

The Ohio State University

*Financial Statements and Supplemental Schedules
for the Year Ended June 30, 2002
And Independent Auditors' Report*



**Auditor of State
Betty Montgomery**

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Board of Trustees
The Ohio State University

We have reviewed the Independent Auditor's Report of The Ohio State University, Franklin County, prepared by Deloitte & Touche LLP for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of net assets of The Ohio State University ("The University"), a component unit of the State of Ohio, as of June 30, 2002 and 2001, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Ohio State University as of June 30, 2002 and 2001, 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.

As described in Note 1, the University has implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures* as of and for the year ended June 30, 2002.

The Management's Discussion and Analysis (MD&A) on pages 2 through 14 is not a required part of the basic financial statements, but is supplementary information required by GASB. This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2002, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an 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

November 12, 2002

Management's Discussion and Analysis for the Year Ended June 30, 2002

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, 2002, with comparative information for the year ended June 30, 2001. 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 55,000 students, 4,700 faculty members and 16,000 staff members. Founded in 1870 under the Morrill Land Grant Act, the University – which was originally known as the Ohio Agricultural and Mechanical College – has grown over the years into a comprehensive public institution of higher learning, with over 170 undergraduate majors, 110 masters degree programs and 90 doctoral programs. The University also operates one of the nation's leading academic medical centers, which includes the OSU Health System. The Health System is comprised of three hospitals – The Ohio State University Hospitals, The Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, and University Hospitals East – as well as an inpatient psychiatric care facility, a chemical dependency unit, rehabilitation facility and 29 outpatient care centers with over 45,000 admissions and 627,000 patient visits annually.

Ohio State is governed by a board of 11 trustees who are responsible for oversight of academic programs, budgets and general administration, and employment of faculty and staff. The governor annually appoints one voting member to a nine-year term and one non-voting student member to a two-year term. The University's 19 colleges, the OSU Health System and various academic support units operate largely on a decentralized basis. The Board approves annual budgets for University operations, but these budgets are managed at the college and department level.

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

About the New Financial Statements

Fiscal Year 2002 marks the beginning of a new era for financial reporting at The Ohio State University. Along with the State of Ohio, the University has implemented a new governmental financial reporting model, which is set forth in 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*. Under these new accounting standards, Ohio State is presenting its financial reports in a single-column "business type activity" format, a significant departure from the multi-column fund accounting statements provided in prior years. GASB Statement No. 35 defines business type activities as those financed in whole or in part by fees charged to external parties for goods and services. Most public colleges and universities have elected to use the business type activity format.

In addition to this MD&A section, the new 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, 2002, with comparative information as of June 30, 2001. 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, 2002, with comparative information for Fiscal Year 2001. Tuition revenue is now shown net of scholarship allowances, depreciation is provided for capital assets, and there are required subtotals for net operating income (loss) and net income (loss) before capital contributions and additions to permanent endowments.

It should be noted that the required subtotal for net operating income or loss will generally reflect a "loss" for state-supported colleges and universities. This is primarily due to the way operating and non-operating items are defined under GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating expenses include virtually all University expenses, except for interest on long-term debt. Operating revenues, however, *exclude* certain significant revenue streams that Ohio State and other public institutions have

traditionally relied upon to fund current operations, including state instructional support, current-use gifts and investment income.

The **Statement of Cash Flows** details how cash has increased (or decreased) during the year ended June 30, 2002, with comparative information for Fiscal Year 2001. 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. In addition to several changes to the Summary of Significant Accounting and Reporting Policies, this year's report includes new notes on capital assets, long-term debt, receivable and payable balances, unrestricted net assets, and operating expenses by object.

Financial Highlights and Key Trends

The state budget situation presented significant financial challenges to the University in Fiscal Year 2002. In response to a slowing state economy, increased medical costs and a state Supreme Court order to address inadequacies in state funding of primary and secondary education, the State of Ohio imposed a 6% mandatory reduction in all FY2002 state agency budgets, including colleges and universities. This translated into a \$28 million reduction in state support to Ohio State and required the University to reduce and reallocate budgets in its colleges and academic support units.

Despite these difficulties, however, the University's overall financial health remains sound. Total unrestricted and restricted-expendable net assets increased \$129 million, 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), restrained growth in educational and general expenses and improvements in OSU Health System operating results. Total University plant debt rose \$168 million, to \$581 million at June 30, 2002. Continuing declines in the equity markets resulted in a net investment loss of \$112 million.

In addition, enrollment continues to be strong. Head count enrollment increased in FY2002 from 55,737 to 56,379. Particularly encouraging was an increase in freshman retention from 84% to 86%.

The following sections provide additional details on the University's financial position and activities for FY2002 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	2002	2001
	<i>(in thousands)</i>	
Cash and current investments	\$ 759,536	\$ 502,800
Current receivables, inventories and prepaid expenses	342,165	350,822
Total current assets	1,101,701	853,622
Restricted cash and cash equivalents	24,343	22,867
Noncurrent notes and pledges receivable	107,069	99,367
Endowments and other long-term investments	1,011,568	1,159,097
Capital assets, net of accumulated depreciation	1,762,814	1,698,010
Total noncurrent assets	2,905,794	2,979,341
Total assets	\$ 4,007,495	\$ 3,832,963
Accounts payable and accrued expenses	\$ 260,501	\$ 207,257
Deferred revenues and deposits	135,550	115,471
Commercial paper and current portion of bonds, notes and lease obligations	285,072	262,638
Other current liabilities	13,900	13,059
Total current liabilities	695,023	598,425
Noncurrent portion of bonds, notes and lease obligations	296,034	149,999
Other noncurrent liabilities	208,659	206,741
Total noncurrent liabilities	504,693	356,740
Total liabilities	\$ 1,199,716	\$ 955,165
Invested in capital assets, net of related debt	\$ 1,181,708	\$ 1,285,373
Restricted-nonexpendable net assets	751,317	846,939
Restricted-expendable net assets	457,521	495,021
Unrestricted net assets	417,233	250,465
Total net assets	\$ 2,807,779	\$ 2,877,798

University **cash and current investment** balances increased \$257 million, primarily due to the issuance of \$228 million in new bonds and a \$122 million reduction in capital spending in 2002. 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** decreased \$148 million, to \$1.01 billion at June 30, 2002, due to economic and financial market conditions, primarily in the equity markets, that negatively affected the returns of The Endowment Fund. The Endowment Fund operates with a long-term investment goal of preserving the purchasing power of the principal in a diversified portfolio.

Capital assets, which include the University's land, buildings, improvements, equipment and library books, grew \$65 million, to approximately \$1.76 billion at June 30, 2002. The University depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from 5 years (for computer equipment) to 100 years (for certain building components such as foundations).

During Fiscal Year 2002, the University completed several significant construction projects, including:

- Jesse Owens Memorial Stadium - This \$11 million track & field and soccer facility is the new home for the Jesse Owens track, which was relocated as part of the Ohio Stadium renovation.
- Veterinary Medicine Administration Building – This \$26 million facility, which replaces sections of Sisson Hall built in 1957 and 1959, houses laboratory, classroom and offices for the College of Veterinary Medicine.
- The Blackwell Inn at Fisher College (Executive Residence) – This first-class hotel and banquet facility, which cost approximately \$25 million, opened in June 2002 to serve executives attending Executive Education Programs at the Fisher College of Business.

Major projects currently underway or in advanced planning stages include:

- Knowlton School of Architecture – Construction is underway on a new \$33 million home for the University's Architecture, City and Regional Planning, and Landscape Architecture programs, to be located adjacent to Tuttle Park Place, across from the Fisher College of Business.
- Physical Sciences Research Building – Construction is underway on a new \$53 million home for the University's Department of Physics. The building will be on the site of the old Welding Engineering building, which was demolished in Fiscal Year 2002.
- Stanley J. Aronoff Laboratory (Life Sciences Research Building) – Work is underway on a \$27 million project to provide approximately 123,000 square feet of new laboratory and office space for the University's Zoology, Entomology and Plant Biology departments. The new building will be located between the Botany and Zoology Building and the 12th Avenue Parking Garage.
- Ross Heart Hospital – Planning is underway to construct an \$82 million heart hospital, on the current site of the Rhodes Hall auditorium. This facility will include inpatient

services, outpatient services, clinical and administrative support staff areas, and cardiac rehabilitation services.

- **New Student Housing** – Various projects are underway to renovate or add new student housing space, both on OSU's main campus and on the regional campuses. Chief among these is a \$29 million Graduate and Professional Student Housing complex, which is being constructed in stages in the South Campus area on Neil Avenue.
- **New Recreation Center** – Planning is underway to replace Larkins Hall with a new 604,800 square foot recreation center, to be constructed in two phases. The \$140 million facility will house a 50 meter swimming pool and diving well, recreation, class and lap pools, 16 basketball courts, 6 multi-purpose rooms, squash courts, racquetball courts and a 28,000 square foot fitness center.
- **William Oxley Thompson Memorial Library Renovation** – Planning is underway on a \$99 million renovation of the University's main library, which will include an addition to the building, new landscaping of the surrounding area and an expansion of the Library Book Depository.

The University's estimated future capital commitments, based on contracts and purchase orders, total approximately \$118 million at June 30, 2002.

Total University debt, in the form of **commercial paper, bonds, notes and capital lease obligations**, increased \$168 million, to \$581 million at June 30, 2002. In January 2002, the University issued \$77 million of variable-rate demand bonds and \$151 million of fixed-rate bonds. Both issues are secured by the general receipts of the University. The University used these debt proceeds to retire commercial paper issued for interim financing of construction projects, to retire old bonds issued at higher rates and to fund current capital expenditures. The bonds were rated "Aa2" by Moody's Investors Service and "AA" by Standard and Poor's. These ratings remained unchanged in Fiscal Year 2002.

The University's variable rate demand bonds mature at various dates through 2032. 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 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 \$227 million and \$164 million at June 30, 2002 and 2001, respectively.

Other University liabilities increased approximately \$76 million in 2002. **Accounts payable and accrued expenses** increased \$53 million, primarily due to minor timing differences in the remittance of payroll withholdings and employee benefit contributions (up \$26 million

compared with June 30, 2001), increases in payables to vendors for sales and services (up \$14 million), and increases in current amounts due to third-party payors at the OSU Health System (up \$7 million). **Deferred revenues and deposits** increased \$20 million, primarily due to increases in prepayments for tuition, student room and board and tickets for athletic events.

As part of the GASB 34/35 implementation, the University has recognized two new liability categories in its Statement of Net Assets. **Refundable advances for Federal Perkins loans** represent the accumulated federal capital contributions to the University's Perkins loan program. These amounts -- which would be refundable to the federal government if the University were to terminate its participation in the program -- were formerly reported as Loan Fund equity (net assets) in the University's financial reports. Refundable advances for Federal Perkins loans totaled approximately \$35 million at June 30, 2002 and 2001.

The second new liability category arises from the State of Ohio's GASB 34/35 implementation. Under the State's workers' compensation program, Public Employer State Agencies, including state universities and university hospitals, pay workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis. The Bureau of Workers' Compensation determines a rate for each governmental agency that will generate premium collections equal to the losses anticipated to be paid in the coming year. As part of the GASB 34/35 implementation, the State of Ohio has allocated the **unfunded workers' compensation liabilities** for Public Employer State Agencies to the individual agencies and instructed state-assisted colleges and universities to incorporate these allocated liabilities in their financial reports. Accordingly, the University's Statement of Net Assets reflects unfunded workers' compensation liabilities of \$53 million and \$57 million at June 30, 2002 and 2001, respectively.

Statement of Revenues, Expenses and Other Changes in Net Assets

Summary of Revenues, Expenses and Changes in Net Assets		
	2002	2001
	<i>(in thousands)</i>	
Operating Revenues:		
Tuition and fees, net	\$ 341,371	\$ 313,716
Grants and contracts	425,012	417,004
Auxiliary enterprises sales and services, net	129,521	138,893
OSU Health System sales and services, net	711,753	604,322
Departmental sales and other operating revenues	85,619	81,577
Total operating revenues	<u>1,693,276</u>	<u>1,555,512</u>
Operating Expenses:		
Educational and general	1,286,403	1,252,480
Auxiliary enterprises	148,489	148,194
OSU Health System	701,310	612,062
Depreciation	147,775	152,795
Total operating expenses	<u>2,283,977</u>	<u>2,165,531</u>
Net operating income (loss)	(590,701)	(610,019)
Non-operating revenues (expenses):		
State share of instruction and line-item appropriations	446,115	467,907
Gifts - current use	69,123	129,203
Net investment income (loss)	(112,142)	(164,846)
Other non-operating revenue (expense)	13,898	382
Income (loss) before other revenues, expenses gains or losses	<u>(173,707)</u>	<u>(177,373)</u>
State capital appropriations	50,342	47,331
Private capital gifts	20,917	29,870
Additions to permanent endowments	<u>32,429</u>	<u>60,463</u>
Increase (decrease) in net assets	(70,019)	(39,709)
Net assets - beginning of year	<u>2,877,798</u>	<u>2,917,507</u>
Net assets - end of year	<u>\$ 2,807,779</u>	<u>\$ 2,877,798</u>

Net tuition and fees increased \$28 million, to \$341 million in Fiscal Year 2002. This 9% increase is consistent with 2002 increases in tuition rates, which went up 9% for in-state undergraduates.

Grant and contract revenues increased \$8 million, to \$425 million in Fiscal Year 2002, due to increases in federal grants and contracts. Federal research awards administered by the OSU Research Foundation increased \$14 million. The University also received increased funding from federal student aid programs, including Pell Grants (up \$4 million) and the Federal Workstudy Program (up \$2 million). These increases were partially offset by declines in state grants and contracts and private grants and contracts.

Fiscal Year 2002 saw limited growth in total **educational and general expenses**. Total E&G expenses increased less than 3%, to \$1.29 billion. Additional details are provided below.

Educational and General Expenses	2002		2001	
	(in thousands)			
Instruction and departmental research	\$	540,454	\$	521,503
Separately budgeted research		272,504		246,754
Public service		113,516		103,342
Academic support		83,990		85,834
Student services		58,097		57,105
Institutional support		102,531		116,927
Operation and maintenance of plant		77,927		84,346
Scholarships and fellowships		37,384		36,669
Total	\$	1,286,403	\$	1,252,480

Total **instructional and departmental research** expenses increased less than 4% in 2002, primarily due to the minimal salary increases (averaging less than 1%) provided to faculty and staff in response to the state budget reductions. Most of the increase relates to higher employee benefit charges and increases in restricted expenses in the Colleges of Medicine, Business and Math & Physical Sciences. **Separately budgeted research** expenses increased \$26 million, or 10%, reflecting the growth in federal sponsored research volume and increases in research fee authorizations provided the graduate assistants. **Institutional support** decreased \$14 million, or 12%, primarily due to reductions in central charges for self-insured employee health plans (increased health benefit costs in 2002 were distributed to other E&G categories, Auxiliaries and the OSU Health System via increases in the composite benefit rates charged to University departments).

Current-use **gifts** to the University decreased \$60 million, to \$69 million in 2002, primarily due to the one-time recognition of \$68 million in gift pledges receivable in 2001, as a result of the adoption of GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*. Excluding the effects of this accounting change and similar 2002 accruals, actual receipts of current-use gifts increased \$2 million.

Additions to permanent endowments decreased \$28 million, to \$32 million in 2002. A total of 168 new named endowments were established in 2002, including 16 new chairs or professorships, 80 new scholarship funds and 74 new funds supporting programs throughout the university. The amount of private gifts to the endowment has averaged \$38 million per year during the past five years (excluding a single \$30.3 million gift in 2001). Gifts to the endowment are expected to continue in the \$30-\$40 million per year range.

Private capital gifts, which are restricted for the purchase or construction of capital assets, decreased \$9 million, to \$21 million in 2002. Major capital gift commitments in 2002 included \$5.0 pledge for the Thompson Library renovation, \$4.5 million for the 4-H Center and \$4.5 million for Newark Campus. Given the number of capital projects for which private

gifts are being sought and projected given to existing projects, a steady state or slight increase in giving for these purposes is expected.

Revenues and expenses of the **University Health System** showed continued improvement. Health System sales and service revenues increased \$107 million, or 18%, in 2002, primarily due to increased patient volumes across the Health System, as well as rate increases for certain services. Expenses (excluding depreciation, interest and interfund transfers) increased \$89 million due to higher patient volumes, increased utilization of contract nurses, increased cost of employee benefits and general inflation.

Continuing declines in the equity markets resulted in a **net investment loss** of \$112 million in 2002. Net depreciation in the fair market value of University investments totaling \$157 million was partially offset by interest and dividends of \$45 million.

Statement of Cash Flows

University Cash Flows Summary	2002	2001
	<i>(in thousands)</i>	
Net cash flows from operating activities	\$ (362,206)	\$ (414,076)
Net cash flows from noncapital financing activities	544,453	593,381
Capital appropriations and gifts for capital projects	67,175	78,341
Proceeds from issuance of bonds and notes payable	264,464	114,000
Payments for purchase and construction of capital assets	(163,249)	(284,786)
Principal and interest payments on capital debt	(129,757)	(113,492)
Net cash flows from investing activities	51,127	55,377
Net increase (decrease) in cash	<u>\$ 272,007</u>	<u>\$ 28,745</u>

The University's Statement of Cash Flows reflect relatively stable cash flows for operating and noncapital financing activities. Total cash provided by these activities increased slightly, from \$179 million in 2001 to \$182 million in 2002. The overall increase in University cash balances in 2002 is primarily due to the issuance of new plant debt and reductions in capital expenditures.

Economic Factors That Will Affect the Future

The recent decreases in state support highlight two long-term trends:

- Ohio State is becoming less dependent on state support. Ten years ago, the University received \$1.11 in state instructional subsidy for each \$1.00 of tuition and fees charged

to students. By 2002, that ratio had dropped to \$0.85 for each \$1.00 of tuition. This trend will accelerate in 2003, with the implementation of two-tiered tuition rates for new and continuing students. Undergraduate tuition – which increased 9% for students on the Columbus campus in 2002 – will increase 9% for returning students, and 19% for new students. Even with these increases, however, Ohio State's tuition rates remain below the average for Ohio's public universities (see chart below).

FY2003 Undergraduate Tuition at Ohio Public Universities

	<u>New Students</u>	<u>Continuing Students</u>
Miami University	\$ 7,600	\$ 7,600
University of Cincinnati	\$ 6,936	\$ 6,936
Bowling Green	\$ 6,726	\$ 6,486
Kent State	\$ 6,374	\$ 6,374
Ohio University	\$ 6,336	\$ 6,036
University of Akron	\$ 6,098	\$ 5,798
University of Toledo	\$ 5,836	\$ 5,836
Ohio State	\$ 5,664	\$ 5,190
Cleveland State	\$ 5,496	\$ 5,196
Wright State	\$ 5,361	\$ 5,163
Youngstown State	\$ 4,996	\$ 4,996
Shawnee State	\$ 4,347	\$ 4,050
Central State	\$ 4,021	\$ 4,021
State Average	\$ 5,830	\$ 5,668

- The University is becoming more entrepreneurial. In recent years, the University has become more involved in partnerships with the community, with suppliers, such as Coca Cola and MBNA, and in new lines of business such as the Executive Residence and the Schottenstein Center. All of these opportunities advance the University's academic mission and diversify revenues, but they also require the University to take on and manage risk in ways it has not done before. Successfully managing this risk will be critical to the University's continued success.

The focal point for the University's budgeting and spending priorities is the Academic Plan, which was adopted in 2000. The Academic Plan is a reflection of the University's aspirations to become one of the nation's top 10 public research universities during the next 10 years. It focuses on six core strategies:

- Build a world-class faculty
- Develop academic programs that define Ohio State as the nation's leading land-grant university
- Enhance the quality of the teaching and learning environment

-
- Enhance and better serve the student body
 - Create a diverse University community
 - Help build Ohio's future

In order to better support the Academic Plan, the University has adopted a new budget system that promotes innovation and disciplined management of the use of its resources. The fundamental characteristics of this system are to:

- Replace historically based funding with funding based on performance in relationship to the Academic Plan
- Decentralize more decisions regarding both revenues and expenses to the college level
- Make the flow of both revenues and expenses more transparent

The new budgeting system represents the culmination of a five-year planning effort. While it is not a panacea, the University believes it will allow University management to more closely align resources with academic goals.

Current levels of funding do not allow for a full implementation of the Academic Plan. Recognizing these constraints, the University's leadership has focused its efforts on the following four key priorities:

- Retain and attract outstanding faculty and staff by bringing salaries up to the level of the University's benchmark peers. In 2003, tuition increases, growth in non-state revenue sources and an aggressive reallocation of existing funds – including the elimination of 586 positions – will allow the University to provide merit-based pay raises for faculty and staff averaging 4.5%, which is 1% above the estimated increase in the external market. The University's compensation plan calls for above-market increases for each of the next several years to make up for slippage in recent years.
- Strengthen significantly the quality of the academic experience for undergraduates. New initiatives in this area have provided funding for smaller classes, more openings in high-demand courses, expanded academic and career advising services, improved classroom teaching and development programs for faculty and graduate associates, and expanded Living/Learning options for student housing. In addition, the University's budget restructuring process will direct future increases in general funds budgets to those disciplines and programs with the greatest student demand.
- Establish Ohio State as a leader in biomedical research. The University plans to build a 422,000 square-foot Biomedical Research Tower. This ten-story tower, which is projected to open in late 2006, will nearly double the space devoted to biomedical research at the University. The \$120 million facility will be financed largely with bonds, to be repaid from facilities and administrative cost recoveries on research grants and other sources generated by the College of Medicine and Public Health.
- Create a state and national resource for understanding and resolving issues of race and ethnicity that continue to divide the nation. Ohio State has founded the William E.

Kirwan Institute for the Study of Race and Ethnicity in the Americas. Named after the University's outgoing president, who left Ohio State July 1 to become chancellor of the University of Maryland System, the institute will receive over \$1 million in annual institutional funding and is expected to stimulate considerable new grant activity.

The OSU Health System is expecting to continue its growth during Fiscal Year 2003. This growth includes an increase of 4,000 admissions. Also, the number of outpatient and clinic visits is expected to increase by 40,000 or 5.2%. The operating revenues and expenses are expected to increase by over \$100 million respectively during 2003 as a result of these increased activities. The Health System continues to implement management initiatives aimed at better utilization of its human and capital resources to improve patient care and financial viability.

The Health System as part of the Medical Center is supporting the development of research resulting in leading edge clinical services while fulfilling its teaching mission. These efforts are particularly focused on Cardiology and Oncology Services during 2003. The Health System is currently building a Heart Hospital, which will open during 2004 while extending services into communities throughout Ohio. It continues to expand its Oncology services throughout the Columbus Metropolitan area and State, with the expectation that the James Cancer Hospital has become the provider of choice. The Medical Center will continue to develop services that support its pursuit of becoming a leading research, educational and patient care provider in the United States.

Despite the resource challenges faced by the University over the past year, University management believes that Ohio State will maintain its sound financial position and is positioned to continue its progress towards a top-tier ranking among the nation's public institutions.

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

June 30, 2002, with Comparative Information for 2001
(in thousands)

	<u>2002</u>	<u>2001</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 324,034	\$ 53,503
Temporary investments	435,502	449,297
Accounts receivable, net	251,354	252,207
Notes receivable - current portion, net	11,500	11,900
Pledges receivable - current portion, net	10,757	17,025
Accrued interest receivable	14,025	12,890
Inventories and prepaid expenses	54,529	56,800
Total Current Assets	<u>1,101,701</u>	<u>853,622</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	24,343	22,867
Notes receivable, net	50,809	51,696
Pledges receivable, net	56,260	47,671
Endowment investments	967,972	1,119,889
Other long-term investments	43,596	39,208
Capital assets, net	1,762,814	1,698,010
Total Noncurrent Assets	<u>2,905,794</u>	<u>2,979,341</u>
Total Assets	<u>\$ 4,007,495</u>	<u>\$ 3,832,963</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 260,501	\$ 207,257
Deposits and deferred revenues	135,550	115,471
Commercial paper and current portion of bonds, notes and leases payable	285,072	262,638
Compensated absences - current portion	4,976	4,498
Obligations under annuity and life income agreements - current portion	5,281	5,075
State allocation of unfunded workers' compensation liability - current portion	3,643	3,486
Total Current Liabilities	<u>695,023</u>	<u>598,425</u>
Noncurrent Liabilities:		
Bonds, notes and leases payable	296,034	149,999
Compensated absences	56,351	50,941
Obligations under annuity and life income agreements	39,405	39,303
Refundable advances for Federal Perkins loans	35,337	34,763
State allocation of unfunded workers' compensation liability	49,846	53,689
Other noncurrent liabilities	27,720	28,045
Total Noncurrent Liabilities	<u>504,693</u>	<u>356,740</u>
Total Liabilities	<u>1,199,716</u>	<u>955,165</u>
Net Assets:		
Invested in capital assets, net of related debt	1,181,708	1,285,373
Restricted:		
Nonexpendable	751,317	846,939
Expendable	457,521	495,021
Unrestricted	417,233	250,465
Total Net Assets	<u>2,807,779</u>	<u>2,877,798</u>
Total Liabilities and Net Assets	<u>\$ 4,007,495</u>	<u>\$ 3,832,963</u>

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

**Year Ended June 30, 2002, with Comparative Financial Information for 2001
(in thousands)**

	<u>2002</u>	<u>2001</u>
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$66,761 and \$56,888, respectively)	\$ 341,371	\$ 313,716
Federal grants and contracts	234,066	208,995
State grants and contracts	35,726	44,484
Local grants and contracts	21,260	21,385
Private grants and contracts	133,960	142,140
Sales and services of educational departments	58,187	67,357
Sales and services of auxiliary enterprises (net of scholarship allowances of \$8,916 and \$7,526, respectively)	129,521	138,893
Sales and services of the OSU Health System (net of charity care of \$18,906 and \$14,693, respectively)	711,753	604,322
Other operating revenues	<u>27,432</u>	<u>14,220</u>
Total Operating Revenues	<u>1,693,276</u>	<u>1,555,512</u>
Operating Expenses:		
Educational and General:		
Instructional and departmental research	540,454	521,503
Separately budgeted research	272,504	246,754
Public service	113,516	103,342
Academic support	83,990	85,834
Student services	58,097	57,105
Institutional support	102,531	116,927
Operation and maintenance of plant	77,927	84,346
Scholarships and fellowships	37,384	36,669
Auxiliary enterprises	148,489	148,194
OSU Health System	701,310	612,062
Depreciation	<u>147,775</u>	<u>152,795</u>
Total Operating Expenses	<u>2,283,977</u>	<u>2,165,531</u>
Operating Income (Loss)	(590,701)	(610,019)
Non-operating Revenues (Expenses):		
State share of instruction and line-item appropriations	446,115	467,907
Gifts	69,123	129,203
Net investment income (loss)	(112,142)	(164,846)
Interest expense on plant debt	(15,821)	(18,081)
Other non-operating revenues (expenses)	<u>29,719</u>	<u>18,463</u>
Net Non-operating Revenue (Expense)	<u>416,994</u>	<u>432,646</u>
Income (Loss) before Other Revenues, Expenses, Gains or Losses	(173,707)	(177,373)
State capital appropriations	50,342	47,331
Private capital gifts	20,917	29,870
Additions to permanent endowments	<u>32,429</u>	<u>60,463</u>
Increase (Decrease) in Net Assets	<u>(70,019)</u>	<u>(39,709)</u>
Net Assets - Beginning of Year	<u>2,877,798</u>	<u>2,917,507</u>
Net Assets - End of Year	<u>\$ 2,807,779</u>	<u>\$ 2,877,798</u>

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

Years Ended June 30, 2002 and 2001
(in thousands)

	<u>2002</u>	<u>2001</u>
Cash Flows from Operating Activities:		
Tuition and fee receipts	\$ 265,673	\$ 256,096
Grant and contract receipts	423,675	412,879
Receipts for sales and services	912,635	837,180
Payments to or on behalf of employees	(1,045,231)	(998,254)
University employee benefit payments	(233,981)	(181,176)
Payments to vendors for supplies and services	(694,024)	(726,276)
Payments to students and fellows	(33,858)	(33,169)
Student loans issued	(11,313)	(6,395)
Student loans collected	13,633	10,783
Student loan interest and fees collected	2,013	2,143
Other receipts (payments)	38,572	12,113
Net cash provided (used) by operating activities	<u>(362,206)</u>	<u>(414,076)</u>
Cash Flows from Noncapital Financing Activities:		
State share of instruction and line-item appropriations	446,115	467,907
Gift receipts for current use	66,801	64,508
Additions to permanent endowments	32,429	60,463
Drawdowns of federal direct loan proceeds	194,960	171,439
Disbursements of federal direct loans to students	(196,636)	(171,375)
Disbursement of loan proceeds to related organization	(84)	(5,000)
Repayment of loans to related organization	0	721
Amounts received for annuity and life income funds	5,383	8,644
Amounts paid to annuitants and life beneficiaries	(5,075)	(4,149)
Agency funds receipts	5,058	5,290
Agency funds disbursements	(4,498)	(5,067)
Net cash provided (used) by noncapital financing activities	<u>544,453</u>	<u>593,381</u>
Cash Flows from Capital Financing Activities:		
Proceeds from capital debt	264,464	114,000
State capital appropriations	46,258	48,471
Gift receipts for capital projects	20,917	29,870
Payments for purchase or construction of capital assets	(163,249)	(284,786)
Principal payments on capital debt and leases	(113,961)	(94,961)
Interest payments on capital debt and leases	(15,796)	(18,531)
Net cash provided (used) by capital financing activities	<u>38,633</u>	<u>(205,937)</u>
Cash Flows from Investing Activities:		
Net (purchases) sales of temporary investments	6,900	89,142
Proceeds from sales and maturities of long-term investments	840,295	624,146
Investment income (net of related fees)	50,218	53,366
Purchases of long-term investments	(846,286)	(711,277)
Net cash provided (used) by investing activities	<u>51,127</u>	<u>55,377</u>
Net Increase in Cash	272,007	28,745
Cash and Cash Equivalents - Beginning of Year	<u>76,370</u>	<u>47,625</u>
Cash and Cash Equivalents - End of Year	<u>\$ 348,377</u>	<u>\$ 76,370</u>

**THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENT OF CASH FLOWS, continued**

Years Ended June 30, 2002 and 2001
(in thousands)

	<u>2002</u>	<u>2001</u>
Reconciliation of Net Operating Loss to Net Cash		
Provided (Used) by Operating Activities:		
Operating loss	\$ (590,701)	\$ (610,019)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:		
Depreciation expense	147,775	152,795
Changes in assets and liabilities:		
Accounts receivable, net	5,735	17,788
Notes receivable, net	1,372	4,388
Accrued interest receivable	(412)	(305)
Inventories and prepaid expenses	2,271	(6,476)
Accounts payable and accrued liabilities	51,585	26,046
Deposits and deferred credits	17,715	3,810
Compensated absences	5,888	6,821
Refundable advances for federal Perkins loans	574	199
State allocation of unfunded workers compensation liability	(3,686)	(7,545)
Other noncurrent liabilities	(322)	(1,578)
	<u>\$ (362,206)</u>	<u>\$ (414,076)</u>
Net cash provided (used) by operating activities		
Non Cash Transactions:		
Equipment	\$ 17,966	\$ 2,772
Capital Lease	(17,966)	(2,772)

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

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.

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 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 consolidates affiliated organizations controlled by the University's Board of Trustees. The accounts of organizations not controlled by the

University, including athletics booster groups and the OSU Alumni Association, are not included in these financial statements.

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.

For financial management purposes, the University classifies financial resources into funds that reflect the specific activities, objectives or restrictions of the resources. Funds that have similar characteristics are combined into the following fund groups:

- **Current Funds** include those resources that are available for current operations. These funds can be either restricted or unrestricted and are used for educational and general purposes, auxiliary enterprises, or the OSU Health System.
- **Loan Funds** include resources available for loans to students and consist primarily of federal Perkins loans.
- **Endowment and Similar Funds** include both endowment funds, whose principal is not expendable per the donor's or external agency's instructions, and quasi-endowment funds, which are designated by the University to be retained and invested.
- **Annuity and Life Income Funds** include resources acquired by the University with provisions to pay periodic income to income beneficiaries over their lifetimes.
- **Plant Funds** include resources set aside for the construction, renewal and replacement of property, plant and equipment. The University's plant assets, long-term debt and resources set aside for debt retirement are also included in this fund group.
- **Agency Funds** include resources held by the University on behalf of others in the capacity of custodian or fiscal agent.

Effective July 1, 2001, the University adopted 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, 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*. Also effective July 1, 2001, the University adopted two related GASB Statements: GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

These statements establish comprehensive new financial reporting requirements for governmental colleges and universities throughout the United States. The accompanying financial statements have been prepared on the accrual basis. The University reports as a Business Type Activity, as defined by GASB Statement No. 35 and as such, the concept of external reporting of fund statements is eliminated and replaced by single column university

wide financial statements. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods and services. GASB Statement No. 35 requires that resources be 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.

The provisions of GASB Statements No. 34, 35, 37 and 38 have been applied to the years presented. Accruals for summer quarter tuition revenues, reclassification of federal contributions to Perkins loan programs from net assets to noncurrent liabilities, the State of Ohio's allocation of unfunded workers' compensation liabilities to state assisted colleges and universities, and the implementation of depreciation for capital assets resulted in the restatement of total net assets as of June 30, 2001 and 2000, respectively. The following table reconciles total fund balances, as previously reported, to the restated amounts reported in these financial statements:

	2001	2000
Total fund balances, as previously reported	\$ 4,365,082	\$ 4,282,431
Add: Accrual of summer tuition (net)	1,992	1,121
Less: Federal contributions for Perkins loans	(34,763)	(34,564)
Less: Unfunded workers' compensation liabilities	(57,175)	(64,720)
Less: Accumulated depreciation and other items	(1,397,338)	(1,266,761)
Total fund balances, restated as net assets	<u>\$ 2,877,798</u>	<u>\$ 2,917,507</u>

Cash and Investments

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, and savings accounts. Restricted cash and cash equivalents at June 30, 2002 and 2001 consist of cash and cash equivalents restricted for endowments and annuity/life income funds.

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

Investment in real estate is carried at cost, if purchased, or appraised value at the date of the gift. The carrying and market values of real estate at June 30, 2002 are \$41,413 and \$59,059, 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. The University's policy is to distribute annually to each named fund income equal to 5% of the average market value per share of the endowment during the past three years.

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

Endowment income is distributed to named endowment funds using the share method of accounting for pooled investments. Based on this method, undistributed gains from prior years were transferred from the Endowment Fund to current restricted funds. These transfers totaled \$52,167 and \$43,861 in Fiscal Years 2002 and 2001, respectively.

Gift Pledges Receivable

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

Inventories

The University's inventories, which consist principally of 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.

Capital Assets and Collections

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

Type of Asset	Estimated Useful Life
Improvements other than buildings	20 years
Buildings	10 to 100 years
Moveable equipment and furniture	5 to 15 years
Library Books	10 years

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

Deferred Revenues

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

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

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 nonexchange 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.

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 May, 2002 the Governmental Accounting Standards Board (GASB) issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which clarifies existing accounting guidance and provides greater consistency in accounting for organization that are closely related to a primary government. This statement will be effective for the University's fiscal 2004. University management has not yet determined the impact that implementation of GASB No. 39 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 2001 comparative information to conform with the 2002 presentation.

NOTE 2 — CASH AND INVESTMENTS

At June 30, 2002, the carrying amount of the University's cash and cash equivalents for all funds is \$348,377 as compared to bank balances of \$412,275. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$2,116 is covered by federal deposit insurance and \$410,159 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

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

- Obligations of the 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, 2002 and 2001 are as follows:

	2002	2001
US Government securities	\$ 469,304	\$ 496,394
Common stocks	735,026	874,071
Corporate bonds	49,823	45,121
Real estate	41,413	36,333
Other	151,504	156,475
Total Investments	<u>\$1,447,070</u>	<u>\$1,608,394</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 State Street in "book entry" form. The banks internally designate the securities as owned by or pledged to the University (Category 2).

The bulk of the University's investment assets are accounted for on a pooled basis. The following chart summarizes total pooled and non-pooled amounts at June 30, 2002 and 2001, respectively:

	Pooled	Non-pooled	Total
Temporary Investments	\$ 396,391	\$ 39,111	\$ 435,502
Endowment Investments	939,708	28,264	967,972
Other Long-term Investments	32,070	11,526	43,596
Total 2002	<u>\$ 1,368,169</u>	<u>\$ 78,901</u>	<u>\$ 1,447,070</u>
Total 2001	<u>\$ 1,527,857</u>	<u>\$ 80,537</u>	<u>\$ 1,608,394</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, 2002, the University realized a

net loss of \$63,801 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 depreciation in the fair value of investments during the year ended June 30, 2002, was \$157,338. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized depreciation during the year on investments was \$93,537.

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	\$ 46,393	\$ (5,862)	\$ 40,531
Endowment Investments	1,998	(150,943)	(148,945)
Other Long-term Investments	(3,195)	(533)	(3,728)
Total 2002	\$ 45,196	\$ (157,338)	\$ (112,142)
Total 2001	\$ 57,878	\$ (222,724)	\$ (164,846)

NOTE 3 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable at June 30, 2002 and 2001 consist of the following:

	2002	2001
Patient receivables – OSU Health System	\$ 235,506	\$ 218,951
Grant and contract receivables	65,644	61,796
Tuition and fees receivable	31,179	36,018
Receivables for departmental and auxiliary sales and services	11,862	14,718
State and federal receivables	12,072	9,383
Other receivables	2,663	8,139
	358,926	349,005
Less: Allowances for doubtful accounts	107,572	96,798
	\$ 251,354	\$ 252,207

Notes receivable at June 30, 2002 consist primarily of Perkins Loans and are net of an allowance for doubtful accounts of \$8,905. 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 Nonexchange Transactions*, the University has recorded \$70,909 in non-endowment pledges receivable at June 30, 2002 and a related allowance for doubtful accounts of \$3,892.

NOTE 4 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2002 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 37,891	\$ -	\$ 237	\$ 37,654
Improvements other than buildings	170,020	14,797	4,526	180,291
Buildings and fixed equipment	1,910,113	179,696	4,702	2,085,107
Movable equipment and furniture	681,674	79,076	80,575	680,175
Library books	151,281	9,097	615	159,763
Construction in progress	153,915	(45,238)	4,368	104,309
	3,104,894	237,428	95,023	3,247,299
Less: Accumulated depreciation	1,406,884	147,775	70,174	1,484,485
Capital assets, net	\$ 1,698,010	\$ 89,653	\$ 24,849	\$ 1,762,814

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

NOTE 5 – ACCOUNTS PAYABLE, ACCRUED EXPENSES AND SELF-INSURANCE

Accounts payable and accrued expenses at June 30, 2002 and 2001 consist of the following:

	2002	2001
Payables to vendors for supplies and services	\$ 88,101	\$ 73,624
Accrued compensation and benefits	57,524	51,365
Retirement system contributions payable	49,117	31,250
Self-insurance accruals:		
Medical malpractice	22,859	19,902
Employee health insurance	17,167	20,822
Current portion of amounts due to third-party payers – OSU Health System	15,185	8,115
Other accrued expenses	10,548	2,179
	\$ 260,501	\$ 207,257

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, 2002.

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, 2002 of the anticipated future payments on gross claims is estimated at its present value of \$22,859 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 \$23,255 are in excess of the recorded liability at June 30, 2002, and the excess of \$1,547 is included in the Hospitals' fund equity.

The University is self-insured for employee health benefits. It is also self-insured, with a stop-loss ceiling of \$4,303, for employee life, accidental death and dismemberment benefits. As of June 30, 2002, \$17,167 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, 2000 result from the following activities:

	Malpractice		Health and Life	
	2002	2001	2002	2001
Liability at Beginning of Fiscal Year	\$19,902	\$14,193	\$20,822	\$8,573
Current Year Claims, Changes in Estimates	3,565	7,992	84,894	85,603
Claim Payments	(608)	(2,283)	(88,549)	(73,354)
Balance at Fiscal Year End	\$22,859	\$19,902	\$ 17,167	\$ 20,822

NOTE 6 — DEBT

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

Debt activity for the year ended June 30, 2002 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Commercial Paper:					
Series C	\$ 81,000		\$ 81,000	\$ -	
Series D	-	\$ 37,000		37,000	\$ 37,000
Notes:					
Ohio Board of Regents Note, due through 2006	1,063		213	850	213
Capital One Funding Corporation, due through 2014	2,882		148	2,734	159
General Receipts Bonds – Fixed Rate:					
1992A1, due serially through 2012	35,175		2,745	32,430	2,895
1992A2, due serially through 2009	30,390		7,690	22,700	3,070
1999A, due serially through 2029	80,900		2,800	78,100	2,910
2002A, due serially through 2031	-	150,515		150,515	5,440
General Receipts Bonds – Variable Rate:					
1997, due serially through 2027	63,240		6,000	57,240	57,240
1999B1, due serially through 2029	78,700		4,700	74,000	74,000
1999B2, due 2006	21,800		3,000	18,800	18,800
2001, due serially through 2032	-	76,950		76,950	76,950
Capital Lease Obligations	17,487	17,965	5,665	29,787	6,395
	\$ 412,637	\$ 282,430	\$ 113,961	\$ 581,106	\$ 285,072

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

	Commercial Paper, Bonds and Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2003	\$ 278,676	\$ 16,584	\$ 6,396	\$ 1,207
2004	15,253	13,342	5,363	933
2005	16,030	12,644	4,611	724
2006	15,068	11,947	4,264	534
2007	15,585	11,260	3,086	365
2008-2012	76,811	45,082	2,732	1,117
2013-2017	42,886	29,758	2,710	513
2018-2022	36,545	19,351	625	16
2023-2027	26,325	11,152	-	-
2028-2032	28,140	3,382	-	-
	\$ 551,319	\$ 174,502	\$ 29,787	\$ 5,409

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 \$39,596 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, 2002
Revenue Bonds: Series I	\$5,951	\$2,175

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

Variable Rate Demand Bonds

Series 1997, 1999B1, 1999B2 and 2001 variable rate demand bonds bear interest at rates based upon yield evaluations at par of comparable securities. The maximum interest rate allowable and the effective average interest rate from issue date to June 30, 2002 are as follows:

Series:	Interest Rate Not to Exceed	Effective Average Interest Rate
1997	12%	3.001%
1999 B1	12%	2.836%
1999 B2	12%	3.051%
2001	12%	1.334%

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

The University's variable rate demand bonds mature at various dates through 2032. GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the balance sheet classification of these bonds. Under GASB Interpretation No. 1, outstanding principal balances on variable rate demand bonds may be classified as 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 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 \$226,990 and \$163,740 at June 30, 2002 and 2001, 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, 2002 are \$42,528 and \$29,787, respectively. The original cost and lease obligations related to capital leases as of June 30, 2001 are \$28,807 and \$17,487, respectively.

NOTE 7 — OPERATING LEASES

The University leases various buildings, office space, and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the balance sheet. The total rental expense under these agreements was \$14,964 and \$11,645 for the years ended June 30, 2002 and 2001, respectively.

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2002 are as follows:

Year Ending June 30,	
2003	\$ 12,205
2004	9,105
2005	4,644
2006	2,787
2007	2,150
2008-2012	5,691
2013-2017	1,788
2018-2022	985
Total minimum lease payments	<u>\$ 39,355</u>

NOTE 8 — COMPENSATED ABSENCES

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

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

Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the University with 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 9 — NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2002 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 55,439	\$ 10,386	\$ 4,498	\$ 61,327
Obligations under annuity and life income agreements	44,378	5,383	5,075	44,686
Refundable advances for Federal Perkins loans	34,763	574	-	35,337
State allocation of unfunded workers' compensation liability	57,175	-	3,686	53,489
Other noncurrent liabilities	28,045	1,675	2,000	27,720
		\$ 18,018	\$ 15,259	
Less: Current Portion	13,059			13,900
	<u>\$ 206,741</u>			<u>\$ 208,659</u>

Other noncurrent liabilities at June 30, 2002 and 2001 consist of the following:

	2002	2001
Amounts due to third-party payers - OSU Health System	\$ 17,720	\$ 16,045
Advance payments under exclusivity agreements	10,000	12,000
	<u>\$ 27,720</u>	<u>\$ 28,045</u>

NOTE 10 — UNRESTRICTED AND RESTRICTED-EXPENDABLE NET ASSETS

Substantially all unrestricted net assets are internally designated for use by University departments to support working capital needs, to fund related academic or research programs, and to provide for unanticipated shortfalls in revenues and deviations in enrollment. Major components of unrestricted net assets at June 30, 2002 and 2001 are as follows:

	2002	2001
Educational and general	\$ 183,727	\$ 150,229
Auxiliary enterprises	(3,897)	(4,413)
OSU Health System	111,824	93,035
Loan funds	2,643	2,420
Unrestricted quasi-endowments	53,374	71,808
Plant	69,562	(62,614)
	<u>\$ 417,233</u>	<u>\$ 250,465</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, 2002 and 2001 are as follows:

	2002	2001
Current operations	\$ 276,908	\$ 277,324
Loan funds	32,332	31,632
Restricted quasi-endowments	141,631	183,499
Plant	6,650	2,566
	<u>\$ 457,521</u>	<u>\$ 495,021</u>

NOTE 11 – OPERATING EXPENSES BY OBJECT

In accordance with requirements set forth by the Ohio Board of Regents, the University reports operating expenses by functional classification on the Statement of Revenues, Expenses and Other Changes in Net Assets. Operating expenses by object for the years ended June 30, 2002 and 2001 are summarized as follows:

Year Ended June 30, 2002

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 466,562	\$ 73,892	\$	\$	\$ 540,454
Separately budgeted research	193,657	78,847			272,504
Public service	81,351	32,165			113,516
Academic support	75,194	8,796			83,990
Student services	40,242	17,855			58,097
Institutional support	100,340	2,191			102,531
Operation and maintenance of plant	29,898	48,029			77,927
Scholarships and fellowships	2,696	830	33,858		37,384
Auxiliary enterprises	63,052	85,437			148,489
OSU Health System	336,571	364,739			701,310
Depreciation				147,775	147,775
Total operating expenses	\$ 1,389,563	\$ 712,781	\$ 33,858	\$ 147,775	\$ 2,283,977

Year Ended June 30, 2001

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 436,081	\$ 85,422	\$	\$	\$ 521,503
Separately budgeted research	148,020	98,734			246,754
Public service	74,019	29,323			103,342
Academic support	81,280	4,554			85,834
Student services	39,342	17,763			57,105
Institutional support	85,511	31,416			116,927
Operation and maintenance of plant	36,904	47,442			84,346
Scholarships and fellowships	2,495	1,005	33,169		36,669
Auxiliary enterprises	59,881	88,313			148,194
OSU Health System	284,693	327,369			612,062
Depreciation				152,795	152,795
Total operating expenses	\$ 1,248,226	\$ 731,341	\$ 33,169	\$ 152,795	\$ 2,165,531

NOTE 12 — 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
(888) 227-7877
www.strsoh.org

PERS Ohio
277 East Town Street
Columbus, OH 43215-4642
(614) 466-2085
(800) 222-PERS (7377)
www.opers.org

Other Postemployment Benefits

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. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. The amount of employer contributions to fund postemployment benefits was \$2.9 billion. 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, 2001, PERS allocated 4.3% of the employer contribution rate to fund the health care program for retirees. The contributions allocated to retiree health benefits, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

The actuarial value of assets available for these benefits at December 31, 2001 was \$11.7 billion. At that date the actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14.4 billion and \$2.6 billion, respectively. There were 411,076 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, 2001, STRS allocated employer contributions equal to 4.5% of covered payroll to a Health Care Reserve Fund (HCRF) from which payments for health care benefits are paid. The balance in the HCRF was \$3.3 billion at June 30, 2001.

STRS expenditures for postemployment benefits during the year ended June 30, 2001 were \$300.8 million. There were 102,132 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 in lieu of PERS or STRS. 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 one of eight 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 these 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 (July 1 – Jan 31)		9.0%	9.0%
Plan Member (Feb 1 – June 30)		10.1%	10.1%
University		16.7%	16.7%

* Employer contributions include 5.76% paid to STRS.
The remaining amount, 8.24%, is credited to employee's ARP account.

The University's contributions, which represent 100% of required employer contributions, for the year ended June 30, 2002 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
2000	\$ 34,785	\$ 65,891	\$ 13,622
2001	\$ 35,972	\$ 54,645	\$ 14,177
2002	\$ 36,871	\$ 71,988	\$ 17,989

NOTE 13 — CAPITAL PROJECT COMMITMENTS

At June 30, 2002, the University is committed to future contractual obligations for capital expenditures of approximately \$117,874.

These projects are funded by the following sources:

State appropriations	\$ 60,165
Internal and other sources	57,709
Total	<u>\$ 117,874</u>

NOTE 14 — CONTINGENCIES AND RISK MANAGEMENT

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

The University is self-insured for Hospitals professional malpractice liability, employee health benefits, and employee life, accidental death and dismemberment benefits. Additional details regarding these self-insurance arrangements are provided in Note 5. The University also carries commercial insurance policies for various property, casualty and excess liability risks. Over the past three years, settlement amounts related to these insured risks have not exceeded the University's coverage amounts.

NOTE 15 — FUNDS HELD IN TRUST BY OTHERS

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

NOTE 16 — UNFUNDED WORKERS' COMPENSATION LIABILITY

Under the State of Ohio's workers' compensation program, public employer state agencies, including state universities and university hospitals, pay workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis. The Ohio Bureau of Workers' Compensation calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for injured workers and sets rates to collect this estimated amount from the participating state agencies and universities in that subsequent one-year period. As these claims will be paid out over a period of time, the Bureau also actuarially calculates estimated amounts that will be paid in future periods. The University's pro-rata share of the estimated liability for such future payments has been calculated by the State of Ohio on the basis of the University's share of the actual cash payments paid to the Bureau in the current fiscal year divided by such payments made by all participating entities.

As a part of the State of Ohio's implementation of GASB Statements No. 34 and 35, the State has instructed state-assisted colleges and universities to incorporate these allocated liabilities in their financial reports. Accordingly, the University's Statement of Net Assets reflects unfunded workers' compensation liabilities of \$53,489 and \$57,175 at June 30, 2002 and 2001, respectively.

Acknowledgements

The 2002 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

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

James F. Patterson, Chesterland - Chair (2003)

Zuheir Sofia, Bexley - Vice Chair (2004)

Tamala Longaberger, Zanesville (2005)

Daniel M. Slane, Columbus (2006)

Robert M. Duncan, Columbus (2007)

Karen L. Hendricks, Cincinnati (2008)

Dimon R. McFerson, Delaware (2009)

Jo Ann Davidson, Reynoldsburg (2010)

Douglas G. Borrer, Dublin (2011)

Joseph A. Shultz - Student Member (2003)

Paula A. Habib - Student Member (2004)

William J. Napier, Columbus - Secretary

James L. Nichols, Columbus - Treasurer

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***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, 2002***

THE OHIO STATE UNIVERSITY

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THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2002

Federal Agency	Sponsor I.D. Number	2002 Expenditures
Research and Development Cluster:		
Funds received directly from the following federal agencies:		
Environmental Protection Agency	30020000	\$ 543,277
National Aeronautics and Space Administration (NASA)	30030000	72,750
Langley Research Center	30030102	13,356
Ames Research Center	30030103	304,486
John Glenn Research Center - Lewis Field	30030104	378,567
Marshall Space Flight Center	30030201	259,478
Johnson Space Center	30030202	79,736
Kennedy (John F) Space Center	30030203	205,960
Goddard Space Flight Center	30030301	2,691,789
National Endowment for the Humanities	30040100	433,483
National Science Foundation	30050000	4,919,566
NSF Biological Sciences	30050100	234,772
NSF Biological Instrumentation & Resources	30050101	389,314
NSF Integrative Biology & Neuroscience	30050102	940,075
NSF Molecular & Cellular Biosciences	30050103	1,269,203
NSF Environmental Biology	30050104	248,529
NSF Computer & Information Science & Energy	30050200	831,212
NSF OFC Cross Disciplinary Activities	30050201	(1,866)
NSF Div Computer & Computation Research	30050202	365,840
NSF Div Info Robotics & Intelligent Systems	30050203	299,997
NSF Div Networking & Communications Research & Infrastructure	30050206	(1,791)
NSF Engineering	30050300	84,440
NSF Div Engineering, Education & Centers	30050302	407,117
NSF Div Chemical & Transport Systems	30050303	239,148
NSF Div Civil & Mechanical Structures	30050304	213,572
NSF Div Electrical & Communications Systems	30050305	396,652
NSF Div Design, Manufacture, Industrial	30050306	547,574
NSF Div Bioengineering & Environmental	30050307	(36,242)
NSF Geosciences	30050400	5,752
NSF Div Atmospheric Sciences	30050401	56,244
NSF Div Earth Sciences	30050402	233,955
NSF Div Ocean Sciences	30050403	208,266
NSF Polar Programs	30050404	1,993,956
NSF Mathematical & Physical Sciences	30050500	21,010
NSF Div Mathematical Sciences	30050501	934,030
NSF Div Physics	30050502	1,268,955
NSF Div Chemistry	30050503	3,129,393
NSF Div Materials Research	30050504	1,351,155
NSF Div Astronomical Sciences	30050505	606,845
NSF Education & Human Resources	30050600	114,620
NSF Div Undergraduate Education	30050605	613,404
NSF Div Human Resource Development	30050606	62,227

See notes to schedule of expenditures of federal awards.

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2002

Federal Agency	Sponsor I.D. Number	2002 Expenditures
Research and Development Cluster:		
Funds received directly from the following federal agencies:		
NSF Elementary, Secondary & Informal Education	30050607	\$ 70,202
NSF Div Graduate Education & Research Development	30050611	201,100
NSF Div Research, Evaluation & Communication	30050612	27,372
NSF Social, Behavioral & Economic Sciences	30050800	92,394
NSF Social, Behavioral & Economic Research	30050801	1,552,724
NSF International Science & Engineering	30050803	35,972
NSF Science & Technology Infrastructure	30050900	15,971
Smithsonian Institute	30060000	7,020
Smithsonian Astrophysical Observatory	30060200	79,297
Appalachian Regional Commission	30070100	29,458
Postal Service	30130000	3,019
Veterans Affairs	30170000	89,532
Agency For International Development	30300100	318,779
Cent Intelligenece Agency	30350100	(19)
US Institute of Peace	30460000	22,935
National Academy Science	31020000	(1)
Corporation for National Service	31040001	75,959
Department of Agriculture	40000000	202,582
Forest Service	40020000	139,997
USDA - Science & Education	40040000	7,260
USDA - Coop State Res Education & Extension Service	40040100	3,494,668
USDA - National Research Institute	40040103	371,225
USDA - Initiative Future Agriculture & Food System	40040104	287,524
USDA - Agricultural Research Service	40040200	864,155
USDA - Natural Resources Conservation Service	40060000	175,205
USDA - Animal & Plant Health Inspection Service	40070000	21,235
Office of International Cooperation & Development	40100000	81
Economic Research Service	40120000	172,772
National Agricultural Statistics Services	40160000	(460)
Rural Business - Cooperative Service (RBS)	40190000	181,787
National Oceanic & Atmospheric Administration	42020000	1,104,679
National Marine Fisheries Service	42020300	12,509
National Institute of Standards & Technology	42040000	79,449
Department of Defense	50000000	184,017
Air Force Material Command (AFMC)	50010100	1,905,845
Air Force Office of Scientific Research	50010105	3,346,699
U.S. Department of Defense (DOD) - Wright Laboratory	50010800	142,080
DOD - Army	50020000	7,446
DOD - Army Corporations of Engineers	50020100	47,295
DOD - Army Cold Regions Research & Engineering Laboratory	50020103	103,712
Humphreys Engineer CSA	50020106	325,049
DOD - Army Tank Command	50020204	20,161

See notes to schedule of expenditures of federal awards.

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2002

Federal Agency	Sponsor I.D. Number	2002 Expenditures
Research and Development Cluster:		
Funds received directly from the following federal agencies:		
DOD - Army Natick Research & Development Labs	50020213	\$ 322
DOD - Army Medical Command	50020300	1,032,075
DOD - Army Medical Research & Materiel Command	50020301	122,840
DOD - Army Research Office	50020400	961,544
DOD - Army Robert Morris Acquisition Center	50022400	54,956
DOD - Space & Naval Warfare Systems Center	50040110	88,511
DOD - Office of Naval Research	50040300	1,062,936
DOD - Naval Research Lab	50040301	(1,077)
DOD - Naval Medical Research Institute	50041002	77,583
DOD - Naval Air Warfare Center	50041600	15,165
DOD - Advanced Research Projects Agency	50060000	534,671
DOD - National Imagery & Mapping Agency	50080000	282,908
Defense Logistics Agency	50130000	195,276
National Security Agency	50140000	243
Defense Contracting Command	50180000	17,009
National Reconnaissance Office	50200000	371,759
Department of Education (DE)	53000000	624,041
DE - Office of Educational Research & Improvement	53020000	5,914,727
DE - Fund Improvement Postsecondary Education	53020300	(129)
DE - Office of Postsecondary Education	53040000	1,958,214
DE - Office of Higher Education Programs	53040100	345,421
DE - Center for International Education	53040200	1,182,883
DE - Office of Special Education & Rehabilitative Services	53050000	81,893
DE - Office of Special Education Programs	53050100	32,350
DE - Rehabilitation Services Administration	53050200	65,145
DE - National Disability & Rehabilitation Research	53050300	914,614
DE - Office Vocational & Adult Education Programs	53060000	222,734
Department of Energy (DOE)	55000000	7,304,041
Department of Health & Human Services	60000000	(16,799)
Centers for Medicare & Medicaid Services	60020000	61,628
Public Health Services (PHS) - National Institute of Health	60040400	300,699
PHS - National Cancer Institute	60040402	21,900,780
PHS - National Heart Lung Blood	60040403	8,338,342
PHS - National Institute of Allergies & Infectious Disorders	60040404	8,390,604
PHS - National Institute of Diabetes & Digestive & Kidney Disease	60040405	4,920,535
PHS - National Institute of Child Health & Human Development	60040406	2,704,574
PHS - National Institute of General Medical Sciences	60040407	6,970,588
PHS - National Institute of Neurological Disorders & Stroke	60040408	4,820,333
PHS - National Center For Research Resources	60040410	731,468
PHS - National Eye Institute	60040411	5,590,157
PHS - National Institute of Dental & Craniofacial Research	60040412	5,854,778
PHS - National Institute on Environmental Health Services	60040414	629,048
PHS - National Institute of Aging	60040415	3,707,008
PHS - National Institute on Health Clinical Center	60040416	1,145

THE OHIO STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Agency	Sponsor I.D. Number	2002 Expenditures
Research and Development Cluster:		
Funds received directly from the following federal agencies:		
PHS - Fogarty International Center	60040417	\$ 34,052
PHS - National Institute of Nursing Research	60040418	1,150,874
PHS - National Institute of Arthritis and Musculo-skeletal and Skin Diseases	60040419	1,336,652
PHS - National Institute of Deafness and Other Communication Disorders	60040420	1,579,724
PHS - National Institute of Mental Health	60040421	4,027,089
PHS - National Institute of Drug Abuse	60040422	480,682
PHS - National Institute of Alcohol Abuse & Alcoholism	60040423	410,077
PHS - Substance Abuse & Mental Health Services Administration	60040424	315,987
PHS - Health Resources & Services Administration	60040500	35,648
PHS - Bureau of Health Professions	60040501	844,557
PHS - Maternal & Child Health Bureau	60040505	381,448
PHS - Centers for Disease Control & Prevention	60040600	378,008
PHS - National Institute of Occupational Safety & Health	60040601	660,208
PHS - Office of Population Affairs	60041100	60,985
PHS - Agency For Healthcare Research & Quality	60041200	(648)
Department of Housing & Urban Development	70000000	85,796
U.S. Fish & Wildlife Service	72030000	13,428
U.S. Geological Survey	72040000	393,025
U.S. Department of Labor (DOL) - Bureau of Labor Statistics	76050000	4,909,888
Bureau of Educational & Cultural Affairs	80020100	18,446
U.S. Department of Transportation (DOT)	82000000	594,970
DOT - Federal Highway Administration	82010000	7,244
DOT - Federal Aviation Administration	82030000	987,758
DOT - National Highway Traffic Safety Administration	82040000	<u>359,723</u>
 Subtotal of funds received from federal agencies		 <u>160,181,656</u>

THE OHIO STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
Research and Development Cluster (continued):				
Funds received directly from the following pass-through sponsors:				
North American Association for Environmental Education	Environmental Protection Agency	30020000	20021323	\$ (5)
University of Wisconsin	Environmental Protection Agency	30020000	22000006	832
Colorado State University	Environmental Protection Agency	30020000	22000110	3,740
University of Alabama - Tuscaloosa	Environmental Protection Agency	30020000	22000305	39,815
Ohio Environmental Protection Agency	Environmental Protection Agency	30020000	26340000	192,980
Ohio OFC LK Erie Prote	Environmental Protection Agency	30020000	26590000	17,740
Alliedsignal, Inc	National Aeronautics and Space Administration	30030000	10011761	29,579
Raytheon Company	National Aeronautics and Space Administration	30030000	10011847	133,909
Innovative Scientific Solutions	National Aeronautics and Space Administration	30030000	10020096	23,212
PHPK Technologies	National Aeronautics and Space Administration	30030000	10020108	5,016
Space Telescope Science Institute	National Aeronautics and Space Administration	30030000	20021006	122,155
California Institute of Technology	National Aeronautics and Space Administration	30030000	22000054	385,932
University of Maryland	National Aeronautics and Space Administration	30030000	22000120	10,766
Georgia Institute of Technology	National Aeronautics and Space Administration	30030000	22000189	21
Case Western Reserve University	National Aeronautics and Space Administration	30030000	22000238	24,670
Georgia Technology Research Institute	National Aeronautics and Space Administration	30030000	22000245	32,983
University of Texas-Austin	National Aeronautics and Space Administration	30030000	22000270	94,308
Embry-Riddle Aerospace University	National Aeronautics and Space Administration	30030000	22000291	3,331
Raytheon Company	Ames Research Center	30030103	10011847	76,116
Ohio University	Ames Research Center	30030103	22000130	(3,746)
University of Kentucky	Ames Research Center	30030103	22000143	8,244
Battelle Memorial Institute	John Glenn Research Center-Lewis Field	30030104	20020012	18,668
Ohio Aerospace Institute	John Glenn Research Center-Lewis Field	30030104	20021048	57,047
University of Illinois	John Glenn Research Center-Lewis Field	30030104	22000009	98,138
EG & G, Inc.	Goddard Space Flight Center	30030301	10011343	151,184
Heartland Arts Foundation	National Endowment for the Arts	30040200	20012068	5,000
Superconductive Company	National Science Foundation	30050000	10011486	(82)
Horizon Research, Inc.	National Science Foundation	30050000	10012237	18,535
Woods Hole Oceanographic Institute	National Science Foundation	30050000	20020744	327,388
University Corporation for Atmospheric Research	National Science Foundation	30050000	20020793	119,035
Education Development Center	National Science Foundation	30050000	20021328	67,684
International Technology Education Association	National Science Foundation	30050000	20021487	458
Purdue University	National Science Foundation	30050000	22000002	387
Rutgers University	National Science Foundation	30050000	22000003	39,486
University of Medical & Dental New Jersey	National Science Foundation	30050000	22000004	8,238
University of Illinois	National Science Foundation	30050000	22000009	273,548
Pennsylvania State University	National Science Foundation	30050000	22000030	(674)
Wayne State University	National Science Foundation	30050000	22000034	72,963
Michigan State University	National Science Foundation	30050000	22000044	93,409
Miami University	National Science Foundation	30050000	22000049	13,640
Texas A & M University	National Science Foundation	30050000	22000053	208
Kansas State University	National Science Foundation	30050000	22000062	82,375
University of Minnesota	National Science Foundation	30050000	22000067	82,886
Florida State University	National Science Foundation	30050000	22000070	11,096
University of Connecticut	National Science Foundation	30050000	22000076	69
Cornell University	National Science Foundation	30050000	22000081	3,553
University of Maryland	National Science Foundation	30050000	22000120	4,816
Denison University	National Science Foundation	30050000	22000128	60,802
North Carolina State University	National Science Foundation	30050000	22000136	182,383
Mississippi State University	National Science Foundation	30050000	22000196	100,170
University of Washington	National Science Foundation	30050000	22000212	72,193
Michigan Technology University	National Science Foundation	30050000	22000214	3,571
Montana State University	National Science Foundation	30050000	22000236	1,245
Drexel University	National Science Foundation	30050000	22000246	216,506
Institute Advanced Study	National Science Foundation	30050000	22000273	8,604
University of California - San Diego	National Science Foundation	30050000	22000288	105,982
Rensselaer Polytechnic Institute	National Science Foundation	30050000	22000298	33,745
East Carolina University	National Science Foundation	30050000	22000304	4,087
University of Alabama - Tusc	National Science Foundation	30050000	22000305	61,076
Polytechnic University	National Science Foundation	30050000	22000321	32,917

See notes to schedule of expenditures of federal awards.

THE OHIO STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
Research and Development Cluster (continued):				
Funds received directly from the following pass-through sponsors:				
University of Tulsa	National Science Foundation	30050000	22000328	\$ 1,249
Stroud Water Research Center	NSF-Environmental Biology	30050104	20021389	71,934
University of Illinois	NSF-Div Electrical & Communications Systems	30050305	22000009	(817)
Pennsylvania State University	NSF-Bioengineering Environmental & Ocean Sys	30050307	22000030	(7,634)
Carnegie-Mellon University	NSF Office Small Business Research & Development	30050701	22000051	4,661
Ohio Business Development Organization, Inc.	Small Business Administration	30140000	20020062	4,705
University of Chicago	Veterans Administration	30170000	22000018	166,915
Development Alternatives, Inc.	Agency for International Development	30300100	10011316	114,221
PA Consulting Group	Agency for International Development	30300100	10030065	3,346
United Negro College Fund	Agency for International Development	30300100	20021410	157,718
International Rice Research Institute	Agency for International Development	30300100	20021413	50,796
University of Wisconsin	Agency for International Development	30300100	22000006	130,854
Michigan State University	Agency for International Development	30300100	22000044	13,911
Oregon State University	Agency for International Development	30300100	22000103	35,409
US-Egypt S&T Joint Board	Agency for International Development	30300100	28610001	(958)
University of Texas - Austin	Corporation for National and Community Service	31040001	22000270	(18,307)
Air Products & Chemicals	Department of Agriculture	40000000	10010612	(3,061)
Biotech Research & Development Corporation	Department of Agriculture	40000000	10011994	31,149
Bioprocess Innovative Company	Department of Agriculture	40000000	10020039	8,711
Dairy Management, Inc.	Department of Agriculture	40000000	20020911	107,693
Midwest Advanced Food Management	Department of Agriculture	40000000	20021278	7,665
Purdue University	Department of Agriculture	40000000	22000002	97,641
Virginia Polytechnic Institute	Department of Agriculture	40000000	22000023	(1,245)
Michigan State University	Department of Agriculture	40000000	22000044	89,179
University of Maine at Orono	Department of Agriculture	40000000	22000048	3,297
University of Minnesota	Department of Agriculture	40000000	22000067	(762)
Cornell University	Department of Agriculture	40000000	22000081	29,362
University of Nebraska	Department of Agriculture	40000000	22000085	51,581
Colorado State University	Department of Agriculture	40000000	22000110	18,798
University of Arizona	Department of Agriculture	40000000	22000116	481
North Carolina State University	Department of Agriculture	40000000	22000136	(94)
University of Delaware	Department of Agriculture	40000000	22000138	22,441
Midwest Advanced Food Management	Cooperative State Research, Education & Extension Svc	40040100	20021278	39,923
University of Wisconsin	Cooperative State Research, Education & Extension Svc	40040100	22000006	50,358
University of Illinois	Cooperative State Research, Education & Extension Svc	40040100	22000009	(3,052)
Michigan State University	Cooperative State Research, Education & Extension Svc	40040100	22000044	4,675
Southern Illinois University	Cooperative State Research, Education & Extension Svc	40040100	22000055	20,109
Cornell University	Cooperative State Research, Education & Extension Svc	40040100	22000081	36,118
University of Nebraska	Cooperative State Research, Education & Extension Svc	40040100	22000085	4,109
Colorado State University	Cooperative State Research, Education & Extension Svc	40040100	22000110	36,719
University of Kentucky	Cooperative State Research, Education & Extension Svc	40040100	22000143	21,089
University of Massachusetts - Amherst	Cooperative State Research, Education & Extension Svc	40040100	22000274	17,822
Colegio University Del Est	Cooperative State Research, Education & Extension Svc	40040100	22010012	24,736
University of Michigan	Department of Commerce	42000000	22000005	788
East Carolina University	Department of Commerce	42000000	22000304	16,260
Dartmouth	Department of Commerce	42000000	22000312	39,221
Phycotransgenics LLC	National Oceanic and Atmospheric Administration	42020000	10012342	12,597
National Fish & Wildlife Fund	National Oceanic and Atmospheric Administration	42020000	20021134	1,915

See notes to schedule of expenditures of federal awards.

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2002

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
Research and Development Cluster (continued):				
Funds received directly from the following pass-through sponsors:				
University of New Hampshire	National Oceanic and Atmospheric Administration	42020000	22000131	\$ 45,237
Ohio Department of National Resources	National Oceanic and Atmospheric Administration	42020000	26110000	24,851
Edison Materials Technology Center	National Institute of Standards & Technology	42040000	10011518	135,734
OG Technologies, Inc.	National Institute of Standards & Technology	42040000	10012262	89,578
E-Systems Corporation	Department of Defense	50000000	10011157	167,599
Mission Research Corporation	Department of Defense	50000000	10011436	23,639
Nichols Research Corporation	Department of Defense	50000000	10011948	364,592
R & S Associates	Department of Defense	50000000	10012346	285,207
High Perform Technology	Department of Defense	50000000	10012364	17,963
Henry M. Jackson Foundation	Department of Defense	50000000	20010473	38,220
IIT Research Institute	Department of Defense	50000000	20021129	88,339
University of Dayton	Department of Defense	50000000	22000008	58,225
University of Arizona	Department of Defense	50000000	22000116	157,153
Mississippi State University	Department of Defense	50000000	22000196	1,446,052
Lockheed Martin Corporation	Air Force	50010000	10010042	17,108
Science Applications International Corporation	Air Force	50010000	10011324	10,770
GE Aircraft Engineers	Air Force	50010000	10011756	105,128
Harris Corporation	Air Force	50010000	10012071	75,425
Pratt & Whitney Engineers	Air Force	50010000	10012090	32,627
Amberwave Technologies	Air Force	50010000	10012219	103,853
NCI Information System	Air Force	50010000	10012350	88,958
S & K Technologies	Air Force	50010000	10012375	4,677
Dynamic Engineering, Inc.	Air Force	50010000	10020001	(898)
Technical Management Concepts, Inc.	Air Force	50010000	10020023	15,660
UES, Inc.	Air Force	50010000	10020049	32,818
Klein Associates	Air Force	50010000	10020072	(88)
Sytronics, Inc.	Air Force	50010000	10020077	25,486
Innovative Scientific Solutions, Inc.	Air Force	50010000	10020096	61,552
Selecttech Services	Air Force	50010000	10020105	118,720
Ladish/Chamberburg	Air Force	50010000	18000013	228,707
Guide Consortium	Air Force	50010000	20021102	2,206
Dayton Area Graduate Studies Institute	Air Force	50010000	20021372	25,249
University of Dayton	Air Force	50010000	22000008	17,685
University of Cincinnati	Air Force	50010000	22000074	62,397
MIT-Lincoln Lab	Air Force	50010000	22000228	25,340
Georgia Tch Research Institute	Air Force	50010000	22000245	89,881
Sytronics, Inc.	Air Force Materiel Command	50010100	10020077	(2,290)
Research & Development Labs	Air Force Office Of Scientific Research	50010105	10011649	(854)
Monopole Research	Air Force Office Of Scientific Research	50010105	10012374	20,150
University Virginia	Air Force Office Of Scientific Research	50010105	22000203	91,864
Princeton University	Air Force Office Of Scientific Research	50010105	22000289	(33,659)
Vanderbilt University	Air Force Office Of Scientific Research	50010105	22000296	82,506
UC Santa Barbara	Air Force Office Of Scientific Research	50010105	22000315	(10,972)
Lockheed Martin Corporation	Army	50020000	10010042	5
E-OIR Measurements	Army	50020000	10012263	45,546
Arinc Incorporated	Army	50020000	10012359	9,070
Cleveland Clinic Foundation	Army	50020000	20010421	(6,530)
Concurrent Technology Corporation	Army	50020000	20021460	292,058

See notes to schedule of expenditures of federal awards.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2002

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
Research and Development Cluster (continued):				
Funds received directly from the following pass-through sponsors:				
University of Chicago	Army	50020000	22000018	\$ (23,604)
Lockheed Martin Corporation	Army Research Laboratory	50020210	10010042	4,070
Micro Aicro Anal & Design	Army Research Laboratory	50020210	10012320	778,696
Bae Systems	Army Research Laboratory	50020210	10030070	23,769
House Ear Institute	Army Medical Research & Materiel Command	50020301	20021422	3,927
Ohio University	Army Medical Research & Materiel Command	50020301	22000130	21,048
Battelle Memorial Institute	Army Research Office	50020400	20020012	54,265
Massachusetts Institute of Technology	Army Research Office	50020400	22000001	53,289
Duke University	Army Research Office	50020400	22000094	62,730
Johns Hopkins University	Army Research Office	50020400	22000133	(1,262)
Edison Welding Institute	Department of Navy	50040000	10011218	39,144
Science Applications International Corporation	Department of Navy	50040000	10011324	6,755
Computer Science Corporation	Department of Navy	50040000	10011456	109,208
University Tennessee	Office of Naval Research	50040300	22000010	56,404
University California	Office of Naval Research	50040300	22000011	58,470
Princeton University	Office of Naval Research	50040300	22000289	1,876
Lockheed Martin Corporation	U.S. Department of Education	53000000	10010042	28,144
Quintiles Trans Corporation	U.S. Department of Education	53000000	10011631	(4,360)
Consort Plant Biotche	U.S. Department of Education	53000000	20021036	(1,412)
Center Civic Education	U.S. Department of Education	53000000	20021131	100,256
Education Development Center	U.S. Department of Education	53000000	20021328	5,661
National Writing Project Corporation	U.S. Department of Education	53000000	20021378	29,502
University of Wisconsin	U.S. Department of Education	53000000	22000006	30,535
Penn State University	U.S. Department of Education	53000000	22000030	989
Miami University	U.S. Department of Education	53000000	22000049	8,238
University of Cincinnati	U.S. Department of Education	53000000	22000074	(790)
Wright State University	U.S. Department of Education	53000000	22000087	40,006
Ohio University	U.S. Department of Education	53000000	22000130	9,383
Washington University	U.S. Department of Education	53000000	22000209	44,865
University of S. Carolina	U.S. Department of Education	53000000	22000241	16,231
N. Carolina Central University	U.S. Department of Education	53000000	22000320	9,040
Columbus Public Schools	U.S. Department of Education	53000000	24000022	112
Ohio Department of Education	U.S. Department of Education	53000000	26080000	115,249
Ohio Division Career Technology & Adult Education	U.S. Department of Education	53000000	26080100	1,950,562
Ohio Division Professional Development & License	U.S. Department of Education	53000000	26080700	20,431
Lockheed Martin Corporation	Department of Energy	55000000	10010042	35,160
Air Products & Chemicals	Department of Energy	55000000	10010612	1,273
Westinghouse Electric Company	Department of Energy	55000000	10010881	118,871
Sandia Corporation	Department of Energy	55000000	10011170	82,249
US Auto Material & Parts	Department of Energy	55000000	10012073	83,941
Eurus Technologies	Department of Energy	55000000	10012202	221,473
Supercon, Inc.	Department of Energy	55000000	10012205	(10,618)
Ashman Technologies	Department of Energy	55000000	10012227	67,247
Mct, Inc.	Department of Energy	55000000	10012251	298
Environmental Energy	Department of Energy	55000000	10012272	53,965
Omega International Technology, Inc.	Department of Energy	55000000	10012361	15,000
Nextech Material Ltd.	Department of Energy	55000000	10020047	64,539
Ues, Inc.	Department of Energy	55000000	10020049	127,158

See notes to schedule of expenditures of federal awards.

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
Research and Development Cluster (continued):				
Funds received directly from the following pass-through sponsors:				
Innov Sci Solutions	Department of Energy	55000000	10020096	\$ 25,387
National Renewable Energy Lab	Department of Energy	55000000	20020800	232,947
Consort Plant Biotchc	Department of Energy	55000000	20021036	14,763
Battelle-Pac Nw Lab	Department of Energy	55000000	20021070	81,356
Knolls Atomic Power Lab	Department of Energy	55000000	20021418	79,998
Univ. Rsch Assoc. Inc.	Department of Energy	55000000	20021485	1,053,312
Ut-Battelle, LLC	Department of Energy	55000000	20021486	15,239
Purdue University	Department of Energy	55000000	22000002	46,899
University Michigan	Department of Energy	55000000	22000005	89,410
University California	Department of Energy	55000000	22000011	544,765
University of Idaho	Department of Energy	55000000	22000016	(5,251)
West Virginia University	Department of Energy	55000000	22000032	15,757
University of Cincinnati	Department of Energy	55000000	22000074	12,431
Stanford University	Department of Energy	55000000	22000142	(1,709)
University of Alabama Tuscaloosa	Department of Energy	55000000	22000305	60,772
Colorado School Mines	Department of Energy	55000000	24000311	27,017
Boston College	Social Security Administration	60030000	22000310	(1,399)
Linac Systems	National Institutes of Health	60040400	10012130	2,619
Hybrid Plastics, Inc.	National Institute of Health	60040400	10012356	55,023
Genotrek LLC	National Institute of Health	60040400	10020082	(1,799)
Indiana University	National Institute of Health	60040400	22000012	107,848
Wayne St. University	National Institute of Health	60040400	22000034	96,780
Duke University	National Institute of Health	60040400	22000094	137,539
University of Rochester	National Institute of Health	60040400	22000193	30,533
Medical College Ohio	National Institute of Health	60040400	22000210	50,235
Case Western Research University	National Institute of Health	60040400	22000238	87,801
University of Arkansas	National Institute of Health	60040400	22000239	1,121
Imedd, Inc.	National Cancer Institute	60040402	10012234	60,671
Oncoimmune Ltd.	National Cancer Institute	60040402	10020111	25,549
Mayo Foundation	National Cancer Institute	60040402	20010289	378,324
Cleveland Clinic Foundation	National Cancer Institute	60040402	20010421	290,352
Oklahoma Medical Research Foundation	National Cancer Institute	60040402	20010530	15,485
Foundation for Children Onc	National Cancer Institute	60040402	20010553	34,281
Cancer Therapy & Research Foundation	National Cancer Institute	60040402	20020745	39,069
Am College Radiology	National Cancer Institute	60040402	20020917	1,433
Am Health Foundation	National Cancer Institute	60040402	20021179	15,470
University of Kansas Medical Center Research Institute	National Cancer Institute	60040402	20021356	40,119
Strang Cancer Prevention Center	National Cancer Institute	60040402	20021428	138,661
University of Michigan	National Cancer Institute	60040402	22000005	50,525
University of Calif.	National Cancer Institute	60040402	22000011	260,995
University of Chicago	National Cancer Institute	60040402	22000018	1,454,223
University of Minnesota	National Cancer Institute	60040402	22000067	206,828
University of Cincinnati	National Cancer Institute	60040402	22000074	162,405
University of Texas	National Cancer Institute	60040402	22000106	230,072
University of North Carolina	National Cancer Institute	60040402	22000146	1,973
Harvard University	National Cancer Institute	60040402	22000169	158,644
University of Southern California	National Cancer Institute	60040402	22000206	102,637
Washington University	National Cancer Institute	60040402	22000209	50,077
Medical College Ohio	National Cancer Institute	60040402	22000210	29,928
Axio Research Corporation	National Heart, Lung and Blood Institute	60040403	10012025	(2,998)

See notes to schedule of expenditures of federal awards.

THE OHIO STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
Research and Development Cluster (continued):				
Funds received directly from the following pass-through sponsors:				
Cleveland Clinic Foundation	National Heart, Lung and Blood Institute	60040403	20010421	\$ 160,286
National Jewish Medical Center	National Heart, Lung and Blood Institute	60040403	20021369	129,756
University of Pittsburgh	National Heart, Lung and Blood Institute	60040403	22000036	13,155
University of New Mexico	National Heart, Lung and Blood Institute	60040403	22000056	18,447
Duke University	National Heart, Lung and Blood Institute	60040403	22000094	86,503
University of Texas	National Heart, Lung and Blood Institute	60040403	22000106	2,434
Johns Hopkins University	National Heart, Lung and Blood Institute	60040403	22000133	190,049
Soc & Scient Sys Inc.	National Institute of Allergy and Infectious Disease	60040404	10012044	(3,514)
Amarillo Biosciences	National Institute of Allergy and Infectious Disease	60040404	10040096	5,500
Oklahoma Medical Research Foundation	National Institute of Allergy and Infectious Disease	60040404	20010530	(8,346)
Case Western Research University	National Institute of Allergy and Infectious Disease	60040404	22000238	8,943
University of Mass Worcester	National Institute of Allergy and Infectious Disease	60040404	22000318	112,105
Rhode Island Hospital	Nat Inst Diabetes & Digestive & Kidney Disease	60040405	20021502	9,390
University of Pittsburgh	Nat Inst Diabetes & Digestive & Kidney Disease	60040405	22000036	28,824
University of Texas Medical Br	Nat Inst Diabetes & Digestive & Kidney Disease	60040405	22000327	1,446
National Bureau of Economic Research	National Institute of Child Health & Human Development	60040406	20020748	117,959
University of Michigan	National Institute of Child Health & Human Development	60040406	22000005	51,652
Case Western Research University	National Institute of Child Health & Human Development	60040406	22000238	695
University of Cal Los Angeles	National Institute of Child Health & Human Development	60040406	22000269	92,664
Emory University	National Institute of Child Health & Human Development	60040406	22000295	151,182
University of Illinois	National Institutes of General Medical Sciences	60040407	22000009	33,002
University of S. Carolina	National Institutes of General Medical Sciences	60040407	22000241	59,204
University of Ca San Francisco	National Institutes of General Medical Sciences	60040407	22000317	167,124
Cleveland Clinic Foundation	National Institute of Neurological Disorders & Stroke	60040408	20010421	32,270
Childrens Hospital, Columbus	National Institute of Neurological Disorders & Stroke	60040408	20020124	52,469
Indiana University	National Institute of Neurological Disorders & Stroke	60040408	22000012	19,787
Columbia University	National Institute of Neurological Disorders & Stroke	60040408	22000135	313
University of Utah	National Institute of Neurological Disorders & Stroke	60040408	22000145	10,885
University of Rochester	National Institute of Neurological Disorders & Stroke	60040408	22000193	4,421
Med Coll Ga Res Inst	National Institute of Neurological Disorders & Stroke	60040408	22000253	404
Emory University	National Institute of Neurological Disorders & Stroke	60040408	22000295	1,434
University of Illinois	National Library of Medicine	60040409	22000009	544
Jaeb Ctr Hlth Rsrch	National Eye Institute	60040411	20021387	753
University of Illinois	National Eye Institute	60040411	22000009	89,945
Johns Hopkins University	National Eye Institute	60040411	22000133	33,235

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2002

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
Research and Development Cluster (continued):				
Funds received directly from the following pass-through sponsors:				
University of Pennsylvania	National Eye Institute	60040411	22000195	\$ (27,159)
Penn Col Optometry	National Eye Institute	60040411	22000322	6,208
University of New Mexico	National Institute Dental & Craniofacial Rsch	60040412	22000056	24,062
Wake Forest University	National Institute of Aging	60040415	22000286	14,659
Duquesne University	National Institute of Aging	60040415	22000306	19,809
University of Illinois	National Institute Nursing Research	60040418	22000009	6,745
Emory University	National Institute Nursing Research	60040418	22000295	16,837
University of Toronto	National Institute Nursing Research	60040418	22010009	2,903
Barnes-Jewish Hospital	National Institute Arthritis & Muscle & Skin Disorders	60040419	20021500	20,373
University of New Mexico	National Institute Arthritis & Muscle & Skin Disorders	60040419	22000056	36,809
Yale University	National Institute Arthritis & Muscle & Skin Disorders	60040419	22000088	37,891
Duke University	National Institute Arthritis & Muscle & Skin Disorders	60040419	22000094	51,647
Childrens Hospital, Columbus	Nat Inst Deafness & Other Commnctn Disorders	60040420	20020124	44,763
Duke University	National Institute of Mental Health	60040421	22000094	34,923
VA Polytechnic Inst	National Institute of Drug Abuse	60040422	22000023	170,883
Texas A & M University	National Institute of Drug Abuse	60040422	22000053	(2,873)
Ohio University	National Institute on Drug Abuse	60040422	22000130	93,896
University of Washington	National Institute of Drug Abuse	60040422	22000212	10,991
Ohio Department of Alcohol & Drug Addiction	Substance Abuse & Mental Health Services Adm	60040424	26530000	23,391
Asc Schls Pub Health	Health Resources and Services Administration	60040500	20021358	5,024
University of Pittsburgh	Health Resources and Services Administration	60040500	22000036	99,089
Hemophilia Foundation of Michigan	Maternal & Childrens Health Bureau	60040505	20021026	19,228
Battelle Memorial Institute	Centers for Disease Control & Prevention	60040600	20020012	72,445
Hemophilia Foundation of Michigan	Centers for Disease Control & Prevention	60040600	20021026	7,128
University of Michigan	Centers for Disease Control & Prevention	60040600	22000005	10,731
Penn State University	Centers for Disease Control & Prevention	60040600	22000030	46,342
University of Maine at Orono	Centers for Disease Control & Prevention	60040600	22000048	29,036
University of Alabama at Birm	Centers for Disease Control & Prevention	60040600	22000207	10
Ohio Division of Wildlife	U.S. Fish and Wildlife Service	72030000	26110100	725,752
Ohio University	U.S. Geological Survey	72040000	22000130	49,283
Boys & Girls Clubs	Office of Justice	74000000	20021420	(1,049)
University of Iowa	Office of Justice	74000000	22000137	39,181
Ofc Cmnl Just Servc	Office of Justice	74000000	26140401	103,266
National Opinion Research Center	U.S. Department of Labor	76000000	20020932	1,859,346
Ohio Stw Office	U.S. Department of Labor	76000000	26080103	85,679
Battelle Memorial Institute	Department of Transportation	82000000	20020012	108,191
Ohio Department of Transportation	Department of Transportation	82000000	26010000	54,438
Ohio Department of Public Safety	Department of Transportation	82000000	26400000	11,578
Ohio Department of Transport	Federal Highway Administration	82010000	26010000	44,491
Ohio Department of Natural Resources	Federal Highway Administration	82010000	26110000	65,022
Iowa St University	Federal Aviation Administration	82030000	22000047	108,654
Ohio University	Federal Aviation Administration	82030000	22000130	24,933
Embry-Riddle Aero University	Federal Aviation Administration	82030000	22000291	17,191
Subtotal pass-through from other sources				<u>26,683,491</u>
Total Research and Development Cluster				<u>186,865,147</u>

See notes to schedule of expenditures of federal awards.

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2002

Federal Agency	Sponsor I.D./ CFDA Number	2002 Expenditures
Student Financial Aid Cluster:		
Department of Education:		
Federal Supplemental Educational Opportunity Grant	84.007	\$ 88,065
Federal Work Study Program	84.033	5,365,862
Federal Perkins Loans	84.038	92,731
Federal Pell Grant Program	84.063	19,791,546
Federal Direct Lending Program	84.268	9,851
Department of Health and Human Services:		
Health Profession Student Loans	93.342	481,332
Scholarship Program for Students of Exceptional Financial Need	93.925	458,227
Total Student Financial Aid Cluster		<u>26,287,614</u>
USDA - Hatch Program	10.203	3,161,740
USDA - Cooperative Extension Service	10.500	<u>16,455,702</u>
Subtotal		<u>19,617,442</u>
OTHER PROGRAMS:		
Funds received directly from the following Federal agencies:		
Environmental Protection Agency	30020000	769
National Aeronautics & Space Administration	30030000	21,637
John Glenn Research Center-Lewis Field	30030104	(1,779)
National Endowment for the Humanities	30040100	3,729
National Science Foundation	30050000	94,407
Nsf Integrative Biology & Neuroscience	30050102	4,643
Nsf Div Chemistry	30050503	121,000
Nsf Education & Human Resources	30050600	(50,433)
Nsf Social, Behavioral & Economic Resrch	30050801	15,375
Agency For International Development	30300100	174,131
Coop State Res Educ & Extension Service	40040100	73,498
Ofc Of Inat Cooperation & Development	40100000	(9,643)
National Oceanic & Atmospheric Administration	42020000	56,276
Department of Education	53000000	626,546
Ofc of Postsecondary Education	53040000	(10,497)
Ofc of Special Education & Rehabilitative Svcs	53050000	97,454
Ofc of Special Education Programs	53050100	1,160,207
Rehabilitation Services Administration	53050200	96,034
Ofc Vocational & Adult Education Programs	53060000	2,449,317
National Institute of Health	60040400	24,347
Nat In Alrgy Inf Dis	60040404	240
National Center for Research Resources	60040410	2,377,682
Health Resources & Services Admin	60040500	117,637
Bur Health Professions	60040501	1,737
Admin Children, Youth & Families	60070100	2,674,417
Admin Developmental Disabilities	60070500	333,123
Department of Housing & Urban Development	70000000	90,743
Department of State	80000000	<u>221,294</u>
Subtotal funds received directly from other Federal agencies		<u>10,763,891</u>

(Continued)

See notes to schedule of expenditures of federal awards.

THE OHIO STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Agency	Sponsor I.D./ CFDA Number	2002 Expenditures
OTHER SOURCES:		
USDA - Cooperative Support Agreement	10.000	\$ 7,661
USDA - Grants for Agriculture Research, Special Research Grants	10.200	6,345
USDA - Cooperative Forestry Research	10.202	89,307
USDA - Animal Health and Disease Research	10.207	62,854
USDA - Integrated Programs	10.303	122,046
USDA - Technical Assistance to Cooperatives	10.350	336
USDA - Child and Adult Care Food Program	10.558	73,095
DC - Census Customer Services	11.002	3,250
DC - Public Telecommunications Facilities	11.550	(2,938)
OPM - Intergovernmental Personnel Act Mobility Program	27.011	(291)
NEH - Promotion Humanities: Preservation	45.149	13,013
DE - Faculty Research Abroad	84.019A	255,699
DE - TRIO: Student Support Services	84.042A	(250)
DE - Javits Fellowships	84.170	17,500
DE - Child Care Access Means Parents in School	84.335	94,344
DHHS - Head Start	93.600	10,352
U.S. Department of Health and Human Services - Social Services Block Grant	93.667	<u>399,547</u>
Total funds received from other sources		<u>1,151,870</u>

See notes to schedule of expenditures of federal awards.

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
OTHER PROGRAMS:				
Pass-through:				
Ohio Department of Education	Department of Agriculture	10.558		\$ 78,399
Ohio Department of Education	Department of Agriculture	10.559		36,750
Ohio Criminal Justice Services	Department of Justice	16.607		367
Ohio Bureau of Employee Services	Department of Labor	17.245		7,941
Ohio Department of Development	Appalachian Regional Commission	23.002		120,000
Ohio Department of Education	Department of Education	84.027		30,000
Ohio Department of Education	Department of Education	84.048		124,000
Ohio Department of Rehabilitation Services Commission	Department of Education	84.126		1,877
Ohio Department of Education	Department of Education	84.215		13,125
Ohio Department of Education	Department of Education	84.243		38,698
Ohio Department of Education	Department of Education	84.276		175,000
Ohio Department of Education	Department of Education	84.281		155,810
Ohio Department of Rehabilitation and Correction	Department of Education	84.311		3,375
Ohio Department of Education	Department of Education	84.342		150,000
Ohio Department of Mental Health	Department of Health and Human Services	93.230		346,378
Ohio Department of Job and Family Services	Department of Health and Human Services	93.556		202,082
Ohio Department of Education	Department of Health and Human Services	93.576		7,722
Ohio Department of Mental Retardation and Developmental Disabilities	Department of Health and Human Services	93.630		72,074
Ohio Department of Mental Health	Department of Health and Human Services	93.958		147,500
Ohio Department of Alcohol and Drug Addiction Services	Department of Health and Human Services	93.959		25,563
Ohio Department of Health	Department of Health and Human Services	93.994		77,784
University of Wisconsin	Environmental Protection Agency	30020000	22000006	7,216
Ohio Environmental Protection Agency	Environmental Protection Agency	30020000	26340000	(535)
Citizens Netwrk Frgn	Agency for International Development	30300100	20021429	(256)
Ohio Gov. Comm Serv Com	Corporation for National and Community Service	31040001	26600000	(6,520)
Penn State University	Department of Agriculture	40000000	22000030	22,188
Michigan State University	Department of Agriculture	40000000	22000044	5,491
Ohio Department of Human Services	Department of Agriculture	40000000	26230000	1,757
Ohio Job & Family Services	Department of Agriculture	40000000	26630000	2,051,019
University of Nebraska	Cooperative State Research, Education & Extension Svc	40040100	22000085	13,045
Dayton Area Grd Stud	National Institute of Standards & Technology	42040000	20021372	46,193
University of Minnesota	U.S. Department of Education	53000000	22000067	111,923
Ohio Bd Regents	U.S. Department of Education	53000000	26060000	42,559
Ohio Division of Early Childhood	U.S. Department of Education	53000000	26080800	57,070
University of Oregon	Office of Special Education & Rehabilitative Svcs	53050000	22000308	82,967
Cooperative Educational Service Agcy	Department of Health & Human Services	60000000	20021342	127,212
Gallia County Department of Human Services	Department of Health & Human Services	60000000	24000442	1,882
Clermont County Department of Human Services	Department of Health & Human Services	60000000	24000443	3,056
National Center Family Literacy	National Institute of Health	60040400	20021411	58,523

See notes to schedule of expenditures of federal awards.

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
OTHER PROGRAMS:				
Pass-through:				
Van Wert Co. Bd Com	National Institute of Health	60040400	24000438	\$ 759
Ohio Department of Public Safety	National Institute of Health	60040400	26400000	38,601
Childrens Research Institute	National Institute of Allergy and Infectious Disease	60040404	20010182	4,755
Ohio Department of Health	Centers for Disease Control & Prevention	60040600	26090000	(1,676)
National Center for Family Literacy	Admin Children, Youth & Families	60070100	20021411	1,284
Cuyahoga Co. Bd Of Cm	Office of Justice	74000000	24000430	(356)
Franklin County Justice Programs Unit	Office of Justice	74000000	24000444	29,802
Ohio Department of Public Safety	National Highway Traffic Safety Administration	82040000	26400000	<u>90,280</u>
TOTAL FEDERAL AWARDS				<u>\$249,288,648</u>

THE OHIO STATE UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial schedules include the accounts of The Ohio State University (the University); its hospitals and clinics; The Ohio State University Foundation, a not-for-profit organization operating exclusively for the benefit of the University; three separate statutory entities for which the University has special responsibility - The Ohio Agricultural Research and Development Center, The Ohio State University Dormitory Revenue Bond Fund, and the Ohio Supercomputer Center; and four legally independent corporations performing special activities related to the University - The Ohio State University Research Foundation, The Ohio State University Student Loan Foundation, Inc., the Transportation Research Center of Ohio, Inc., and the Hospital Helicopter Consortium of Central Ohio, Inc. Such financial schedules have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America for state-assisted colleges and universities.

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

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

2. NONCASH FEDERAL AWARDS

During the year ended June 30, 2002, 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, 2002
Perkins Loan Program	\$6,711,998
Nursing Student Loans (NSL)	321,227
Health Professional Student Loans (HPSL)	<u>2,676,725</u>
Total	<u>\$9,709,950</u>

The above expenditures include disbursements and expenditures such as loans to students and administrative expenditures. During the year ended June 30, 2002, the University disbursed \$187,885,116 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 (Certificate) to an institution's cognizant agency. The Certificate is prepared by the University and is used in negotiations with its cognizant agency, the Department of Health and Human Services (DHHS), in determining a rate at which the University and the Research Foundation will be reimbursed for the facilities and administrative costs associated with the completion of sponsored research.

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

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

Rate Type	Submitted Within Certificate	Negotiated Rate
Organized Research:		
On-Campus		
7/1/00-6/30/02	49.4 %	47.0 %
7/1/02-6/30/03	49.4 %	47.5 %
Off-Campus	26.0 %	26.0 %
Instruction:		
On-Campus		
7/1/00-6/30/02	52.5 %	47.0 %
7/1/02-6/30/03	52.5 %	47.5 %
Off-Campus	26.0 %	26.0 %
Other Sponsored Activities:		
On-Campus	22.5 %	31.0 %
Off-Campus	15.0 %	26.0 %
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.

* * * * *



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

Board of Trustees
The Ohio State University
Columbus, Ohio

We have audited the financial statements of The Ohio State University (the University) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 12, 2002 which included an explanatory paragraph related to the adoption of a new accounting standard. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the University's internal control over financial reporting and its operation that we consider to be material

weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the University in a separate letter dated November 12, 2002.

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

November 12, 2002



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

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

COMPLIANCE

We have audited the compliance of The Ohio State University (the University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. 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, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 99-1, 02-1, 02-2, 02-3, 02-4 and 02-5.

INTERNAL CONTROL OVER COMPLIANCE

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

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 applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 02-2 and 02-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 none of the reportable conditions described above to be 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, 2002, and have issued our report thereon dated November 12, 2002 which included an explanatory paragraph related to the adoption of a new accounting standard. 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.

Deloette Touche LLP

November 12, 2002

THE OHIO STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2002

PART I - SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. Our audit of the financial statements did not disclose a reportable condition in internal controls.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Our audit of compliance with the types of compliance requirements applicable to the financial statements disclose two reportable conditions in internal control over compliance with requirements applicable to major federal award programs (items 02-2 and 02-3).
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The major programs were the Research and Development Cluster and the USDA Hatch Program (CFDA 10.203), which are included in the Schedule of Expenditures of Federal Awards.
8. A threshold of \$3,000,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Ohio State University did not qualify as a low risk auditee as that term is defined in OMB Circular A-133.

PART II - FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

99-1: STUDENT FINANCIAL AID REFUNDS

Grantor: U.S. Department of Education

Sponsor Identification Number: Various

Project Number: Various

Criteria:

Section 34 CFR Part 668.22(j)(B) if the student drops out of the institution without notifying the institution (does not withdraw officially), the student's withdrawal date is the last recorded date of class attendance by the student as documented by the institution.

Finding:

In the current year no students were identified during our testing that had unofficially withdrawn from the University without being detected as a withdrawn student by the University. However, the University does not have a system in place to track the unofficial withdrawal by students.

Effect:

The University may not be refunding all federal funds relative to those funds received after the students withdrawal date.

Recommendation:

We recommend that the University implement additional policies and procedures to ensure that attendance is being taken by instructional staff and/or alternative policies and procedures to track the unofficial withdrawal of a student, as any funds received from the federal government subsequent to the withdrawal date of a student would be considered a potential liability to the University.

02-1 HATCH COMPLIANCE WITH UNSPENT FUNDS

Grantor: U.S. Department of Agriculture

Sponsor Identification Number: Various

Project Number: Various

Criteria: Hatch Act of 1887, Sec.7., part(c), "Effect of Failure to expend full allotment - whenever it shall appear to the Secretary of Agriculture from the annual statement of receipts and the expenditures of its funds by any State agricultural experiment station that any portion of the preceding annual appropriation allotted to that station under this Act remains unexpended, such amount shall be deducted from the next succeeding annual allotment to the State concerned."

Findings: The University has not spent the entire amount of the Hatch Grant in the federal years ended September 30, 1999, 2000 and 2001.

Effect: If the University does not have sufficient projects to be funded by the Hatch Grant in its entirety, the USDA will deduct unspent funds from the subsequent year's Grant. Furthermore, the amount of future annual Grants may be reduced to reflect the apparent reduced research funding needs.

Recommendation: We recommend that the University establish quarterly monitoring procedures for the Hatch Program, so that expenditure levels throughout the year may be monitored.

02-2 HATCH COMPLIANCE WITH ALLOWABILITY REQUIREMENTS

Grantor: U.S. Department of Agriculture

Sponsor Identification Number: Various

Project Number: Various

Criteria: A-133 Compliance Supplement, 3-B-1, "The General criteria affecting the allowability of the costs under Federal Awards are: Costs must be reasonable and necessary for the performance and administration of the Federal Awards; Costs must be allocable to the Federal Awards under the provisions of the cost principles per GASB standards, as applicable. A cost is allocable to a particular cost objective [...]if the goods or services involved are charged or assigned to such cost objectives in accordance with relative benefits received."

Findings: The University is charging the Hatch program for the salaries and benefits for faculty on projects that have been already terminated, and without another valid Hatch project started.

Effect: Unallowed expenses are being charged to the Hatch Program.

Questioned Costs: There were \$15,111 in known questioned costs due to projects to which Hatch costs were charged that had expired. Of this amount \$194 had not been corrected at year-end. Furthermore, there was \$1,697 in known questioned costs due to travel costs allocated over all projects.

Recommendation: We recommend that a monthly review would be made of projects charged to the Hatch program, to establish if said projects are still active. This should ensure that the Hatch Program complies with the expenditure requirements as they are defined in the OMB Circular A-133 Compliance Supplement in order to avoid any penalties associated with non-compliance.

02-3 HATCH COMPLIANCE WITH ALLOWABILITY REQUIREMENTS

Grantor: U.S. Department of Agriculture

Sponsor Identification Number: Various

Project Number: Various

Criteria: A-133 Compliance Supplement, 3-B-1, "The General criteria affecting the allowability of the costs under Federal Awards are: Costs must be reasonable and necessary for the performance and administration of the Federal Awards; Costs must be allocable to the Federal Awards under the provisions of the cost principles per GASB standards, as applicable. A cost is allocable to a particular cost objective [...]if the goods or services involved are charged or assigned to such cost objectives in accordance with relative benefits received."

Findings: The University is charging travel related expenses to an administrative specific project that has not been properly approved by the Cooperative State Research Service (CSRS).

Questioned Costs: There was \$1,697 in known questioned costs due to travel costs allocated to an administrative project not approved by CSRS.

Recommendation: We recommend that the University either charge travel related costs to the specific project that the researcher is assigned or establish an approved administrative project code that would allow travel cost allocations.

02-4 HATCH COMPLIANCE WITH DRAWN-DOWN REQUIREMENTS

Grantor: U.S. Department of Agriculture

Sponsor Identification Number: Various

Project Number: Various

Criteria: Treasury Regulations 31 CFR part 205 (implementation of the Cash Management Improvement Act (CMIA), P.L. 101-453), require State recipients to enter into agreements which prescribe specific methods of drawing down federal funds for selected large programs. The longest any of the CMIA funding methods allows federal funds to be requested in advance is three days. Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency.

Findings: During the months of July 2001, August 2001, October 2001 and March 2002, the University had excess drawn-down funds once Hatch related expenses were paid.

Effect: The University draws-down more than a three-day supply of cash from the Hatch Grant. This is in violation of OMB Circular A-133 Compliance Supplement.

Questioned Cost: A likely questioned cost of \$700 in estimated interest due to the federal government was calculated due to the amounts left unspent in the three-day period after the draw-down date.

Recommendation: We recommend that the University either approximate the amount of Hatch related expenditures based on the preliminary reports, or draw-down the funds after the final expenditures are available, to ensure that the Hatch Program complies with the Cash Management Requirements as they are defined in the OMB Circular A-133 Compliance Supplement in order to avoid any penalties associated with non-compliance. Furthermore, on months where there will be cash drawn-down in excess of actual expenditures, the interest earnings should be monitored, to insure they do not exceed the minimum \$100 threshold, requiring report of interest income.

02-5 HATCH COMPLIANCE WITH REPORTING REQUIREMENTS

Grantor: U.S. Department of Agriculture

Sponsor Identification Number: Various

Project Number: Various

Criteria: Circular A-133, Subpart C - Auditees, § __.310 Financial Statements, (b) Schedule of expenditures of federal awards, (2).

Findings: The University is not preparing the required Federal Financial Reports SF-269 and SF-272 related to the Hatch program on a timely basis. The SF-269, in its final form, had not been prepared from the federal fiscal year ended September 30, 1999, 2000 or 2001. The SF-272 had not been prepared since the quarter ended March 31, 2001.

Effect: Required reports are not being submitted to the federal government on a timely basis.

Recommendation: We recommend that the University implement additional policies and procedures to ensure that the Hatch Program complies with the reporting requirements as they are defined in the OMB Circular A-133 Compliance Supplement in order to avoid any penalties associated with non-compliance.

PART IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Number	Finding	Status	Contact
99-1	<p>Section 34 CFR Part 668.22(j)(B) states that if the student drops out of the institution without notifying the institution (does not officially withdraw), the student's withdrawal date is the last date of class attendance by the student as documented by the institution. One student was identified during the 1999 testing that had unofficially withdrawn from the University without being detected as a withdrawn student. The University did not refund federal funds relative to those funds received after the students withdrawal date.</p>	<p>The Ohio State University Board of Trustees at the June 7, 2002 meeting adopted Rule 3335-7-21 Marks, recommended by the University Senate (Resolution No. 2002-140) the assignment of 'EN' grade with 0.0 credit points for students who have stopped attending a course without officially dropping it. Further adopted was a requirement that the instructor assigning this mark must also provide some indication (e.g. week of academic term) when the student stopped attending the course.</p> <p>The Office of Student Financial Aid revised the University Financial Aid Satisfactory Academic Progress Policy (SAP) effective Autumn 2002 Quarter - Section 11.3 Quantitative Measure has been revised so that the 'EN' grade is excluded in the "Definition of Hours Successfully Completed" and included in the "Definition of Cumulative Hours Attempted."</p> <p>Implemented Autumn 2002 Quarter.</p>	Tally Hart, Director of Student Financial Aid
01-1	<p>The Ohio State University Research Foundation (Research Foundation) reclassified approximately \$1,500,000 of research and development expenses incurred from July 2000 through April 2001 from nonfederal pass-through expenditures to federal major pass-through expenditures. The Research Foundation recorded this reclassification to correct</p>	Corrected	Richard Bradbury, Director of Accounting

	<p>several project miscoding errors. Accounting department personnel discovered these miscoded projects during intermittent record keeping activities, based on their prior experience with identifying subrecipient payees. However, there are limited controls relating to this type of error.</p>		
01-2	<p>In the vendor subcontract review, the Ohio State University Research Foundation (Research Foundation) did not describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of subcontractors.</p>	Corrected	Richard Bradbury, Director of Accounting
01-3	<p>The project reviewed was finalized on April 30, 2001, and currently does not meet the minimum cost-share requirement of \$8,000.</p>	Corrected	Richard Bradbury, Director of Accounting

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, 2002*



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

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

- a. We obtained a list of booster organizations and a schedule of receipts/revenues and disbursements/expenses for the year ended June 30, 2002 from the Director of Athletics. This schedule is included as the Exhibit to this report.
- b. We agreed total revenues and expenditures or total cash receipts and cash disbursements of all booster organizations for the year ended June 30, 2002 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 NCAA Financial Audit Guidelines dated May 1996.
- d. We obtained a summary of contributions to or in behalf of the Department of Athletics from the booster organizations and compared such summary to the revenues recorded in the University's accounting records. The in-kind contributions and donated goods or services were not recorded in the University's accounting records. There were no such items in the current year. We also noted that contributions reported by the booster groups were credited to these groups in The Ohio State University Development Fund's records.

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

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

DELOITTE & TOUCHE LLP

Columbus, Ohio
December 2, 2002

**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 YEAR ENDED JUNE 30, 2002**

Organizations reporting on a cash receipts and disbursements basis for the year ended June 30, 2002 are as follows:

Organization	Beginning Cash Balance	Cash Receipts	Cash Disbursements		Ending Cash Balance
			Contributions To or In Behalf of Program	Other	
Varsity "O" Women	\$ 41,238	\$ 16,437		\$ 15,414	\$ 42,261
The Buckeye Diamond Club	193,213	213,994	\$ 3,950	36,238	367,019
The Match Point Club	26,504	16,820		24,606	18,718
The Buckeye Sideliners	2,219	22,173	10,000	13,221	1,171
The Rebounders Club	5,130	14,855	2,500	8,487	8,998
The Ohio State Men's Swimming and Diving Booster Club	4,338	7,032		4,962	6,408

Organizations reporting revenues and expenditures for the year ended June 30, 2002 are as follows:

Organization	Revenues	Expenditures		Net Income (Loss)
		Contributions To or In Behalf of Program	Other	
Buckeye Boosters, Inc.	\$ 162,979	\$ 52,100	\$ 78,653	\$ 32,226
The Varsity "O" Alumni	186,799	32,200	160,105	(5,506)
Center Ice Club	40,144	14,000	23,839	2,305
OSU Varsity Rifle Team Booster Club	1,363		609	754

The Ohio State University

*Independent Accountants' Report on the Application
of Agreed-Upon Procedures to the University's Accounting
Records and to its System of Internal Accounting Control
as They Relate to the University's Department of Athletics
for the Year Ended June 30, 2002*



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

We have audited the financial statements of The Ohio State University (the "University") as of and for the year ended June 30, 2002, and have issued our unqualified report thereon dated November 12, 2002. At your request, we have also performed the procedures enumerated below, which were agreed to by the Senior Vice President of the Office of Business and Finance, with respect to the University's accounting records and system of internal accounting control as they relate to the University's Department of Athletics for the year ended June 30, 2002, solely to assist the University in complying with NCAA Bylaw 6.2.3.1. The University's management is responsible for the University's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures that we performed and our findings are as follows:

Statement of Revenues and Expenditures - Agreed-Upon Substantive Procedures

- a. We obtained the Department of Athletics' Statement of Revenues and Expenditures (the "Statement") for the year ended June 30, 2002, as prepared by management and shown in the Exhibit to this report. We noted the arithmetic accuracy of the amounts in the Statement, compared the amounts in the Statement to management's worksheets and agreed management's worksheets to accounts in the University's general ledger. We noted no differences between the amounts in the University's general ledger and the amounts in the worksheets.
- b. Through discussions with the University's Assistant Director of Athletics, we obtained an understanding of the ticket revenue cycle, and we compared football and men's basketball ticket sales as recorded in the Statement to the Department of Athletics' "Ticket Order Status Report" for the year ended June 30, 2002. Ticket sales as recorded in the Statement were reconciled within \$77,401 or 0.40% of the "Ticket Order Status Report" for football and \$15,178 or 0.35% for basketball.
- c. We compared concession revenues recorded in the Statement to the detailed statements from the independent concessionaire of concession activity and commissions earned for the year ended June 30, 2002. Football concession revenues agreed to the detailed statements while all other sports were recalculated to within \$1,054 or 0.06% of the concession revenue recorded in the University's general ledger.

- d. We compared the Department of Athletics' percentage rate of return on interest-bearing cash and investments for the year ended June 30, 2002 to that of the University as a whole for the same period. We noted the University's rate of return was 3.23%, while the Department of Athletics' rate was 3.09%.
- e. We compared gift revenues recorded in the Department of Athletics' accounts for the year ended June 30, 2002, to the amounts recognized by The Ohio State University Development Fund for the same period and noted that the amounts differed by \$50,500 or 0.27%. The primary reason for this difference is the University's policy which requires donated monies to remain in The Ohio State University Development Fund for 90 days prior to being transferred to the Department of Athletics.
- f. We compared revenue and expenditures line-items in the Statement with prior year amounts, and made inquiries about fluctuations greater than \$100,000 and 10%. The Department of Athletics provided explanations for the fluctuations.
- g. We inquired of the Business Manager and Development Director of the Department of Athletics and noted that no individual contributions received for the period ended June 30, 2002 were in excess of 10% of total contributions for the period.

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

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

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

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

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

Agreed-upon procedures "h" through "k" applied to certain aspects of the University's system of internal accounting control were more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. Because the scope of our work was limited to applying agreed-upon procedures "h" through "k" to certain aspects of the system of internal accounting control, we are unable to express and do not express an opinion on whether the system of internal accounting control of The Ohio State University in effect for the year ended June 30, 2002, taken as a whole, was sufficient to meet the objectives stated above.

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

DELOITTE & TOUCHE LLP

Columbus, Ohio
December 2, 2002

**THE OHIO STATE UNIVERSITY
DEPARTMENT OF ATHLETICS**

Exhibit

**STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002 (UNAUDITED)**

	Football	Men's Basketball	Women's Basketball	Other Sports Men	Other Sports Women	Nonprogram Specific	Total
REVENUES:							
Ticket sales	\$ 19,243,293	\$ 4,296,441	\$ 155,565	\$ 466,171	\$ 55,130	\$ 217,479	\$24,434,079
Post season event	2,621,787	1,449,136					4,070,923
Program sales	283,060	39,703	6,073			96,655	425,491
Novelty Sales						1,101,747	1,101,747
Radio and T.V. rights	3,581,098	3,343,593	(15,500)	(8,000)			6,901,191
Concessions	1,025,510	343,901	30,289	137,815	46,346	112,103	1,695,964
Gifts:							
Restricted	112,216	106,297	2,900	125,696		1,763,653	2,110,762
Grant-in-aid	1,511,847	286,891	263,856	2,320,313	3,468,216	35,996	7,887,119
Parking	939,404	73,065	31,313				1,043,782
Investment income - unrestricted						408,214	408,214
Postage/service charges	460,256	42,383	113	(2,053)	(95)	40,420	541,024
Advertising						2,370,488	2,370,488
Entry fees						2,327,252	2,327,252
Facility rentals						68,724	68,724
Miscellaneous	(238)	311,092	169,290	149,952	73	860,805	1,490,974
Golf course						3,371,723	3,371,723
Ice rink						588,161	588,161
Total revenues	<u>29,778,233</u>	<u>10,292,502</u>	<u>643,899</u>	<u>3,189,894</u>	<u>3,569,670</u>	<u>13,363,420</u>	<u>60,837,618</u>
EXPENDITURES:							
Coaches' salaries	1,909,624	715,428	696,309	1,754,201	1,937,831		7,013,393
Other salaries	396,541	212,021	166,681	287,599	137,131	13,766,764	14,966,737
Travel:							
Team and other	1,033,670	410,447	295,618	657,956	831,232	494,369	3,723,292
Recruiting	257,357	51,217	63,622	131,473	188,825	1,457	693,951
Guarantees - net	1,363,572	(146,303)	17,000	34,000	8,587	13,000	1,289,856
Financial aid	1,511,847	286,891	263,856	2,320,313	3,468,216	35,996	7,887,119
Maintenance/general	1,735,406	333,830	136,157	436,049	249,459	9,094,332	12,009,954
Equipment purchases	125,133	1,445	2,382	5,836	42,906	656,399	834,101
Advertising						240,622	240,622
Insurance						94,195	94,195
Telephone	58,606	30,725	22,487	61,475	46,030	303,385	522,708
Food	524,598	42,897	2,804	39,732	55,874	708,458	1,374,363
Lodging	258,221	17,029	172	7,585	10,474	20,234	313,715
Indirect overhead						2,701,979	2,701,979
Physical facilities						884,406	884,406
Total expenditures	<u>9,174,575</u>	<u>1,955,627</u>	<u>1,667,088</u>	<u>5,736,219</u>	<u>6,976,565</u>	<u>29,015,596</u>	<u>54,550,391</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES							
	<u>\$20,603,658</u>	<u>\$ 8,336,875</u>	<u>\$(1,023,189)</u>	<u>\$(2,546,325)</u>	<u>\$(3,406,895)</u>	<u>\$(15,652,176)</u>	<u>\$ 6,287,227</u>

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

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

**REPORT ON AGREED-UPON PROCEDURES
AS REQUESTED BY
THE ALCOHOL, DRUG AND MENTAL HEALTH
BOARD OF FRANKLIN COUNTY**

For The Year Ended June 30, 2002

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have performed the procedures enumerated below, which were agreed to by The Ohio State University and the Alcohol, Drug and Mental Health Board of Franklin County (ADAMH) solely to assist in evaluating whether compliance requirements required by the ADAMH were adhered to by the Traumatic Brain Injury Network (TBI Network) of The Ohio State University (Service Provider) during the year ended June 30, 2002. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the 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 we performed and our findings are as follows:

1. Agency Revenue Report (FIS-052)
 - a. We documented the procedures used to process revenue and evaluated their adequacy. Service Provider revenue processing procedures performed appear adequate and no recommendations were noted.
 - b. We performed substantive audit procedures to test the accuracy and completeness of the FIS-052 report. We have included the Agency Revenue Report FIS-052 as Exhibit D to this report.
- **We noted that the final allocation dated December 6, 2002, reflected ADAMH allowed fees of \$232,962 whereas the FIS-052 reported ADAMH revenues of \$216,559. The difference of \$16,403 represent net adjustments approved after the FIS-052 was submitted.**
2. Medicaid Contract and Quality Assurance Program
 - a. We obtained from the Service Provider's management the following:
 - Ohio Department of Human Services (ODHS) and the Ohio Department of Alcohol and Drug Addiction Services Medicaid Contracts
 - ODADAS/ADAMH Community Medicaid Contract
 - ADAMH/Facility Community Medicaid Contract and Exhibits

- b. We read the certifications by ODADAS which included accreditation of the Service Provider's quality assurance program, noting that the certifications were current for the time services were rendered during State Fiscal Year ended June 30, 2002.
 - c. We reviewed the Service Provider's ongoing quality assurances program noting that it appears they were following program requirements. No recommendations were noted.
3. Block Grant Budget procedures were not applicable.
4. Medicaid and/or Non-medicaid Billings:
- a. We documented procedures used for Medicaid and Non-Medicaid billings to ADAMH and evaluated the adequacy of the procedures performed. No recommendations were noted.
 - b. We tested 40 billings to verify that the Service Provider is following ADAMH's procedures for member financial eligibility, sliding fee scale, outpatient co-insurance, and residential co-pay as outlined in the Provider Services Contract.
 - c. We tested 40 billings to verify that revenues from sources other than ADAMH are being billed prior to billing ADAMH for Non-Medicaid eligible services.
 - d. We obtained the Service Provider's billing reports for the months from July 1, 2001 through June 30, 2002.
 - e. We obtained a list from the Service Provider which shows all employees and credentials they hold.
 - f. We obtained the MACSIS reports (i.e., Remittance Advice) that represent the services billed for the months from July 1, 2001 through June 30, 2002.
 - g. We selected 40 Medicaid billings (roster lines) from the Remittance Advice reports for the State fiscal year ended June 30, 2002.
 - h. We traced the 40 roster lines noted in step 4g. to the Service Provider's billing reports.
 - i. For those 40 Medicaid billings, we agreed the date of service, duration, service type, provider's name and provider's discipline from the billing records to corresponding information recorded in the progress notes in the client's individual record and noted that they were in agreement.
 - j. We agreed the service delivered to the service intervention plan described as the individual service plan (ISP) and noted that they were in agreement for the 40 selections we made. We determined that each validated ISP was:
 - . Signed by a person with proper credentials to supervise treatment.
 - . Prepared and updated in a timely manner.
 - . Prepared within the prescribed dates of the certification standards.

- k. For 40 selections, we examined documentation verifying that third-party payers were billed prior to billing Medicaid, when applicable.
- l. We obtained and reviewed Service Provider's personnel files for selected service episodes.
- m. For the 40 selections, we verified that providers were eligible to provide alcohol and other drug services according to ODADAS standards.
- n. For the 40 selections, we compared the service descriptions used by the Service Provider with the service descriptions as defined in the Ohio Department of Mental Health's Administrative Code Section 5122-29 for Community Mental Health Agencies and/or Ohio Administrative Code Rule 3793:2-1-08 through 3793:2-1-17 for Alcohol and Drug Addiction Treatment Programs, and determined that services were allowable.

We noted the following exceptions as a result of performing the procedures described above:

- **The TBI Network does not attempt to bill any third party payers prior to billing medicaid.**
- **One instance where there was no documentation of an update of a patient's Individual Service Plan as required by TBI Network's internal procedures.**
- **Five instances where there was no documentation of an annual review of the patient's income.**

Management Response

Of the forty cases reviewed, one client had authorization through the Bureau of Vocational Rehabilitation, which was billed for services. Of the thirty-nine other clients, only one had private insurance, and it is unclear if there were behavioral health benefits.

- 5. Agency Expense Report (FIS-047)
 - a. We obtained the Expense Budget Overview - Actual report on units delivered and costs incurred for the State Fiscal Year ended June 30, 2002. We have included the FIS-047 Actual Expense Budget Overview Report as Exhibit C to this report.
 - b. We performed the following procedures:
 - We agreed total expenses to expenditure summaries.
 - We noted from reviewing the contract and from inquiry of Service Provider personnel, that service descriptions and definitions of units specified in Ohio Department of Mental Health's Administrative Code Section 5122-29 for Community Mental Health Agencies and/or Ohio Administrative Code Rule 3793:2-1-08 through 3793:2-1-17 for Alcohol and Drug Addiction Treatment Programs were consistently used in the billing process for the 40 sample items selected.

- . We made inquiries regarding the Service Provider's calculations of allocations of non-personnel and overhead costs to the total service costs.
- . We inquired of service provider personnel to determine whether allocations were calculated consistent with the calculation method used for budgeting and reflect what actually incurred.
- c. We reviewed the reports to determine if they were filed with ADAMH within 60 days of the service provider's fiscal year end.
- d. We reviewed costs claimed on the FIS-047 for any unallowable costs.
- e. We reviewed the allocation of the administrative overhead and non-personnel expenses to the various services to determine if applied consistently.

We noted the following exceptions as a result of performing the procedures described above:

- . **The TBI Network does not have a documented process for allocating common expenses to the individual service types. It appears allocations among the four service classifications (individual & group counseling, assessment, and case management) have been done on an arbitrary basis. Consequently, we were unable to verify the propriety of the allocations to each service type.**
6. Inventory-Purchased procedures were not applicable.

Per the Memorandum of Understanding, we have provided the following information as of June 30, 2002, as exhibits to this report (the exhibits follow this report):

- A) Key Performance Indicators as of June 30, 2002 - Exhibit A
- B) Schedule of Functional Expenses for the year ended June 30, 2002 - Exhibit B
- C) FIS-047 Report of Expenses - Exhibit C
- D) FIS-052 Agency Revenue - Exhibit D

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 on the accompanying exhibits. 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.

Parms & Company, LLC

Columbus, Ohio
December 17, 2002

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

EXHIBIT A
KEY PERFORMANCE INDICATORS
(Unaudited)
As of June 30, 2002

<u>Calculation</u>	<u>2002</u>		<u>2001</u>
	<u>Amount</u>	<u>Ratio/%</u>	<u>Ratio/%</u>
1. Current Ratio			
<u>Current Assets</u>	<u>74,893</u>	N/A	N/A
Current Liabilities	0		
2. Debt to Equity Ratio			
<u>Total Liabilities</u>	<u>0</u>	N/A	N/A
Total Fund Balance	74,893		
3. Administrative Costs to Expenses			
<u>Total Administrative Cost</u>	<u>44,868</u>	8.3%	10.5%
Total Expenses	541,339		
4. Revenue to Expenses			
<u>Total Revenues</u>	<u>504,988</u>	.93	1.05
Total Expenses	541,339		
5. Net Asset Reserve			
<u>Total Net Assets</u>	<u>74,893</u>	1.66	4.14
Total Expenses/12	45,111		
6. Percentage of Funding - ADAMH			
<u>Total Revenue From ADAMH</u>	<u>232,962</u>	46%	42%
Total Revenue	504,988		

**OHIO STATE UNIVERSITY
TRAUMATIC BRAIN INJURY NETWORK**

EXHIBIT B

Schedule of Funtional Expenses
(Unaudited)
For the Year Ended June 30 2002

	<u>Assessment</u>	<u>Individual Counseling</u>	<u>Group Counseling</u>	<u>Case Management</u>	<u>Subtotal</u>	<u>Admin</u>	<u>Total</u>
Salary	\$ 29,821	17,225	35,334	189,498	271,878	27,687	\$ 299,565
Benefits	5,520	337	2,313	63,864	72,034	7,125	79,159
Facility	4,024	369	3,395	120,878	128,666	8,064	136,730
General Operating							
Supplies	126	17	310	1,132	1,585	194	1,779
Non-capitalized Equipment	311	-	771	2,788	3,870	513	4,383
Computer Software	39	3	97	351	490	61	551
Travel & Auto	436	-	-	3,376	3,812	643	4,455
Conference/Training	24	2	61	220	307	38	345
Printing/Copying	20	2	51	183	256	31	287
Patient Parking	189	16	469	1,701	2,375	290	2,665
Postage	53	4	65	526	648	79	727
Miscellaneous	46	4	116	408	574	70	644
Depreciation	59	69	1,294	942	2,364	73	2,437
Subtotal	<u>1,303</u>	<u>117</u>	<u>3,234</u>	<u>11,627</u>	<u>16,281</u>	<u>1,992</u>	<u>18,273</u>
Administration	<u>3,732</u>	<u>1,656</u>	<u>4,064</u>	<u>35,416</u>	<u>44,868</u>	<u>\$ 44,868</u>	
Total	<u>\$ 44,400</u>	<u>19,704</u>	<u>48,340</u>	<u>421,283</u>	<u>\$ 533,727</u>		533,727
ODADAS Grant Expense							<u>7,612</u>
Total Reported Expenses - FIS 047							<u>\$ 541,339</u>

Expense Budget Overview
ODADAS-FIS-047

___ Budg __XX__ Actual

ODADAS AGENCY NUMBER

6707

EXHIBIT C

Agency Name: _____ REPORTING PERIOD: July 1, 2001 to 6/30/2002
Agency Address _____ AGENCY TELEPHONE NUMBER: _____

1 Type of Service	2 Number of Units	3 # FTE Assigned		4 Personnel Costs		5 Service Non-Personnel Costs	6 Service Total Costs	7 Allocation of Administrative Overhead Costs	8 Total Costs	9 Cost Per Unit	10 Number of Clients
		Direct Service (a)	Support Service (b)	Direct Service (a)	Support Service (b)						
TREATMENT											
Group Counseling	1067.90	0.32	0.66	11,121	24,213	8,942	44,276	4,064	48,340	45.27	75
Individual Counseling	115.60	0.21	0.29	6,972	10,253	822	18,047	1,656	19,704	170.45	46
Intensive Outpatient											
Hospital Residential											
Short-term Residential											
Long-term Residential											
DETOXIFICATION											
Ambulatory Detox											
Residential Sub Acute Detox											
Hospital Detox Sub Acute											
Residential Detox Acute											
Hospital Detox Acute											
OTHER											
Medication/Somatic											
Methadone Administration											
Case Management	4011.75	4.75	0.97	151,754	37,744	196,370	385,867	35,415	421,283	105.01	422
Screening Analysis											
Assessment	357.50	0.53	0.33	17,784	12,037	10,847	40,668	3,732	44,400	124.20	159
Crisis Intervention											
Intervention											
Hotline											
Referral & Information											
Training (Non-Prevention)											
Other Alcohol/Drug Service											
PREVENTION											
Information Dissemination											
Education											
Alternatives											
Community-based process											
Environmental											
Problem Identification & Referral											
Outreach											
ADJUNCTIVE											
Childcare											
Family Therapy											
Meals											
Room/Rent Subsidy											
Transportation											
Other				7,612			7,612		7,612		
Alcohol/Drug Service Total											
Non-Alcohol/Drug Service Total											
Total Agency Service Total			5.81	2.24	195,243	84,247	216,981	496,470	44,868	541,338	
Administrative Overhead						27,687	17,181	44,868			
Totals for Agency		5552.75			195,243	111,934	234,162	541,338			

\$307,176

I certify that the measurement and recording of costs have been made in a manner consistent with accepted accounting principles, and cost allocations for unit costing purposes are based on reasonable expectations of benefits derived.

V.1 2/98

Signature _____ Date _____

AGENCY REVENUE (All Services)

Budget

FCADAMH-FIS-052AS

Agency Name: TBI Network
 Agency UPI#: 0006707
 Address: 106 McCampbell Hall, 1581 Dodd Drive, Columbus, OH 43210

Executive Director:
 John D. Corrigan, PhD, ABPP
 Agency Phone #:

Reporting Period:
 7/1/2001-6/30/2002

EXHIBIT D

1. Revenue Source	AD Group Counseling	AD Individual Counseling	AD Intensive Outpatient	AD Med/Somatic	AD Case Management	AD Assessment			GGG. Non M Non A&D Services	3. TOTAL
ADAMH Medicaid Match Claims	6,219	1,602			36,243	3,717				\$47,781
ADAMH Non-Medicaid Claims	13,774	2,028			73,953	10,180				\$99,935
ADAMH Block Grants (Identify by program):										
(1)										
(2)										
(3)										
(4)										
(5)										
(6)										
(7)										
(8)										
(9)										
(10)										
(11)										
(12)										
(13)										
(14)										
(15)										
Other ADAMH Funds (Identify):										
Incentive Funds										
Other (1)										
Other (2)										
Federal Medicaid (FFP pass-through):	8,961	2,308			52,219	5,355				\$68,843
ODMH Medicaid										
ODADAS Medicaid										
Total Federal Medicaid FFP										
Subtotal Franklin County ADAMH -- Appropriation Contract Amount	28,954	5,938			162,414	19,252				216,559
Medicare										
General Assistance										
1st/3rd Party Fees	2,630	5,835			67,248	6,087				\$81,800
Other External Revenue (list): CJ Grant 1/2 year	2,746	2,403			26,775	2,403				\$34,326
(1) FCCS Revenue										
(2) United Way Revenue										
Out of County non Medicaid					456	77				\$533
(4)										
ODADAS Research grant								7,612		
Other Provider Funding	11,200	9,739			105,858	9,931				\$136,729
Central Pharmacy Line of Credit										
Out of County Federal Medicaid FFP	121	128			4,056	223				\$4,529
Out of County Medicaid Match Claims	84	89			2,815	155				\$3,143
Funding for other servs										
TOTAL REVENUES	45,736	24,133			369,623	38,128		7,612		\$477,619
TOTAL EXPENSES	46,063	36,221			413,776	37,666		7,612		\$541,338
Operating Profit/Loss	(327)	(12,088)			(44,153)	462				(63,719)



**Auditor of State
Betty Montgomery**

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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
FEBRUARY 11, 2003**