074	22,629
National Science Foundation Div of Materials Research	Univ of Connecticut	47.35000504	35000504	22000076	11,829

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
Office of Naval Research	Univ of Connecticut	12.300	50040300	22000076	\$ 85,853
US Department of Energy	Univ of Connecticut	81.089	55000000	22000076	98,181
Agency for International Development	Cornell Univ	19.000	30300100	22000081	194
Cooperative State Research, Education, and Extension Service	Cornell Univ	10.200	40040100	22000081	15,609
Cooperative State Research, Education, and Extension Service	Cornell Univ	10.303	40040100	22000081	(119)
National Endowment for the Humanities	Cornell Univ	45.146	34000100	22000081	86,528
US Department of Agriculture	Cornell Univ	10.200	40000000	22000081	6,154
Agency for International Development	Univ of Nebraska	98.30300100	30300100	22000085	71,983
Cooperative State Research, Education, and Extension Service	Univ of Nebraska	10.200	40040100	22000085	178,912
National Science Foundation Office of Polar Programs	Univ of Nebraska	47.078	35000404	22000085	164,685
US Department of Agriculture	Univ of Nebraska	10.200	40000000	22000085	2,557
US Department of Agriculture	Univ of Nebraska	10.40000000	40000000	22000085	23,678
US Department of Defense	Wright State Univ	12.800	50000000	22000087	(288)
US Department of Education	Wright State Univ	84.53000000	53000000	22000087	96,503
National Institute of Allergy and Infectious Diseases	Yale Univ	93.64000004	64000004	22000088	(2,857)
Army Corps of Engineers	Louisiana State Univ	12.50020100	50020100	22000091	168
National Cancer Institute	Duke Univ	93.935	64000002	22000094	11,414
National Heart, Lung, and Blood Institute	Duke Univ	93.64000003	64000003	22000094	67,229
National Heart, Lung, and Blood Institute	Duke Univ	93.837	64000003	22000094	2,058
National Institute of Mental Health	Duke Univ	93.837	64000003	22000094	25,327
National Science Foundation Div of Atmospheric Sciences	Duke Univ	93.64000021	64000021	22000094	49,809
Agency for International Development	Washington State Univ	47.050	35000401	22000096	80,346
National Heart, Lung, and Blood Institute	Oregon State Univ	10.965	30300100	22000103	88,497
National Heart, Lung, and Blood Institute	Univ of Florida	93.837	64000003	22000108	1,044
National Institutes of Health	Univ of Florida	93.853	64000000	22000108	86,792
US Department of Energy	Arizona State Univ	81.087	55000000	22000109	911
Cooperative State Research, Education, and Extension Service	Colorado State Univ	10.200	40040100	22000110	6,223
Cooperative State Research, Education, and Extension Service	Colorado State Univ	10.303	40040100	22000110	229,646
National Science Foundation	Central State University	47.070	35000000	22000111	145,339
US Department of Defense	New Mexico Institute of Mining and Tech	12.50000000	50000000	22000114	35,186
National Institute of Neurological Disorders and Stroke	Loyola Univ of Chicago	93.854	64000008	22000115	202,854
Cooperative State Research, Education, and Extension Service	Univ of Maryland	10.206	40040100	22000120	147,443
National Cancer Institute	Univ of Maryland	93.399	64000002	22000120	97,832
National Science Foundation	Univ of Maryland	47.074	35000000	22000120	76,143
US Department of Defense	Univ of Maryland	12.50000000	50000000	22000120	1,654
US Dept of Agriculture Extension Service	Univ of Maryland	10.206	40140000	22000120	8,051
Office of Special Education Programs	Univ of Maryland	84.326	53050100	22000123	57,616
National Science Foundation Div of Integrative Organismal Biology	Univ of South Florida	47.074	35000102	22000128	7,151
Army Medical Research Acquisition Activity	Denison Univ	12.420	50022700	22000130	31
Federal Aviation Administration	Ohio University	20.82030000	82030000	22000130	44,716
National Institute of Child Health and Human Development	Ohio University	93.865	64000006	22000130	34,241
National Institute on Drug Abuse	Ohio University	93.279	64000022	22000130	17,193
National Science Foundation	Ohio University	47.074	35000000	22000130	

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
US Department of Education	Ohio University	84.002	53000000	22000130	\$ 130
National Aeronautics and Space Administration	Johns Hopkins Univ	43.33000000	33000000	22000133	1,162
National Heart, Lung, and Blood Institute	Johns Hopkins Univ	93.837	64000003	22000133	109,088
National Institutes of Health	Johns Hopkins Univ	93.242	64000000	22000133	11,585
Cooperative State Research, Education, and Extension Service	North Carolina State Univ	10.206	40040100	22000136	96,715
National Science Foundation Div of Biological Instrumentation and Resources	North Carolina State Univ	47.074	35000101	22000136	21,392
National Science Foundation Div of Materials Research	North Carolina State Univ	47.049	35000504	22000136	97,238
US Department of Agriculture	North Carolina State Univ	10.303	40000000	22000136	13,562
Environmental Protection Agency	Univ of Delaware	66.500	32000000	22000138	340
National Science Foundation Div of Biological Instrumentation and Resources	Univ of Delaware	47.074	35000101	22000138	180,432
National Institutes of Health	Stanford Univ	93.865	64000000	22000142	50,285
United States Army	Stanford Univ	12.431	50020000	22000142	109,670
Cooperative State Research, Education, and Extension Service	Univ of Kentucky	10.200	40040100	22000143	2,324
National Cancer Institute	Univ of Kentucky	93.399	64000002	22000143	27,048
National Science Foundation	Univ of Kentucky	47.070	35000000	22000143	136,925
National Cancer Institute	Univ of North Carolina	93.393	64000002	22000146	13,446
National Cancer Institute	Univ of North Carolina	93.399	64000002	22000146	179
National Heart, Lung, and Blood Institute	Univ of North Carolina	93.837	64000003	22000146	26,774
National Institute of Allergy and Infectious Diseases	Univ of North Carolina	93.855	64000004	22000146	134,153
National Cancer Institute	Univ of North Carolina	93.393	64000002	22000169	159,138
National Science Foundation Div of Info Robotics and Intelligent Systems	Harvard Univ	47.070	35000203	22000189	107,149
National Institute of Neurological Disorders and Stroke	Georgia Inst of Tech	93.853	64000008	22000193	40
United States Army	Univ of Rochester	12.420	50020000	22000193	2,758
US Department of Energy	Univ of Rochester	81.55000000	55000000	22000193	110,288
National Eye Institute	Univ of Pennsylvania	93.867	64000011	22000195	34,349
National Science Foundation	Univ of Pennsylvania	47.35000000	35000000	22000195	3,420
Cooperative State Research, Education, and Extension Service	Mississippi State Univ	10.206	40040100	22000196	64,498
Cooperative State Research, Education, and Extension Service	Mississippi State Univ	10.500	40040100	22000196	5,528
US Department of Defense	Mississippi State Univ	12.50000000	50000000	22000196	2,971,548
Air Force Office of Scientific Research	Univ of Virginia	12.630	50010105	22000203	73,705
National Cancer Institute	Univ of Southern California	93.393	64000002	22000206	(4,388)
National Institute of Child Health and Human Development	Univ of Alabama at Birmingham	93.865	64000006	22000207	47,167
National Institute of General Medical Sciences	Univ of Alabama at Birmingham	93.859	64000007	22000207	241,762
National Science Foundation Div of Computer and Computation Research	Univ of Alabama at Birmingham	47.35000202	35000202	22000207	20,502
National Cancer Institute	Washington Univ	93.64000002	64000002	22000209	150,199
National Eye Institute	Washington Univ	93.867	64000011	22000209	4,358
National Institute on Deafness and Other Communication Disorders	Washington Univ	93.64000020	64000020	22000209	17,661
National Cancer Institute	Medical University of Ohio	93.64000002	64000002	22000210	162,925
National Institute of Child Health and Human Development	Univ of Washington	93.846	64000006	22000212	281,420
National Institute on Drug Abuse	Univ of Washington	93.64000022	64000022	22000212	28,069
National Institutes of Health	Univ of Washington	93.279	64000000	22000212	9,011
National Science Foundation	Univ of Washington	47.041	35000000	22000212	8,113

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
National Science Foundation	Univ of Kansas	47.078	35000000	22000219	\$ 221,432
US Department of Agriculture	Univ of Vermont	10.217	40000000	22000224	5,239
United States Air Force	Mass Inst Technology-Lincoln Lab	12.50010000	50010000	22000228	263,449
Health Resources and Services Administration	Case Western Reserve Univ	93.211	65000000	22000238	99,203
National Heart, Lung, and Blood Institute	Case Western Reserve Univ	93.64000003	64000003	22000238	512,586
US Department of Agriculture	Case Western Reserve Univ	10.206	40000000	22000238	13,060
US Department of Energy	Case Western Reserve Univ	81.000	55000000	22000238	339,865
Cooperative State Research, Education, and Extension Service	Univ of Arkansas	10.206	40040100	22000239	51,673
National Institute on Aging	Univ of Arkansas	93.856	64000015	22000239	239,729
National Institute of General Medical Sciences	Univ of South Carolina	93.821	64000007	22000241	4,021
National Institute of Child Health and Human Development	Eastern Virginia Medical School	93.64000006	64000006	22000243	53,489
John Glenn Research Center-Lewis Field	Georgia Tech Res Inst	43.001	33000104	22000245	467,392
National Aeronautics and Space Administration	Georgia Tech Res Inst	43.000	33000000	22000245	26,407
US Department of Education	Oregon Health Sciences University	84.133	53000000	22000252	5,151
US Department of Agriculture	North Dakota State University	10.200	40000000	22000262	8,927
Air Force Office of Scientific Research	North Dakota State Univ	12.630	50010105	22000263	83,986
Air Force Office of Scientific Research	North Dakota State Univ	12.800	50010105	22000263	76,232
National Science Foundation Directorate for Computer and Info Sciences and E	Auburn University	47.070	35000200	22000266	28,053
National Institute of Diabetes and Digestive and Kidney Diseases	Univ of California at Los Angeles	93.848	64000005	22000269	230,984
National Science Foundation	Univ of California at Los Angeles	47.049	35000000	22000269	200,513
National Science Foundation	Inst for Advanced Study	47.049	35000000	22000273	39,000
Cooperative State Research, Education, and Extension Service	Univ of Massachusetts - Amherst	10.303	40040100	22000274	(2,276)
Environmental Protection Agency	Univ of Massachusetts - Amherst	66.32000000	32000000	22000274	9,002
National Heart, Lung, and Blood Institute	Wake Forest Univ	93.000	64000003	22000286	198,799
National Institute of Child Health and Human Development	Wake Forest Univ	93.929	64000006	22000286	(14,844)
National Institute on Aging	Wake Forest Univ	93.640000015	64000015	22000286	19,726
National Cancer Institute	Wake Forest Univ	93.640000002	64000002	22000288	8,565
National Institute of Neurological Disorders and Stroke	Univ of California at San Diego	93.853	64000008	22000288	12,577
National Institute on Aging	Univ of California at San Diego	93.866	64000015	22000288	1,014
National Science Foundation Div of Computer and Computation Research	Univ of California at San Diego	47.35000202	35000202	22000288	30,393
National Institute of Child Health and Human Development	Emory Univ	93.929	64000006	22000295	1,030
National Heart, Lung, and Blood Institute	Univ of Louisville	93.837	64000003	22000299	59,612
National Aeronautics and Space Administration Headquarters	Univ of Alabama at Tuscaloosa	43.022	33000105	22000305	21,401
Defense Advanced Research Projects Agency	Oklahoma State University	12.910	50060000	22000313	358
National Institutes of Health	Univ of Texas Southwestern Med Ctr	93.853	64000000	22000316	(9,186)
National Institute of Arthritis and Musculoskeletal and Skin Diseases	Univ of California San Francisco	93.846	64000019	22000317	12,320
National Institute of General Medical Sciences	Univ of California San Francisco	93.859	64000007	22000317	91,793
US Department of Education	Pennsylvania Coll of Optometry	84.325	53000000	22000322	27,268
National Institutes of Health	University of Memphis	93.121	64000000	22000325	16,824
National Institute of Child Health and Human Development	Univ of Texas Medical Branch at Galvestn	93.389	64000010	22000327	19,280
National Center for Research Resources	Univ of Texas Health Science Center	93.853	64000008	22000330	9,784
National Institute of Neurological Disorders and Stroke	Yeshiva Univ	93.640000000	64000000	22000331	14,240

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
US Department of Labor	Univ of Baltimore	17.76000000	76000000	22000347	\$ 73,411
National Institute of Allergy and Infectious Diseases	The Univ of Texas at San Antonio	93.856	64000004	22000348	51,882
National Institutes of Health	The Univ of Texas at San Antonio	93.856	64000000	22000348	102,025
US Department of Agriculture	Universidad Del Este	10.40000000	40000000	22010015	6,368
National Cancer Institute	Thomas Jefferson Univ	93.396	64000002	22010026	343,792
US Department of Energy	Thomas Jefferson Univ	81.049	55000000	22010026	35,469
National Institute of Allergy and Infectious Diseases	Mount Sinai Sch of Medicine	93.64000004	64000004	22010031	14,296
US Department of Energy	South Carolina State Univ	81.114	55000000	22010036	112,105
National Science Foundation	Harrisburg Univ	47.076	35000000	22010040	2,857
Office of Elementary and Secondary Education	Colis Pub Schools	84.53030000	53000000	24000022	(742)
US Department of Education	Colis Pub Schools	84.215	53000000	24000022	402
US Department of Education	Colis Pub Schools	84.336	53000000	24000022	130,240
US Department of Education	Florida Department of Education	84.53000000	53000000	24000215	30,020
US Department of Education	Livingston Educational Service Agency	84.027	53000000	24000465	175,987
US Department of Education	Livingston Educational Service Agency	84.53000000	53000000	24000465	98,328
Environmental Protection Agency	Miami Conservancy District	66.439	32000000	24000476	9,788
Centers for Disease Control and Prevention	Cleveland Department of Public Health	93.945	66000000	24000482	60,488
National Aeronautics and Space Administration	Lorain County Joint Vocational Sch	43.33000000	33000000	24000487	17,748
US Department of Labor	OH Gov Cncl On People with Disabilities	17.76000000	76000000	26000002	2,000
Federal Highway Administration	OH Dept of Transportation	20.205	82010000	26010000	196,026
US Department of Transportation	OH Dept of Transportation	84.133	82000000	26010000	89,356
Health Resources and Services Administration	OH Board of Regents	93.211	65000000	26060000	69,516
Office of Elementary and Secondary Education	OH Board of Regents	84.367	53030000	26060000	152,661
Office of Postsecondary Education	OH Board of Regents	84.53040000	53040000	26060000	91,511
US Department of Education	OH Board of Regents	84.215	53000000	26060000	23,385
US Department of Education	OH Board of Regents	84.367	53000000	26060000	319
US Department of Education	OH Board of Regents	84.53000000	53000000	26060000	214,977
Administration on Children, Youth and Families	OH Dept of Education	93.600	67000100	26080000	13,405
Office of Elementary and Secondary Education	OH Dept of Education	84.367	53030000	26080000	(11,296)
Office of Vocational and Adult Education Programs	OH Dept of Education	84.53060000	53060000	26080000	40,844
US Department of Education	OH Dept of Education	84.048	53000000	26080000	129,658
US Department of Education	OH Dept of Education	84.367	53000000	26080000	89,438
US Department of Education	OH Dept of Education	84.53000000	53000000	26080000	654,094
Office of Vocational and Adult Education Programs	OH Div of Career Technical and Adult Ed	84.002	53060000	26080100	(175)
Office of Vocational and Adult Education Programs	OH Div of Career Technical and Adult Ed	84.048	53060000	26080100	10,275
US Department of Education	OH Div of Career Technical and Adult Ed	84.002	53000000	26080100	226,321
US Department of Education	OH Div of Career Technical and Adult Ed	84.048	53000000	26080100	927,253
US Department of Education	OH Div of Career Technical and Adult Ed	84.243	53000000	26080100	1,196
US Department of Education	OH Div of Career Technical and Adult Ed	84.53000000	53000000	26080100	5,467
US Department of Education	OH Office of Exceptional Children	84.027	53000000	26080300	813,778
US Department of Health and Human Services	OH Div Early Childhood Educ	93.600	60000000	26080800	4,673
US Department of Health and Human Services	OH Div Early Childhood Educ	93.60000000	60000000	26080800	507

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
Centers for Disease Control and Prevention	OH Dept of Health	93.283	66000000	26090000	\$ 61,569
US Fish and Wildlife Service	OH Division of Wildlife	15.605	72030000	26110100	1,280,740
US Fish and Wildlife Service	OH Division of Wildlife	15.611	72030000	26110100	24,887
US Fish and Wildlife Service	OH Division of Wildlife	15.647	72030000	26110100	16,232
US Department of Education	OH Rehabilitation Services Commission	84.126	53000000	26120000	1,499
US Department of Justice	Office of Criminal Justice Services	16.579	74000000	26140401	51,008
Environmental Protection Agency	OH Environ Protection Agency	66.32000000	32000000	26340000	(1,639)
Environmental Protection Agency	OH Environ Protection Agency	66.460	32000000	26340000	267,722
Administration for Children and Families	OH Dept of Job and Family Services	93.575	67000000	26630000	22,966
US Department of Labor	OH Dept of Job and Family Services	17.267	76000000	26630000	183,221
National Aeronautics and Space Administration Headquarters	Jet Propulsion Lab	43.002	33000105	33000303	115,148
Cooperative State Research, Education, and Extension Service	Animal and Plant Health Inspection Service	10.025	40040100	40070000	32,839
US Department of Energy	Los Alamos National Laboratory	81.55000000	55000000	55050000	35,384
US Department of Energy	Oak Ridge National Laboratory	81.55000000	55000000	55110000	122,573
US Department of State	Bureau of Educational and Cultural Affairs	19.406	80000000	80020100	29,329
Subtotal pass-through from other sources					<u>41,193,744</u>
Total Research and Development Cluster					<u>281,401,877</u>



# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency Sponsor	CFDA No.	Sponsor ID	Expenditures
Other Programs:			
Funds Received Directly From the Following Federal Agencies:			
USDA—Cooperative Support Agreement	10.000		\$ 26,018
USDA—Agricultural Marketing Service	10.155		(5,757)
USDA—Grants For Agric Rsrch, Spec Rsrch Grants	10.200		158,441
USDA—Cooperative Forestry Research	10.202		295,004
USDA—Payments to Agricultural Experiment Stations Under the Hatch Act	10.203		5,436,396
USDA—Animal Health and Disease Research	10.207		58,779
USDA—Education and Human Resources	10.303		2,296
USDA—Technical Assistance to Cooperatives	10.305		(4,000)
USDA—Cooperative Extension Service	10.500		12,041,407
USDA—Child and Adult Care Food Program	10.558		82,690
USDA—Forestry Research	10.652		786
DC—Public Telecommunications Facilities	11.550		301,786
HUD—Community Development Block Grant	14.246		559,341
USDA—Integrated Programs	47.076		(1,448)
VA—Veteran's Outpatient Care	64.011		3,929
DOE—Miscellaneous Federal Assistance Actions (The Ohio Supercomputer Center)	81.502		4,100,639
USDE—Javits Fellowships	84.170		36,709
USDE—Fund for the Improvement of Education	84.215		722,027
USDE—Child Care Means Prnts in School	84.335		182,046
DHHS—Temporary Assistance for Needy Families	93.558		101,708
DHHS—Head Start	93.600		3,974
DHHS—Social Services Block Grant	93.667		354,493
DHHS—Specially Selected Health Projects	93.888		981,234
USDE—Faculty Research Abroad	84.019A		8,432
USDE—Trio: Student Support Services	84.042A		(22,920)
USDE—Hurricane Education Recovery	84.938E		49,349
Goddard Space Flight Center	43.001	33000301	(3,535)
NSF Div of Elementary, Secondary and Informal Educ	47.076	35000607	15,957
NSF Div of Social, Behavioral and Economic Research	47.075	35000801	15,563
USDA Forest Service	10.025	40020000	942
Cooperative State Research, Education, and Extension Service	10.220	40040100	5,138
Cooperative State Research, Education, and Extension Service	10.500	40040100	118,699
Cooperative State Research, Education, and Extension Service	10.500	40040100	566,234
Rural Development	10.771	40190000	16,506
Air Force Institute of Technology	12.800	50010201	2,355
Defense Contracting Command	12.50180000	50180000	4,837

(Continued)

**THE OHIO STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Agency Sponsor	CFDA No.	Sponsor ID	Expenditures
Office of Elementary and Secondary Education	84.149	53030000	291,881
Office of Vocational and Adult Education Programs	84.051	53060000	1,031,273
US Department of Energy	81.049	55000000	5,000
Health Resources and Services Administration	93.884	65000000	109,612
Administration on Children, Youth, and Families	93.600	67000100	15,531
US Department of Justice	16.525	74000000	86,359
Subtotal funds received from Federal agencies			<u>27,755,711</u>

(Continued)

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency Sponsor	Pass-Through Sponsor	CFDA Number	Sponsor I.D. Number	Pass-Through I.D. Number	2006 Expenditures
Pass-through from other programs:					
US Department of Health and Human Services	Childrens Res Inst (Columbus)	93.153	60000000	20010182	\$ 65,624
National Endowment for the Arts	Heartland Arts Fund	45.025	34000200	20012068	8,000
US Department of Education	Columbus Chamber of Commerce	84.116	53000000	20020068	66,150
US Department of Agriculture Extension Service	Mid Am Ag and Hort Services Inc	10.457	40140000	20021550	11,248
Cooperative State Res, Educ, and Extension Service	Ecological Design Innovation Center	10.225	40040100	20021627	30,602
Cooperative State Res, Educ, and Extension Service	Pennsylvania State Univ	10.500	40040100	22000030	3,671
Health Resources and Services Administration	Univ of Pittsburgh	93.145	65000000	22000036	206,528
Health Resources and Services Administration	Univ of Pittsburgh	93.249	65000000	22000036	82,347
US Department of Agriculture	Michigan State Univ	10.303	40000000	22000044	16,626
Cooperative State Res, Educ, and Extension Service	Kansas State Univ	10.40040100	40040100	22000062	4,430
Cooperative State Res, Educ, and Extension Service	Kansas State Univ	10.500	40040100	22000062	28,667
Office of Vocational and Adult Education Programs	Univ of Minnesota	84.53060000	53060000	22000067	87,663
Cooperative State Res, Educ, and Extension Service	Univ of Nebraska	10.500	40040100	22000085	15,583
National Cancer Institute	Univ of Kentucky	93.393	64000002	22000143	222,343
National Science Foundation	Boston University	47.070	35000000	22000182	54,442
United States Army	Auburn University	12.50020000	50020000	22000266	34,006
US Department of Education	OH Board of Regents	84.367	53000000	26060000	10,877
US Department of Education	OH Board of Regents	84.53000000	53000000	26060000	52,677
US Department of Education	OH Dept of Education	84.366	53000000	26080000	204,762
US Department of Education	OH Div of Career Technical and Adult Ed	84.002	53000000	26080100	376
US Department of Education	OH Div of Career Technical and Adult Ed	84.048	53000000	26080100	7,027
US Department of Education	OH Div of Career Technical and Adult Ed	84.243	53000000	26080100	13,669
US Department of Education	OH Office of Exceptional Children	84.027	53000000	26080300	132,664
Health Resources and Services Administration	OH Dept of Health	93.889	65000000	26090000	106,244
US Department of Education	OH Rehabilitation Services Commission	84.126	53000000	26120000	100,333
US Department of Education	OH Humanities Council	45.129	34000100	26290000	7,740
National Endowment for the Humanities	OH Dept of Mental Health	93.958	60000000	26420000	113,757
US Department of Health and Human Services	OH Dept AlcoholandDrug Addiction Services	93.60000000	60000000	26530000	286
US Department of Health and Human Services	OH Dept AlcoholandDrug Addiction Services	93.959	60000000	26530000	24,079
US Department of Health and Human Services	OH Dept of Job and Family Services	10.561	40000000	26630000	1,388,398
US Department of Agriculture	OH Dept of Job and Family Services	10.561	40140000	26630000	657,525
US Department of Agriculture Extension Service	Ohio Department of Education	10.556			374
Department of Agriculture	Ohio Department of Education	10.559			50,121
Environmental Protection Agency		17.254			10,976
Environmental Protection Agency		66.460			143,226
US Department of Health and Human Services	Ohio Board of Regents	84.181			3,920
Department of Education	Ohio Board of Regents	84.215			47,162
Department of Education	Ohio Department of Education	84.243			20,506
Department of Education	Ohio Board of Regents	84.367			81,964
Department of Education	Ohio Department of Education	84.367			10,000
Department of Health and Human Services		93.243			7,661
Department of Health and Human Services	Ohio Board of Regents	93.288			7,596

(Continued)



# THE OHIO STATE UNIVERSITY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**—The accompanying financial schedules include the accounts of the following entities:

The Ohio State University (the “University”) and its hospitals and clinics;  
The Ohio State University Foundation, a not-for-profit organization operating exclusively for the benefit of the University;

Two separate statutory entities for which the University has special responsibility

- The Ohio Agricultural Research and Development Center
- The Ohio Supercomputer Center

Thirteen legally independent corporations engaged in activities related to the University

- The Ohio State University Research Foundation (the “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.
- Ohio State University Retirees Association
- OSU Managed Health Care Systems, Inc.
- The Ohio State University Physicians, Inc.
- UMC Partners
- Prologue Research International, Inc.
- Oval Limited
- Adria Kravinsky Foundation

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, 2006, 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, 2006
Perkins Loan Program	\$ 3,021,434
Health Professions Student Loans (“HPSL”)	4,725,720
Nursing Student Loans (“NSL”)	<u>660,645</u>
Total	<u>\$ 8,407,799</u>

The above expenditures include disbursements and expenditures such as loans to students and administrative expenditures. During the year ended June 30, 2006, the University disbursed \$273,270,952 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 July 31, 2003, DHHS approved facilities and administrative cost recovery rates effective from July 1, 2003 through June 30, 2006. The facilities and administrative cost rate structure, including the rates submitted within the Certificate, are as follows:

Rate Type	Submitted Within Certificate	Negotiated Rate
Organized Research:		
On-Campus—	49.4 %	49.5 %
Off-Campus	26.0	26.0
Instruction:		
On-Campus—	52.5	49.5
Off-Campus	26.0	26.0
Other Sponsored Activities:		
On-Campus—	22.5	33.0
Off-Campus—	15.0	24.0
General Clinical Research Center—		
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.

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of  
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, 2006, and have issued our report thereon dated December 28, 2006. 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.

### **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 an opinion 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 reportable 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 caused by error or fraud 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 internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the University in a separate letter dated December 28, 2006.

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*

December 28, 2006



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees of  
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, 2006. 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, 2006. However, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which 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 06-01, 06-02, 06-03, 06-04, 06-05, 06-06, 06-07, 06-08, 06-09, and 06-10.

### **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 the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the University's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questions costs as items 06-01, 06-03, and 06-04.

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 caused by error or fraud 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the University as of and for the year ended June 30, 2006, and have issued our report thereon dated December 28, 2006. 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*

December 28, 2006

# THE OHIO STATE UNIVERSITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

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### PART I—SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. No reportable conditions in internal control over financial reporting were identified.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified.
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 Office of Management and Budget ("OMB") Circular A-133.
7. The major programs were the Research and Development Cluster and Cooperative Extension Services (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 (the "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 FINDING AND QUESTIONED COST SECTION

#### 06-01 Time and Effort

*Grantor*—All grantors in the Research and Development Cluster

*Sponsor Identification Number*—All in the Research and Development Cluster

*Project Number*—All in the Research and Development Cluster

*Criteria*—OMB Circular A-21 Section J.10.c.(1)(e), "at least annually a statement will be signed by the employee, principal investigator, or responsible official using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges, and to residual F&A cost or other categories are reasonable in relation to work performed."

***Finding***—Many individuals certifying faculty and staff’s time may not have sufficient first-hand knowledge of time and effort in order to effectively certify the appropriateness of time and effort charged to the federal grant programs. Job titles of those individuals certifying time ranged from Grants Manager to Office Associate to Student Intern. Certain individuals who certify time are certifying up to as many as 60 different individual’s time. Additionally, they are certifying time for individuals who could be working on different projects. Of the five time certifiers that we inquired of, none had first hand knowledge of the individuals whose time they certified. In addition, 12 of the 22 payroll selections the role of the individual certifying the time would indicate that they would not have the appropriate level of knowledge. Finally, due to various reasons, including turnover, two of the 22 selections was not certified until we requested the selection be certified.

University policy identifies department chairs/directors as the University-designated administrators responsible for certifying electronic time and effort reports (“e-TAER”). However, the University has not defined a policy to hold the department chairs/directors accountable for effort reporting non-compliance.

***Effect***—Improper or untimely certification of time and effort can result in time being charged to grants incorrectly. Additionally, if an individual is working on two or more grants, time could be incorrectly allocated and charged to the incorrect grant(s). Total expenditures reported on the schedule of federal awards could misrepresent the amount spent on grants. Without stronger policies and procedures surrounding time and effort, the Research Foundation could possibly be in violation of federal policies.

***Questioned Cost***—N/A

***Recommendation***—The Research Foundation should:

- Develop a policy where time is only certified by those who have first-hand knowledge of the level of effort performed
- Implement a system where the required due date for certification is close to the dates of time actually worked to provide for timely certification of time and effort reporting
- Work with the Provost’s Office to develop a plan to address effort reporting deficiencies by individuals and departments
- Require that training be mandatory and must contain a section on effort reporting that emphasizes both accountability and internal control.

***Research Foundation Response***—We agree. Recently, at other research institutions, federal auditors have determined that “suitable means of verification” roughly equates to “first hand knowledge”. In Fiscal Year 2006, the University modified the effort reporting process to better meet this more stringent determination.

Prior to March 2006, effort reports for the University were completed by Human Resource Professionals (“HRPs”) with varying job titles. Although the job titles for HRPs can vary, the functions they perform are basically the same. Please note that the student intern was an HR student intern. After extensive discussions with University faculty, the consensus within the University community was that the Principal Investigators (“PI”)/Faculty better met the “first hand knowledge” audit standard.

Starting in March of 2006 the University moved away from HRP certifications and designated PI/Faculty as effort certifiers. Under the new paradigm, PIs certify their own time and time for students working on their projects. Non-PI faculty only certify their own time. Nearly half of the certifications for FY 2006 were completed by PI/Faculty. All reports for Fiscal Year 2007 and future periods will be certified in this manner.

Prior to March 2006, a few certifiers had more than 60 certifications per effort period. For example, in the second certification period of FY 2006, only 14 out of 1,131 had more than 60 reports to certify. This usually occurs with a few very large projects. Under our new system, the nature and size of a project dictates how many effort reports are distributed to each PI/Faculty for certification.

To resolve the timing issue, the effort system was modified to generate certifications four times a year instead of three.

It is important to note the proactive effort reporting changes that have taken place at the University over the past three years. During fiscal years 2004, 2005, and 2006 the Research Foundation worked with the University's Internal Audit department to highlight the effort reporting process within the University's risk assessment model. The goal was to engage the University in focusing on improving the accuracy and the timeliness of the effort reporting process. Over this three year period, the following effort improvements have been developed and implemented:

- Developed a formal written policy regarding the time frame in which effort needs to be certified
- Developed formal effort training that is offered to all University departments. The training is available at the customer's place of business or on-site at the Research Foundation
- Re-engineered the personnel expenditure transfer process to electronically recalculate the effort report for recertification
- Redesigned the effort reports to be more intuitive and more user friendly, including drill down effort detail
- Changed the certifiers from Chair delegates, usually Human Resource Professionals, to Principal Investigators and Faculty - certifiers that have the best knowledge of the level of effort performed
- Moved the timing of certification closer to the dates of time actually worked by moving from three certifications a year to four certifications a year
- Developed a past due effort reporting notification process that sends delinquency notices to the Chairs, Deans, and the Provost on a monthly basis

The improvements to the effort reporting process over the past three years have been significant. It should be noted that the University's Internal Audit department has provided invaluable support in effecting culture change within the University community that was requisite to the improvements listed above.

The Research Foundation is looking forward to working with the University to further improve the effort reporting process by implementing mandatory training at the University level and refining the exception reporting process.

## **06-02 Allowable Costs**

*Grantor*—Bureau of Labor Statistics

*Sponsor Identification Number*—CFDA 17.7605000

*Project Number*—744572

**Criteria**—OMB Circular A-133, Subpart C, §\_\_.310 (b)(3) states “the auditee shall also prepare a schedule of expenditures of federal awards for the period covered by the auditee’s financial statements. At a minimum, the schedule shall...provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.”

**Finding**—One expenditure selection of 50 selections included on the schedule of federal awards for the year ended June 30, 2006 related to an expenditure for the fiscal year ended June 30, 2005.

**Effect**—Expenditures on the schedule of receipts and expenditures of federal, state, and county awards may not accurately reflect Federal expenditures of that particular fiscal year.

**Questioned Cost**—\$300. Additional costs cannot be determined.

**Recommendation**—The Research Foundation should perform a more detailed review of expenditures close to year-end to ensure they are presented in the proper period.

**Research Foundation Response**—We agree. The Research Foundation will re-examine the year end Accounts Payable accrual process.

### **06-03 Asset Management**

**Grantor**—All programs except Student Financial Aid Cluster, Cooperative Extension Service (CFDA 10.500), Payments to Agricultural Experiment Stations Under the Hatch Act (CFDA 10.203), and Miscellaneous Federal Assistance Actions (The Ohio Supercomputer Center) (CFDA 81.502).

**Sponsor Identification Number**—All except Student Financial Aid Cluster, Cooperative Extension Service (CFDA 10.500), Payments to Agricultural Experiment Stations Under the Hatch Act (CFDA 10.203), and Miscellaneous Federal Assistance Actions (The Ohio Supercomputer Center) (CFDA 81.502).

**Project Number**—All except Student Financial Aid Cluster, Cooperative Extension Service (CFDA 10.500), Payments to Agricultural Experiment Stations Under the Hatch Act (CFDA 10.203), and Miscellaneous Federal Assistance Actions (The Ohio Supercomputer Center) (CFDA 81.502).

**Criteria**— OMB Circular A-110 §.34 (4) states “a control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.”

**Finding**—The Ohio State University has \$811 million invested in movable equipment and furniture, with a net book value of \$284 million, as of June 30, 2006. Proper stewardship of these assets is critical to the University as they were purchased from numerous funding sources, including federal, state, and private gifts. Certain of these funding sources contain restrictions related to assets purchased with those funds.

Departments are required to complete a Physical Inventory and Equipment Review (“PIER”) annually. A PIER is a self-audit that lists all equipment owned by a department. Both the equipment coordinator for the department and the VP/Dean are required to sign the report and return it, with any changes necessary, to the Equipment Inventory group. We obtained a list of PIERs from fiscal year 2005, which should have been completed during 2006. Over 300 of these reports out of the approximately 1,000 sent were not returned by the 27 colleges across campus.

**Effect**—The inadequate safeguarding of fixed assets could result in loss or theft of those assets.

**Questioned Cost**—N/A

**Recommendation**—We recommend that the University comprehensively review its asset management policies and procedures to ensure the following:

- Departments understand their role in the asset stewardship process and are educated about the potential financial statement and compliance issues related to improper or incomplete asset record keeping
- Central accounting requires that all departments with fixed assets participate in the self-audit inventory process and a written policy should be developed that requires that central accounting follow-up on the PIERs not returned

One individual or a small group of individuals should be in charge of this project and progress should be measured throughout the fiscal year to ensure accountability and continued improvement.

**University Response**—The Office of the Controller will establish a workgroup to address the concerns noted above. In July 2006, the University integrated the Research Foundation equipment inventory processing into the PeopleSoft Asset Management System.

#### **06-04 Payroll Controls**

**Grantor**—All programs except Student Financial Aid Cluster, Cooperative Extension Service (CFDA 10.500), Payments to Agricultural Experiment Stations Under the Hatch Act (CFDA 10.203), and Miscellaneous Federal Assistance Actions (The Ohio Supercomputer Center) (CFDA 81.502).

**Sponsor Identification Number**—All except Student Financial Aid Cluster, Cooperative Extension Service (CFDA 10.500), Payments to Agricultural Experiment Stations Under the Hatch Act (CFDA 10.203), and Miscellaneous Federal Assistance Actions (The Ohio Supercomputer Center) (CFDA 81.502).

**Project Number**—All except Student Financial Aid Cluster, Cooperative Extension Service (CFDA 10.500), Payments to Agricultural Experiment Stations Under the Hatch Act (CFDA 10.203), and Miscellaneous Federal Assistance Actions (The Ohio Supercomputer Center) (CFDA 81.502).

**Criteria**—OMB Circular A-133, Subpart C, § \_\_\_\_.300 states:

The auditee shall ... (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

**Finding**—The University payroll internal control structure operates in a decentralized environment, with the majority of the responsibility surrounding the establishment and monitoring of the internal control environment residing at the individual college department. Central Payroll has not established comprehensive payroll processing procedures but has established general procedures in the form of a checklist that each college or department is required to follow. The checklist identifies specific procedures that must be completed prior to each payroll distribution. It is designed to assist in ensuring that all payroll expenditures are valid, complete, disbursed to the correct individual, and reconciled to the PeopleSoft general ledger. This checklist was created in 2003 as a stop gap until a formal, comprehensive payroll procedures manual which would have included required mandatory payroll processing internal controls was developed and rolled out by Central Payroll. This checklist has not been replaced by a formal payroll processing manual as such procedures manual has not been written. Additionally, the payroll process, including all financial related controls, is currently the responsibility of the Associate Vice President of the Office of Human Resources.

During our testing, we noted the following issues:

- A comprehensive policies and procedures document has not been completed.
- Three colleges/departments, College of Medicine (Dept: Cardiovascular Medicine, University Hospitals, and Obstetrics and Gynecology), College of Social Science (Dept: Political Science and Geography), College of Humanities (Dept., and College of Academic Affairs), of the 12 selected did not complete the checklist or only completed a portion of the checklist. These departments have not developed internal controls to mitigate risk if the checklist is not completed.
- There is no central review or monitoring procedures performed by Central Payroll to ensure the college or department is following the procedures required by Central Payroll.
- In five of the 12 Colleges (College of Medicine (Dept: Cardiovascular Medicine, University Hospitals, and Obstetrics and Gynecology), College of Engineering (Dept: Orthopedics and Mechanical Engineering), College of Humanities (Dept., and College of Academic Affairs), Fisher College of Business (Department—Finance) selected, there were segregation of duties issues, including individuals who are responsible for both entering data and approving payroll. Further, (102) user profiles were identified with having write access to both HR and Payroll functions causing segregation of duties conflicts. In addition, no regular reviews of access or segregation of duties are being performed.
- There is no required, consistent process for the monitoring of terminations, including the timely identification of individuals terminated and the removal of their information from the payroll master file.
- There is no review performed of the payroll master file.
- Various functions (hire, job data, paycheck reprint, etc.) were analyzed for access. 1,381 users with access to various functions were analyzed and 655 individuals had access that was inappropriate or not required to carryout their responsibilities at the University.
- Row-Level Security has not been configured within the HRMS production environment. Without configuring row-level security, users with inappropriate access can view and modify data for all departments across the University. Row-level security is a security administration technique which when configured correctly, allows administrators to restrict access to sensitive information by allowing users to only have access to specific rows of table data based on a user's department.

Fundamentally, the University relies on the knowledge and diligence of the department-level payroll personnel to ensure that payroll is processed correctly. This creates uneven application of controls and has the potential to cause financial misstatement without appropriate entity-level controls being implemented.

*Effect*—The inconsistent internal control structure could lead to the misuse of federal funds.

*Questioned Cost*—N/A

*Recommendation*—We recommend that the University consider the following:

- Perform a comprehensive review of the current payroll processing function including the usefulness and effectiveness of the current standard payroll reports generated by the system utilized to monitor payroll transactions.



- Establish formal written payroll processing policies for the department which include specifically required segregation of duties, mandatory reconciliation procedures, mandatory, timely termination procedures, payroll hire procedures and employee data change procedures. Additionally, mandatory payroll financial monitoring procedures should be implemented inclusive of analysis of unusual fluctuations or relationships in a department.
- Payroll access must be reviewed and all cases with inappropriate access should be eliminated.
- Where departments are too small to implement effective segregation of duties, similar department payroll functions should be aggregated to enable secure payroll processing.
- Provide training courses to both new and existing employees that are designed to reinforce re-engineered payroll process controls and educate users about the various internal control components.

**University Response**—The Offices of Business and Finance and Human Resources are in the process of establishing a workgroup to address internal control issues related to University payroll processing. Included in the review are redefinition of user roles to allow improved segregation of duties, a mandatory payroll certification process and revision to current payroll reports. In addition, the payroll process controls will be included in the mandatory training program for Senior Fiscal Officers and other system users. Core changes will be in place by June 30, 2007.

**06-05: Allowable Cost—Purchases Made without Amending Grant Agreement**

**Grantor**—USDA—Family Farm Beef Industry Network—Value Added Product Development CFDA #10.500

**Criteria**—The OMB Circular A-133 states that according to the *Basic Considerations to Determine Costs* from Circular A-21:

“In addition to the general criteria applicable to both direct and indirect costs, the basic guidelines affecting the allowability of costs (direct and indirect) are identified in section C. of A-21. To be allowable under Federal awards, costs must meet the following general criteria... Conform with the allowability of costs provisions of A-21, or limitations in the program agreement, program regulations, or program statute.”

**Finding**—The Family Farm Beef Industry Network grant agreement contains an approved summary-level budget and references the detailed proposal. Within that proposal is a detailed explanation of how the funds will be spent. However, as the grant progressed, the Principal Investigator (“PI”) determined that some of the equipment in the proposal was no longer necessary and that additional items would better accomplish the objectives of the grant. In addition, beef was purchased with grant funds, although no funds were allocated to purchase beef in the grant agreement. No amendments to the grant agreement were requested from the grantor.

**Effect**—Spending grant funds on equipment and supplies that are not approved as part of the grant agreement could lead to unallowable costs being charged to the grant.

**Questioned Cost**—N/A

**Recommendation**—When a detailed budget is submitted and approved as part of a federal grant, deviations from that budget should either be submitted in advance for consideration and approval by the grantor or another alternative process should be implemented to ensure that the expenditures outside of the approved budget are considered appropriate and approved by the grantor. This will ensure that all purchases are made in accordance with the grantor’s intentions for the funds and no violations of allowable costs exist.

**University Response**—As indicated, during the development of this grant specific equipment items were identified as equipment that would be necessary to allow cooperating processors to produce value-added beef products for the Ohio Signature Beef ® branded program. However, during the duration of this grant and the other grants (one previous, and two subsequent grants) that were involved with fulfilling the overall objectives of the Family Farm Beef Industry Network, some of the small processors/cooperators that were initially identified changed due to their ability to produce a specific volume, their workmanship, and simply due to the growth and success of the program over time. Therefore, as the Ohio Signature Beef ® program matured and developed relationships with new cooperators, equipment needs changed. Additionally, due to advances in technology and efficiency, equipment became available that was not available during the time the proposal was being developed, which also led to purchases of equipment that was not the same as what was specified in the original proposal. Furthermore, as market surveys were conducted and new retail outlets and market channels were added to the beef program, new products were requested and new product lines were developed, thus, causing the need for additional equipment that was not anticipated during the original proposal. With the addition of new market channels and product request from those market channels came the need for additional product development. Thus, to continue to provide support to the Family Farm Beef Industry Network and to augment the growth and success of the Ohio Signature Beef ® branded beef program, funds from this grant were used to purchase raw material for product development of additional value-added beef products. Thus, there were some items of equipment that were purchased that differed from those on the equipment list in the original proposal, and beef was purchased to develop additional value-added further processed beef products for the Ohio Signature Beef ® brand. Although the needs for some of these specific items were not foreseen during the development of the grant proposal, all of these purchases were made in accordance with the objectives of the proposal.

**06-06: Allowable Cost—Excess Federal Benefits**

**Grantor**—USDA—Smith Lever 3(b) and 3(c) CFDA #10.500

**Criteria**—According to the A-133 OMB *Compliance Supplement* Part 4 Compliance Requirements specific to CFDA 10.500, *Allowable Costs/Cost Principles*:

(2)*Retirement Contributions*—Retirement and pension contributions paid from grant funds for individuals whose salaries are paid in whole or in part with grant funds are capped at 5%. The deposits and contributions of Federal origin must be at least equaled by the grantee (7 USC 331).

**Finding**—Retirement contributions in excess of 5% were submitted for reimbursement and reported as expenditures on the preliminary Schedule of Expenditures of Federal Awards (“SEFA”). The adjustments to remove excess contributions for the periods October 1, 2004 through September 30, 2005 and October 1, 2005 through June 30, 2006, were not made until September 2006.

**Effect**—Prior to the audit, questioned costs associated with excess benefits were \$754,954 related to the federal fiscal year 2005 (October 1, 2004 through September 30, 2005) and approximately \$542,000 related to the time period October 1, 2005 through the end of the University’s fiscal year, June 30, 2006. Because the University requests reimbursement one month in arrears, the net effect of these costs and the expenditures incurred during June 2006, but not requested for reimbursement as of June 30, 2006 is \$261,480 in total over-reimbursement of funds related to CFDA 10.500. As this issue was discovered in September 2006, the credit for federal fiscal year 2005 and federal fiscal year 2006 were offset against September expenditures, resulting in no funds being requested for reimbursement. A credit of approximately \$200,000 was applied against the October 2006 expenditures to complete the correction. At that time, the excess federal benefits from 2005 and 2006 will have been properly reversed.

**Questioned Cost**—N/A. Amounts were corrected by the University.

**Recommendation**—Adjustments to remove excess federal benefits expenditures should be performed prior to requesting reimbursement for grant expenditures. This will ensure that the University does not receive over-reimbursement of grant funds.

**University Response**—We agree with the recommendation. Effective December 31, 2006, OSU Extension will begin removing the excess retirement contributions on a quarterly basis.

**06-07: Allowable Cost—Inaccurate Compilation and Presentation of Expenditures on the SEFA**

**Grantor**—USDA—Smith Lever 3(b) and 3(c) CFDA #10.500

**Criteria**—OMB Circular A-133, Subpart C, §\_\_.310 (b) (3) states “the auditee shall also prepare a schedule of expenditures of federal awards for the period covered by the auditee’s financial statements. At a minimum, the schedule shall...provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.”

**Finding**—As part of the preparation of the Schedule of Expenditures of Federal Awards (“SEFA”), the University queries their PeopleSoft general ledger system, capturing all accounts that start with 6\*\*\*\*, which are considered expenditures, in the fund range 56\*\*\*\*, which represents federal funds. However, only capturing the 6\*\*\*\* accounts causes only the debit side of transfers between federal funds to be recorded in the SEFA. For transfers between federal funds, the offsetting credit is in a 4\*\*\*\* account and should be netted together with the debit to have a net affect of zero on the SEFA. The result of only including the credit half of the transfers between federal funds is an overstatement of federal expenditures on the SEFA.

In addition, to confirm the designation of all accounts labeled 56\*\*\*\* as federal funds, the Controller’s Office sends out a report listing all 56\*\*\*\* accounts to each department and requires that the department certify that these funds belong to them and that they include federal expenditures. However, only the fund numbers are sent to the departments, not the final expenditures. This prevents the departments from fully reconciling the Schedule of Federal Awards to their records related to the federal programs.

**Effect**—Only the expense side of several transfers between federal funds were included on the original draft of the Schedule of Expenditures of Federal Awards, amounting to an overstatement of expense of \$946,172. These entries were ultimately netted correctly to reduce expenditures by a corresponding amount.

In addition, an expenditure of \$584 was discovered during the audit that was improperly included in CFDA #10.500 expenditures due to a keying error. It was subsequently removed from the SEFA.

**Questioned Cost**—N/A. Amounts were corrected by the University.

**Recommendation**—The University should reassess its procedures for preparing the SEFA to ensure that the SEFA is being properly reconciled to reflect all federal expenditures for the fiscal year in questions. These procedures should include a review and reconciliation of federal expenditures by each department that receives federal funding, including pass-through funds. All other departments should be required to certify that they do not receive any federal funding.

**University Response**—Effective fiscal year 2007, the federal expenditures report will include activity in the 6xxxx accounts and the 49xxx accounts for all 56xxxx funds. This will eliminate any possible overstatement when moneys are transferred between federal funds to cover deficits. Also effective fiscal year 2007, the CFDA confirmation reports that are currently distributed to the departments will be modified to include the expenditures amount by org-fund chartfield. This will allow the departments to review and reconcile the expenditure information before it is compiled into the schedule given to the auditors. In addition, we will add

warning/notification language in the confirmation reports regarding complete identification of federal pass-through funds.

Regarding confirmation from departments receiving no federal funds, we will modify our fiscal year 2007 departmental surveys of federal non-cash assistance to include a certification that they do not receive federal funding of any sort.

#### **06-08: Period of Availability—Failure to Obtain Documentation of Extension**

**Grantor**—USDA—Family Farm Beef Industry Network—Value Added Product Development CFDA #10.500

**Criteria**—OMB Circular A-133, Subpart H, *Period of Availability of Federal Funds*, states that “Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.”

**Finding**—The grant agreement for the Family Farm Beef Industry Network states that the period of performance for the grant was July 1, 2002 through June 30, 2005. The general terms and conditions associated with Cooperative State Research, Education, and Extension (“CSREE”) grants allow for “a first-time, no-cost extension of time of up to 10 months under this award prior to its scheduled expiration date,” provided that the authorized organizational representative (“AOR”) notifies the appropriate person at the USDA. Absent that notification, any extension must be approved by the USDA. There was no documentation that an extension had been requested by the PI, nor that one had been granted by the AOR and communicated to the USDA.

**Effect**—Expenditures totaling \$356,981 were incurred on this grant during the period between July 1, 2005 and June 30, 2006.

**Questioned Cost**—N/A

**Recommendation**—Extensions, as well as any other modifications to the grant agreement, should be documented in writing and approved by the grantor, when required by the grant agreement.

**University Response**—The PI was operating under the assumption that the AOR had requested an initial first-time no-cost extension. In June of 2006, the PI sent a written request for an additional one-year no cost extension per the guidelines.

#### **06-09: Equipment Management—Failure to Properly Account for Federal Equipment**

**Grantor**—USDA—Family Farm Beef Industry Network—Value Added Product Development CFDA #10.500

**Criteria**—OMB Circular A-110 requires that:

- (1) Equipment records shall be maintained accurately and shall include the following information.
  - (i) A description of the equipment.
  - (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
  - (iii) Source of the equipment, including the award number.

- (iv) Whether title vests in the recipient or the Federal Government.
- (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
- (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
- (vii) Location and condition of the equipment and the date the information was reported.
- (viii) Unit acquisition cost.
- (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share

***Finding***—Of four assets selected for testing, one asset was not in the University’s Asset Management system at all, and one was not designated as a federally funded asset in the University’s Asset Management system.

***Effect***—Lack of a proper asset tracking system could lead to misappropriation or loss of assets purchased with federal fund.

***Questioned Cost***—N/A

***Recommendation***—All assets purchased throughout the University with federal funds should be labeled as such in the Asset Management system. The University should review its policies and procedures as they relate to asset management to ensure that they conform to Circular A-110.

***University Response***—Both of the two items of equipment in question are packaging machines. The one item (T200 tray seal machine) did not have the university ID supplied by the Asset Management System applied to it. This was due to personnel changes that took place in The Ohio State University Meat Science Laboratory at the time that the tag was issued. The tag was misplaced during the time that the previous manager exited their position and the new manager assumed operations in the facility. The equipment is indeed in the facility in its proper location and was shown to the auditor. The second piece of equipment in question was a roll-stock packaging machine which was located at one of the cooperating processors. The item was in place, with a signed legal agreement and equipment serial and model numbers were recorded. However, the final payment on this piece of equipment had not been issued at the time of the audit and we presume that this is the reason this particular piece of equipment was not in the Asset Management system.

## **06-10: Suspension and Debarment**

***Grantor***—USDA—Family Farm Beef Industry Network—Value Added Product Development CFDA #10.500

***Project Number***—N/A

***Criteria***—The OMB Circular A-133 *Compliance Supplement Part 3, Compliance Requirements, Procurement and Suspension and Debarment*, states that:

“Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Under rules in effect prior to November 26, 2003, covered transactions included procurement contracts for goods or services equal to or in excess of \$100,000. A change in the nonprocurement suspension and debarment rule took effect on November 26, 2003. As of that date only those

procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria are considered “covered transactions.” §\_\_.220 of the government-wide nonprocurement debarment and suspension common rule contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients) are considered covered transactions—this was the case before November 26, 2003, and was not changed by the revised rules.

Under rules in effect prior to November 26, 2003, contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred. Effective November 26, 2003, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (“EPLS”)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (§\_\_.300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed on the Internet (<http://epls.arnet.gov>).

***Finding***—The administrators of the Family Farm Beef Industry Network in the Animal Sciences Department were not adhering to this compliance requirement during the life of the grant. There were no procedures in place to make sure that the University was not working with vendors would were on the Federal Suspension and Debarment list. Responsibility for monitoring compliance on subsequent phases of this grant have been transferred to the Research Foundation, which has established procedures for identifying suspended or debarred parties.

***Effect***—The administrators of the Family Farm Beef Industry Network could have used Federal money to purchasing goods and services from vendors who on the Excluded Parties List.

***Questioned Cost***—N/A

***Recommendation***—Procedures related to federal procurement and suspension debarment should be established University-wide and communicated to all departments that might have responsibilities related to federal awards. This would ensure that all vendors from whom the University purchases goods and services with federal dollars are not on the Excluded Parties List.

***University Response***—The administrators in the Family Farm Beef Industry Network in the Department of Animal Sciences were operating under the guidelines of the AOR (Ohio State University Extension) for purchases related to this grant, in that major equipment purchases were run through Ohio State University Purchasing. Personnel in the Department of Animal Sciences were unaware that this service provided by University Purchasing did not monitor compliance for vendors on the Federal Suspension and Debarment list, as is done by OSURF who generally oversees the Department of Animal Sciences grants and awards.

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

05-1	The Research Foundation did not disclose the available CFDA title and number or the correct CFDA title and number to various subrecipients.	Corrected	Jeffrey H. Kemper, Director of Financial Services and Procurement
05-2	<p>During Internal Audit’s (“IA”) review of the University’s (including the Research Foundation and the Hospital) Procurement Cards (“P-Cards”), several issues were denoted that limited the effectiveness of the controls. The largest issue, based on discussions with the department by IA, was that the person who was the main control checkpoint did not question costs as they were presented. The issues varied including improper documentation and improper charges submitted.</p> <p>During the investigation it was discovered that a principal investigator (“PI”) was charging travel expenses to independent organizations, while also submitting invoices for travel reimbursement to the University. As a result, the PI has been inappropriately reimbursed \$553.54 travel expenses from the Research Foundation. Upon discovery, the Research Foundation removed the expenses from the research programs and transferred the expenses to the College of Dentistry. The case has been forwarded to the Franklin County Prosecutor and is currently pending action. If a formal charge is filed, the Research Foundation will notify the applicable federal programs in which the individual was involved.</p> <p>Additionally, upon peer review by the department, \$35,767.53 of expenses were deemed not directly related to the PI’s research. These charges were also transferred from the sponsored projects to the College of Dentistry.</p>	Corrected	Jeffrey H. Kemper, Director of Financial Services and Procurement
05-3	The Ohio Supercomputer Center (“OSC”) was not aware of the suspension and debarment compliance requirement. There were no procedures in place to make sure that OSC was not working with vendors who have been placed on the Federal Suspension and Debarment list.	Corrected	Rosemary Wade, Senior Accountant, The Ohio Supercomputer Center
05-4	The Ohio Supercomputer Center (“OSC”) received funding in advance of allowable expenditures. This advance was deposited into the University’s main cash account on which the University earns interest. However, the University did not allocate any interest to the Ohio Supercomputer Center. Interest earned is estimated as \$85,680.	Corrected	Rosemary Wade, Senior Accountant, The Ohio Supercomputer Center

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*The Ohio State  
University*

*Independent Accountants' Report on  
Agreed-Upon Procedures Performed on the  
Intercollegiate Athletic Department as  
Required by NCAA Bylaw 6.2.3.1 for the  
Year Ended June 30, 2006*

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**PARMS & COMPANY, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES  
PERFORMED ON THE INTERCOLLEGIATE ATHLETIC DEPARTMENT AS  
REQUIRED BY NCAA BYLAW 6.2.3.1**

Dr. Karen Holbrook, President  
The Ohio State University

We have performed the procedures below, which were agreed to by the administration of The Ohio State University (the "University"), with respect to the accounting records of the University as of June 30, 2006, solely to assist you in evaluating whether the accompanying statement of revenues and expenditures ("statement") is in compliance with the National Collegiate Athletic Association's (the "NCAA") Bylaw 6.2.3.1 for the year ended June 30, 2006. The Ohio State University's management is responsible for the statement and the statement'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 the procedures is solely the responsibility of those 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.

**Agreed-Upon Procedures Related to the Statement of Revenues and Expenditures**

The procedures that we performed are as follows:

We obtained the statement, as prepared by the administration of the University, which is included as Exhibit A. We agreed the statement to the University's general ledger on a test basis. For all revenue and expense categories, we performed the following:

- We compared and agreed, on a test basis, each operating revenue and expense category reported in the statement during the reporting period to supporting schedules provided by the administration of the University.
- We compared and agreed a sample of operating revenue receipts and expenses obtained from the operating revenues and expenses supporting schedules to supporting documentation provided by the administration of the University.
- We compared each major revenue and expense account to prior period amounts and budget estimates provided by the administration of the University. We obtained and documented an understanding of any significant variations on a test basis.

## ***Operating Revenues***

*Ticket Sales*– We compared, on a test basis, tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenues reported by the University in the statement and the related attendance figures. We recalculated totals.

*Away Game Sales and Guarantees*– We selected a sample of settlement reports for away games during the reporting period and agreed each selection to the University’s general ledger and/or the statement. We selected a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed each selection to the University’s general ledger and/or the statement. We recalculated totals.

*Contributions*– On a test basis, we obtained and reviewed supporting documentation for contributions of moneys, goods, or services received directly by the intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals not included (e.g., contributions by corporate sponsors) that constituted 10% or more of all contributions received for intercollegiate athletics during the reporting periods.

*Third-Party Support*– We obtained a summary of cash balances for affiliated and outside organizations, selected a sample of funds, and compared and agreed each selection to supporting documentation, the University’s general ledger, and/or the summary.

*Indirect Facilities and Administrative Support*– We compared the indirect institutional support recorded by the University during the reporting period with institutional authorizations and/or other corroborative supporting documentation on a test basis. We recalculated totals.

*NCAA/Conference Distributions Including All tournaments*– We obtained and inspected agreements related to the University’s NCAA and conference distributions received during the reporting period to gain an understanding of the relevant terms and conditions. We compared and agreed the related revenues to the University’s general ledger and/or the statement on a test basis. We recalculated totals.

*Broadcast, Television, Radio, and Internet Rights*– We obtained and inspected agreements related to the University’s participation revenues from broadcast, television, radio, and Internet rights to gain an understanding of the relevant terms and conditions. We compared and agreed related revenues to the University’s general ledger and/or the statement. We recalculated totals.

*Program Sales, Concessions, Novelty Sales, and Parking*– We compared and agreed concession revenue reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed related revenues to the University’s general ledger and/or the statement. We recalculated totals.

*Royalties, Advertisements, and Sponsorships*– We obtained and inspected on a test basis agreements related to the University’s revenues from royalties, advertisements, and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions. We compared and agreed the related revenues to the University’s general ledger and/or the statement on a test basis. We recalculated totals.

*Sports-Camp Revenues*– We inspected sports-camp contracts between the University and persons conducting institutional sports-camps or clinics during the reporting period to obtain an understanding of the University’s methodology for recording revenues from sports-camps. We obtained schedules of camp participants. We selected a sample of individual camp participant cash receipts from the schedule of sports-camp participants and agreed each selection to the University’s general ledger and/or the statement. We recalculated totals.

*Endowment and Investment Income*– We obtained and inspected endowment agreements to gain an understanding of the relevant terms and conditions. We compared and agreed the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income defined within the related endowment agreement. We recalculated totals.

### ***Operating Expenses***

*Athletic Student Aid*– We selected a sample of students from the listing of institutional student aid recipients during the reporting period. We obtained individual student account detail for each selection and compared total aid allocated from the related aid award letter to the student’s account. We recalculated totals.

*Guarantees*– We obtained and inspected contractual agreements pertaining to expenses recorded by the University from guaranteed contests during the reporting period on a test basis. We compared and agreed related amounts expensed by the University to the University’s general ledger and/or the statement on a test basis. We recalculated totals.

*Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities*– We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period. We selected a sample of coaches’ contracts that included football, and men’s and women’s basketball from this listing. We compared and agreed the financial terms and conditions of each selection to the related coaches’ salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period on a test basis. We obtained and inspected W-2’s or 1099’s to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period on a test basis. We recalculated totals.

*Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities*– We selected a sample of support staff/administrative personnel employed by the University and related entities during the reporting period. We obtained and inspected W-2's or 1099's for each selection. We compared and agreed related W-2's or 1099's to the related support staff/administrative salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period on a test basis. We recalculated totals.

*Recruiting and Team Travel*– We obtained and documented an understanding of the University's recruiting and team travel expense policies. We compared and agreed to the existing University and NCAA related policies.

*Indirect Facilities and Administrative Support*– We obtained and documented an understanding of the University's methodology for allocating indirect facilities support. We compared and agreed Indirect Facilities and Administrative Support reported by the University in the statement to the corresponding revenue category reported by the institution in the statement. We recalculated totals.

### ***Capitalized Assets***

- We obtained a schedule of total intercollegiate athletics capitalized assets, additions, and improvements of facilities, and agreed on a test basis to the University's general ledger.
- We obtained an understanding of the University policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics related assets.
- On a test basis, we obtained and reviewed supporting documentation for significant capitalized additions that constituted 10% or more of all capitalized additions made by intercollegiate athletics during the reporting period.

### ***Booster Organizations***

- We obtained from the management of The Ohio State University a list of outside organizations and their related financial activities for the year ended June 30, 2006, as they relate to the Intercollegiate Athletics Programs of the University. We agreed total revenues and expenses, or total cash receipts and disbursements, of all booster organizations for the year ended June 30, 2006, with amounts obtained from the official responsible for each respective booster organization.

## **Agreed-Upon Procedure Related to the Internal Control Over Compliance**

We have performed the procedures below, which were agreed to by the University, solely to assist in evaluating management's assertion about the effectiveness of the University's internal control over compliance. This agreed-upon procedures engagement was performed in accordance with 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.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projections by the specified users of their evaluation of the internal control structure over financial reporting to future periods are subject to risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our procedures and results are as follows:

- Certain inquiries were made of the Controller's Office and Intercollegiate Athletic Department personnel relating to the procedures and internal accounting controls unique to the Intercollegiate Athletic Department, specifically, departmental organization, control consciousness of staff, use of internal auditors in the department, competency of personnel, adequate safeguarding and control of records and assets, and controls over interaction with the information technology department.

We were not engaged to perform an audit, the objective of which would be the expression of an opinion, on the financial statements of the Intercollegiate Athletic Department of the University. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you. Nor were we engaged to perform an examination, the objective of which would be the expression of an opinion on management's assertion about the effectiveness of the internal control structure over financial reporting. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of members of the audit committee, board of regents, administration of the University, or an authorized representative of the NCAA, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Farms & Company, LLC*

November 21, 2006

## THE OHIO STATE UNIVERSITY INTERCOLLEGIATE ATHLETIC DEPARTMENT

STATEMENT OF REVENUES AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006 (UNAUDITED)

	Men's Football	Men's Basketball	Women's Basketball	Other Sports Men	Other Sports Women	Non-Program Specific	Total
<b>Operating Revenues:</b>							
Ticket Sales	\$ 31,744,267	\$ 4,183,687	\$ 331,190	\$ 495,215	\$ 58,648	\$ 416,947	\$ 37,229,954
Post Season Event	5,328,158	2,213,780	-	-	-	-	7,541,938
Program Sales	343,832	29,015	8,922	-	-	50,609	432,378
Novelty Sales	-	-	-	-	-	2,919,215	2,919,215
Radio and T.V. Rights	3,821,219	3,926,069	(500)	(7,500)	-	10,000	7,749,288
Concessions	1,684,266	442,098	102,484	222,008	24,599	241,778	2,717,233
Gifts:							
Restricted	50,085	35,394	-	74,670	21,610	6,873,110	7,054,869
Grant-in-Aid	2,331,407	309,847	417,498	3,200,288	5,103,672	-	11,362,712
Parking	1,290,651	100,384	43,022	-	-	-	1,434,057
Investment Income:							
Unrestricted	-	-	-	-	-	863,180	863,180
Endowment Income:							
Restricted	-	-	-	-	-	-	-
Postage\Service Charges	869,915	114,572	13,157	16,456	-	193,900	1,208,000
Advertising	-	-	-	-	-	3,668,780	3,668,780
Entry Fees	-	-	-	-	-	2,571,929	2,571,929
Facility Rentals	-	-	-	-	-	154,361	154,361
Miscellaneous	1,198	313,529	151,043	152,254	7,403	821,115	1,446,542
Golf Course	-	-	-	-	-	2,666,475	2,666,475
Ice Rink	-	-	-	-	-	334,119	334,119
<b>Total Operating Revenues</b>	<b>47,464,998</b>	<b>11,668,375</b>	<b>1,066,816</b>	<b>4,153,391</b>	<b>5,215,932</b>	<b>21,785,518</b>	<b>91,355,030</b>
<b>Operating Expenditures:</b>							
Coaches' Salaries	2,643,642	899,499	825,608	2,422,258	2,557,784	-	9,348,791
Other Salaries	644,430	262,832	195,045	363,450	164,703	18,970,152	20,600,612
Travel:							
Team and other	1,861,639	365,332	325,068	930,965	1,049,653	814,669	5,347,326
Recruiting	523,818	137,870	82,497	188,329	244,719	3,190	1,180,423
Guarantees-net	2,237,503	(135,184)	46,000	42,144	5,405	(246,305)	1,949,563
Financial Aid	2,331,407	309,847	417,498	3,200,288	5,103,672	-	11,362,712
Maintenance\General	3,186,495	428,210	235,930	703,265	759,676	15,131,028	20,444,604
Equipment Purchases	81,996	4,558	8,824	13,163	42,486	541,852	692,879
Advertising	32,000	-	-	-	-	199,905	231,905
Insurance	-	-	-	-	-	121,841	121,841
Telephone	(13,534)	23,120	8,693	25,459	19,870	334,280	397,888
Food	526,160	12,244	6,499	67,513	81,487	637,324	1,331,227
Lodging	200,172	7,961	-	4,848	12,759	88,413	314,153
Indirect Overhead	-	-	-	-	-	4,060,191	4,060,191
Physical Facilities	-	-	-	-	-	350,388	350,388
<b>Total Operating Expenditures</b>	<b>14,255,728</b>	<b>2,316,289</b>	<b>2,151,662</b>	<b>7,961,682</b>	<b>10,042,214</b>	<b>41,006,928</b>	<b>77,734,503</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ 33,209,270</b>	<b>\$ 9,352,086</b>	<b>\$ (1,084,846)</b>	<b>\$ (3,808,291)</b>	<b>\$ (4,826,282)</b>	<b>\$ (19,221,410)</b>	<b>\$ 13,620,527</b>

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

**THE OHIO STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETIC DEPARTMENT**

NOTES TO STATEMENT OF REVENUES AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006

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**1. SUMMARY OF PRESENTATION POLICIES**

The amounts in the accompanying statement of revenues and expenditures were obtained from The Ohio State University's (the University's) trial balance, which is maintained on an accrual basis. All revenues and expenditures directly related to various sports were disclosed. All remaining revenues and expenditures are non-program specific. The University records depreciation on physical plant and equipment; however, depreciation is not part of the statement of revenues and expenditures.

**2. OTHER SPORTS**

Other sports include baseball, cross country, fencing, field hockey, pistol, rifle, softball, synchronized swimming, wrestling, men's and women's track and field, men's and women's golf, men's and women's gymnastics, men's and women's ice hockey, men's and women's lacrosse, women's rowing, men's and women's soccer, men's and women's swimming and diving, men's and women's tennis, and men's and women's volleyball.

**3. GIFTS**

Gift revenue included in the statement of revenues and expenditures represents gifts given to the Intercollegiate Athletic Department that did not contain any donor-imposed restrictions, or gifts for which donor-imposed restrictions were met during the current fiscal year.

There were no individual contributions in excess of 10% of all contributions received for the Intercollegiate Athletic Department for the year ended June 30, 2006.

**4. OTHER FORMS OF COMPENSATION**

The value of volunteer assistant coaching services, according to NCAA financial audit guidelines, should be reported as contributions and as salary expenditures. The University estimates that the value of volunteer assistant coaching services is not material to the statement of revenues and expenditures and, therefore, is not reflected.



**THE OHIO STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETIC DEPARTMENT**

NOTES TO STATEMENT OF REVENUES AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006

**5. PROPERTY, PLANT AND EQUIPMENT**

Intercollegiate athletics-related assets are accounted for consistent with the University's policies for property, plant and equipment. Property, plant and equipment valued at \$5,000 or more are recorded at cost at date of acquisition or, if acquired by gift, at estimated fair value at date of gift. Additions to plant assets are capitalized, while maintenance and minor renovations are charged to operations. Property, plant and equipment assets are reflected net of accumulated depreciation calculated on a straight-line basis over the estimated useful lives ranging from 3 to 100 years.

	Balance June 30, 2005	Additions	Transfers In (Out)	Disposals	Balance June 30, 2006
Capital assets not being depreciated:					
Construction in progress	\$ 1,219,421	\$ 11,604,472	\$ -	\$ -	\$ 12,823,893
Total capital assets not being depreciated	<u>1,219,421</u>	<u>11,604,472</u>	<u>-</u>	<u>-</u>	<u>12,823,893</u>
Capital assets being depreciated:					
Buildings	287,443,266	1,296,095	-	-	288,739,361
Capital improvements	18,017,895	4,504,729	-	-	22,522,624
Machinery and equipment	<u>8,416,185</u>	<u>531,709</u>	<u>(1,116,304)</u>	<u>(716,061)</u>	<u>7,115,529</u>
Total capital assets being depreciated	<u>313,877,346</u>	<u>6,332,533</u>	<u>(1,116,304)</u>	<u>(716,061)</u>	<u>318,377,514</u>
Total capital assets	<u>315,096,767</u>	<u>17,937,005</u>	<u>(1,116,304)</u>	<u>(716,061)</u>	<u>331,201,407</u>
Less accumulated depreciation:					
Buildings	55,350,337	8,873,742	-	-	64,224,079
Capital improvements	7,083,787	853,545	-	-	7,937,332
Machinery and equipment	<u>5,506,685</u>	<u>608,051</u>	<u>(707,620)</u>	<u>(716,061)</u>	<u>4,691,055</u>
Total accumulated depreciation	<u>67,940,809</u>	<u>10,335,338</u>	<u>(707,620)</u>	<u>(716,061)</u>	<u>76,852,466</u>
Total capital assets being depreciated, net	<u>245,936,537</u>	<u>(4,002,805)</u>	<u>(408,684)</u>	<u>-</u>	<u>241,525,048</u>
Capital assets - net	<u>\$ 247,155,958</u>	<u>\$ 7,601,667</u>	<u>\$ (408,684)</u>	<u>\$ -</u>	<u>\$ 254,348,941</u>

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# *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, 2006*

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**PARMS & COMPANY, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**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 DEPARTMENT OF ATHLETICS**

Dr. Karen Holbrook, President  
The Ohio State University

We have performed the procedures below, which were agreed to by the administration of The Ohio State University (the "University"), with respect to the accounting records of 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 those 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 (the "Schedule") for the year ended June 30, 2006, from the Director of Athletics. The 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, 2006, 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 September 2004.
- 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. 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 perform an audit, 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 been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you. Nor, were we engaged to perform an examination, the objectives of which would be the expression of an opinion on management's assertions about the effectiveness of the internal control structure over financial reporting. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of members of the audit committee, administration of the University, or an authorized representative of the NCAA, and is not intended to be and should not to used by anyone other than these specified parties.

*Farms & Company, LLC*

January 25, 2007

**THE OHIO STATE UNIVERSITY  
DEPARTMENT OF ATHLETICS**

**Exhibit**

**OUTSIDE ORGANIZATIONS ACTING IN BEHALF OF THE DEPARTMENT OF  
ATHLETICS RECEIPTS/REVENUES AND DISBURSEMENTS/EXPENSES  
FOR THE ENDED JUNE 30, 2006**

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Organizations reporting on a cash receipts and disbursements basis for the year ended June 30, 2006 are as follows:

<b>Organization</b>	<b>Beginning Cash Balance</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>		<b>Ending Cash Balance</b>
			<b>Contributions To or In Behalf of Program</b>	<b>Other</b>	
The Buckeye Diamond Club	\$ 24,587	\$115,812	\$ 95,305	\$ 21,437	23,657
The Buckeye Sideliners	1,609	28,701	12,500	14,611	3,199
The Ohio State Men's Swimming and Diving Boosters Club	7,329	6,837	-	4,521	9,645
The Rebounders Club	4,832	59,793	11,000	38,339	15,286
Varsity "O" Women	50,336	30,990	-	6,059	75,267

Organizations reporting revenues and expenditures for the year ended June 30, 2006 are as follows:

<b>Organization</b>	<b>Revenues</b>	<b>Expenditures/ Contributions To or In Behalf of Program</b>		<b>Net Income (Loss)</b>
		<b>Other</b>		
Buckeye Boosters, Inc.	\$252,158	\$ 52,250	\$ 92,831	\$ 107,077
Center Ice Club	71,161	69,761	2,950	(1,550)
OSU Varsity Rifle Team Booster Club	1,868	-	1,654	214
The Varsity "O" Alumni	168,616	1,900	198,487	(31,771)

**THE OHIO STATE UNIVERSITY  
TRAUMATIC BRAIN INJURY NETWORK**

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**Independent Accountants' Report  
on Agreed-Upon Procedures  
Performed on the Actual Unit Cost Report  
As Specified By the  
The Ohio Department of Alcohol, Drug Addiction  
and Mental Health Services**

**For The Year Ended June 30, 2006**

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**PARMS & COMPANY, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures as enumerated below, which were agreed to by the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) solely to assist you in evaluating the accompanying Actual Uniform Cost Report (ODADAS-FIS-047) prepared by The Ohio State University Traumatic Brain Injury Network (TBI Network) for the year ended June 30, 2006, in accordance with the criteria contained in ODADAS Administrative Rule Number 5122-26-191. TBI Network's management is responsible for the Actual Uniform Cost Report. 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 those 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 purposes.

### **1. Procedure One – Mathematical Accuracy Testing**

*Procedures:*

- a) We obtained a reconciliation of the total costs reported on the AUCR to the general ledger and/or the independently audited financial statements for the SFY being verified. We compared the amounts listed on the reconciliation to the amounts listed on the general ledger and/or independently audited financial statements for the SFY being verified.
  
- b) For and by each service with costs being reported on the AUCR, we performed the following:
  - i) Summed the values reported in columns 4 and 5 to verify the result is equal to the value reported in the corresponding column 6;
  - ii) Summed the values reported in columns 6 and 7 to verify the result is equal to the value reported in the corresponding column 8;
  - iii) Verified the value reported in column 9 is equal to the result of dividing the value in column 8 by the value in column 2;
  - iv) Verified the value reported in column 11 is equal to the result of subtracting the value in column 10 from the value in column 8;
  - v) Verified the value reported in column 12 is equal to the result of dividing the value in column 11 by the value in column 2;
  - vi) Verified the values reported in the "Total AOD Services" are equal to the sum of the values reported in the corresponding column; and
  - vii) Verified the values reported in the "Agency Total"/"Total for Agency" are equal to the sum of the values reported in the corresponding column.

*Results:*

We identified no material variances (variances greater than plus or minus two percent), requiring management's explanation, for inclusion in this report.



## 2. Procedure Two – Personnel Costs Verification

### *Procedures:*

- (a) Compare the personnel costs reported in column 4 of the AUCR to the salaries, wages and fringe benefits reported on the independently audited financial statements or Federal Internal Revenue Service Employer Form 941 for the SFY.
- (b) From the personnel costs reported in column 4 of the AUCR, select ten employees whose personnel costs roll-up to those costs. For total payroll costs, we performed the following:
  - i) Compared the costs for allowability and unallowability as defined in Ohio Administrative Code 5122-26-19 sections (1) and (2) of paragraph (H);
  - ii) Compared the allocation methods used to determine whether the costs are documented as direct service (column 4a) or support service (column 4b) costs;
  - iii) Compared the allocation method or methods used to determine which service personnel costs have been allocated to; and
  - iv) Verified any unallowable costs are allocated in the same manner they were originally allocated and are documented in the appropriate service row of column 10 of the AUCR.
  - v) Identified and documented any material variances (greater than plus or minus two percent) and obtain management’s explanation of the material variance(s) for inclusion in the AUCR AUP report.

### *Results:*

TBINetwork is a department within The Ohio State University and does not issue standalone financial statements. We traced personnel costs to the general ledger accounts applicable for the TBI Network within The Ohio State University. We did not identify any material variances (variances greater than plus or minus two percent), requiring management’s explanation, for inclusion in this report.

## 3. Procedure Three – Non-Personnel Costs Verification

- (a) From the non-personnel costs reported in column 5 of the AUCR, select a haphazard sample (as defined in the American Institute of Certified Public Accountants audit sampling guide) of checks and/or electronic funds transfer (EFT) disbursements, equal to twenty percent or forty checks and/or EFT disbursements, whichever is less. Perform the following procedures on each selected check or EFT disbursement:
  - i) Compared the costs of the check or EFT disbursement is for to the appropriate allowability or unallowability criteria listed in Ohio Administrative Code 5122-26-19 sections (1) and (2) of paragraph (H);
  - ii) Verified the allocation method or methods used for the sampled non-personnel costs have been made in accordance with the procedures outlined in the Ohio Administrative Code rule 5122-26-19, Appendix or Ohio Administrative Code 3793:2-1-09, Appendix A; and
  - iii) Verified any unallowable costs are allocated in the same manner they were originally allocated and are documented in the appropriate service row of column 10 of the AUCR.

- iv) Identify and document any material variances (greater than plus or minus two percent) and obtain management's explanation of the material variance(s) for inclusion in the AUCR AUP report.

*Results:*

No exceptions were noted. We did not identify any material variances (variances greater than plus or minus two percent), requiring management's explanation, for inclusion in this report.

4. Procedure Four – Administrative Overhead Costs Verification

- (a) From the administrative overhead costs reported in column 7 of the AUCR, select a haphazard sample (as defined in the American Institute of Certified Public Accountants audit sampling guide) of checks and/or electronic funds transfer (EFT) disbursements, equal to 10 percent or 20 checks and/or EFT disbursements, whichever is less. Perform the following procedures on each selected check or EFT disbursement:
  - i) Compare the costs of the check or EFT disbursement is for to the appropriate allowability or unallowability;
  - ii) Determine if the administrative overhead costs were allocated using only one of the allowable methods described in the Ohio Administrative Code rule 5122-26-19, Appendix; and
  - iii) Verify any unallowable costs are allocated in the same manner they were originally allocated and are documented in the appropriate service row of column 10 of the AUCR.
  - iv) Identify and document any material variances (greater than plus or minus two percent) and obtain management's explanation of the material variance(s) for inclusion in the AUCR AUP report.

*Results:*

No exceptions were noted. We identified no material variances (variances greater than plus or minus two percent), requiring management's explanation, for inclusion in this report.

5. Procedure Five – Units of Service Verification

- (a) From and by each service with costs reported on the AUCR, select a haphazard sample (as defined by the American Institute of Certified Public Accountants audit sampling guide) of the reported units of service, equal to 20 percent or 40 total units, whichever is less. Perform the following procedures on the selected units:
  - (i) Verify documentation exists in client records to support the number of units selected, and
  - (ii) Compare the type of service selected to determine if it is reported in the appropriate service line of column 2.

*Results:*

No exceptions were noted. We did not identify any material variances (variances greater than plus or minus two percent), requiring management's explanation, for inclusion in this report.

6. Procedure Six – First BUCR to AUCR comparison

We performed the procedure, as stated, for reviewing the first BUCR, verifying that methods of cost reporting selected were the same for completing the AUCR.

- (a) Compare the first BUCR to the AUCR and verify the methods of cost reporting selected are the same as the methods used when completing the AUCR.

*Results:*

We verified that the same method was used in completing the BUCR and AUCR cost reports.

**Agreed-Upon Procedure Related to Agency Revenue Report**

We have performed the procedures below, which were agreed to by the Alcohol, Drug Addiction and Mental Health Services Board of Franklin County (ADAMH), solely to assist you in evaluating the accompanying Agency Revenue Report (FIS-052) prepared by The Ohio State University Traumatic Brain Injury Network (TBI Network) for the year ended June 30, 2006. TBI Network's management is responsible for the Agency Revenue Report. 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 those 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 purposes.

- We obtained a copy of the Agency Revenue Report (Exhibit B) for the year ended June 30, 2006.
- We documented TBI Network's procedures used to process revenues.
- We traced revenues reported in the Agency Revenue Report to TBI Network's general ledger and to the documentation supporting the revenue line item.

*Results:*

No exceptions were noted.

We were not engaged to and did not conduct an examination, the objectives of which would be the expression of an opinion on whether the TBI Network complied with ADAMH specified requirements or whether the accompanying exhibits are presented fairly in all material respects in relation to the basic financial statements of the TBI Network taken as a whole. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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 those specified parties.

*Farms & Company, LLC*

December 22, 2006

Agency Name : TBI Network  
Agency Address : 106 McCampbell Hall  
1581 Dodd Drive  
Columbus

Budget \_\_\_\_\_ Actual X  
Agency Telephone Number: 614-292-4559  
Owner Federal Tax I.D. Number: 316025986

Reporting Period - From: 7/1/05  
To: 6/30/06

1. Service Taxonomy and MACSIS Procedure Codes	2. Number of Units	3. Number of FTE Assigned		4. Personnel Costs		5. Service Non- Personnel Costs	6. Service Total Costs	7. Allocation of Administrative Overhead	8. Total Costs	9. Cost Per Unit	10. Unallowable Costs	11. Total Allowable Costs	12. Allowable Cost Per Unit
		Direct Service (a)	Support Service (b)	Direct Service (a)	Support Service (b)								
<b>TREATMENT SERVICES</b>													
Assessment - H0001	318.2	0.30599	0.182	\$12,831.41	\$9,847.15	\$11,482.48	\$34,161.03	\$5,356.92	\$39,517.95	\$124.18		\$39,517.95	\$124.18
Case Management - H0006	2,551.9	2.45375	0.560	\$109,688.08	\$30,858.87	\$70,954.88	\$211,501.83	\$33,198.72	\$244,700.55	\$95.89		\$244,700.55	\$95.89
Crisis Intervention - H0007	5.0	0.00481	0.003	\$221.49	\$255.03	\$192.32	\$668.84	\$112.56	\$781.40	\$156.28		\$781.40	\$156.28
Group Counseling - H0005	9,622	0.66082	0.578	\$29,143.15	\$34,163.15	\$29,162.72	\$92,469.02	\$14,953.64	\$107,422.66	\$11.16		\$107,422.66	\$11.16
Individual Counseling - H0004	2,726	0.57788	0.138	\$28,583.99	\$8,705.55	\$18,684.59	\$55,974.12	\$8,808.19	\$64,782.31	\$23.77		\$64,782.31	\$23.77
Methadone Administration - H0020													
23 HOUR OBSERVATION 24H - 99236													
Urine Dip Screen - AU78U													
<b>Medical Community Residential Treatment - Hospital Setting - A1210</b>													
<b>Medical Community Residential Treatment - Non-Hospital Setting - A0000</b>													
<b>Non-Medical Community Residential Treatment - A1200</b>													
<b>BH Medical Community Residential Treatment - Hospital Setting - H0017</b>													
<b>BH Medical Community Residential Treatment - Non-Hospital Setting - H0018</b>													
<b>BH Non-Medical Community Residential Treatment - H0019</b>													
<b>Consultation - A0500</b>													
<b>Hotline - H0030</b>													
<b>Intervention - H0022</b>													
<b>Outreach - H0023</b>													
<b>Referral and Information - A0510</b>													
<b>Training - H0021</b>													
<b>Alternatives - A0660</b>													
<b>Community Support Process - A0630</b>													
<b>Education - A0620</b>													
<b>Environmental - A0640</b>													
<b>Information Dissemination - A0610</b>													
<b>Case Care - T1000</b>													
<b>Meals - T1010</b>													
<b>Room and Board - AU74U</b>													
<b>Transportation - AU75U</b>													
<b>AUD Services Not Otherwise Classified - H0047</b>													
<b>Non-Residential DIP</b>													
<b>Residential DIP - 48 Hour</b>													
<b>Residential DIP - 72 Hour</b>													
<b>Administrative Overhead</b>													
<b>Mental Health Services</b>													
<b>Title IV-E Services</b>													
<b>Non ADD/MH/Title IV-E Services</b>													
<b>TOTALS FOR ADD SERVICES</b>													
<b>TOTALS FOR AGENCY</b>													

I certify that this UCR and all supporting documentation have been completed in accordance with OAC 3793.2-1-09  
 Name/Title: [Signature] Director  
 Date: 1/10/07

ADAMH Form 9—AGENCY REVENUE ( Budget  Actual)

Agency Name: The TBI Network		Executive Director: John Corrigan, PhD				From: 7/1/2005	
Agency UPH#: 06707		Agency Phone #: 614-292-4559				To: 6/30/06	
Address: 106 McCampbell Hall, 1581 Dodd Dr.							
1. Revenue Source	H0001 AD Assessment	H0006 AD Case Management	H0007 AD Crisis Intervention	H0005 AD Group Counseling	H0004 AD Individual Counseling	Research Funding	3. TOTAL
ADAMH Non-Medicaid Claims	\$13,222.77	\$74,544.17	\$33.57	\$22,690.73	\$22,750.33		\$133,241.57
ADAMH Block Grants (Identify by program):							
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
Other ADAMH Funds (Identify): Reconciliation	\$250.73	\$1,404.11		\$426.24	\$426.25		\$2,507.33
Incentive Funds							
ADAMH Central Pharmacy Allocation							
ODMH Credit-Line Central Pharmacy thru ADAMH							
Other (1)							
Other (2)							
Total Federal Medicaid FFP							
Total Franklin County ADAMH -- Allocation Contract Amount	\$13,473.50	\$75,948.28	\$33.57	\$23,116.97	\$23,176.58		\$135,748.90
							Total ADAMH Revenues
<b>Medicaid</b>							
Medicaid Match - ODMH							
Medicaid Match - ODADAS	\$4,025.74	\$28,590.24	\$162.64	\$12,769.72	\$7,187.48		
Subtotal Medicaid Match	\$4,025.74	\$28,590.24	\$162.64	\$12,769.72	\$7,187.48		
Medicaid FFP - ODMH							
Medicaid FFP - ODADAS	\$5,800.33	\$41,193.10	\$234.33	\$18,398.76	\$10,355.80		
Subtotal Medicaid FFP	\$5,800.33	\$41,193.10	\$234.33	\$18,398.76	\$10,355.80		
Total Medicaid	\$9,826.07	\$69,783.34	\$396.97	\$31,168.48	\$17,543.28		\$128,718.14
							Total Medicaid Revenues
<b>Other Provider Funding</b>							
General Assistance							
1st/3rd Party Fees							
Other External Revenue (list): pvt pay	\$221.35			\$1,066.24	\$392.76		\$1,680.35
(1) FCCS Revenue							
(2) BVR	\$1,123.60	\$7,049.73	\$21.35	\$2,639.43	\$1,964.88		\$12,799.00
(3) WSU	\$2,735.82	\$17,165.14	\$51.98	\$6,426.65	\$4,784.23		\$31,163.82
(4) Moores Grant	\$2,189.08	\$13,734.78	\$41.59	\$5,142.32	\$3,828.12		\$24,935.90
(5) Research grants						\$64,761.43	\$64,761.43
Other Provider Funding (OSU)	\$10,569.12	\$66,312.89	\$200.81	\$24,827.62	\$18,482.56		\$120,393.00
Central Pharmacy Line of Credit							
Out of County Federal Medicaid FFP	\$107.57	\$3,816.10			\$1,777.49		\$5,701.16
Out of County Medicaid Match Claims	\$74.66	\$2,648.58			\$1,233.67		\$3,956.91
Total Other Provider Funding	\$17,021.21	\$110,727.22	\$315.74	\$40,102.25	\$32,463.72		\$265,391.57
							Total Provider *Other Revenues
Funding for Other Services							
<b>GRAND TOTAL REVENUES</b>	\$40,320.78	\$256,458.84	\$746.28	\$94,387.70	\$73,183.58	\$64,761.43	\$529,858.61
<b>TOTAL EXPENSES from 047(s)</b>	\$39,517.95	\$244,700.55	\$781.40	\$107,422.66	\$64,782.31	\$65,349.36	\$522,554.24
<b>Operating Profit/Loss (Revenue minus Exp)</b>	\$802.83	\$11,758.29	-\$35.12	-\$13,034.95	\$8,401.27	-\$587.94	\$7,304.37
							Total Provider Revenues
							Total Provider Expenses
							Operating Profit/Loss





Mary Taylor, CPA  
Auditor of State

THE 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  
MARCH 6, 2007