

THE OHIO STATE UNIVERSITY



2000

FINANCIAL REPORT



**T H E
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S T A T E
U N I V E R S I T Y**

2000

FINANCIAL REPORT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of The Ohio State University, ("the University") a component unit of The State of Ohio, as of June 30, 2000, and the related statement of changes in fund equities and of current fund revenues, expenditures and changes for the year then ended. These financial statements are the responsibility of the University. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of The Ohio State University as of June 30, 2000, the changes in fund balances and the current funds' revenues, expenditures and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2000 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

October 13, 2000

Financial Statements

THE OHIO STATE UNIVERSITY BALANCE SHEET

June 30, 2000, with Comparative Financial Information for 1999
(in thousands)

	CURRENT			
	UNRESTRICTED		RESTRICTED	
	2000	1999	2000	1999
ASSETS				
Cash and cash equivalents	\$ 4,959	\$ 12,756	\$ 5,592	\$ 7,893
Accounts receivable, net	201,897	186,484	44,784	59,197
State and federal receivables	-	-	3,930	2,850
Notes receivable, net	-	-	-	-
Accrued interest receivable	3,284	5,166	4,250	3,212
Inventories and prepaid expenses	47,669	44,759	728	714
Investments	513,794	490,491	26,230	20,474
Investment in plant	-	-	-	-
Interfund accounts	(155,098)	(158,406)	123,374	87,985
TOTAL ASSETS	\$ 616,505	\$ 581,250	\$ 208,888	\$ 182,325
LIABILITIES AND FUND EQUITIES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 207,854	\$ 203,487	\$ 33,909	\$ 39,550
Outstanding checks	33,660	2,677	-	-
Deposits and deferred credits	99,461	72,721	21,155	18,253
Bonds, notes, and lease obligations payable	-	-	-	-
Total liabilities	340,975	278,885	55,064	57,803
Fund equities:				
Unrestricted	275,530	302,365	-	-
Restricted	-	-	153,824	124,522
U.S. Government grants	-	-	-	-
Net investment in plant	-	-	-	-
Total fund equities	275,530	302,365	153,824	124,522
TOTAL LIABILITIES AND FUND EQUITIES	\$ 616,505	\$ 581,250	\$ 208,888	\$ 182,325

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

LOAN		ENDOWMENT & ANNUITY		PLANT		AGENCY	
2000	1999	2000	1999	2000	1999	2000	1999
\$ 3,268	\$ 3,626	\$ 65,811	\$ 33,567	\$ -	\$ -	\$ 1,658	\$ 1,455
-	-	-	-	3,136	1,149	1,124	880
-	-	-	-	-	-	-	-
60,982	56,813	-	-	-	-	-	-
5,988	5,804	-	-	-	-	-	-
-	-	-	-	1,927	1,433	-	-
-	-	1,258,070	1,079,370	22,452	11,545	-	-
-	-	-	-	2,831,622	2,690,619	-	-
66	50	(13,306)	(13,107)	44,964	83,478	-	-
<u>\$ 70,304</u>	<u>\$ 66,293</u>	<u>\$ 1,310,575</u>	<u>\$ 1,099,830</u>	<u>\$ 2,904,101</u>	<u>\$ 2,788,224</u>	<u>\$ 2,782</u>	<u>\$ 2,335</u>
\$ 3,830	\$ -	\$ 24,000	\$ 23,233	\$ 27,253	\$ 12,889	\$ 225	\$ 234
-	-	-	-	-	-	-	-
-	-	1,393	8,064	-	-	2,557	2,101
-	-	-	-	390,826	309,208	-	-
3,830	-	25,393	31,297	418,079	322,097	2,782	2,335
2,252	2,211	85,378	66,363	(2,275)	33,929	-	-
9,082	8,790	1,199,804	1,002,170	2,771	47,607	-	-
55,140	55,292	-	-	-	-	-	-
-	-	-	-	2,485,526	2,384,591	-	-
66,474	66,293	1,285,182	1,068,533	2,486,022	2,466,127	-	-
<u>\$ 70,304</u>	<u>\$ 66,293</u>	<u>\$ 1,310,575</u>	<u>\$ 1,099,830</u>	<u>\$ 2,904,101</u>	<u>\$ 2,788,224</u>	<u>\$ 2,782</u>	<u>\$ 2,335</u>

THE OHIO STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITIES

Year ended June 30, 2000, with Comparative Financial Information for 1999
(in thousands)

	CURRENT			
	UNRESTRICTED		RESTRICTED	
	2000	1999	2000	1999
REVENUES AND OTHER ADDITIONS				
Educational and general:				
Tuition, fees and other student charges	\$ 349,476	\$ 326,576	\$ -	\$ -
State appropriations	348,294	333,365	89,685	75,629
Federal support	28,308	26,854	172,116	167,814
Other state support	3,732	3,128	34,415	24,201
Local support	-	-	20,028	19,224
Private support	20,613	15,645	169,236	159,508
Investment income	29,871	19,965	(1,095)	5,609
Net appreciation in fair value of investments	3,012	-	1,855	300
Sales and services	52,749	47,175	-	-
Other sources	12,787	11,752	-	-
Total educational and general current fund revenues	848,842	784,460	486,240	452,285
Auxiliary enterprises	147,958	137,682	11,148	12,398
Hospitals	557,029	494,182	13,805	12,789
Interest and penalties on loans receivable	-	-	-	-
Plant fund additions	-	-	-	-
Retirement of indebtedness	-	-	-	-
TOTAL REVENUES AND OTHER ADDITIONS	1,553,829	1,416,324	511,193	477,472
EXPENDITURES AND OTHER DEDUCTIONS				
Educational and general expenditures	800,570	741,856	435,080	405,205
Auxiliary enterprises expenditures	135,578	122,187	8,923	10,766
Hospitals expenditures	597,246	471,007	11,475	11,193
Administrative and collection	-	-	-	-
Indirect costs recovered	-	-	42,878	39,503
Refunded to grantors	-	-	43	9
Provision for uncollectible loans	-	-	-	-
Payment to annuitants	-	-	-	-
Expended for plant facilities	-	-	-	-
Retirement of indebtedness (including interest)	-	-	-	-
Disposal of plant facilities	-	-	-	-
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	1,533,394	1,335,050	498,399	466,676
TRANSFERS AMONG FUNDS				
- ADDITIONS/(DEDUCTIONS)				
Mandatory	(22,852)	(25,176)	(8,739)	(9,103)
Non-mandatory	(24,418)	(34,047)	25,247	16,660
TOTAL TRANSFERS	(47,270)	(59,223)	16,508	7,557
NET INCREASE / (DECREASE) FOR THE YEAR	(26,835)	22,051	29,302	18,353
FUND EQUITY, BEGINNING OF YEAR	302,365	280,314	124,522	106,169
FUND EQUITY, END OF THE YEAR	\$ 275,530	\$ 302,365	\$ 153,824	\$ 124,522

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

LOAN		ENDOWMENT AND ANNUITY		PLANT	
2000	1999	2000	1999	2000	1999
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	40,949	63,068
90	78	-	-	-	-
-	-	-	-	500	-
-	-	-	-	-	-
(15)	29	54,184	39,619	12,687	10,446
397	419	312	611	1,278	4,995
-	-	187,559	121,744	224	24
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,147	2,619	-	-	-	-
-	-	-	-	310,700	276,881
-	-	-	-	26,367	24,358
<u>2,619</u>	<u>3,145</u>	<u>242,055</u>	<u>161,974</u>	<u>392,705</u>	<u>379,772</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,450	1,116	-	-	-	-
-	-	-	-	-	-
-	-	-	-	143	229
1,000	300	-	-	-	-
-	-	489	479	-	-
-	-	-	-	215,610	203,960
-	-	-	-	43,027	34,925
-	-	-	-	169,697	38,584
<u>2,450</u>	<u>1,416</u>	<u>489</u>	<u>479</u>	<u>428,477</u>	<u>277,698</u>
12	12	-	-	31,579	34,267
-	(40)	(24,917)	(10,229)	24,088	27,656
<u>12</u>	<u>(28)</u>	<u>(24,917)</u>	<u>(10,229)</u>	<u>55,667</u>	<u>61,923</u>
<u>181</u>	<u>1,701</u>	<u>216,649</u>	<u>151,266</u>	<u>19,895</u>	<u>163,997</u>
<u>66,293</u>	<u>64,592</u>	<u>1,068,533</u>	<u>917,267</u>	<u>2,466,127</u>	<u>2,302,130</u>
<u>\$ 66,474</u>	<u>\$ 66,293</u>	<u>\$ 1,285,182</u>	<u>\$ 1,068,533</u>	<u>\$ 2,486,022</u>	<u>\$ 2,466,127</u>

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 nine member Board of Trustees which is granted authority under Ohio law to do all things necessary for the proper maintenance and continual successful operation of the University. The Trustees are appointed for staggered nine year terms by the Governor with the advice and consent of the State Senate. In addition, two non-voting student members are appointed to the Board of Trustees for staggered two year terms.

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 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

Eight 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.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the University's financial statements are included as a discrete entity in the State of Ohio's Consolidated Annual Financial Report.

Basis of Accounting

The financial statements of the University have been prepared on the accrual basis in accordance with generally accepted accounting principles, accepted in the United States, for state-assisted colleges and universities. Depreciation is not recognized for plant and equipment as it is not required for state-supported universities. The Statement of

Revenues, Expenditures and Changes in Fund Equities represents the financial activities of funds related to the current reporting period.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles, accepted in the United States, 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.

Fund Accounting

Resources are classified for accounting and reporting purposes into funds that reflect the specific activities, objectives or restrictions of the resources. Separate accounts are maintained within each fund.

In the accompanying financial statements, funds that have similar characteristics are combined into fund groups, and all financial transactions have been recorded and reported by fund group. Fund equities restricted by outside sources are so indicated and are distinguished from unrestricted funds.

Description of Funds

Each of the following fund groups is a self-balancing set of accounts:

Current Funds include those resources that are available for current operations. These funds can be either unrestricted or restricted and are used for educational and general purposes, auxiliary enterprises, or University Hospitals. Current funds are considered unrestricted unless donors or external agencies restrict their use to specific purposes, programs, colleges, departments, or schools.

Educational and general purposes include instruction, research, public service, academic support, student services, institutional support, scholarships, fellowships, and operation and maintenance of plant facilities.

Auxiliary enterprises are those activities designed to be substantially self-supporting. These activities primarily provide services for students, faculty and staff. Auxiliary enterprises include, but are not limited to, residence halls, food services, bookstores and intercollegiate athletics.

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. The

balances resulting from these operations are used by the individual departments to support working capital needs, fund related academic programs and internally sponsored research, and provide for unanticipated shortfalls in revenues and deviations in enrollment.

Loan Funds include resources available for loans to students. These funds are primarily composed of federal Perkins loans. As these loans are repaid, the principal and accumulated interest are available for further student loans.

Endowment and Similar Funds include endowment funds and quasi-endowment funds. Characteristics of these funds are as follows:

Endowment Funds

Principal is not expendable per donor's or external agency's instructions. Investment income may be expended or added to principal.

Quasi-Endowment Funds

Funds are University designated to be retained and invested. Principal and income may be utilized at discretion of Board of Trustees subject to any donor-imposed restrictions on use.

For all types of endowment funds, the principal includes the original gift value of the endowment, subsequent additions, reinvestments of income, and realized gains/losses resulting from invasions of endowment principal.

Annuity and Life Income Funds consist primarily of life income funds which are resources acquired by the University provided that periodic income be paid during the lifetime of the income beneficiary per the donor's instructions.

Plant Funds consist of four self-balancing sub-groups whose characteristics are as follows:

Unexpended Funds

Resources are derived from various sources to finance the acquisition of long-life assets.

Renewals and Replacements Funds

Resources are set aside for future renewal and replacement of current assets. The University maintains a program of regularly estimating future requirements for major maintenance and renovation of buildings and equipment. The cost of meeting those requirements is provided through regular transfers from current operating funds to funds reserved for renewals and replacements of plant.

For the year ended June 30, 2000, non-capitalized expenditures for plant facilities for the Unexpended and Renewals and Replacements funds are \$10,660.

Retirement of Indebtedness Funds

Resources are specifically accumulated for payment of principal and interest on debt incurred in connection with the acquisition of properties.

Investment in Plant Funds

All long-life assets in the service of the University and construction in progress are accounted for in this fund. Physical properties, which include land, buildings, improvements, equipment and library books, are principally stated at cost. In accordance with generally accepted accounting principles for state-assisted colleges and universities, depreciation is not provided.

To the extent current funds are used to finance plant assets, the amounts are accounted for during the year ended June 30, 2000 as (a) expenditures of current funds and additions to property and equipment in the plant fund of \$104,546, (b) mandatory transfers in the case of required provisions for debt amortization and interest, and (c) transfers of a non-mandatory nature in other cases, principally provisions for renewals and replacements.

Agency Funds include resources held by the University on behalf of others in the capacity of custodian or fiscal agent. Resources owned by academic or scholarly journals but managed by faculty who serve as the publications' editors are one type of agency fund.

Cash and Investments

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, and savings accounts.

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

Investment in real estate is carried at cost, if purchased, or appraised value at the date of the gift. The carrying and market values of real estate at June 30, 2000 are \$30,878 and \$54,954 respectively.

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

Inventories

The University's inventories, which consist principally of the bookstores, central food stores and general stores, 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.

Deferred Credits

Deferred credits in the current unrestricted fund 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 following fiscal year. The University will recognize unrestricted revenue to the extent these services are provided over the coming fiscal year.

Gifts and Pledges

The University does not report pledges in the financial statements until the gifts are collected. The University's gift records indicate that approximately \$125,016 in pledges are outstanding at June 30, 2000. Since those pledges are often payable either at the discretion of the donors or through their estates, neither the realizable value nor the period of collection can be determined prior to actual receipt.

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. The University recognizes revenue associated with direct costs as the related costs are incurred. 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.

Newly Issued Accounting Pronouncements

Effective July 1, 2000, the University will adopt GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In general, GASB No. 33 establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. University management estimates that the implementation of GASB No. 33 will increase accounts receivable and public support revenue by approximately \$125,016. GASB No. 33 requires the recognition of pledges and gifts when all eligibility requirements are met.

Effective July 1, 2001, the University will adopt GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as a component of the State of Ohio. In general, GASB No. 34 establishes a new financial reporting model for state and local governments.

Effective July 1, 2001, the University will adopt 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 general, GASB No. 35 amends GASB No. 34 to include public colleges and universities.

The provisions of these Statements, which are effective for fiscal years beginning after June 15, 2000 for GASB No. 33 and June 15, 2001 for GASB Nos. 34 and 35, will be reflected in the University's financial reports for the years ended June 30, 2001 and June 30, 2002. University management has not yet determined the impact that implementation of GASB Nos. 34 and 35 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.

The financial information for the year ended June 30, 1999 has been presented for comparative purposes only and is not intended to be a complete presentation in accordance with generally accepted accounting principles. Certain reclassifications have been made to the 1999 comparative information to conform with the 2000 presentation.

NOTE 2 — ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable at June 30, 2000 are net of allowances for doubtful accounts in current unrestricted and current restricted funds of \$98,872 and \$1,496, respectively.

Notes receivable at June 30, 2000 consist primarily of Perkins Loans and are net of an allowance for doubtful accounts of \$7,300. The fund equities related to this and other federal loan programs principally represent advances which are ultimately refundable to the federal government.

NOTE 3 — CASH AND INVESTMENTS

At June 30, 2000, the carrying amount of the University's cash and cash equivalents for all funds is \$47,628 as compared to bank balances of \$64,050. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$1,925 is covered by federal deposit insurance and \$62,125 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

The University's investment policy is to maximize return by investing cash balances in short-term investments. As a result, the University's pooled cash as of June 30, 2000 is (\$33,660) and is reflected as outstanding checks. This is primarily a timing difference and reflects prudent cash management.

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

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

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

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

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

The values of investments at June 30, 2000 are as follows:

US Government securities	\$586,576
Common stocks	1,016,669
Corporate bonds	42,278
Real estate	30,878
Money market - deposit with trustee	2,214
Other	<u>141,931</u>
Total Investments	<u>\$1,820,546</u>

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

Pooled investments are recorded in the following fund groups:

Unrestricted E&G	\$478,655
Hospitals	12,835
Endowment and Annuity	1,215,885
Plant – Renewals and Replacements	7,365
Plant – Retirement of Indebtedness	<u>12,873</u>
Total Pooled Investments	<u>\$1,727,613</u>

Investments in the unrestricted educational and general fund are accounted for on a pooled basis. A portion of these investments is due to other fund groups and is reflected on the interfund accounts line of the balance sheet.

Investments in the endowment and annuity fund groups are accounted for on a pooled basis using the share method of accounting for pooled investments. This share method distributes income to each fund which participates in the pool and reflects the ownership of such shares through the use of the interfund accounts. Based on this method, undistributed gains of \$32,040 from prior years were transferred from the endowment fund to current restricted funds.

Net appreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the year ended June 30, 2000, the University realized a net gain of \$185,879 from the sale of investments. The calculation of realized gains is independent of the net appreciation in the fair value of investments held at year-end. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year includes the net appreciation (depreciation) of these investments reported in the prior year. The net appreciation in the fair value of investments during the year ended June 30, 2000, was \$194,862. 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 \$8,983.

The components of the net appreciation of investments by fund group are as follows:

	Realized Gains On Sale of Investments	Unrealized Appreciation	Net Appreciation in Market Value of Investments
Unrestricted E&G	\$ -	\$3,012	\$3,012
Hospitals	-	2,212	2,212
Restricted	-	1,855	1,855
Endowment	185,715	1,576	187,291
Annuity	161	107	268
Plant Funds	3	221	224
Total 2000	<u>\$185,879</u>	<u>\$8,983</u>	<u>\$194,862</u>
Total 1999	<u>\$73,300</u>	<u>\$48,768</u>	<u>\$122,068</u>

NOTE 4 — INVESTMENT IN PLANT

Investment in plant at June 30, 2000 is composed of the following assets:

Land	\$35,041
Improvements other than buildings	156,099
Buildings and fixed equipment	1,634,789
Movable equipment and furniture	620,445
Library books	139,238
Construction in progress	<u>246,010</u>
Total	<u>\$2,831,622</u>

The University increased its capitalization threshold from five hundred dollars to three thousand dollars effective July 1, 1999. In addition, the University chose to write off the previously capitalized equipment no longer meeting the capitalization threshold. This write-off of \$151,494 is reflected in the Investment in Plant fund as a disposal and write-off of plant facilities.

NOTE 5 — LONG-TERM OBLIGATIONS

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.

Bonds and Notes Payable

Bonds and notes payable at June 30, 2000 consist of the following:

	<u>Interest Rate</u>	<u>Amount</u>
Ohio Board of Regents Note, due through 2006	0.00%	\$1,275
Ohio Board of Regents Note, due through 2001	0.00%	115
Capital One Funding Corporation, due through 2014	5.7%	3,020
General Receipts Bonds:		
Series 1992A1, due serially through 2012	4.55%-5.88%	37,785
Series 1992A2, due serially through 2009	4.55%-5.75%	37,945
Series 1997, due serially through 2027	Variable	68,940
Series 1999A, due serially through 2029	3.85%-6.00%	83,585
Series 1999B1, due serially through 2029	Variable	83,400
Series 1999B2, due 2006	Variable	<u>24,600</u>
Total		<u>\$340,665</u>

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

During the year, the University paid in full the Ohio Department of Development Loan in the amount of \$750.

During the year, the University issued the following bonds:

- \$83,585 of fixed rate general receipt bonds (series 1999A) with interest rates ranging from 3.85% to 6.00% to pay off \$73,000 of Series A commercial paper and to pay the costs of various 1999 construction projects
- \$83,400 of variable rate demand general receipts bonds (series 1999B1) with interest rates not to exceed 12% to pay off \$38,800 of Series B commercial paper and to pay the costs of various 1999 construction projects
- \$24,600 of variable rate demand general receipts bonds (series 1999B2) with interest rates not to exceed 12% to refund \$24,600 of outstanding 1986B variable rate bonds with interest rates not to exceed 12%

On December 1, 1999, the net proceeds relating to the current refunding in the amount of \$24,600 were transferred to the trustee and the 1986B bonds were redeemed. As a result, the liability for the 1986B bonds has been removed from the accompanying financial statements.

This refunding of debt had no effect on fund equity in the investment in plant fund for the year ended June 30, 2000 (the reacquisition price was equal to the net carrying value of the old bonds). The refunded 1986B bonds and the new 1999B2 bonds both have variable interest rates which are determined according to similar criteria. The economic gain associated with the 1986B bond refunding was not significant. The benefit of the refunding was the ability to make the bonds more marketable by having them part of a larger bond issue package. Additionally, the University was able to eliminate restrictions on \$7,341 of reserves which had previously been required under the contractual terms of the bonds which were refunded. A portion of these released reserve funds was used to call the remaining 1985B bond balance of \$1,812. As a result, the liability for the 1985B bonds has been removed from the accompanying financial statements.

The outstanding bond indentures do not require mandatory reserves for future payment of principal and interest. However, the University has set aside \$45,699 for future debt service which is included in unrestricted fund equities within the plant fund.

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:

	<u>Amount Defeased</u>	<u>Amount Outstanding at June 30, 2000</u>
Revenue Bonds:		
Series A, C, E and I	\$5,951	\$2,970
General Receipts Bonds:		
Series 1981	<u>7,600</u>	<u>475</u>
Total	<u>\$13,551</u>	<u>\$3,445</u>

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

Series 1997, 1999B1 and 1999B2 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, 2000 are as follows:

Series:	<u>Interest Rate Not to Exceed</u>	<u>Effective Average Interest Rate</u>
1997	12%	3.39%
1999 B1	12%	4.01%
1999 B2	12%	4.09%

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.

Total interest expense incurred on indebtedness for the year ended June 30, 2000 is \$15,673 and is reflected in the total retirement of indebtedness fund deduction of \$43,027. Interest of \$1,203 was capitalized in the investment in plant fund.

Commercial Paper

Commercial paper outstanding as of June 30, 2000 and the average interest rates are as follows:

Series:	<u>Amount Outstanding</u>	<u>Average Interest Rate</u>
B	\$32,000	3.717%

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 Ohio Board of Regents. 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 Leases

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, 2000 are \$26,035 and \$18,161 respectively.

Debt and Lease Obligations

Obligations outstanding at June 30, 2000 are as follows (capital leases include principal and interest):

Year Ending June 30,	Bonds, Notes	Commercial Paper	Capital Leases
2001	\$13,315	\$32,000	\$4,154
2002	13,596	-	3,225
2003	9,246	-	3,244
2004	9,518	-	2,242
2005	10,020	-	1,281
2006 and thereafter	<u>284,970</u>	-	<u>9,106</u>
Total future debt service	340,665	32,000	23,252
Less: interest	-	-	<u>(5,091)</u>
Principal portion of future payments	<u>\$340,665</u>	<u>\$32,000</u>	<u>\$18,161</u>

NOTE 6 — 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 \$15,606 for the year ended June 30, 2000.

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2000 are as follows:

Year Ending June 30,	
2001	\$8,082
2002	6,474
2003	2,324
2004	2,126
2005	7,351
2006 and thereafter	<u>1,480</u>
Total minimum lease payments	<u>\$27,837</u>

NOTE 7 — ENDOWMENT AND ANNUITY FUNDS

The fund equities comprising the endowment and annuity funds at June 30, 2000 are as follows:

Endowments	\$977,510
Quasi-endowments	303,404
Annuity	<u>4,268</u>
Total	<u>\$1,285,182</u>

NOTE 8 — 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. The state appropriations for these facilities are recognized as fund additions in the plant funds of the financial statements when expended by the state. Neither the obligations for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the University's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

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

NOTE 9 — CURRENT FUNDS REVENUES AND EXPENDITURES

Unrestricted revenues and other additions are considered revenue when earned. Restricted revenues and other additions are considered revenue when earned by satisfying the requirements for expenditure.

The current funds restricted revenues earned through expenditure for the year ended June 30, 2000 are as follows:

State appropriations	\$85,457
Federal support	140,574
Other state support	33,126
Local support	19,576
Private support	147,211
Endowment and investment income and realized gains	<u>29,534</u>
Total	<u>\$455,478</u>

Current funds expenditures for the year ended June 30, 2000 are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>
Educational and general:		
Instructional and departmental research	\$423,142	\$82,818
Separately budgeted research	28,859	203,706
Public service	19,635	81,119
Academic support	91,129	11,088
Student services	51,439	1,076
Institutional support	85,302	9,212
Operation and maintenance of plant	60,353	5,148
Scholarships and fellowships	<u>40,711</u>	<u>40,913</u>
Total educational and general	800,570	435,080
Auxiliary enterprises	135,578	8,923
Hospitals	<u>597,246</u>	<u>11,475</u>
Total	<u>\$1,533,394</u>	<u>\$455,478</u>

NOTE 10 — RETIREMENT PLANS

Defined Benefit Plans

The University faculty is covered by the State Teachers Retirement System of Ohio (STRS). Substantially all other employees are covered by the Public Employees Retirement System of Ohio (PERS). These retirement programs are statewide cost-sharing multiple-employer defined benefit pension plans. STRS and PERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. Both STRS and PERS issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting the two organizations.

STRS Ohio
275 East Broad Street
Columbus, OH 43215-3771
(614) 227-4090

PERS
277 East Town Street
Columbus, OH 43215-4642
(614) 466-2085
(800) 222-PERS (7377)

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

PERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit and to primary survivors of those retirees. PERS determines the amount, if any, of the associated health care costs that will be absorbed by PERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of PERS is included in the employer contribution rate. For the fiscal year ended December 31, 1999, PERS allocated 4.2% (4.2% for law enforcement) of the employer contribution rate to fund the health care program for retirees. The contributions allocated to retiree health benefits, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to other postemployment health benefits. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and the normal cost rates were determined for retiree health care coverage.

PERS expenditures for postemployment health care benefits during 1999 were \$523.6 million. The unaudited estimated net assets available for these benefits at December 31, 1999 were \$9.9 billion. There were 118,062 benefit recipients eligible for postemployment benefits at that date.

STRS currently provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Pursuant to ORC, STRS has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS are included in the employer contribution rate. For the fiscal year ended June 30, 1999, STRS allocated employer contributions equal to 2.0% of covered payroll to a Health Care Reserve Fund (HCRF) from which payments for health care benefits are paid. The balance in the HCRF was \$2.783 billion at June 30, 1999. For the fiscal year ended June 30, 2000, STRS allocated employer contributions equal to 8.0% of covered payroll to the HCRF.

STRS expenditures for postemployment benefits during the year ended June 30, 1999 were \$250 million. There were 95,796 benefit recipients eligible for postemployment benefits at that date.

Defined Contribution Plan

The Alternative Retirement Plan (ARP) is a defined contribution pension plan. Full-time administrative and professional staff and faculty with less than five years of service (those not vested in the existing defined benefit plans) as of ARP's implementation date were allowed to choose enrollment in ARP. Classified civil service employees are not eligible to participate in ARP. For those employees selecting participation in ARP, prior employee contributions to STRS and PERS were transferred from those plans and invested in individual accounts established with selected external providers.

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.

Funding Policy

ORC provides STRS and PERS statutory authority to set employee and employer contributions. Contributions equal to those required by STRS and PERS are required for ARP. For employees enrolling in ARP, ORC requires a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution be contributed to STRS and PERS to enhance the stability of those plans. The required contribution rates (as a percentage of covered payroll) for plan members and the University are as follows:

	STRS	PERS	ARP
Faculty:			
Plan Member	9.3%		9.3%
University	14.0%		14.0%*
Staff:			
Plan Member		8.5%	8.5%
University		13.31%	13.31%
Law Enforcement Staff:			
Plan Member		9.0%	9.0%
University		16.7%	16.7%

* Employer contributions include 5.76% paid to STRS.
The remaining amount is credited to employee's ARP account.

The University's contributions, which represent 100% of required employer contributions, for the year ended June 30, 2000 and for each of the two preceding years are as follows:

Year Ended June 30,	STRS Annual Required Contribution	PERS Annual Required Contribution	ARP Annual Required Contribution
1998	\$35,307	\$62,697	\$ -
1999	\$36,364	\$64,204	\$ 1,274
2000	\$34,785	\$65,891	\$13,622

NOTE 11 — 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.

The liability for the cost of vacation and sick leave benefits is approximately \$48,472 as of June 30, 2000.

NOTE 12 — CAPITAL PROJECT COMMITMENTS

At June 30, 2000, the University is committed to future contractual obligations for capital expenditures of approximately \$249,146.

These projects are funded by the following sources:

State appropriations	\$16,205
Internal and other sources	<u>232,941</u>
Total	<u>\$249,146</u>

NOTE 13 — SELF-INSURANCE PROGRAMS

The Hospitals have established a trustee self-insurance fund for professional liability claims. The estimated liability and the related contributions to the fund are based upon an independent actuarial determination as of June 30, 2000.

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, 2000 of the anticipated future payments on gross claims is estimated at its present value of \$14,193 discounted at an estimated rate of 6.0%.

Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of \$22,470 are in excess of the recorded liability at June 30, 2000, and the excess of \$8,277 is included in the Hospitals' fund equity.

The University is also self-insured with a stop-loss ceiling of \$84,499 for employee health insurance. As of June 30, 2000, \$8,573 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, 1998 result from the following activities:

	Malpractice		Health	
	2000	1999	2000	1999
Liability at Beginning of Fiscal Year	\$13,604	\$13,262	\$9,000	\$8,948
Current Year Claims, Changes in Estimates	676	416	61,651	52,157
Claim Payments	(87)	(74)	(62,078)	(52,105)
Balance at Fiscal Year End	<u>\$14,193</u>	<u>\$13,604</u>	<u>\$ 8,573</u>	<u>\$ 9,000</u>

NOTE 14 — CONTINGENCIES

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.

NOTE 15 — FUNDS HELD IN TRUST BY OTHERS

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



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the University's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

October 13, 2000

Supplemental Information

THE OHIO STATE UNIVERSITY BALANCE SHEET

June 30, 2000

ASSETS

CURRENT FUNDS

Unrestricted:

Educational and general:

Investments	\$	478,654,819
Accrued interest receivable		3,283,954
Accounts receivable, less allowance of \$3,941,096		53,192,557
Due from unrestricted hospital funds		43,470,390
Inventories		8,555,009
Prepaid expenses and deferred charges		<u>24,711,977</u>

Total educational and general \$ 611,868,706

Auxiliary enterprises:

Cash and cash equivalents	\$	417,621
Accounts receivable, less allowance of \$1,311,172		3,799,548
Due from unrestricted educational and general funds		36,487,474
Inventories		4,179,160
Prepaid expenses and deferred charges		<u>608,199</u>

Total auxiliary enterprises \$ 45,492,002

Hospitals:

Cash and cash equivalents	\$	4,541,143
Investments		35,139,574
Accounts receivable, less allowance of \$93,619,662		144,904,978
Due from restricted funds		46,375
Inventories		7,431,529
Prepaid expenses and deferred charges		<u>2,182,886</u>

Total hospitals \$ 194,246,485

Total unrestricted \$ 851,607,193

LIABILITIES AND FUND EQUITIES

CURRENT FUNDS

Unrestricted:

Educational and general:

Accounts payable	\$ 48,908,357
Outstanding checks	33,660,247
Accrued liabilities	71,704,717
Due to unrestricted auxiliary funds	36,487,474
Due to restricted funds	118,709,393
Due to loan funds	65,407
Due to plant unexpended funds	8,294,695
Due to plant renewal and replacement funds	223,324
Due to plant retirement of indebtedness funds	23,768,517
Deposits	1,519,558
Deferred credits	69,369,669
Deposits held in custody for others	1,047,395
Fund equities	198,109,953
Total educational and general	<u>\$ 611,868,706</u>

Auxiliary enterprises:

Accounts payable	\$ 2,232,573
Accrued liabilities	3,440,489
Deposits	807,618
Deferred credits	26,716,345
Due to plant renewals and replacements funds	181,424
Due to plant retirement of indebtedness funds	1,505,477
Fund equities	<u>10,608,076</u>

Total auxiliary enterprises \$ 45,492,002

Hospitals:

Accounts payable	\$ 29,476,664
Accrued liabilities	52,091,476
Due to unrestricted educational and general funds	43,470,390
Due to plant unexpended funds	2,395,896
Fund equities	<u>66,812,059</u>

Total hospitals \$ 194,246,485

Total unrestricted \$ 851,607,193

**THE OHIO STATE UNIVERSITY
BALANCE SHEET, Continued**

June 30, 2000

ASSETS

CURRENT FUNDS, Continued

Restricted:

Cash and cash equivalents	\$	5,591,686
Real estate		40,000
Investments		26,189,844
Accrued interest receivable		4,250,227
Accounts receivable, less allowance of \$1,496,226		44,784,669
State and federal receivables		3,929,518
Due from unrestricted educational and general funds		118,709,393
Due from endowment and similar funds		4,710,779
Inventories		12,502
Prepaid expenses and deferred charges		715,927
Total restricted	\$	<u>208,934,545</u>
Total current funds	\$	<u>1,060,541,738</u>

LOAN FUNDS

Cash and cash equivalents	\$	3,268,203
Due from unrestricted educational and general funds		65,407
Accrued interest receivable		5,987,991
Notes receivable, less allowance of \$7,300,000		<u>60,982,172</u>
Total loan funds	\$	<u>70,303,773</u>

LIABILITIES AND FUND EQUITIES

CURRENT FUNDS, Continued

Restricted:

Accounts payable	\$ 4,527,214
Accrued liabilities	29,382,165
Advances - sponsored programs	21,154,874
Due to unrestricted hospitals funds	46,375
Fund equities	<u>153,823,917</u>

Total restricted \$ 208,934,545

Total current funds \$ 1,060,541,738

LOAN FUNDS

Accounts payable	\$ 3,829,915
Fund equities:	
U.S. Government loan fund grants:	
Perkins loan	34,729,034
Other federal	20,410,854
University funds:	
Unrestricted	2,252,076
Restricted	9,081,894
Total loan funds	<u><u>\$ 70,303,773</u></u>

**THE OHIO STATE UNIVERSITY
BALANCE SHEET, Continued**

June 30, 2000

ASSETS

ENDOWMENT AND SIMILAR FUNDS

Cash and cash equivalents	\$	63,925,694
Real estate - at cost or contributed value		30,838,194
Investments		<u>1,221,448,898</u>

Total endowment and similar funds	\$	<u><u>1,316,212,786</u></u>
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ANNUITY AND LIFE INCOME FUNDS

Cash	\$	1,885,431
Investments		<u>5,782,698</u>

Total annuity and life income funds	\$	<u><u>7,668,129</u></u>
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PLANT FUNDS

Unexpended:

Deposits with trustees	\$	2,213,641
Due from unrestricted educational and general funds		8,294,695
Due from unrestricted hospitals funds		<u>2,395,896</u>

Total unexpended	\$	<u><u>12,904,232</u></u>
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LIABILITIES AND FUND EQUITIES

ENDOWMENT AND SIMILAR FUNDS

Accrued liabilities	\$ 20,599,609
Due to restricted funds	4,710,779
Due to plant retirement of indebtedness funds	8,595,270
Deposits held in custody for others	1,392,505
Fund equities:	
Unrestricted quasi-endowment	85,377,932
Restricted quasi-endowment	218,026,243
Restricted endowment	977,510,448
Total endowment and similar funds	<u>\$ 1,316,212,786</u>

ANNUITY AND LIFE INCOME FUNDS

Accrued liabilities	\$ 3,400,302
Fund equities:	
Restricted	<u>4,267,827</u>
Total annuity and life income funds	<u>\$ 7,668,129</u>

PLANT FUNDS

Unexpended:

Lease obligations payable	\$ 994,981
Bonds payable	43,734,379
Due to plant retirement of indebtedness funds	1,205,015
Due to investment in plant funds	208,742
Fund equities:	
Unrestricted	<u>(33,238,885)</u>
Total unexpended	<u>\$ 12,904,232</u>

**THE OHIO STATE UNIVERSITY
BALANCE SHEET, Continued**

June 30, 2000

ASSETS

PLANT FUNDS, Continued

Renewals and replacements:

Investments	\$	7,365,255
Accounts receivable		2,721,640
Due from unrestricted educational and general funds		223,324
Due from unrestricted auxiliary funds		181,424

Total renewals and replacements \$ 10,491,643

Retirement of indebtedness:

Investments	\$	12,873,369
Accounts receivable, gross		413,750
Due from unrestricted educational and general funds		23,768,517
Due from unrestricted auxiliary funds		1,505,477
Due from endowment and similar funds		8,595,270
Due from unexpended plant		1,205,015
Due from renewals and replacements funds		2,704
Prepaid expenses and deferred charges		1,927,122

Total retirement of indebtedness \$ 50,291,224

Investment in plant:

Due from plant unexpended funds	\$	208,742
Due from renewals and replacements funds		18,887,177
Land		35,041,190
Improvements other than buildings		156,099,129
Buildings and fixed equipment		1,634,788,641
Movable equipment, furniture, library books		759,682,889
Construction in progress		246,010,646

Total investment in plant \$ 2,850,718,414

Total plant funds \$ 2,924,405,513

AGENCY FUNDS

Cash and cash equivalents	\$	1,657,599
Accounts receivable, gross		1,124,150

Total agency funds \$ 2,781,749

LIABILITIES AND FUND EQUITIES

PLANT FUNDS, Continued

Renewals and replacements:

Accounts payable	\$ 6,782,817
Due to plant retirement of indebtedness funds	2,704
Due to investment in plant funds	18,887,177
Fund equities:	
Unrestricted	<u>(15,181,055)</u>
Total renewals and replacements	<u>\$ 10,491,643</u>

Retirement of indebtedness:

Accrued interest	\$ 1,375,195
Fund equities:	
Unrestricted	46,144,701
Restricted	<u>2,771,328</u>

Total retirement of indebtedness \$ 50,291,224

Investment in plant:

Accounts payable	\$ 19,095,919
Notes payable	36,410,328
Lease obligations payable	17,165,782
Bonds payable	292,520,621
Net investment in plant	<u>2,485,525,764</u>

Total investment in plant \$ 2,850,718,414

Total plant funds \$ 2,924,405,513

AGENCY FUNDS

Accounts payable	\$ 224,589
Deposits held in custody for others	<u>2,557,160</u>
Total agency funds	<u><u>\$ 2,781,749</u></u>

**THE OHIO STATE UNIVERSITY
STATEMENT OF CHANGES IN FUND EQUITIES**

Year Ended June 30, 2000

	UNRESTRICTED CURRENT FUNDS			
	Educational and General	Auxiliary Enterprises	Hospitals	Total Unrestricted
REVENUES AND OTHER ADDITIONS				
Unrestricted current funds revenues	\$ 848,842,166	\$ 147,958,271	\$ 557,029,220	\$ 1,553,829,657
State appropriations	-	-	-	-
Federal appropriations	-	-	-	-
Local appropriations	-	-	-	-
Federal grants and contracts	-	-	-	-
State grants and contracts	-	-	-	-
Local grants and contracts	-	-	-	-
Private grants and contracts	-	-	-	-
Endowment income	-	-	-	-
Investment income	-	-	-	-
Interest and penalties on loans receivable	-	-	-	-
Expended for plant facilities (including \$104,546,383 charged to current funds expenditures)	-	-	-	-
Retirement of indebtedness	-	-	-	-
Net appreciation / (depreciation) of market value of investments	-	-	-	-
TOTAL REVENUES AND OTHER ADDITIONS	<u>848,842,166</u>	<u>147,958,271</u>	<u>557,029,220</u>	<u>1,553,829,657</u>
EXPENDITURES AND OTHER DEDUCTIONS				
Educational and general expenditures	800,569,084	-	-	800,569,084
Auxiliary enterprises expenditures	-	135,578,291	-	135,578,291
Hospitals expenditures	-	-	597,246,431	597,246,431
Indirect costs recovered	-	-	-	-
Refunded to grantors	-	-	-	-
Loan cancellations and write-offs	-	-	-	-
Administrative and collection costs	-	-	-	-
Provision for uncollectible loans	-	-	-	-
Annuities paid	-	-	-	-
Expended for plant facilities (including non-capitalized expenditures of \$10,660,008)	-	-	-	-
Bond administrative expenditures	-	-	-	-
Retirement of indebtedness	-	-	-	-
Interest on indebtedness (including capitalized interest of \$1,203,097)	-	-	-	-
Disposal and write-offs of plant facilities	-	-	-	-
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	<u>800,569,084</u>	<u>135,578,291</u>	<u>597,246,431</u>	<u>1,533,393,806</u>
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS)				
Mandatory:				
Principal and interest	(12,864,281)	(3,968,698)	(6,007,626)	(22,840,605)
Matching grants	(12,037)	-	-	(12,037)
Non-mandatory:				
Support to auxiliary enterprises	(1,791,002)	1,791,002	-	-
Debt service	(430,204)	(206,582)	-	(636,786)
Capital improvements	(6,389,931)	(1,091,894)	(10,774,747)	(18,256,572)
Endowment principal	(397,116)	-	-	(397,116)
Interfund	215,030	(3,839,916)	(1,502,433)	(5,127,319)
TOTAL TRANSFERS	<u>(21,669,541)</u>	<u>(7,316,088)</u>	<u>(18,284,806)</u>	<u>(47,270,435)</u>
NET INCREASE / (DECREASE) FOR THE YEAR	<u>26,603,541</u>	<u>5,063,892</u>	<u>(58,502,017)</u>	<u>(26,834,584)</u>
FUND EQUITY, BEGINNING OF THE YEAR	<u>171,506,412</u>	<u>5,544,184</u>	<u>125,314,076</u>	<u>302,364,672</u>
FUND EQUITY, END OF THE YEAR	<u>\$ 198,109,953</u>	<u>\$ 10,608,076</u>	<u>\$ 66,812,059</u>	<u>\$ 275,530,088</u>

RESTRICTED CURRENT FUNDS				
<u>Educational and General</u>	<u>Auxiliary Enterprises</u>	<u>Hospitals</u>	<u>Total Restricted</u>	<u>Total Current Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,553,829,657
89,684,774	-	10,041,532	99,726,306	99,726,306
17,192,570	-	-	17,192,570	17,192,570
17,229,394	-	-	17,229,394	17,229,394
154,924,468	70,182	27,368	155,022,018	155,022,018
34,414,885	-	-	34,414,885	34,414,885
2,798,517	-	-	2,798,517	2,798,517
169,235,885	10,625,607	2,024,833	181,886,325	181,886,325
(2,629,158)	452,683	1,710,982	(465,493)	(465,493)
1,533,675	-	-	1,533,675	1,533,675
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,855,312	-	-	1,855,312	1,855,312
<u>486,240,322</u>	<u>11,148,472</u>	<u>13,804,715</u>	<u>511,193,509</u>	<u>2,065,023,166</u>
435,080,238	-	-	435,080,238	1,235,649,322
-	8,922,976	-	8,922,976	144,501,267
-	-	11,475,286	11,475,286	608,721,717
42,878,344	-	-	42,878,344	42,878,344
43,380	-	-	43,380	43,380
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>478,001,962</u>	<u>8,922,976</u>	<u>11,475,286</u>	<u>498,400,224</u>	<u>2,031,794,030</u>
(1,408,365)	(7,330,384)	-	(8,738,749)	(31,579,354)
-	-	-	-	(12,037)
-	-	-	-	-
-	(117,127)	-	(117,127)	(753,913)
(4,067,570)	1,436,626	(400,000)	(3,030,944)	(21,287,516)
(8,687,522)	156,325	(240,323)	(8,771,520)	(9,168,636)
37,223,176	2,061,429	(2,117,760)	37,166,845	32,039,526
<u>23,059,719</u>	<u>(3,793,131)</u>	<u>(2,758,083)</u>	<u>16,508,505</u>	<u>(30,761,930)</u>
<u>31,298,079</u>	<u>(1,567,635)</u>	<u>(428,654)</u>	<u>29,301,790</u>	<u>2,467,206</u>
<u>123,192,492</u>	<u>(2,771,177)</u>	<u>4,100,812</u>	<u>124,522,127</u>	<u>426,886,799</u>
<u>\$ 154,490,571</u>	<u>\$ (4,338,812)</u>	<u>\$ 3,672,158</u>	<u>\$ 153,823,917</u>	<u>\$ 429,354,005</u>

**THE OHIO STATE UNIVERSITY
STATEMENT OF CHANGES IN FUND EQUITIES**

Year Ended June 30, 2000

	<u>Loan Funds</u>	<u>Endowment and Similar Funds</u>	<u>Annuity and Life Income Funds</u>
REVENUES AND OTHER ADDITIONS			
Unrestricted current funds revenues	\$ -	\$ -	\$ -
State appropriations	-	-	-
Federal appropriations	-	-	-
Local appropriations	-	-	-
Federal grants and contracts	89,540	-	-
State grants and contracts	-	-	-
Local grants and contracts	-	-	-
Private grants and contracts	(15,247)	54,143,499	40,194
Endowment income	182,135	-	312,020
Investment income	214,599	-	-
Interest and penalties on loans receivable	2,147,800	-	-
Expended for plant facilities (including \$104,546,383 charged to current funds expenditures)	-	-	-
Retirement of indebtedness	-	-	-
Net appreciation / (depreciation) of market value of investments	-	187,292,344	267,277
TOTAL REVENUES AND OTHER ADDITIONS	<u>2,618,827</u>	<u>241,435,843</u>	<u>619,491</u>
EXPENDITURES AND OTHER DEDUCTIONS			
Educational and general expenditures	-	-	-
Auxiliary enterprises expenditures	-	-	-
Hospitals expenditures	-	-	-
Indirect costs recovered	-	-	-
Refunded to grantors	-	-	-
Loan cancellations and write-offs	372,530	-	-
Administrative and collection costs	1,077,700	-	-
Provision for uncollectible loans	1,000,000	-	-
Annuities paid	-	-	488,708
Expended for plant facilities (including non-capitalized expenditures of \$10,660,008)	-	-	-
Bond administrative expenditures	-	-	-
Retirement of indebtedness	-	-	-
Interest on indebtedness (including capitalized interest of \$1,203,097)	-	-	-
Disposal and write-offs of plant facilities	-	-	-
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	<u>2,450,230</u>	<u>-</u>	<u>488,708</u>
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS)			
Mandatory:			
Principal and interest	-	-	-
Matching grants	12,037	-	-
Non-mandatory:			
Support to auxiliary enterprises	-	-	-
Debt service	-	-	-
Capital improvements	-	(2,046,299)	-
Endowment principal	-	9,168,636	-
Interfund	-	(32,039,526)	-
TOTAL TRANSFERS	<u>12,037</u>	<u>(24,917,189)</u>	<u>-</u>
NET INCREASE / (DECREASE) FOR THE YEAR	<u>180,634</u>	<u>216,518,654</u>	<u>130,783</u>
FUND EQUITY, BEGINNING OF THE YEAR	<u>66,293,224</u>	<u>1,064,395,969</u>	<u>4,137,044</u>
FUND EQUITY, END OF THE YEAR	<u>\$ 66,473,858</u>	<u>\$ 1,280,914,623</u>	<u>\$ 4,267,827</u>

PLANT FUNDS			
<u>Unexpended</u>	<u>Renewals and Replacements</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
\$ -	\$ -	\$ -	\$ -
13,792,311	27,156,209	-	-
-	-	-	-
-	-	-	-
-	500,000	-	-
-	-	-	-
2,145,386	9,893,846	648,193	-
-	-	-	-
(637,395)	(2,816,799)	4,731,989	-
-	-	-	-
-	-	-	310,700,377
-	-	-	26,367,059
-	(652,382)	876,287	-
<u>15,300,302</u>	<u>34,080,874</u>	<u>6,256,469</u>	<u>337,067,436</u>
-	-	-	-
-	-	-	-
-	-	-	-
61,641	80,931	-	-
-	-	-	-
-	-	-	-
-	-	-	-
33,495,405	182,115,500	-	-
-	-	814,138	-
-	-	26,449,925	-
-	-	15,762,696	-
-	-	-	169,697,200
<u>33,557,046</u>	<u>182,196,431</u>	<u>43,026,759</u>	<u>169,697,200</u>
-	-	-	-
(96,300,581)	94,773,850	33,106,085	-
-	-	-	-
-	-	-	-
-	-	753,913	-
6,542,007	16,791,808	-	-
-	-	-	-
101,292,871	501,427	(35,358,859)	(66,435,439)
<u>11,534,297</u>	<u>112,067,085</u>	<u>(1,498,861)</u>	<u>(66,435,439)</u>
<u>(6,722,447)</u>	<u>(36,048,472)</u>	<u>(38,269,151)</u>	<u>100,934,797</u>
<u>(26,516,438)</u>	<u>20,867,417</u>	<u>87,185,180</u>	<u>2,384,590,967</u>
<u>\$ (33,238,885)</u>	<u>\$ (15,181,055)</u>	<u>\$ 48,916,029</u>	<u>\$ 2,485,525,764</u>

THE OHIO STATE UNIVERSITY
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES

Year Ended June 30, 2000

	UNRESTRICTED			
	Educational and General	Auxiliary Enterprises	Hospitals	Total Unrestricted
REVENUES				
Tuition, fees and other student charges	\$ 349,476,100	\$ -	\$ -	\$ 349,476,100
State appropriations	348,293,272	-	-	348,293,272
Federal appropriations	-	-	-	-
Local appropriations	-	-	-	-
Federal grants and contracts	28,308,076	-	-	28,308,076
State grants and contracts	3,731,657	-	-	3,731,657
Local grants and contracts	-	-	-	-
Private grants and contracts	20,613,276	-	-	20,613,276
Endowment income	4,758,700	-	-	4,758,700
Temporary investment income	25,112,403	-	-	25,112,403
Net apprec / (deprec) of market value of investments	3,012,384	-	2,211,580	5,223,964
Sales and services	52,749,117	136,494,268	520,406,968	709,650,353
Other sources	12,787,181	11,464,003	34,410,672	58,661,856
TOTAL REVENUES	848,842,166	147,958,271	557,029,220	1,553,829,657
EXPENDITURES AND MANDATORY TRANSFERS				
Educational and general:				
Instructional and departmental research	423,141,130	-	-	423,141,130
Separately budgeted research	28,858,634	-	-	28,858,634
Public service	19,634,728	-	-	19,634,728
Academic support	91,129,037	-	-	91,129,037
Student services	51,438,376	-	-	51,438,376
Institutional support	85,302,602	-	-	85,302,602
Operation and maintenance of plant	60,353,468	-	-	60,353,468
Scholarships and fellowships	40,711,109	-	-	40,711,109
Total educational and general	800,569,084	-	-	800,569,084
Auxiliary enterprises	-	135,578,291	-	135,578,291
Hospitals	-	-	597,246,431	597,246,431
Mandatory transfers:				
Principal and interest	12,864,281	3,968,698	6,007,626	22,840,605
Renewals and replacements	-	-	-	-
Matching grants	12,037	-	-	12,037
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	813,445,402	139,546,989	603,254,057	1,556,246,448
NON-MANDATORY TRANSFERS AND OTHER ADDITIONS/(DEDUCTIONS)				
Non-mandatory transfers:				
Support to auxiliary enterprises	(1,791,002)	1,791,002	-	-
Debt service	(430,204)	(206,582)	-	(636,786)
Capital improvements	(6,389,931)	(1,091,894)	(10,774,747)	(18,256,572)
Endowment principal	(397,116)	-	-	(397,116)
Interfund	215,030	(3,839,916)	(1,502,433)	(5,127,319)
Excess of restricted receipts over transfers to revenue	-	-	-	-
Refunded to grantors	-	-	-	-
Indirect costs recovered	-	-	-	-
NET INCREASE / (DECREASE) FOR THE YEAR	\$ 26,603,541	\$ 5,063,892	\$ (58,502,017)	\$ (26,834,584)

RESTRICTED				
Educational and General	Auxiliary Enterprises	Hospitals	Total Restricted	Total Current Funds
\$ -	\$ -	\$ -	\$ -	\$ 349,476,100
75,415,938	-	10,041,531	85,457,469	433,750,741
15,283,806	-	-	15,283,806	15,283,806
17,749,076	-	-	17,749,076	17,749,076
125,192,612	70,182	27,368	125,290,162	153,598,238
33,125,727	-	-	33,125,727	36,857,384
1,826,430	-	-	1,826,430	1,826,430
137,683,190	8,445,583	1,082,288	147,211,061	167,824,337
28,803,459	407,211	324,099	29,534,769	34,293,469
-	-	-	-	25,112,403
-	-	-	-	5,223,964
-	-	-	-	709,650,353
-	-	-	-	58,661,856
<u>435,080,238</u>	<u>8,922,976</u>	<u>11,475,286</u>	<u>455,478,500</u>	<u>2,009,308,157</u>
82,818,013	-	-	82,818,013	505,959,143
203,705,761	-	-	203,705,761	232,564,395
81,119,254	-	-	81,119,254	100,753,982
11,087,730	-	-	11,087,730	102,216,767
1,076,382	-	-	1,076,382	52,514,758
9,212,311	-	-	9,212,311	94,514,913
5,148,328	-	-	5,148,328	65,501,796
40,912,459	-	-	40,912,459	81,623,568
<u>435,080,238</u>	-	-	<u>435,080,238</u>	<u>1,235,649,322</u>
-	8,922,976	-	8,922,976	144,501,267
-	-	11,475,286	11,475,286	608,721,717
1,408,365	7,330,384	-	8,738,749	31,579,354
-	-	-	-	-
-	-	-	-	12,037
<u>436,488,603</u>	<u>16,253,360</u>	<u>11,475,286</u>	<u>464,217,249</u>	<u>2,020,463,697</u>
-	-	-	-	-
-	(117,127)	-	(117,127)	(753,913)
(4,067,570)	1,436,626	(400,000)	(3,030,944)	(21,287,516)
(8,687,522)	156,325	(240,323)	(8,771,520)	(9,168,636)
37,223,176	2,061,429	(2,117,760)	37,166,845	32,039,526
51,160,084	2,225,496	2,329,429	55,715,009	55,715,009
(43,380)	-	-	(43,380)	(43,380)
<u>(42,878,344)</u>	-	-	<u>(42,878,344)</u>	<u>(42,878,344)</u>
<u>\$ 31,298,079</u>	<u>\$ (1,567,635)</u>	<u>\$ (428,654)</u>	<u>\$ 29,301,790</u>	<u>\$ 2,467,206</u>

Acknowledgements

The 2000 Financial Report and the included financial statements are prepared by the staff of the Office of the Controller, Division of Accounting.

Michael A. Baker - Accountant

Suzanne M. Chizmar - Chief Accountant

Thomas F. Ewing - Associate Controller

Allan E. Freeman - Cost Analyst

Nancy J. Jacobs - Senior Accountant

Brenda K. Payne - Accountant

Patricia M. Privette - Tax Coordinator

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

Janet G. Ashe - Vice President, Business and Finance

Greta J. Russell - University Controller

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

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