

**The Ohio State University
Department of Athletics**

(A Department of The Ohio State University)

**Financial Statements as of and for the
Years Ended June 30, 2017 and 2016
Report of Independent Auditors**



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of The Ohio State University Department of Athletics, Franklin County, prepared by Pricewaterhouse Coopers LLP, for the audit period July 1, 2016 through June 30, 2017. 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 Department of Athletics is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 10, 2018

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June 30, 2017 and 2016

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Report of Independent Auditors

To the Board of Trustees of
The Ohio State University

We have audited the accompanying financial statements of The Ohio State University Department of Athletics (“Athletics”), a department of The Ohio State University, appearing on pages 10 to 35, which comprise the statements of net position as of June 30, 2017 and June 30, 2016, and the related statements of revenues, expenses, and other changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Athletics’ basic financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Athletics as of June 30, 2017 and June 30, 2016, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of Athletics are intended to present the net financial position, the changes in net financial position and, where applicable, cash flows of only that portion of The Ohio State University that is attributable to the transactions of Athletics. They do not purport to, and do not, present fairly the net financial position of The Ohio State University as of June 30, 2017 or June 30, 2016, the changes in its net financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

The accompanying management's discussion and analysis on pages 3 through 9 and the Supplementary Information on GASB 68 Pension Liabilities on pages 36 to 37 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2018 on our consideration of Athletics' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2017. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Athletics' internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

January 2, 2018

The Ohio State University Department of Athletics Management's Discussion and Analysis (Unaudited) As of and for the Year Ended June 30, 2017

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University Department of Athletics ("Athletics") for the year ended June 30, 2017, with comparative information for the years ended June 30, 2016 and June 30, 2015. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About the Department of Athletics:

The Ohio State University Department of Athletics is recognized as one of the most comprehensive intercollegiate athletics programs in the nation, with over 1,000 student-athletes competing in 36 sports. Athletics operates under the governance of The Ohio State University Board of Trustees and is included in the financial statements of The Ohio State University ("the university"). All organizations controlled by Athletics, consisting of its various departments, are included in the financial statements; organizations not controlled by Athletics, such as certain booster and alumni organizations, are not included in the financial statements.

About the Financial Statements:

Athletics presents its financial statements in a "business type activity" format, in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* and GASB Statement No. 35, *Basic - and Management's Discussion and Analysis - for Public Colleges and Universities - an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial report includes a Statement of Net Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements as of and for the years ended June 30, 2017 and June 30, 2016.

Financial Highlights:

Athletics net position increased \$6 million, to \$215 million at June 30, 2017. Operating revenues increased \$6 million reflecting increases in several areas. Concessions were up 22% resulting from an expanded menu at home football games. Bowl and NCAA distributions were up 11% due to an increase in annual conference and NCAA distributions. Other operating revenues increased by 25% due to hosting an international soccer match in Ohio Stadium during the year.

Operating expenses increased \$30 million reflecting increases in two key areas. Salaries and benefits increased 36% due to coaching changes made within the men's basketball program during the year. This resulted in the need to account for the obligations to both the outgoing and incoming staffs. This had a significant impact on the Salaries and Wages and Employee Benefits areas of Athletics personnel costs for the fiscal year. Scholarship expense increased 11% reflecting increased awarding and increased utilization of programs made available through changes in the NCAA regulations related to cost of attendance introduced in 2016.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2017**

In FY2015, the university implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71*, GASB 68 requires employers participating in cost-sharing multiple-employer pension plans to recognize a proportionate share of the net pension liabilities of the plans. A proportionate share of the university's net pension liabilities has been allocated to Athletics based on retirement plan contributions for Athletics employees. Athletics' share of these net pension liabilities increased \$9 million to \$33 million at June 30, 2017. The increase also significantly impacted the Employee Benefits total. Additional information regarding net pension liabilities, related deferrals and pension expense is provided in Note 9.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2017**

**Summary Statement of Net Position
(In thousands)**

	2017	2016	2015
Cash and cash equivalents	\$ 89,205	\$ 87,384	\$ 82,251
Other current assets	33,828	29,461	31,759
Total current assets	123,033	116,845	114,010
Endowment investments	91,952	79,055	68,039
Capital assets, net of accumulated depreciation	239,607	239,253	244,116
Other noncurrent assets	41,088	31,755	37,516
Total noncurrent assets	372,647	350,063	349,671
Total assets	495,680	466,908	463,681
Deferred outflows-pension	11,964	8,737	2,218
Total Assets and Deferred Outflows	\$ 507,644	\$ 475,645	\$ 465,899
Unearned revenue for advance sales of game tickets	\$ 45,324	\$ 41,296	\$ 46,546
Current portion of notes payable to university	6,817	5,049	10,476
Other current liabilities	23,165	12,122	9,704
Total current liabilities	75,306	58,467	66,726
Notes payable to university	170,955	173,512	174,123
Accrued compensated absences	3,068	3,017	2,889
Other unearned revenue and deposits	9,965	6,996	-
Net pension liability	33,496	24,782	16,618
Total noncurrent liabilities	217,484	208,307	193,630
Total liabilities	292,790	266,774	260,356
Deferred Inflows-pension	266	539	351
Total liabilities and deferred inflows	293,056	267,313	260,707
Net investment in capital assets	\$ 58,534	\$ 59,625	\$ 63,678
Restricted - nonexpendable	72,425	64,683	61,661
Restricted - expendable	86,056	68,858	69,995
Unrestricted	(2,427)	15,166	9,858
Total net position	214,588	208,332	205,192
Total Liabilities, Deferred Inflows and Net Position	\$ 507,644	\$ 475,645	\$ 465,899

Cash and cash equivalents increased \$2 million, to \$89 million at June 30, 2017, primarily due to an increase in gift receipts and the receipt of an internal loan to fund stadium improvements. The Statement of Cash Flows provides additional details on sources and uses of Athletics cash.

A segment of football ticket sales were processed one month earlier than the previous year which contributed to an increase in **Accounts Receivable** of \$3 million. **Unearned revenue for advance sales of game tickets** also increased as a result of this change.

The Ohio State University Department of Athletics Management's Discussion and Analysis (Unaudited) As of and for the Year Ended June 30, 2017

Other current liabilities increased \$11 million to \$23 million as of June 30, 2017, primarily due to the current portion of accruals recorded for the change in the men's basketball coaching staff.

Net pension liability increased \$9 million from 2016 to 2017 to recognize Athletics' proportionate share of the university's net pension accrual.

Endowment Investments increased \$13 million, to \$92 million reflecting new endowment gifts and growth due to favorable market conditions.

Capital assets remained stable at \$239 million, as additional project costs and depreciation expense increased at the same pace in 2017. Capital assets reported on Athletics' Statement of Net Position include Ohio Stadium, Woody Hayes Athletic Center, McCorkle Aquatic Pavilion, Jesse Owens Memorial Stadium, Buckeye Field (Women's Softball), Bill Davis Baseball Stadium, St. John Arena and other facilities to support its 36 sports programs. Also reported are various land and land improvement assets, including the Scarlet and Gray golf courses, capitalized equipment and construction in progress. With the exception of the new basketball practice facility, which was funded by Athletics and completed in summer 2013, the Schottenstein Center is not reported as a capital asset of the department because it is used for a wide range of university purposes. In exchange for the use of the facility, Athletics provides marketing, ticket sales and information technology services and an annual payment to the university.

Several major construction projects are currently underway, including:

Jennings-Covelli Center – The \$50 million project will construct a new multi-sport arena to house the men's and women's varsity volleyball teams, and fencing, wrestling and gymnastics matches. The project is in the construction phase and slated for completion in the summer of 2019.

Schumaker Student-Athlete Development Center – The \$43 million project will construct a state-of-the-art athletic training center with new training and cardio conditioning for use by most of the university's sports programs. The project is in the construction phase and slated for completion in the spring of 2019.

Ohio Stadium Upgrades – The \$39 million project will include power upgrades, suite expansion and renovation, C-Deck restoration, and a suite and loge addition. The project is in the construction phase and slated for completion for the fall of 2019

Unearned revenue for advance sales of game tickets increased \$4 million to \$45 million. Ticket sales for a segment of season ticket holders were moved from July to June which caused the increase as of June 30, 2017.

Athletics enters into internal loan agreements with the university to finance the construction and renovation of athletic facilities. In 2017, receipts from a new loan totaled \$4 million. The loans have maturities ranging from 2017 to 2049 and bear interest rates ranging from 2.25% to 4.75%. These **notes payable to the university** totaled \$178 million at June 30, 2017, down \$1 million from the prior year. Internal transfers for debt service totaled \$13 million and \$14 million in 2017 and 2016, respectively.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2017**

***Statement of Revenues, Expenses, and Other Changes in Net Position
(In thousands)***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues			
Ticket sales	\$ 59,354	\$ 59,100	\$ 60,324
Television, broadcast rights and sponsorships	34,728	33,801	32,129
Royalty and affinity revenue	5,059	4,343	3,816
Bowl and NCAA tournament distributions	17,520	15,807	12,877
Sports camp entry fee	2,475	2,705	2,762
Golf course revenues	4,417	4,184	3,418
Other operating revenues	13,997	11,207	11,611
Total operating revenues	<u>137,550</u>	<u>131,147</u>	<u>126,937</u>
Operating Expenses			
Salaries and wages	65,438	47,078	42,996
Employee benefits	19,991	15,852	12,808
Supplies and services	71,930	67,021	61,366
Scholarships	23,456	21,189	18,748
Depreciation	15,993	15,465	14,868
Total operating expense	<u>196,808</u>	<u>166,605</u>	<u>150,786</u>
Net operating loss	(59,258)	(35,458)	(23,849)
Non-operating Revenues (Expenses)			
Current-use gifts	37,613	32,313	32,085
University distribution	5,633	6,587	7,183
Interest expense	(7,938)	(8,266)	(8,193)
Net investment income (loss)	10,399	(1,955)	3,189
Contributions related to capital assets	120	834	-
Net non-operating revenue	<u>45,827</u>	<u>29,513</u>	<u>34,264</u>
Income (loss) before other changes in net position	(13,431)	(5,945)	10,415
Capital gifts	16,364	7,586	9,288
Additions to permanent endowments	6,097	5,913	2,733
Equity transfers to the university	(2,774)	(4,414)	(3,162)
Increase (Decrease) in Net Position	<u>6,256</u>	<u>3,140</u>	<u>19,274</u>
Net Position - Beginning of Year			
Beginning of the year previously recorded	208,332	205,192	200,969
Cumulative effect of accounting changes	-	-	(15,051)
Net Position - End of Year	<u>\$ 214,588</u>	<u>\$ 208,332</u>	<u>\$ 205,192</u>

Operating revenues increased \$6 million to \$138 million at June 30, 2017 primarily due to increases in bowl and NCAA distributions, concession revenue, and other operating revenue.

The \$30 million increase in total operating expense reflects additional costs associated with the coaching changes made within the men's basketball program this year. Increases in scholarship distributions and pension expense also impacted the total at June 30, 2017.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2017**

Gifts to Athletics represent a key source of financial support for the department's operating and capital needs. **Current use gifts** increased \$6 million to \$38 million, at June 30, 2017. These gifts are used primarily to fund scholarships for student-athletes. **Capital gifts** increased \$8 million to \$16 million, partially in support of the Jennings-Covelli Center and the Schumaker Student Athlete Development Center which broke ground this year. **Additions to permanent endowments** stayed level at \$6 million.

**Statement of Cash Flows
(In thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net cash flows used in operating activities	\$ (25,304)	\$ (12,665)	\$ (10,072)
Net cash flows from noncapital financing activities	44,652	42,221	36,739
Payments for purchase or construction of capital assets	(13,951)	(6,975)	(14,587)
Principal and interest payments on notes payable to the university	(13,264)	(14,460)	(19,848)
Other cash flows from capital financing activities	11,951	6,155	8,479
Net cash flows provided (used) by investing activities	<u>(2,263)</u>	<u>(9,143)</u>	<u>7,792</u>
Net increase in cash	<u>\$ 1,821</u>	<u>\$ 5,133</u>	<u>\$ 8,503</u>

Total Athletics cash increased \$2 million, to \$89 million at June 30, 2017. Net cash flows used in operating activities increased by \$13 million to \$25 million as increases in salaries, benefits, and scholarship expenses outpaced cash flows from concession revenues and NCAA and conference distributions. Total cash provided by current-use gifts, additions to permanent endowments and other non-capital financing activities was \$45 million. Total cash used by capital financing activities was \$15 million reflecting capital expenditures and payments for debt service. Total cash used by investing activities was \$2 million, reflecting net purchases of temporary investments.

The Ohio State University Department of Athletics Management's Discussion and Analysis (Unaudited) As of and for the Year Ended June 30, 2017

Economic Factors That Will Affect the Future:

The Department of Athletics is a national leader and one of the most visible, respected and accomplished intercollegiate athletics programs in the nation. In the pursuit of competitive excellence, Athletics affirms A Higher Purpose. The department exists to motivate student-athletes to develop into exemplary champions, who in turn inspire future Buckeyes. The department also is committed to financial self-sufficiency while contributing to the university's academic priorities.

Athletics' strategic plan focuses on three core values:

- To provide teachable moments for gifted young student-athletes ... The People
- To excel competitively and enhance its proud championship history ... The Tradition
- To serve as a leader in intercollegiate athletics in every way ... The Excellence

In 2016, the university proposed and received approval to move permanently to a variable ticket pricing model for its football program. This strategy allows for pricing each game independently, within a minimum and maximum range among the games. This has allowed Athletics to align pricing to the market and has been an effective revenue generating tool for the department. These pricing strategies have also been successful in regard to maintaining high demand for tickets and have had a positive response from ticket purchasers.

A new equipment and apparel agreement was completed with NIKE in 2016 resulting in future proceeds above the current contract.

A new television/media rights agreement was completed in 2017 by the Big Ten Conference on behalf of its member schools. The new agreement now engages Fox Television along with the ABC/ESPN Network family of stations. The result of the new contract will provide a significant increase in revenue from this source for each school beginning in 2018.

The department has begun and will make major progress in the construction of two new facilities. Both are expected to be completed during 2019. In addition, the comprehensive upgrades for Ohio Stadium will continue with an anticipated completion date of 2019. Two new projects involving the Woody Hayes Athletic Center will be undertaken in 2018. They include the replacement of the roof over the indoor practice field, and the renovation of the east end of the facility. Funds raised for a number of these projects has gone very well and has had a positive impact on the timing and amount of internal loans that will be needed.

In the coming years, Athletics will be entering into new multiyear sponsorship agreements, which are also expected to provide greater financial benefits. The arrangements are driven and supported in large part by the current and anticipated success of the football program. Athletics will continue to consult with its stakeholders on the pricing of its tickets, and will continue to seek out new revenue opportunities for football and other sports within the department.

Athletics leadership remains committed to its strategic plan, vision, and core values. The department is confident it will be able to maintain its sound financial position.

The Ohio State University Department of Athletics
Statements of Net Position
June 30, 2017 and June 30, 2016

(In thousands)

Assets and Deferred outflows	2017	2016
Current assets		
Cash and cash equivalents	\$ 89,205	\$ 87,384
Accounts receivable, net	7,567	4,931
Inventories	232	222
Contributions receivable	10,321	9,601
Current portion of pledges receivable, net	12,602	12,445
Current portion of prepaid expenses	3,106	2,262
Total current assets	<u>123,033</u>	<u>116,845</u>
Noncurrent assets		
Assets whose use is limited	99	334
Endowment investments	91,952	79,055
Pledges receivable, net	36,942	27,229
Prepaid expenses	4,047	4,192
Capital assets, net	239,607	239,253
Total noncurrent assets	<u>372,647</u>	<u>350,063</u>
Total assets	<u>495,680</u>	<u>466,908</u>
Deferred outflows-pension	<u>11,964</u>	<u>8,737</u>
Total assets and deferred outflows	<u>\$ 507,644</u>	<u>\$ 475,645</u>
Liabilities, Deferred inflows and Net Position		
Current liabilities		
Accounts payable and accrued expenses	\$ 10,606	\$ 2,287
Accounts payable related to capital assets	3,399	1,401
Current portion of accrued compensated absences	570	332
Unearned revenue for advance sales of game tickets	45,324	41,296
Current portion of other unearned revenues and deposits	8,590	8,102
Current portion of notes payable to the university	6,817	5,049
Total current liabilities	<u>75,306</u>	<u>58,467</u>
Noncurrent liabilities		
Notes payable to the university	170,955	173,512
Accrued compensated absences	3,068	3,017
Other unearned revenues and deposits	9,965	6,996
Net pension liability	33,496	24,782
Total noncurrent liabilities	<u>217,484</u>	<u>208,307</u>
Total liabilities	<u>292,790</u>	<u>266,774</u>
Deferred inflows-pension	<u>266</u>	<u>539</u>
Total liabilities and deferred inflows	<u>293,056</u>	<u>267,313</u>
Net Position		
Net investment in capital assets	58,534	59,625
Restricted		
Nonexpendable	72,425	64,683
Expendable	86,056	68,858
Unrestricted	(2,427)	15,166
Total net position	<u>214,588</u>	<u>208,332</u>
Total liabilities, deferred inflows and net position	<u>\$ 507,644</u>	<u>\$ 475,645</u>

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Revenues, Expenses and Other Changes in Net Position
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

	2017	2016
Operating Revenues		
Ticket sales	\$ 59,354	\$ 59,100
Television, broadcast rights and sponsorships	34,728	33,801
Royalty and affinity revenue	5,059	4,343
Bowl and NCAA tournament distributions	17,520	15,807
Parking	2,280	2,369
Sports camp entry fees	2,475	2,705
Golf course revenues	4,417	4,184
Private grants and contracts	855	825
In-kind revenues	3,209	2,378
Other operating revenues	7,653	5,635
Total Operating Revenue	137,550	131,147
Operating Expenses		
Salaries and wages	65,438	47,078
Employee benefits	19,991	15,852
Supplies and services	69,145	65,044
Scholarships	23,456	21,189
In-kind supplies and services	2,785	1,977
Depreciation	15,993	15,465
Total Operating Expense	196,808	166,605
Operating Loss	(59,258)	(35,458)
Non-operating Revenues (Expense)		
Current-use gifts	37,613	32,313
University distribution	5,633	6,587
Contributions related to capital assets	120	834
Investment income	3,711	3,029
Net unrealized gain (loss) on investments	6,688	(4,984)
Interest expense on plant debt	(7,938)	(8,266)
Net Non-operating Revenue	45,827	29,513
Loss before Other Revenues and Transfers	(13,431)	(5,945)
Other Revenues		
Capital gifts	16,364	7,586
Additions to permanent endowments	6,097	5,913
Net Income before Transfers	9,030	7,554
Equity transfers to the university	(2,774)	(4,414)
Increase in Net Position	6,256	3,140
Net Position, Beginning of Year	208,332	205,192
Net Position, End of Year	\$ 214,588	\$ 208,332

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Cash Flows
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

	2017	2016
Cash Flows from Operating Activities		
Ticket sales	\$ 60,853	\$ 59,579
Television, broadcast rights and sponsorships	32,806	32,058
Royalty and affinity revenue	5,407	3,945
Bowl and NCAA tournament distributions	17,423	14,243
Parking	2,280	2,369
Sports camp entry fees	2,271	2,759
Golf course revenues	4,351	4,143
Private grants and contracts	855	825
Payments to or on behalf of employees	(51,229)	(46,941)
University employee benefit payments	(14,777)	(14,019)
Payments to vendors for supplies and services	(68,463)	(64,405)
Payments for student financial aid	(24,450)	(22,206)
Other receipts	7,369	14,985
Net cash used in operating activities	(25,304)	(12,665)
Cash Flows from Noncapital Financing Activities		
Current-use gifts	35,696	34,135
Additions to permanent endowments	6,097	5,913
Equity transfers to the University	(2,774)	(4,414)
Other non-operating receipts	5,633	6,587
Net cash provided by noncapital financing activities	44,652	42,221
Cash Flows from Capital Financing Activities		
Proceeds from capital debt	4,260	-
Capital gifts	7,691	6,155
Payments for purchase or construction of capital assets	(13,951)	(6,975)
Principal payments on capital debt and leases	(5,049)	(6,038)
Interest payments on capital debt and leases	(8,215)	(8,422)
Net cash used in capital financing activities	(15,264)	(15,280)
Cash Flows from Investing Activities		
Investment income	3,711	3,029
Purchases of investments	(6,209)	(15,999)
Assets whose use is limited	235	3,827
Net cash used in investing activities	(2,263)	(9,143)
Net increase in cash	1,821	5,133
Cash and cash equivalents - Beginning of Year	87,384	82,251
Cash and cash equivalents - End of Year	\$ 89,205	\$ 87,384

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Cash Flows - continued
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

	2017	2016
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (59,258)	\$ (35,458)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:		
Depreciation expense	15,993	15,465
Non cash activity related to unearned revenues:		
Net in-kind revenue related to capital assets	(424)	(401)
Changes in assets and liabilities:		
Accounts receivable, net	(2,636)	5,038
Inventories	(10)	(27)
Prepaid expenses	(699)	(1,171)
Accounts payable and accrued liabilities	8,319	820
Current portion of other unearned revenues and deposits	4,939	(5,898)
Other long term liabilities	2,969	6,996
Compensated absences	289	137
Net pension liability	8,714	8,164
Deferred outflows-pensions	(3,228)	(6,518)
Deferred inflows-pensions	(273)	188
Net cash used in operating activities	<u>\$ (25,304)</u>	<u>\$ (12,665)</u>
Non cash activity:		
Capitalized Interest	\$ 277	\$ 156
Increase in accounts payable related to construction	1,998	1,401
Unrealized gain/(loss) on investments	6,688	(4,984)
Assets financed by seller	424	(836)
Contributions related to capital assets	120	834

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

1. ORGANIZATION

The Ohio State University Department of Athletics ("Athletics") operates under the governance of The Ohio State University Board of Trustees and is included in the financial statements of The Ohio State University ("the university"). As a department of the university, Athletics is exempt from income taxes under Internal Revenue Code Section 115. All organizations controlled by Athletics, consisting of its various departments, are included in the financial statements; organizations not controlled by Athletics, such as certain booster and alumni organizations, are not included in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Athletics have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Athletics reports as a special purpose government engaged solely in "business type activities" under GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

Certain prior period amounts have been reclassified to conform to the current period presentation.

Athletics' financial resources are classified for accounting and reporting purposes into the following four net position categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation, cash restricted for capital projects (i.e., Assets Whose Use is Limited), accounts payable for construction and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted - nonexpendable: Amounts subject to externally-imposed stipulations that they be maintained in perpetuity and invested for the purpose of generating present and future income, which may either be expended or added to the principal. These assets primarily consist of permanent endowments.
- Restricted - expendable: Amounts whose use is subject to externally-imposed stipulations that can be fulfilled by actions of Athletics pursuant to those stipulations or that expire by the passage of time.
- Unrestricted: Amounts which are not subject to externally-imposed stipulations. Substantially all unrestricted balances are internally designated for the operating needs of Athletics in order to support the student athletes and the teams they represent and to provide for unanticipated shortfalls in revenues.

Basis of Accounting

The financial statements of Athletics have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they are considered to be a legal or contractual obligation to pay. Athletics' practice is to first apply restricted resources when an expense is incurred for purposes in which both restricted and unrestricted funds are available.

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, savings accounts and investments with original maturities of ninety days or less at the time of purchase. Athletics' cash is maintained by the Office of Financial Services of the university through pooled funds.

Contributions Receivable

Contributions receivable of \$10,321 and \$9,601 as of June 30, 2017 and 2016, respectively, consist of gifts received by the university's Office of Advancement but not transferred to the operating accounts of Athletics. Amounts are deemed fully collectible.

Pledges Receivable

Athletics 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, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. Athletics reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges based on management's judgement of potential uncollectible amounts and includes such factors as prior collection history and type of gift. For the years ended June 30, 2017 and 2016, Athletics recorded allowances against pledges receivable of \$1,489 and \$1,026 respectively.

Prepaid Expenses

Prepaid expenses consist primarily of amounts paid by Athletics to construct a boathouse on City of Columbus property. In exchange for these payments, Athletics received the right to use the boathouse for a 40-year period. Prepaid expense associated with the boathouse lease is being amortized to expense over the 40-year term of the agreement. In addition to the expenses associated with the boathouse, the current portion of prepaid expenses includes deposits on travel arrangements for the next fiscal year as well as paid summer tuition deferred to the next fiscal year.

Endowment Investments

All investments consist of amounts invested in The Ohio State University Long Term Investment Pool and are recorded at fair value. Endowment funds are managed by the Office of Financial Services of the university, which commingles the funds with other university-related organizations. Earned investment income by a fund is based on the moving average of its monthly market value percentage to the overall pool. Investments are carried at fair value in accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools* as amended by GASB Statement 72, *Fair value Measurement and Application*.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

The net increases in the value of investments during the years ended June 30, 2017 and 2016 are \$12,897 and \$11,015 respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during each respective year. The calculation of unrealized gain or loss is independent of the calculation of the net increase in fair value of investments. As of June 30, 2017, there is a cumulative unrealized gain on investments of \$4,453.

As of June 30, 2016, there was a cumulative unrealized loss on investments of \$2,235. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the Long Term Investment Pool. The associated net position is classified as restricted-expendable, unless otherwise restricted by the donor.

At June 30, 2017, the fair value of Athletics gifted endowments is \$78,373 which is \$3,278 above the historical dollar value of \$75,095. Although the fair value of certain gifted endowments exceeded the historical cost at June 30, 2017, there were 144 named funds that were underwater. The fair value of these underwater funds at June 30, 2017 is \$29,317, which is \$2,587 below the historical dollar value of \$31,904.

At June 30, 2016, the fair value of Athletics gifted endowments is \$67,787 which is \$2,480 below the historical dollar value of \$70,267. Although the fair value of certain gifted endowments exceeded the historical cost of June 30, 2016, there were 249 named funds that were underwater. The fair value of these underwater funds at June 30, 2016 is \$48,130, which is \$5,584 below the historical dollar value of \$53,714.

The depreciation on non-expendable endowment funds is recorded as a reduction to restricted non-expendable net position. Recovery on these funds is recorded as an increase in restricted non-expendable up to the historical value of each fund. Per UPMIFA (§ 1715.53(D)(C)), the reporting of such deficiencies does not create an obligation on the part of the endowment fund to restore the fair value of those funds.

Assets Whose Use is Limited

Assets whose use is limited represent cash and cash equivalents for capital projects funded by loans from the university.

Capital Assets

Capital asset acquisitions are recorded at cost on the date of acquisition, or, if donated, at fair market value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Estimated useful lives are 10-100 years for buildings, 20 years for improvements and 5-15 years for moveable equipment. Expenditures for construction in progress are capitalized as incurred. Routine maintenance and repairs are charged to expenses as incurred.

Unearned Revenues

Unearned revenues primarily consist of receipts related to athletic events, golf course memberships, and sports camp entry fees received in advance of the services to be provided. Athletics will recognize revenue to the extent these services are provided over the coming fiscal year. Certain unearned revenues related to sponsorship agreements are longer in term and will be recognized ratably over the life of the agreements.

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

Operating and Non-Operating Activities

Athletics defines operating activities, for purposes of reporting on the Statement of Revenues, Expenses, and Other Changes in Net Position, 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 Athletics 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 university distributions to support operations, current-use gifts, and net investment income.

Equity transfers to the university

Transfers to the university represent non exchange transactions whereby Athletics generated revenues or reserves are contributed to the university in support of institutional initiatives. Current year transfers include funds to support a university wide cost containment program, support for the marching and athletic bands, and support for the campus police department.

Sponsorship Agreement

Athletics has various sponsorship agreements that provide for in-kind contributions of apparel, footwear, sports equipment, and the use of certain athletic related equipment. For the years ended June 30, 2017 and 2016, in-kind revenues were \$3,209 and \$2,378 respectively.

Management Estimates

The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires the use of management estimates, primarily related to collectability of accounts and pledges receivable and to the valuation of compensated absences. Actual results could differ from those estimates.

Newly Issued Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard, which is the companion to Statement 74, establishes new reporting requirements for employers participating in OPEB plans. Similar to Statement 68, it will require employers in cost-sharing, multi-employer plans to record a liability (and related deferrals) for the employer's pro-rata share of net OPEB liabilities. It also expands disclosure and supplementary reporting requirements for employers participating in OPEB plans. The standard is effective for periods beginning after June 15, 2017 (FY2018).

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This standard establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The deferred outflow is recognized as expense over the life of the related asset. The determination of when the liability is incurred is based on the existence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Internal obligating events include the occurrence of contamination, placing into use a tangible capital asset that is required to be retired, abandoning a tangible capital asset before use begins, or acquiring a tangible capital asset that has an existing asset retirement obligation. This standard is effective for periods beginning after June 15, 2018 (FY2019).

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This standard establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria generally is whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria are required to present these activities in a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to this requirement is provided for a business-type activity that expects to hold assets in a custodial fund for three months or less. This standard is effective for periods beginning after December 15, 2018 (FY2020).

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This standard addresses a variety of practice issues identified during implementation and application of certain GASB Statements. It provides guidance on blending of component units (confirming limited applicability of blended presentation for BTAs), accounting for goodwill acquired prior to the issuance of GASB 69, accounting for real estate held for investment by insurance entities, clarification of circumstances in which money-market investments may be valued at amortized cost, and various technical fixes related to the implementation of the new OPEB standards. This standard is effective for periods beginning after June 15, 2017 (FY2018).

In June 2017, the GASB issued Statement No. 87, *Leases*. This standard establishes accounting and reporting for leases, based on the foundational principle that all leases are financings of the right to use an underlying asset for a period of time. Lessees will record an intangible right-of-use asset and corresponding lease liability. Lessors will record a lease receivable and a corresponding deferred inflow of resources. The standard provides an exception for short-term leases with a maximum possible term of 12 months or less. This standard is effective for periods beginning after December 15, 2019 (FY2021).

University management is currently assessing the impact that implementation of GASB Statements No. 75, 83, 84, 85, and 87 will have on the university's financial statements.

Other

As a Department of the university, Athletics is exempt from income taxes as an instrumentality of the State of Ohio under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

Subsequent Events

Athletics evaluated subsequent events through January 2, 2018, the date the financial statements were issued. All material matters are disclosed in the footnotes to the financial statements.

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

Correction of Errors

During 2017 management identified two errors in Athletics' financial statements for the year ended June 30, 2016. The 2016 financial statements have been revised to correct these errors. The first error relates to the treatment of an Athletics cash balance maintained by the Office of Financial Services, whereby Cash and Cash Equivalents and Net Position-Unrestricted were understated by \$3,827 at June 30, 2016, and Supplies and services expense was overstated and cash flows from operating activities was understated by the same amount. The second error relates to the treatment of sponsorship revenue under a long-term contract, whereby Television, broadcast rights and sponsorships revenue was understated by \$1,516 for the year ended June 30, 2016. On the Statement of Net Position, the Current portion of other unearned revenues and deposits was overstated by the same amount, with an equal and offsetting impact to Net Position – Unrestricted. Management evaluated the impact of these errors on the previously issued financial statements and determined that such previously issued financial statements were not materially misstated.

3. INVESTMENTS

Athletics endowments are invested in the University Long-Term Investment Pool, and as such, all endowment investments are held by the university. The pool consists of more than 5,464 authorized funds and 260 pending funds. Each named fund in the University Long-Term Investment Pool is assigned a number of shares, based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), 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. The UPMIFA, as adopted in Ohio, establishes a 5% safe harbor of prudence for funds appropriated for expenditure. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the University Long-Term Investment Pool, and the associated net position is classified as restricted-expendable, unless otherwise restricted by the donor. The pool is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support Athletics' mission.

The university holds certain types of alternative investment funds, including limited partnerships and private equity, which are carried at the net asset values provided by the management of these funds. The purpose of this alternative investment fund class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Management of the alternative investment funds, namely the general partner, use methods such as discounted cash flows, recent transactions, and other model-based calculations, to estimate the fair value of the investment held by the fund.

Annual distributions to named funds in the University Long-Term Investment Pool are computed using the share method of accounting for pooled investments. For the year ended June 30, 2017, the annual distribution per share was 4.5% of the average fair value per share of the University Long-Term Investment Pool over the most recent seven-year period. For the year ended June 30, 2016, the annual distribution per share was 4.25% of the average fair value per share of the University Long-Term Investment Pool over the most recent seven year period. These distributions, which were transferred from the University Long-Term Investment Pool to current restricted endowment distribution funds, totaled \$3,711 and \$3,029 in fiscal years 2017 and 2016, respectively.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

At June 30, 2017, the original cost and fair value of Athletics' endowment investments were \$87,499 and \$91,952 respectively. At June 30, 2016, the original cost and fair value of Athletics' endowment investments were \$81,290 and \$79,055 respectively.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Improvements	\$ 45,498	\$ 26	\$ -	\$ 45,524
Buildings	377,876	1,426	(850)	378,452
Moveable equipment	9,888	1,082	(806)	10,164
Construction in progress	1,147	15,884	(1,451)	15,589
	<u>434,409</u>	<u>18,418</u>	<u>(3,107)</u>	<u>449,720</u>
Less: accumulate depreciation				
Improvements	21,275	2,340	-	23,615
Buildings	168,772	12,662	(211)	181,223
Moveable equipment	5,109	991	(825)	5,275
	<u>195,156</u>	<u>15,993</u>	<u>(1,036)</u>	<u>210,113</u>
Capital assets, net	<u>\$ 239,253</u>	<u>\$ 2,425</u>	<u>\$ (2,071)</u>	<u>\$ 239,607</u>

Capital asset activity for the year ended June 30, 2016 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Improvements	\$ 40,271	\$ 5,227	\$ -	\$ 45,498
Buildings	374,611	3,265	-	377,876
Moveable equipment	8,691	1,639	(442)	9,888
Construction in progress	662	8,478	(7,993)	1,147
	<u>424,235</u>	<u>18,609</u>	<u>(8,435)</u>	<u>434,409</u>
Less: accumulated depreciation				
Improvements	19,068	2,207	-	21,275
Buildings	156,227	12,545	-	168,772
Moveable equipment	4,824	713	(428)	5,109
	<u>180,119</u>	<u>15,465</u>	<u>(428)</u>	<u>195,156</u>
Capital assets, net	<u>\$ 244,116</u>	<u>\$ 3,144</u>	<u>\$ (8,007)</u>	<u>\$ 239,253</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

5. LONG-TERM DEBT

University Notes Payable

The university has issued notes payable to Athletics through Memorandums of Understanding ("MOUs") which document the principal, interest charges and repayment terms as well as any other conditions or covenants. The current notes have been issued at fixed interest rates with no premium or discount on the debt.

Long-term debt activity for the year ended June 30, 2017 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable to the university					
2017, 4.75% through 2046	\$ 24,921	\$ -	\$ 385	\$ 24,536	\$ 403
2002, 4.74% through 2032	5,168	-	231	4,937	243
2002, 4.74% through 2032	108,516	-	-	108,516	1,674
2006, 4.14% through 2031	12,215	-	648	11,567	675
2012, 4.25% through 2017	128	-	128	-	-
2014, 4.50% through 2024	3,226	-	385	2,841	403
2014, 4.00% through 2019	1,395	-	506	889	527
2014, 4.50% through 2021	2,507	-	494	2,013	516
2014, 4.50% through 2024	9,259	-	1,035	8,224	1,082
2014, 4.50% through 2024	7,094	-	817	6,277	854
2014, 2.25% through 2019	87	-	28	59	29
2015, 2.25% through 2020	63	-	17	46	18
2015, 4.50% through 2025	3,982	-	376	3,606	393
2016, 4.75% through 2046	-	4,260	-	4,260	-
	<u>\$ 178,561</u>	<u>\$ 4,260</u>	<u>\$ 5,049</u>	<u>\$ 177,772</u>	<u>\$ 6,817</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

Long-term debt activity for the year ended June 30, 2016 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable to the university					
2000, 4.75% through 2046	\$ 26,385	\$ -	\$ 1,464	\$ 24,921	\$ 384
2002, 4.74% through 2032	5,389	-	221	5,168	231
2002, 4.75% through 2032	108,516	-	-	108,516	-
2006, 4.14% through 2031	12,836	-	621	12,215	648
2012, 4.25% through 2017	340	-	212	128	128
2014, 4.50% through 2024	3,594	-	368	3,226	385
2014, 4.00% through 2019	1,881	-	486	1,395	506
2014, 4.50% through 2021	2,979	-	472	2,507	494
2014, 4.50% through 2024	10,248	-	989	9,259	1,035
2014, 4.50% through 2024	7,875	-	781	7,094	817
2012, 2.25% through 2016	20	-	20	-	-
2014, 2.25% through 2019	115	-	28	87	28
2015, 2.25% through 2020	80	-	17	63	17
2016, 4.50% through 2025	4,341	-	359	3,982	376
	<u>\$ 184,599</u>	<u>\$ -</u>	<u>\$ 6,038</u>	<u>\$ 178,561</u>	<u>\$ 5,049</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

Principal maturities and interest on long-term debt for the next five years and in subsequent five-year periods are as follows:

	Principal	Interest	Total
Year ending June 30,			
2018	\$ 6,817	\$ 8,167	\$ 14,984
2019	6,945	7,855	14,800
2020	6,989	7,545	14,534
2021	7,098	7,228	14,326
2022	7,013	6,916	13,929
FY 2023-FY 2027	27,400	30,387	57,787
FY 2028-FY 2032	24,389	24,833	49,222
FY 2033-FY 2037	24,019	19,467	43,486
FY 2038-FY 2042	30,256	13,232	43,488
FY 2043 and Thereafter	36,846	5,364	42,210
	<u>\$ 177,772</u>	<u>\$ 130,994</u>	<u>\$ 308,766</u>

6. OPERATING LEASES

Athletics leases various buildings and office space under operating lease agreements. These facilities are not recorded as assets on the Statement of Net Position. The total rental expense under these agreements for the years ended June 30, 2017 and 2016 were \$4,725 and \$4,701, respectively. Total rental expense is reported in supplies and services on the Statements of Revenues, Expenses and Other Changes in Net Position.

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

Year ending June 30,	
2018	\$ 4,852
2019	4,995
2020	3,170
2021	3,236
2022	3,305
2023	<u>172</u>
	<u>\$ 19,730</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

7. COMPENSATED ABSENCES

Athletics' 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.

Certain employees of Athletics receive compensation time in lieu of overtime pay. Any unused compensation time must be paid to the employee at the time of termination or retirement.

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 state service. 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.

Athletics follows the university's policy for accruing sick leave liability. Athletics 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, Athletics uses a university-calculated ratio, Sick Leave Termination Cost per Year Worked, which 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 Athletics employees.

The following schedule summarizes compensated absence activity for the year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 3,349	\$ 859	\$ 570	\$ 3,638
Less: current portion	<u>332</u>			<u>570</u>
	<u>\$ 3,017</u>			<u>\$ 3,068</u>

The following schedule summarizes compensated absence activity for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 3,212	\$ 469	\$ 332	\$ 3,349
Less: current portion	<u>323</u>			<u>332</u>
	<u>\$ 2,889</u>			<u>\$ 3,017</u>

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

8. RELATED PARTY TRANSACTIONS

The university charges Athletics for allocated overhead costs related to financial, student and development department costs and certain other expenses incurred by the university on behalf of Athletics. Overhead charged to supplies and services expense for the years ended June 30, 2017 and 2016 was \$6,617 and \$6,352 respectively.

Athletics rents office space from the university in the Fawcett Center for Tomorrow located on Olentangy River Road. Lease payments reported in supplies and services for the years ended June 30, 2017 and 2016 were \$1,145 and \$1,111 respectively.

The Jerome Schottenstein Center is a 770,000 square foot multipurpose venue opened in 1998. The capital asset is not included on Athletics' financial statement as the facility is used for a wide range of university purposes. In exchange for the use of the Value City Arena, practice gyms, and office space, Athletics provides services in the areas of marketing, ticket sales, and information technology. Athletics also makes an annual payment under the agreement to the university which is reported in supplies and services. The amounts paid under this agreement for the years ended June 30, 2017 and 2016 were \$2,471 and \$2,411 respectively. In addition, Athletics has an agreement to transfer a portion of the revenue received from a Sponsorship Rights contract with IMG to The Jerome Schottenstein Center. The amounts paid for the years ended June 30, 2017 and 2016 were \$3,371 and \$3,327 respectively and reduced television, broadcast rights, and sponsorship revenues.

The Younkin Success center is a university wide collaboration to provide a variety of services supporting student success to faculty, staff and students. The Student-Athlete Support Services Office (SASSO) within Younkin provides access to service and programs that promote academic, personal and career development and facilitate graduation for over 1,000 student athletes. Athletics payments in support of SASSO for the years ended June 30, 2017 and 2016 were \$3,526 and \$3,247 respectively. The payments are reported in supplies and services.

Recognizing that the national reputation of the Athletics department brings exposure to the university and helps drive the market for licensed products, Athletics is included in the distribution of licensing revenue each year. Royalty and affinity revenue receipts, based on a formula driven allocation of net proceeds, for the years ended June 30, 2017 and 2016 were \$5,632 and \$5,996, respectively

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

9. RETIREMENT PLANS

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

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

Defined Benefit Plans

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

STRS Ohio

275 East Broad Street
Columbus, OH 43215-
3371
(614) 227-4090
(888) 227-7877
www.strsoh.org

OPERS

277 East Town Street
Columbus, OH 43215-4642

(614) 222-5601
(800) 222-7377
www.opers.org/investments/caf.html

In accordance with GASB Statement No. 68, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension liabilities of the plans. Although changes in the net pension liability generally are recognized as pension expense in the current period, GASB 68 requires certain items to be deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 9 years).

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

The collective net pension liabilities of the retirement systems and the Athletics' proportionate share of these net pension liabilities as of June 30, 2017 are as follows:

	STRS-Ohio		OPERS		Total
Net pension liability – all employers	\$ 33,473,014	\$	22,652,226		
Proportion of the net pension liability - Athletics	0.000%		0.148%		
Proportionate share of net pension liability	\$ -	\$	33,496	\$	33,496

The collective net pension liabilities of the retirement systems and the Athletics' proportionate share of these net pension liabilities as of June 30, 2016 are as follows:

	STRS-Ohio		OPERS		Total
Net pension liability – all employers	\$ 27,637,075	\$	17,272,216		
Proportion of the net pension liability - Athletics	0.001%		0.142%		
Proportionate share of net pension liability	\$ 172	\$	24,610	\$	24,782

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2017:

	STRS-Ohio		OPERS		Total	
Deferred Outflows of Resources:						
Differences between expected and actual experience	\$	-	\$	53	\$	53
Changes in assumptions		-		5,364		5,364
Net difference between projected and actual earnings on pension plan investments		-		4,995		4,995
Changes in proportion of university contributions		-		19		19
Employer contributions subsequent to the measurement date		-		1,533		1,533
Total	\$	-	\$	11,964	\$	11,964

Deferred Inflows of Resources:

Differences between expected and actual experience	\$	-	\$	265	\$	265
Net difference between projected and actual earnings on pension plan investments		-		-		-
Changes in proportion of university contributions		-		1		1
Total	\$	-	\$	266	\$	266

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2016:

	STRS-Ohio		OPERS		Total	
Deferred Outflows of Resources:						
Differences between expected and actual experience	\$	8	\$	5	\$	13
Net difference between projected and actual earnings on pension plan investments		-		7,301		7,301
Changes in proportion of university contributions		-		21		21
Employer contributions subsequent to the measurement date		9		1,393		1,402
Total	\$	17	\$	8,720	\$	8,737

Deferred Inflows of Resources:

Differences between expected and actual experience	\$	-	\$	526	\$	526
Net difference between projected and actual earnings on pension plan investments		12		-		12
Changes in proportion of university contributions		-		1		1
Total	\$	12	\$	527	\$	539

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending June 30 as follows:

	<u>STRS-Ohio</u>	<u>OPERS</u>	<u>Total</u>
2018	-	5,739	5,739
2019	-	4,346	4,346
2020	-	1,775	1,775
2021	-	(152)	(152)
2022	-	(5)	(5)
2023 and Thereafter	-	(5)	(5)
Total	\$ -	\$ 11,698	\$ 11,698

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

The following table provides additional details on the pension benefit formulas, contribution requirements and significant assumptions used in the measurement of total pension liabilities for the retirement system

	STRS-Ohio	OPERS
Statutory Authority	Ohio Revised Code Chapter 3307	Ohio Revised Code Chapter 145
Benefit Formula	<p>The annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.</p>	<p>Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.</p>
Cost-of-Living Adjustments	<p>With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring Aug. 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. In April 2017, STRS-Ohio announced that, effective July 1, 2017, it would indefinitely suspend the annual COLA for all retirees.</p>	<p>Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit.</p>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

	STRS-Ohio	OPERS
Contribution Rates	Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2016, the employer rate was 14% and the member rate was 13% of covered payroll. The statutory employer rate for fiscal 2017 and subsequent years is 14%. The statutory member contribution rate increased to 14% on July 1, 2016.	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2016, employer rates for the State and Local Divisions were 14% of covered payroll (and 18.1% for the Law Enforcement and Public Safety Divisions). Member rates for the State and Local Divisions were 10% of covered payroll (13% for Law Enforcement and 12% for Public Safety).
Measurement Date	June 30, 2016	December 31, 2016
Actuarial Assumptions	<p>Valuation Date: July 1, 2016 Actuarial Cost Method: Individual entry age Investment Rate of Return: 7.75% Inflation: 2.75% Projected Salary Increases: 2.75% - 12.25% Cost-of-Living Adjustments: 2.00% Simple, applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA commences on fifth anniversary of the retirement date</p>	<p>Valuation Date: December 31, 2016 Actuarial Cost Method: Individual entry age Investment Rate of Return: 7.5% Inflation: 3.25% Projected Salary Increases: 3.25% - 10.75% Cost-of-Living Adjustments: 3.00% Simple – for those retiring after January 7, 2013, 3.00% Simple through 2018, then 2.15% Simple</p>
Mortality Rates	RP-2000 Combined Mortality Table (Projection 2022–Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.	RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

	STRS-Ohio	OPERS																																																
Date of Last Experience Study	July 1, 2012	December 31, 2015																																																
Investment Return Assumptions	<p>The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and long-term expected real rate of return for each major asset class are summarized as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Asset Class</th> <th style="text-align: center;">Target Allocation</th> <th style="text-align: center;">Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Domestic Equity</td> <td style="text-align: center;">31.0%</td> <td style="text-align: center;">8.00%</td> </tr> <tr> <td>International Equity</td> <td style="text-align: center;">26.0%</td> <td style="text-align: center;">7.85%</td> </tr> <tr> <td>Alternatives</td> <td style="text-align: center;">14.0%</td> <td style="text-align: center;">8.00%</td> </tr> <tr> <td>Fixed Income</td> <td style="text-align: center;">18.0%</td> <td style="text-align: center;">3.75%</td> </tr> <tr> <td>Real Estate</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">6.75%</td> </tr> <tr> <td>Liquidity Reserves</td> <td style="text-align: center;">1.0%</td> <td style="text-align: center;">3.00%</td> </tr> <tr> <td>Total</td> <td style="text-align: center;"><u>100%</u></td> <td></td> </tr> </tbody> </table> <p>* Returns presented as geometric means</p>	Asset Class	Target Allocation	Long Term Expected Return*	Domestic Equity	31.0%	8.00%	International Equity	26.0%	7.85%	Alternatives	14.0%	8.00%	Fixed Income	18.0%	3.75%	Real Estate	10.0%	6.75%	Liquidity Reserves	1.0%	3.00%	Total	<u>100%</u>		<p>The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Asset Class</th> <th style="text-align: center;">Target Allocation</th> <th style="text-align: center;">Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td style="text-align: center;">23.0%</td> <td style="text-align: center;">2.75%</td> </tr> <tr> <td>Domestic Equity</td> <td style="text-align: center;">20.7%</td> <td style="text-align: center;">6.34%</td> </tr> <tr> <td>Real Estate</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">4.75%</td> </tr> <tr> <td>Private Equity</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">8.97%</td> </tr> <tr> <td>International Equity</td> <td style="text-align: center;">18.3%</td> <td style="text-align: center;">7.95%</td> </tr> <tr> <td>Other Investments</td> <td style="text-align: center;">18.0%</td> <td style="text-align: center;">4.92%</td> </tr> <tr> <td>Total</td> <td style="text-align: center;"><u>100.0%</u></td> <td></td> </tr> </tbody> </table> <p>* Returns presented as arithmetic means</p>	Asset Class	Target Allocation	Long Term Expected Return*	Fixed Income	23.0%	2.75%	Domestic Equity	20.7%	6.34%	Real Estate	10.0%	4.75%	Private Equity	10.0%	8.97%	International Equity	18.3%	7.95%	Other Investments	18.0%	4.92%	Total	<u>100.0%</u>	
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The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

Discount Rate	<p>The discount rate used to measure the total pension liability was 7.75% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.</p>	<p>The discount rate used to measure the total pension liability was 7.5% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.</p>												
Sensitivity of Net Pension Liability to Changes in Discount Rate	<table border="1"> <thead> <tr> <th>1% Decrease (6.75%)</th> <th>Current Rate (7.75%)</th> <th>1% Increase (8.75%)</th> </tr> </thead> <tbody> <tr> <td>\$ -</td> <td>\$ -</td> <td>\$ -</td> </tr> </tbody> </table>	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)	\$ -	\$ -	\$ -	<table border="1"> <thead> <tr> <th>1% Decrease (6.5%)</th> <th>Current Rate (7.5%)</th> <th>1% Increase (8.5%)</th> </tr> </thead> <tbody> <tr> <td>\$ 51,308</td> <td>\$ 33,496</td> <td>\$ 18,660</td> </tr> </tbody> </table>	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)	\$ 51,308	\$ 33,496	\$ 18,660
1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)												
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The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

Defined Contribution Plans

ARP is a defined contribution pension plan. Full-time administrative and professional staff and faculty may choose enrollment in ARP in lieu of OPERS or STRS Ohio. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 9.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no post-retirement health care benefits.

Combined Plans

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

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive post-retirement health care benefits. OPERS provides retirement, disability, survivor and post-retirement health benefits to qualifying members of the combined plan.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2017 and June 30, 2016

(In thousands)

Summary of Employer Pension Expense

Total pension expense for the year ended June 30, 2017, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, is presented below.

	STRS-Ohio	OPERS	ARP	Total
Employer Contributions	\$ -	\$ 3,346	\$ 1,345	\$ 4,691
GASB 68 Accruals	(167)	5,136	-	4,969
Total Pension Expense	\$ (167)	\$ 8,482	\$ 1,345	\$ 9,660

Total pension expense for the year ended June 30, 2016, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, is presented below.

	STRS-Ohio	OPERS	ARP	Total
Employer Contributions	\$ -	\$ 2,883	\$ 1,288	\$ 4,171
GASB 68 Accruals	(30)	1,863	-	1,833
Total Pension Expense	\$ (30)	\$ 4,746	\$ 1,288	\$ 6,004

Pension expense is allocated to institutional functions and is included in employee benefits expense on the Statement of Revenues, Expenses and Other Changes in Net Position.

Post-Retirement Health Care Benefits

STRS Ohio currently provides access to health care coverage to retirees who participated in the defined benefit or combined plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care costs in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS Ohio are included in the employer contribution rate. For the fiscal year ended June 30, 2016, STRS Ohio made no allocation of employer contributions for post-employment health care.

OPERS currently provides post-employment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2016, OPERS allocated 2.0% of the employer contribution rate to fund the health care program for retirees.

REQUIRED SUPPLEMENTARY INFORMATION

The Ohio State University Department of Athletics
Required Supplementary Information on GASB 68 Pension Liabilities (Unaudited)
For the Years Ended June 30, 2017 and June 30, 2016

The Schedule of Athletics' proportionate shares of STRS-Ohio and OPERS net pension liabilities are presented below:

	2017		2016		2015	
	STRS-Ohio	OPERS	STRS-Ohio	OPERS	STRS-Ohio	OPERS
Schedule of Proportionate Share of the Net Pension Liability						
Athletics proportion of the collective net pension liability	0.000%	0.148%	0.001%	0.142%	0.001%	0.137%
Athletics proportionate share of the net pension liability	\$ -	\$ 33,496	\$ 172	\$ 24,610	\$ 178	\$ 16,441
Athletics covered payroll	\$ -	\$ 21,046	\$ 54	\$ 19,585	\$ 63	\$ 18,471
Athletics proportionate share of the net pension liability as a percentage of its covered payroll	N/A	159%	319%	126%	281%	89%
Plan fiduciary net position as a percentage of the total pension liability	66.8%	77.4%	72.1%	81.1%	74.7%	86.5%
Schedule of University Contributions						
Contractually required contribution	\$ -	\$ 3,346	\$ -	\$ 2,883	\$ 8	\$ 2,769
Contributions in relation to the contractually required contribution	\$ -	\$ 3,346	\$ -	\$ 2,883	\$ 8	\$ 2,769
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Athletics covered payroll	\$ -	\$ 23,344	\$ -	\$ 20,055	\$ 54	\$ 19,283
Contributions as a percentage of covered payroll	N/A	14.3%	N/A	14.4%	14.0%	14.4%



Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
The Ohio State University

We have audited, 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, the financial statements of The Ohio State University Department of Athletics (“Athletics”), a department of The Ohio State University, as of and for the year ended June 30, 2017, appearing on pages 10 to 35, which comprise the statement of net position, and the related statements of revenues, expenses and other changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 2, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Athletics’ internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Athletics’ internal control. Accordingly, we do not express an opinion on the effectiveness of Athletics’ internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

January 2, 2018

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Dave Yost • Auditor of State

THE OHIO STATE UNIVERSITY DEPARTMENT OF ATHLETICS

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
JANUARY 23, 2018