

2015 Annual Financial Report



THE OHIO STATE UNIVERSITY

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Message from the President



Dr. Michael V. Drake

The Ohio State University is a leader in addressing the challenges and opportunities facing academic institutions.

We are actively pursuing strategies that reflect our commitment to access, affordability and academic excellence. Our 2020 Vision is devoted to inclusive excellence, a modern version of the land-grant principles embedded in our culture and values.

This year, Ohio State provided our in-state undergraduate students with a comprehensive freeze on costs — the first time in at least 40 years that tuition, fees and room and board were all held flat. We also expanded financial aid for more than 12,000 low- and middle-income Ohioans by redirecting \$15 million from efficiencies and innovative financial approaches to our new President's Affordability Grants.

These steps are part of the 2020 Vision, which includes a five-year, \$400 million strategy to reinvest in academic excellence while simultaneously easing the financial pressure on students and families. Through both efficiencies and revenue-generating strategies such as innovative partnerships, Ohio State will enhance its core mission without relying solely on tuition or tax dollars to fund our priorities.

Our Wexner Medical Center has been pursuing a parallel strategy to continually enhance patient care. For the third straight year, it ranked among the top-performing academic medical centers in the country by the University HealthSystem Consortium for quality and safety. In addition, we opened the new 1 million square-foot home of the James Cancer Hospital and Solove Research Institute. We marked these achievements while strengthening our financial position through an efficiency campaign that has generated \$100 million.

Our financial strategy reflects our drive to use every available resource to teach students, care for patients and make discoveries that improve the world around us.

Sincerely,

A handwritten signature in black ink that reads "Michael V. Drake". The signature is fluid and cursive.

Michael V. Drake, MD
President

Letter from the Chair of the Board of Trustees



Jeffrey Wadsworth

For more than 145 years, The Ohio State University has transformed lives by extending knowledge, making discoveries and translating innovation into action.

We remain dedicated to the noble mission of the Morrill Act of 1862 - to advance teaching, research and outreach – in our community and throughout the world. In a competitive global society, the university presses forward to achieve the highest levels of excellence by sharing new knowledge to confront global challenges.

The scope and reach of our work is spread broadly from arts to agriculture, from engineering to the Wexner Medical Center – the latter of which comprises almost half of the institution. With more than 500,000 alumni around the world, Ohio State's impact can be felt in every field. Research and teaching, systems and processes, behaviors and values – all contribute toward building a truly great university.

We believe that, as a state institution, it is our fundamental priority to ensure affordability and access. This requires that we constantly seek new revenue sources while we continue to look for ways to operate with the greatest efficiency.

President Drake set out a bold plan in his 2020 Vision to generate \$400 million over five years in new resources and savings to devote to access, affordability and excellence.

Along with our core goals, we are helping to grow and strengthen Ohio's economy – from entrepreneurial start-ups in rural Ohio to Fortune 500 companies here in Columbus. Ohio State continues to strengthen economic development and corporate engagement by partnering with our students, faculty and community.

Ohio State is strong and by choosing to invest in our best attributes, we become even stronger. With a solid financial foundation, we are able to make life-changing education attainable for all who seek it.

Together as a university, we are able to instill the expectation of excellence by our students and faculty and bring it to reality. The future of Ohio State will be remarkable.

Jeffrey Wadsworth

A handwritten signature in black ink that reads "Jeffrey Wadsworth" with a stylized flourish at the end.

Chair of The Ohio State University Trustees

Transformation in Action

| Report from the Chief Financial Officer



Geoff Chatas

This year, President Drake devoted an additional \$15 million to reduce the cost of college for low- and middle-income students.

A third of our in-state undergraduates received President's Affordability Grants. In combination with a comprehensive freeze on in-state tuition, mandatory fees and room and board, these grants mean many students are paying less than they did last year.

At Ohio State, this is how we measure the success of our financial strategy — based on improving access, affordability and excellence for our students.

ACCESS, AFFORDABILITY
AND EXCELLENCE

105 STUDENTS AWARDED
EMINENCE FELLOWS SCHOLARSHIPS
FROM 2012 PARKING CONCESSION

It's also why we continue to pursue efficiencies and innovative partnerships that support teaching, learning and research.

For example, 105 talented students are currently attending Ohio State on full-ride Eminence Fellows scholarships because of our 2012 parking concession. That innovative lease also is supporting investments in the excellence of our faculty and facilities — by helping to recruit and fund more than 130 faculty members in key disciplines and through major enhancements to our Arts District.

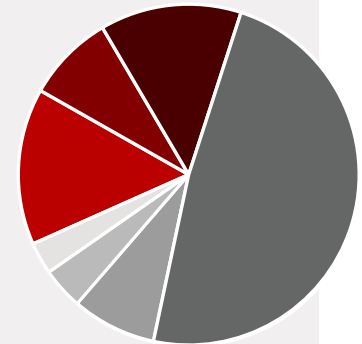
Our strategic procurement strategy, which has generated \$148 million in savings over the past four years, is among the ways we funded President's Affordability Grants this year.

In the coming year, we continue to evaluate a Comprehensive Energy Management project that could support both our sustainability goals and academic mission.

Revenue Sources Fiscal 2015 University Budget

(in millions)

Tuition and fees (net)	\$ 850
State appropriations	477
Grants and contracts	767
Patient care	2,763
Sales and services	459
Gifts	226
Net investment income	173
Total Revenues	\$ 5,715



And we are embarking on an expansive efficiency campaign to meet President Drake's goal of \$200 million in savings over five years.

We are also careful stewards of Ohio State resources.

The university maintains stable AA or AA1 credit ratings from all three agencies. A \$1.1 billion expansion of the Wexner Medical Center, which includes a new home for the James Cancer Hospital and Solove Research Institute, was completed in December as part of a strong year at the medical center. And our long-term investment pool, which contains our endowments, is outperforming our benchmarks while guarding against downside risk.

I'm pleased to share this snapshot, which demonstrates Ohio State's financial strength and innovative strategy to build on our successes.



Enhancing our campus

In the past year, Ohio State has opened three major projects that demonstrate the university's commitment to providing top-notch facilities:

- **The Ohio State University Comprehensive Cancer Center**

A \$1.1 billion cancer hospital and critical care center brings together the best elements of patient care and research. The new home of The Ohio State University Comprehensive Cancer Center – James Cancer Hospital and Solove Research Institute opened in December.

- **North Residential District**

Four new residence halls opened as part of the first phase of the \$370 million North Residential District Project. Another four residence halls will open by the fall of 2016 in the project, which will support living-learning spaces for both first- and second-year students.

- **Chemical and Biomolecular Engineering and Chemistry building**

The \$126 million Chemical and Biomolecular Engineering and Chemistry (CBEC) building supports collaborative research in critical environmental and medical areas. CBEC opened in April.



These three projects demonstrate the university's commitment to providing students, researchers and patients with the very best facilities to foster collaboration and improve outcomes.

Comprehensive Energy Management

The university is carefully evaluating the possibility of a comprehensive partnership to advance the university's sustainability goals while producing new resources for our academic mission.

Ohio State is believed to be the first in the country to consider a comprehensive partnership for energy management, reflecting our innovative approach to funding key priorities. Similarly, our thorough and inclusive approach to evaluating this opportunity reflects Ohio State's commitment to responsible stewardship of public assets.

Comprehensive Energy Management would require a private partner to produce campus-wide conservation measures, supply our energy, operate our grid and implement an affinity relationship to support students, faculty and our broader community.

Our three-stage process to evaluate this opportunity, with the assistance of faculty experts and other advisory groups on campus, will continue in the coming year.



**\$483
MILLION**
ENDOWMENT INFUSION

**\$83
MILLION**
DISTRIBUTIONS TO DATE

FOR

**TEACHING,
LEARNING,
RESEARCH,
TRANSPORTATION
AND SUSTAINABILITY**

Our investments

Our long-term investment pool (LTIP) generated a 3.8 percent return in fiscal 2015, surpassing the policy benchmark of 1.87 percent. This continues a trend of outperforming our benchmarks over longer-time horizons.

The long-term investment pool includes gifted endowments, quasi-endowments — such as the \$483 million investment produced from leasing our parking operations in 2012 — and a portion of our operating money.

In all, the LTIP distributed \$142 million toward university priorities this year, including \$24.5 million toward student financial aid and \$37 million toward educational support and libraries. Distributions from the parking endowment — which total \$83 million since 2012 — are devoted to student scholarships, recruiting and hiring faculty for our Discovery Themes, maintaining and enhancing campus transportation options, and the Arts District.

Our investment team continues to produce strong returns while managing our investment pool against downside risk.

Wexner Medical Center

Fiscal 2015 was a banner year for the medical center.

Beyond the opening of the new James Cancer Hospital and Solove Research Institute — an achievement in and of itself — the Wexner Medical Center continues to be honored for excellence in patient care. For the third straight year, we were honored to be among the top 10 academic medical centers in the country, according to the University HealthSystem Consortium.

Meanwhile, the medical center has generated more than \$100 million in savings from an efficiency campaign that continues to strengthen its financial position.

Adding to that momentum, the university recruited three key leaders who will guide the Wexner Medical Center to its next achievements.

In December 2014, President Drake named Dr. Sheldon Retchin the executive vice president of health sciences and CEO of the Wexner Medical Center. Dr. Retchin was previously senior vice president for health sciences at Virginia Commonwealth University and CEO of the VCU Health System in Richmond, Virginia.

As President Drake said at the time, Dr. Retchin's experience "makes him uniquely suited to ensure the best possible outcomes for patients, provide exceptional training for students and accelerate medical discoveries for the world."

In August 2015, Dr. Retchin then added a similarly talented leader as the medical center's chief financial officer for the medical center. Mark Larmore joins Ohio State from NewYork-Presbyterian Hospital, where he was CFO, group vice president and treasurer.

And in January 2016, healthcare industry veteran David P. McQuaid agreed to become chief executive officer of The Ohio State University Health System and chief operating officer of the Wexner Medical Center. His extensive experience includes leading academic health systems including Johns Hopkins, Duke and Thomas Jefferson University.

2020VISION

**\$200
MILLION
IN EFFICIENCIES**

+

**\$200
MILLION
IN INNOVATIVE FUNDING**

FOR

**ACCESS,
AFFORDABILITY,
AND EXCELLENCE**

Looking forward

Ohio State is proud of our role in leading the national discussion on access, affordability and excellence in higher education.

To provide resources for these priorities, President Drake has called for generating \$200 million in efficiencies over five years and another \$200 million through innovative funding. At Ohio State, we call this plan the 2020 Vision.

Teams are working throughout the university to meet and exceed these goals, and the coming year will provide more examples of how we are finding innovative ways of generating resources outside of the traditional sources of tuition and tax dollars.

Already this year, the university provided in-state students with a comprehensive freeze on tuition and room and board while also expanding need-based financial aid by \$15 million. Meanwhile, we are producing administrative efficiencies that allow us to continually invest in our faculty, staff and students.

We recently established the Office of Economic and Corporate Engagement, led by Matt McNair, to coordinate efforts across the university so that Ohio State is the most accessible and customer-friendly university in the country for our corporate and community partners.

We're proud of what we've achieved as a university in the past year, but we are only building momentum. In the coming year, the university will continue to take bold steps to enhance our resources for all three of these priorities.

At Ohio State, we remain focused on the big picture — that everything we do should support teaching, research and learning that will improve our global community.

Sincerely,



Geoff Chatas
Chief Financial Officer and Senior Vice President
Office of Business and Finance

Independent Auditor's Report



Independent Auditor's Report

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

We have audited the financial statements of The Ohio State University (the "University"), a component unit of the State of Ohio, appearing on pages 23 to 67, which consist of the statements of net position as of June 30, 2015 and June 30, 2014, the related statements of revenues, expenses, and other changes in net position and of cash flows for the years then ended, of the primary institution and of the aggregate discretely presented component units, which collectively comprise the University's 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 University'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 University'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 opinions.

PricewaterhouseCoopers LLP, 41 South High Street, Suite 2500, Columbus, OH 43215
T: (614) 225 8700, F: (614) 224 1044, www.pwc.com/us

Independent Auditor's Report



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary institution and the aggregate discretely presented component units of the University as of June 30, 2015 and June 30, 2014, and the respective changes in net position and cash flows thereof 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 and 15 to the basic financial statements, in the year ended June 30, 2015, the University adopted new accounting guidance related to the manner in which it accounts for pensions. As described within the notes to the financial statements, the University adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 12 through 22, and the Supplementary Information on GASB 68 Pension Liabilities on page 66 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.

Independent Auditor's Report



Other Matter

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying supplementary information on the long-term investment pool on page 67 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

October 30, 2015

Management's Discussion and Analysis | Year ended June 30, 2015 (unaudited) | The Ohio State University

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University (the "university") for the year ended June 30, 2015, with comparative information for the years ended June 30, 2014, and June 30, 2013. 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 64,000 students, 6,800 faculty members and 23,000 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 200 undergraduate majors, 148 master's degree programs, 114 doctoral programs and seven professional degree programs.

The Ohio State University Wexner Medical Center is one of the largest and most diverse academic medical centers in the country and the only academic medical center in central Ohio. As a part of the Wexner Medical Center, the Health System operates under the governance of The Ohio State University Board of Trustees and is comprised of The Ohio State University Hospital, the Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, Richard M. Ross Heart Hospital, University Hospital East, OSU Harding Hospital, The Ohio State University Specialty Care Network, Dodd Rehabilitation Hospital, The Eye and Ear Institute, the Stefanie Spielman Comprehensive Breast Center and 14 primary care locations. The System provided services to 58,200 adult inpatients and 1,664,000 outpatients during Fiscal Year 2015.

The university is governed by a board of trustees who are responsible for oversight of academic programs, budgets, general administration and employment of faculty and staff. The university's 15 colleges, four regional campuses, the Wexner Medical Center 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, deferred inflows/outflows and net position (equity) of the university, The Ohio State University Wexner Medical Center, the Ohio Agricultural Research and Development Center (OARDC) and the Ohio Technology Consortium (OH-TECH), which is an umbrella organization that includes the Ohio Academic Resources Network (OARnet), the Ohio Supercomputer Center and the Ohio Library and Information Network (OhioLINK). These entities constitute the "primary government" for financial reporting purposes. In addition, the financial statements include consolidated financial results for a number of "component units," which are legally separate entities that meet the financial accountability criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

The following component units are considered to "exclusively benefit" the university and are shown in a blended presentation with the primary government:

- The OSU Foundation (a fundraising foundation operating exclusively for the benefit of the university)
- OSU Health Plan (a non-profit organization – formerly known as OSU Managed Health Care Systems – that administers university health care benefits)
- Oval Limited (captive insurer that provides medical malpractice coverage to university hospitals and physicians)

The GASB has indicated that, under the amended consolidation standards, the "exclusive benefit" criterion for blending is not met when a component unit provides services to parties external to the primary government. As a result, the university presents the following component units in a discrete presentation:

- OSU Physicians, Inc. (the practice group for physician faculty members of the Colleges of Medicine and Public Health)
- Campus Partners for Community Urban Redevelopment (a non-profit organization participating in the redevelopment of neighborhoods adjacent to the main Columbus campus)

- Transportation Research Center, Inc. (an automotive research and testing facility in East Liberty, Ohio)
- Dental Faculty Practice Association (the practice group for faculty members of the College of Dentistry)

Condensed financial information for both blended and discretely presented component units is provided in the Notes to the Financial Statements. The university is considered a component unit of the State of Ohio and is included in the State of Ohio's Comprehensive Annual Financial Report.

About the Financial Statements

The university presents its financial statements in a "business type activity" format, in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial statements include 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. Separate columns are presented for the primary institution (which includes the primary government and the blended component units), discretely presented component units

and the total university. Unless otherwise specified, the amounts presented in this MD&A are for the primary institution.

The **Statement of Net Position** is the university's balance sheet. It reflects the total assets, deferred outflows, liabilities, deferred inflows and net position (equity) of the university as of June 30, 2015, with comparative information as of June 30, 2014. 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 fair value. Capital assets, which include the university's land, buildings, improvements and equipment, are shown net of accumulated depreciation. Net position is grouped in the following categories:

- Net investment in capital assets
- Restricted – Nonexpendable
- Restricted – Expendable
- Unrestricted

In addition to assets, liabilities and net position, the university's balance sheet includes deferred outflows of resources and deferred inflows of resources. Deferred outflows are similar to assets and will be recognized as expense in future periods. Deferred inflows are similar to liabilities and will be recognized as revenue (or reductions of expense) in future periods.

The **Statement of Revenues, Expenses and Other Changes in Net Position** is the university's income statement. It details how net position has increased (or decreased) during the year ended June 30, 2015, with comparative information for the year ended June 30, 2014. Tuition revenue is shown net of scholarship allowances, patient care revenue is shown net of contractual allowances, charity care and bad debt expense, 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 the university 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, 2015, with comparative information for the year ended June 30, 2014. 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 position 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. Behind the notes is a section that provides required

supplementary information related to pensions and supplementary information on the university's Long-Term Investment Pool.

Financial Highlights and Key Trends

On July 1, 2014, the university implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The adoption of the new standard – which requires employers participating in cost-sharing multi-employer retirement plans to recognize a share of the retirement plans' unfunded pension liabilities – resulted in a \$2.16 billion reduction in the university's opening unrestricted net position. The net pension liability recognized by the university at June 30, 2015, was \$2.13 billion.

Excluding the effect of the GASB 68 accounting change, total net position for the primary institution increased \$419 million in Fiscal Year 2015, reflecting revenue growth and increases in operating margins for the OSU Health System and \$173 million of net investment income. Other university operating revenues and expenses were relatively flat compared with Fiscal Year 2014.

Demand for an Ohio State education remains strong, and student outcomes continue to improve. 64,868 students were enrolled in autumn 2014, up 904 students compared to autumn 2013. 93% of the freshmen enrolled in autumn 2013 returned to Ohio State in autumn 2014. Over the past five years, four-year graduation rates have increased from 51% to 59%, and six-year graduation rates have increased from 75% to 83%.

The following sections provide additional details on the university's 2015 financial results and a look ahead at significant economic conditions that are expected to affect the university in the future.

Statement of Net Position

During the year ended June 30, 2015, **cash and temporary investment** balances increased \$377 million, to \$1.78 billion, reflecting two October 2014 bond issues, transfers of **restricted cash** and strong operating margins at the OSU Health System. The remaining restricted cash balances consist primarily of unspent proceeds from the General Receipts Bonds, which are being used to fund various capital projects. The Statement of Cash Flows, which is discussed in more detail below, provides additional information on sources and uses of university cash.

Accounts receivable increased \$45 million, to \$485 million at June 30, 2015, primarily due to increases in patient care receivables of the Health System. **Inventories and prepaid** expenses decreased \$32 million, to \$83 million, reflecting reductions in prepaid expenses for student health insurance and graduate fee authorizations.

The fair value of the university's **long-term investment pool** increased \$46 million, to \$3.66 billion at June 30, 2015. Increases in the pool, including \$110 million of principal additions and \$153 million of net investment income, were mostly offset by distributions (\$142 million) and expenses (\$75 million). The long-term investment pool operates similar to a mutual fund, in that each named

fund is assigned a number of shares in the pool. It includes the gifted endowment funds of the university, gifted endowment funds of the OSU Foundation and operating funds that have been internally designated to function as endowments. The pool is invested in a diversified portfolio of equity and fixed-income securities, partnerships and hedge funds that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support the university's mission.

The university has established a **securities lending program** through its custodian bank for the long-term investment pool. Securities loaned by the university are secured by collateral in the form of cash, equity, U.S. government obligations and foreign government/private debt. The portion of this collateral that was received in cash totaled \$38 million at June 30, 2015, and is reflected in the Statement of Net Position as a current asset and a corresponding current liability.

Other long-term investments are non-unitized investments that relate primarily to gift arrangements between donors and the OSU Foundation and long-term investments of operating funds. These investments increased \$9 million, to \$93 million, at June 30, 2015.

Statement of Net Position (in thousands)

	2015	2014	2013
Cash and temporary investments	\$ 1,782,051	\$ 1,404,608	\$ 1,073,925
Receivables, inventories, prepaids and other current assets	664,402	611,238	528,165
Total current assets	2,446,453	2,015,846	1,602,090
Restricted cash	375,425	435,293	926,444
Noncurrent notes and pledges receivable	118,257	117,159	127,831
Long-term investment pool	3,659,387	3,613,866	3,149,169
Other long-term investments	93,367	84,731	69,358
Capital assets, net of accumulated depreciation	4,803,242	4,492,896	4,136,392
Total noncurrent assets	9,049,678	8,743,945	8,409,194
Total assets	11,496,131	10,759,791	10,011,284
Deferred outflows	227,083	8,650	9,202
Total assets and deferred outflows	\$ 11,723,214	\$ 10,768,441	\$ 10,020,486
Accounts payable and accrued expenses	\$ 447,364	\$ 391,064	\$ 385,006
Deposits and advance payments for goods and services	261,537	229,530	179,436
Current portion of bonds, notes and lease obligations	655,919	504,165	503,750
Other current liabilities	76,788	47,445	21,705
Total current liabilities	1,441,608	1,172,204	1,089,897
Noncurrent portion of bonds, notes and lease obligations	2,186,090	2,101,363	2,167,134
Net pension liability	2,130,432	-	-
Other noncurrent liabilities	380,382	373,305	328,987
Total noncurrent liabilities	4,696,904	2,474,668	2,496,121
Total liabilities	6,138,512	3,646,872	3,586,018
Deferred inflows	693,251	484,450	494,284
Net investment in capital assets	2,340,342	2,320,611	2,394,141
Restricted:			
Nonexpendable	1,355,560	1,281,640	1,158,014
Expendable	993,000	999,029	920,515
Unrestricted	202,549	2,035,839	1,467,514
Total net position	4,891,451	6,637,119	5,940,184
Total liabilities, deferred inflows and net position	\$ 11,723,214	\$ 10,768,441	\$ 10,020,486

Capital assets, which include the university's land, buildings, improvements, equipment and library books, grew \$310 million, to \$4.80 billion at June 30, 2015. The university depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from 5 years (for computer equipment and software) to 100 years (for certain building components such as foundations).

The most significant project completed in 2015 was the 21-story, \$1.1 billion new facility for the James Cancer Hospital and Solove Research Institute and Critical Care Center (James). The university financed the medical center project with a combination of bonds (\$925 million), private gifts (\$75 million) and a \$100 million federal grant. The James is one of only 45 National Cancer Institutes (NCI) and the only program in the United States that is aligned with a nationally ranked academic medical center and freestanding cancer hospital on the campus of one of the nation's largest public universities.

Also completed in 2015 was the \$129 million, 225,000-square-foot Chemical and Biomolecular Engineering and Chemistry Building (CBEC). The CBEC, located in the Academic Core North, includes laboratories, faculty offices and seminar rooms to support intensive research in the areas of chemistry and chemical biomolecular engineering, nano/bioscience and technology, energy-related materials and energy and the environment.

Major infrastructure improvements completed in 2015 include the \$69 million initial phase of the East Regional Chiller Plant project, which constructed a regional chiller

plant on North High Street to serve buildings in the North Academic Core district. The project continues into 2016 with \$17 million of improvements to construct new and replacement tunnels to service the district.

In addition, several major construction projects are currently underway or in advanced planning stages, including:

- North Residential District Transformation (NRDT) – The \$370 million NRDT project will construct new housing and support facilities for sophomore students in the north campus area. Enabling project work began summer 2013, and the project is slated for completion fall semester 2016.
- Jameson Crane Sports Medicine Institute – The \$45 million project, slated for completion in the fall of 2016, will construct a state-of-the-art, comprehensive sports medicine facility housing 15 interdisciplinary specialties and 160 sports medicine faculty and staff.
- Veterinary Hospital – Currently in its construction phase, the \$30 million project will renovate approximately 97,000 square feet of the existing facility and will add 12,000 square feet of new space. The project is slated for completion in December 2015.
- Arts and Sciences Academic Buildings – The \$59 million project will renovate Pomerene, Baker and Oxley Halls to accommodate academic programs. The first phase of the project, Baker Commons, is slated for completion in spring 2018.

- Infrastructure Improvements – The \$37 million Cannon Drive Relocation project, currently in its design phase, will relocate the road to the west of its current location to create 12 new acres of developable land for future medical center growth.

The university's estimated future capital commitments, based on contracts and purchase orders, total approximately \$320 million at June 30, 2015.

Accounts payable and accrued expenses increased \$56 million, to \$447 million at June 30, 2015, primarily due to increases in payables to vendors for supplies and services (up \$25 million) and payables for retirement contributions (up \$16 million).

Deposits and advance payments for goods and services increased \$32 million, to \$262 million, primarily due to a combination of advance payments on grants and contracts (up \$15 million) and advance payments for departmental and auxiliary sales and services (up \$9 million).

University debt, in the form of **bonds, notes and capital lease obligations**, increased \$236 million, to \$2.84 billion at June 30, 2015. On October 9, 2014, the university closed on \$136 million in tax-exempt Fixed Rate General Receipts Bonds (Series 2014A) and \$150 million in tax-exempt Variable Rate General Receipts Bonds (Series 2014B1 and B2). The Series 2014A bonds have annual principal payments until final maturity on December 1, 2044, with interest rates ranging from 2.00% to 5.00%. The Series 2014B1 and B2 bonds have principal payments on December 1, 2034, 2039 and 2044. The initial interest rate was 0.04% and is subject to a rate reset on a weekly basis.

The university's plant debt includes variable rate demand bonds that mature at various dates through 2035. GASB Interpretation 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the statement of net position 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 \$596 million and \$446 million at June 30, 2015 and 2014, respectively.

In 2015, the university adopted a new pension accounting standard, GASB Statement No. 68. This standard requires governmental employers participating in defined-benefit pension plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. These liabilities are referred to as net pension liabilities. The university participates in two

multi-employer cost-sharing retirement systems, OPERS and STRS-Ohio. Under GASB 68, the university is required to record a liability for its proportionate share of the net pension liabilities of the retirement systems. The university's share of these **net pension liabilities** was \$2.13 billion at June 30, 2015. Although most year-to-year changes in net pension liabilities are charged directly to pension expense, certain types of changes are deferred and recognized as pension expense in future periods. Pension-related deferred outflows and deferred inflows at June 30, 2015, totaled \$219 million and \$219 million, respectively. The university recognized total pension expense of \$253 million in 2015. Total pension expense includes \$287 million of employer contributions and a negative \$34 million in GASB 68 accruals.

It should be noted that, in Ohio, employer contributions to the state's cost-sharing multi-employer retirement systems are established by statute. These contributions, which are payable to the retirement systems one month in arrears, constitute the full legal claim on the university for pension funding. Although the liabilities recognized under GASB 68 meet the GASB's definition of a "liability" in its conceptual framework for accounting standards, they do not represent legal claims on the university's resources, and there are no cash flows associated with the recognition of net pension liabilities, deferrals and expense.

Other (non-pension) **deferred inflows** consist primarily of the unamortized proceeds of the

parking service concession arrangement. The parking deferred inflows, which totaled \$455 million at June 30, 2015, are being amortized to operating revenue on a straight-line basis over the 50-year life of the agreement. In addition, the deferred inflows include \$20 million of deferred gains on debt-related transactions.

Prior-Year Highlights: In 2014, the fair value of the university's long-term investment pool increased \$465 million, to \$3.61 billion, primarily due to \$577 million of net investment income. Capital assets increased \$357 million, to \$4.49 billion, reflecting capital expenditures for the Medical Center Expansion, the Chemical and Biomolecular Engineering and Chemistry Building and infrastructure improvements. **In 2013**, the university entered into a 50-year lease and concession agreement with QIC Global Infrastructure (and its local affiliate, CampusParc) to operate, maintain and retain parking revenues from the university's parking lots and garages. The proceeds from the agreement, which totaled \$483 million, were used to establish quasi-endowment funds and were recorded as a deferred inflow. Total plant debt increased \$260 million, to \$2.67 billion, reflecting the issuance of \$338 million of Special Purpose General Receipts Bonds, which are secured by a pledge of housing, dining and recreational facilities revenues. The new issuance was partially offset by a \$75 million defeasance of debt related to parking facilities. Total unrestricted and restricted-expendable net position increased \$68 million, to \$2.39 billion.

Statement of Revenues, Expenses and Other Changes in Net Position

Net **tuition and fees** increased \$35 million, to \$850 million in 2015, primarily due to a 7% increase in non-resident enrollments. Resident enrollments declined 1%. The university did not increase its undergraduate instructional and mandatory fees for fiscal 2015.

Operating **grant and contract revenues** increased \$28 million, to \$645 million in 2015. Private grant and contract revenues were up \$30 million, including a \$15 million increase in fixed-price and other industry research grants and a \$13 million increase in OhioLink contract revenues. State grants and contracts were up \$16 million, reflecting increases in grant funding from the Ohio Department of Medicaid Services, the Ohio Department of Education and the state eTextbook program. These increases were partially offset by a \$17 million reduction in federal grants and contracts. The decreases were spread across several agencies, including the National Institutes of Health, Department of Energy and the Health Resources and Services Administration. Total revenues for sponsored research programs administered by the Office of Sponsored Programs increased \$11 million, to \$506 million.

Educational and general expenses

decreased \$42 million, or 2%, to \$2.24 billion in 2015. Additional details are provided on the next page.

Institutional support expenses decreased \$47 million in 2015, due to a combination of reduced central expenses for employee benefits and reductions in central information technology project costs. Other educational and general expense categories were relatively flat, reflecting limited increases in tuition, state support and other sources of general university operating revenues.

Auxiliary revenues increased \$32 million, to \$261 million in 2015. Revenue growth was primarily in Athletics, which saw revenue increases from premium ticket pricing, increased seating capacity in Ohio Stadium and a second bowl game, and Housing and Dining. **Auxiliary expenses** were relatively flat, increasing \$7 million, to \$249 million.

Consolidated **Health System** operating revenues grew \$237 million, to \$2.36 billion in 2015, driven primarily by increased volume related to the opening of the new James Cancer Hospital, an increase in the insured population and reduced self-pay and Medicaid expansion. Consolidated operating expenses (excluding depreciation, interest and transfers) increased \$130 million,

Summary of Revenues, Expenses and Changes in Net Position (in thousands)

	2015	2014	2013
Operating Revenues:			
Tuition and fees, net	\$ 850,289	\$ 815,743	\$ 816,761
Grants and contracts	645,352	617,091	597,201
Auxiliary enterprises sales and services, net	261,351	228,997	222,014
OSU Health System sales and services, net	2,357,824	2,120,891	2,018,724
Departmental sales and other operating revenues	181,532	207,502	190,049
Total operating revenues	4,296,348	3,990,224	3,844,749
Operating Expenses:			
Educational and general	2,238,622	2,280,135	2,158,149
Auxiliary enterprises	248,879	241,915	242,376
OSU Health System	1,970,124	1,839,645	1,796,581
Depreciation	335,881	260,367	257,606
Total operating expenses	4,793,506	4,622,062	4,454,712
Net operating income (loss)	(497,158)	(631,838)	(609,963)
Non-operating revenues (expenses):			
State share of instruction and line-item appropriations	435,824	440,924	432,652
Gifts – current use	163,800	138,230	122,208
Net investment income (loss)	173,295	620,605	386,516
Grants, interest expense and other non-operating	12,282	12,978	(8,483)
Net non-operating revenue	785,201	1,212,737	932,893
Income (loss) before other changes in net position	288,043	580,899	322,930
State capital appropriations	40,868	54,808	75,127
Private capital gifts	1,688	5,486	41,176
Additions to permanent endowments	60,792	54,309	57,480
Transfers to primary institution	27,413	1,433	15,967
Total other changes in net position	130,761	116,036	189,750
Increase (decrease) in net position	418,804	696,935	512,680
Net position – beginning of year	6,637,119	5,940,184	5,427,504
Cumulative effect of accounting change	(2,164,472)	-	-
Net position – end of year	\$ 4,891,451	\$ 6,637,119	\$ 5,940,184

Educational and General Expenses (in thousands)

	2015	2014	2013
Instruction and departmental research	\$ 940,105	\$ 938,385	\$ 906,339
Separately budgeted research	434,624	437,497	413,985
Public service	131,965	131,389	96,578
Academic support	192,140	188,641	170,142
Student services	100,229	96,892	94,237
Institutional support	230,749	278,052	271,737
Operation and maintenance of plant	95,866	98,678	93,767
Scholarships and fellowships	112,944	110,601	111,364
Total	\$ 2,238,622	\$ 2,280,135	\$ 2,158,149

to \$1.97 billion, reflecting the opening of the new James Cancer Hospital and solid expense management. An in-depth look at the Health System is provided below.

The Health System operates nearly 1,300 inpatient beds and serves as a major tertiary and quaternary referral center for Ohio and the Midwest. Its six Signature Programs earn international distinction in Cancer, Critical Care, Imaging, Heart, Neurosciences, and Transplantation. The Wexner Medical Center delivers superior patient care, quality outcomes and patient safety and has been recognized by *U.S. News & World Report* for 23 consecutive years as one of "America's Best Hospitals" and has seven nationally ranked specialties and is recognized as high-performing in five others. The medical center is ranked first in central Ohio and leads the region for the twenty-third year in a row for strong commitment to serving the healthcare needs of the people of Ohio. It is one of 12 medical centers in the nation delivering the highest quality of care based on results of a study commissioned by the University Health System Consortium (UHC).

The Health System works with a strong physician group that provides exceptional patient care. Of the central Ohio honorees listed on "Best Doctors in America" list, 79% were Ohio State faculty. The Wexner Medical Center is the Midwest's highest ranked hospital for safety and patient care.

The Health System completed the largest capital project in the history of The Ohio State University in 2015. Included in the project was the construction of the new Arthur G. James Cancer Hospital and Richard J. Solove Research Institute. The new tower is a transformational facility that fosters the collaboration and integration of cancer research and clinical cancer care. The James is the largest cancer hospital in the Midwest and the third largest in the nation. The new 21-level tower opened in December of Fiscal 2015 and has 14 operating rooms and 306 inpatient beds.

In 2015, the Health System continued "creating the future of medicine to improve people's lives" and remained financially sound due to solid activity levels and strong expense management. Inpatient admissions increased 2.1% compared with the prior year. Consistent with industry trends, the patient environment continues to experience strong movement to an outpatient setting and to an increased use of observation beds. Outpatient visits increased 4.5% and total observation patients increased 9.4% over the previous year. The Health System continued its ambulatory expansion strategy and meeting the needs of the community by opening Healthy New Albany and breaking ground for future sites of the Upper Arlington outpatient facility in Kingsdale and The Jameson Crane Sports Medicine Institute.

The Health System continued to experience strong volumes in cancer, cardiovascular, obstetric, open heart surgery, orthopedic, medicine and neurological service lines, which contributed to increases in revenues, average daily census and increased observation patients.

Changes to Net Position included \$136.9 million reinvested back into research, education, and programs at the Medical Center. In December of 2010, the Health System was awarded a \$100 million grant from the Health Resources and Services Administration (HRSA), an Agency of the U.S. Department of Health & Human Services, in support of the new tower construction. Approximately \$20.9 million of the total grant was recognized under Capital Contributions as a change in Net Position in 2015, \$23.3 million in 2014 and \$23.1 million in 2013. Additionally, \$1.6 million in 2015, \$9.3 million in 2014 and \$20.7 million in 2013 of other restricted expendable funds and pledges (in support of the tower and other initiatives) have been recorded. In total, after accounting for these changes and the impact of the Health System's operating results, the Health System's Net Position increased \$218.5 million in 2015, \$141.6 million in 2014 and \$134.7 million in 2013.

As with other healthcare providers, The Health System is being challenged by the enactment of healthcare reform. The impact of insurance exchanges, managed care rates and Medicaid expansion continues to cause uncertainty in the environment for hospitals nationwide. The medical center continues to position itself to thrive in the changing market, as it has successfully done in the past.

The Health System is placing significant focus on efficiency and cost reduction and will aggressively control expenses as reimbursements come under pressure. Key in these initiatives is the creation of value through continued use of evidence-based practice, effective patient management during and after the hospital experience and the use of electronic medical record systems to reduce unnecessary treatment and costs. The Health System has effectively controlled and reduced costs of supplies and will continue to do so through aggressive contracting, standardization and strategic sourcing. Significant effort is being placed in streamlining and refining revenue cycle activities. Ohio State University Physicians (OSUP) implemented the Epic Physician Billing system in fiscal 2015 and had it integrated within the Health System's Epic patient and revenue cycle systems. Activities such as centralized patient scheduling, insurance precertification, payment at point of service and other administrative activities are consolidated across the medical center.

Despite the challenges and the changing healthcare environment, the Health System expects to improve its financial position and operating results during the upcoming year, and will continue to play a key role in supporting the medical center and in its status as a leading academic medical center.

Revenues and operating expenses of **OSU Physicians, Inc.** (OSUP), the University's central practice group for physician faculty members of the College of Medicine and

Public Health, continued to grow in 2015. Total consolidated operating revenues increased \$49 million, to \$406 million, as a result of increased patient volumes. Total consolidated OSUP expenses (excluding depreciation and interest) increased \$31 million to \$374 million in 2015. These figures are included in the Discretely Presented Component Units columns of the university's financial statements.

Total state operating support decreased \$5 million, to \$436 million, in 2015, reflecting a 1% decrease in **state share of instruction**. **State line-item appropriations** were flat.

Total **gifts** to the university increased \$28 million, to \$226 million in 2015. The increase relates primarily to current use gifts, which were up \$26 million over 2014. During 2015, over 237,000 alumni and friends made gifts to the university, up from 233,000 in 2014.

University investments yielded \$173 million of **net investment income** in 2015. The net investment income figure includes \$89 million of interest and dividend income and an \$84 million net increase in the fair value of university investments.

Fiscal 2015 was a challenging environment for investment markets, with high volatility, global equity and bond markets up only slightly, and commodities down 24%. Despite the challenging environment, the university's Long Term Investment Pool (LTIP) generated a net investment return of 3.81% in Fiscal 2015 vs. a benchmark return of 1.87%.

Top contributions to investment return came from U.S. equity-oriented funds, private equity partnerships and real asset partnerships. Natural Resource funds and credit-oriented hedge funds were negative for the year.

Although global market uncertainties continue into Fiscal 2016, we will continue to focus on our highest conviction managers and the most compelling investment opportunities across asset classes and geographies. We are well positioned to take advantage of opportunities and/or market corrections.

The LTIP is a well-diversified portfolio and the university's Investment Office is dedicated to focusing on producing strong risk-adjusted rates of returns over time.

Prior-Year Highlights: In 2014, total net position for the primary institution increased \$697 million, to \$6.64 billion. Net investment income accounted for \$621 million of the increase. Consolidated Health System operating revenues grew \$102 million, to \$2.12 billion in 2014, driven primarily by growth in outpatient revenues and a strong patient mix. Other sources of university operating revenues were flat or showed modest increases compared with 2013. In 2013, total net position (equity) for the primary institution increased \$513 million, to \$5.94 billion at June 30, 2013. Net investment income accounted for \$387 million of the increase, reflecting strong 2013 returns for the university's Long Term Investment Pool.

University Cash Flows Summary (in thousands)

	2015	2014	2013
Net cash flows provided by (used in) operating activities	\$ (125,919)	\$ (365,550)	\$ 82,605
Net cash flows from noncapital financing activities	727,630	706,323	664,464
Capital appropriations and gifts for capital projects	53,092	70,877	82,963
Proceeds from capital debt	300,820	-	499,398
Payments for purchase or construction of capital assets	(610,776)	(566,746)	(608,138)
Principal and interest payments on capital debt and leases, net of federal Build America Bond interest subsidies	(146,095)	(146,514)	(324,944)
Net cash flows provided by (used in) investing activities	(14,974)	70,687	(673,292)
Net increase (decrease) in cash	\$ 183,778	\$ (230,923)	\$ (276,944)

Statement of Cash Flows

University cash and cash equivalents increased \$184 million in 2015. Net cash flows from operating activities increased \$240 million, primarily due to increases in receipts for sales and services from the OSU Health System. Net cash flows from capital financing activities increased \$257 million, reflecting the proceeds of the October 2014 bond issues. Total cash used by investing activities was \$15 million, with net purchases of investments slightly exceeding receipts of investment income.

Economic Factors That Will Affect the Future

The university has made continued progress in executing its strategic plan to become the world's preeminent public comprehensive

university. The university's strategic plan focuses on four core goals:

- **Teaching and Learning:** to provide an unsurpassed, student-centered learning experience led by engaged, world-class faculty and enhanced by a globally diverse student body.
- **Research and Innovation:** to create distinctive and internationally recognized contributions to the advancement of fundamental knowledge and scholarship, and solutions for the world's most pressing problems.
- **Outreach and Engagement:** to establish mutually beneficial partnerships with the citizens and institutions of Ohio, the nation and the world, so that our communities are actively engaged in the exciting work of The Ohio State University.
- **Resource Stewardship:** to become the model for an affordable public university recognized for financial sustainability, unsurpassed management of human and physical resources and operational efficiency and effectiveness.

In his March 2015 investiture address, the university's 15th president, Michael V. Drake, MD, set forth his 2020 Vision for the university. The 2020 Vision is focused on three key areas that underpin Ohio State's overarching academic mission:

- **Access, affordability and excellence** – The university must work to reduce student debt and provide access to an excellent and affordable education.
- **Community engagement** – The university must re-commit to its motto of Education for Citizenship, engaging with community partners to extend its scholarship with the full force and precision of one of the most powerful institutions in the world.
- **Diversity and inclusion** – The university must exemplify what it means to be an inclusive university in the 21st century, a place where diversity is a defining characteristic and source of strength.

President Drake has directed his senior leadership team to identify \$200 million in administrative efficiencies and \$200 million of new revenue generation over the next five years. The first targeted use of these resources will be to increase scholarship funding by \$15 million for the 2015-2016 academic year, with an overall goal of increasing scholarship support by at least \$100 million by 2020. This spring, the university also announced a comprehensive freeze on in-state undergraduate tuition, room and board. Other budget priorities for 2016 include a continuation of the university's commitment to hire 160 new

faculty in disciplines that support the Discovery Themes (Health and Wellness, Energy and the Environment, and Food Production and Security), additional support for the colleges, funding for increased benefit costs and priority requests for academic support operations.

Based on what is now known regarding the university's financial outlook, university management anticipates that Ohio State will maintain its sound financial position in Fiscal Year 2016. However, the university does face certain financial challenges, including limited growth in tuition revenues, the impacts of a new funding model on state support and continued pressure on government expenditures for research.

The final state budget calls for a freeze on undergraduate instructional fees for all institutions, along with a corresponding

increase in the State Share of Instruction (SSI). The SSI pool is expected to increase 4.7% in Fiscal Year 2016 and another 4.0% in Fiscal Year 2017. The new SSI funding model, which is in its third year, emphasizes degree completion as the main driver for funding, rewards institutions for retention of graduates in Ohio and recognizes the additional resources required to help at-risk students earn their degrees. The university continues to assess the impacts of the funding model change within the context of growth in distance education and other non-traditional programs across the state.

Total revenue for sponsored research programs administered by the Office of Sponsored Programs is expected to remain essentially flat in 2016. The university is working to mitigate downward trends in federal and state research support using two primary strategies. First, the

university is working internally to increase the competitiveness of its researchers by facilitating multidisciplinary research, establishing new research centers in emerging areas, creating a proposal development center and investing in cutting-edge core facilities. Second, the university is building external relationships to grow its federal research portfolio, expand strategic partnerships with industry and promote and develop the Ohio Technology Consortium (OH-TECH).

Despite the challenges and uncertainties outlined above, the university remains committed to executing its long-range strategic plan. We believe that, by doing so, The Ohio State University will continue its progress towards becoming the world's preeminent comprehensive public university.



Statements of NET POSITION

June 30, 2015 and June 30, 2014
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2015	2014	2015	2014	2015	2014
ASSETS AND DEFERRED OUTFLOWS:						
Current Assets:						
Cash and cash equivalents	\$ 568,565	\$ 324,919	\$ 76,701	\$ 57,851	\$ 645,266	\$ 382,770
Temporary investments	1,213,486	1,079,689	6,891	8,965	1,220,377	1,088,654
Accounts receivable, net	484,798	440,111	49,242	48,584	534,040	488,695
Notes receivable – current portion, net	23,223	22,798	-	448	23,223	23,246
Pledges receivable – current portion, net	29,805	25,451	-	-	29,805	25,451
Accrued interest receivable	20,346	20,599	-	-	20,346	20,599
Inventories and prepaid expenses	82,934	114,786	5,636	2,979	88,570	117,765
Investments held under securities lending program	37,806	-	-	-	37,806	-
Amounts due from (to) primary institution	(14,510)	(12,507)	14,510	12,507	-	-
Total Current Assets	2,446,453	2,015,846	152,980	131,334	2,599,433	2,147,180
Noncurrent Assets:						
Restricted cash	375,425	435,293	-	-	375,425	435,293
Notes receivable, net	45,634	47,335	1,417	3,286	47,051	50,621
Pledges receivable, net	72,623	69,824	-	-	72,623	69,824
Long-term investment pool	3,659,387	3,613,866	-	-	3,659,387	3,613,866
Other long-term investments	93,367	84,731	736	1,012	94,103	85,743
Capital assets, net	4,803,242	4,492,896	79,911	76,346	4,883,153	4,569,242
Total Noncurrent Assets	9,049,678	8,743,945	82,064	80,644	9,131,742	8,824,589
Total Assets	11,496,131	10,759,791	235,044	211,978	11,731,175	10,971,769
Deferred Outflows						
Pension	218,985	-	40	-	219,025	-
Other deferred outflows	8,098	8,650	-	-	8,098	8,650
Total Deferred Outflows	227,083	8,650	40	-	227,123	8,650
Total Assets and Deferred Outflows	\$ 11,723,214	\$ 10,768,441	\$ 235,084	\$ 211,978	\$ 11,958,298	\$ 10,980,419
LIABILITIES, DEFERRED INFLOWS AND NET POSITION:						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 447,364	\$ 391,064	\$ 19,514	\$ 21,116	\$ 466,878	\$ 412,180
Deposits and advance payments for goods and services	261,537	229,530	942	1,215	262,479	230,745
Current portion of bonds, notes and leases payable	59,484	57,730	816	892	60,300	58,622
Long-term bonds payable, subject to remarketing	596,435	446,435	-	-	596,435	446,435
Liability under securities lending program	37,806	-	-	-	37,806	-
Other current liabilities	68,942	63,822	-	-	68,942	65,822
Amounts due to (from) primary institution – current	(29,960)	(18,377)	29,960	18,377	-	-
Total Current Liabilities	1,441,608	1,172,204	51,232	41,600	1,492,840	1,213,804
Noncurrent Liabilities:						
Bonds, notes and leases payable	2,186,090	2,101,363	15,553	16,362	2,201,643	2,117,725
Net pension liability	2,130,432	-	296	-	2,130,728	-
Compensated absences	151,884	150,042	-	-	151,884	150,042
Self-insurance accruals	107,874	110,872	-	-	107,874	110,872
Amounts due to third-party payors – Health System	44,168	19,779	-	-	44,168	19,779
Obligations under annuity and life income agreements	26,504	32,047	-	-	26,504	32,047
Refundable advances for Federal Perkins loans	32,228	31,657	-	-	32,228	31,657
Other noncurrent liabilities	84,140	91,168	724	1,044	84,864	92,212
Amounts due to (from) primary institution – noncurrent	(66,416)	(62,260)	66,416	62,260	-	-
Total Noncurrent Liabilities	4,696,904	2,474,668	82,989	79,666	4,779,893	2,554,334
Total Liabilities	6,138,512	3,646,872	134,221	121,266	6,272,733	3,768,138
Deferred Inflows:						
Parking service concession arrangement	455,070	464,701	-	-	455,070	464,701
Pension	218,635	-	5	-	218,640	-
Other deferred inflows	19,546	19,749	-	-	19,546	19,749
Total Deferred Inflows	693,251	484,450	5	-	693,256	484,450
Net Position:						
Net investment in capital assets	2,340,342	2,320,611	56,460	53,815	2,396,802	2,374,426
Restricted:						
Nonexpendable	1,355,560	1,281,640	-	-	1,355,560	1,281,640
Expendable	993,000	999,029	-	-	993,000	999,029
Unrestricted	202,549	2,035,839	44,398	36,897	246,947	2,072,736
Total Net Position	4,891,451	6,637,119	100,858	90,712	4,992,309	6,727,831
Total Liabilities, Deferred Inflows and Net Position	\$ 11,723,214	\$ 10,768,441	\$ 235,084	\$ 211,978	\$ 11,958,298	\$ 10,980,419

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

Statements of REVENUES, EXPENSES, AND OTHER CHANGES IN NET POSITION

For the years ended June 30, 2015 and June 30, 2014
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2015	2014	2015	2014	2015	2014
Operating Revenues:						
Student tuition and fees (net of scholarship allowances of \$171,707 and \$164,008, respectively)	\$ 850,289	\$ 815,743	\$ -	\$ -	\$ 850,289	\$ 815,743
Federal grants and contracts	322,266	339,011	8,636	9,100	330,902	348,111
State grants and contracts	88,052	71,970	-	-	88,052	71,970
Local grants and contracts	15,494	16,419	-	-	15,494	16,419
Private grants and contracts	219,540	189,691	37,221	36,725	256,761	226,416
Sales and services of educational departments	137,629	136,816	8,693	8,283	146,322	145,099
Sales and services of auxiliary enterprises (net of scholarship allowances of \$24,538 and \$23,368, respectively)	261,351	228,997	-	-	261,351	228,997
Sales and services of the OSU Health System, net	2,357,824	2,120,891	-	-	2,357,824	2,120,891
Sales and services of OSU Physicians, Inc., net	-	-	405,619	356,503	405,619	356,503
Other operating revenues	43,903	70,686	-	509	43,903	71,195
Total Operating Revenues	4,296,348	3,990,224	460,169	411,120	4,756,517	4,401,344
Operating Expenses:						
Educational and General:						
Instruction and departmental research	940,105	938,385	5,445	5,157	945,550	943,542
Separately budgeted research	434,624	437,497	20,642	22,534	455,266	460,031
Public service	131,965	131,389	2,917	6,085	134,882	137,474
Academic support	192,140	188,641	-	-	192,140	188,641
Student services	100,229	96,892	-	-	100,229	96,892
Institutional support	230,749	278,052	7,185	6,899	237,934	284,951
Operation and maintenance of plant	95,866	98,678	7,017	6,659	102,883	105,337
Scholarships and fellowships	112,944	110,601	-	-	112,944	110,601
Auxiliary enterprises	248,879	241,915	-	-	248,879	241,915
OSU Health System	1,970,124	1,839,645	-	-	1,970,124	1,839,645
OSU Physicians, Inc.	-	-	373,658	342,565	373,658	342,565
Depreciation	335,881	260,367	6,315	6,540	342,196	266,907
Total Operating Expenses	4,793,506	4,622,062	423,179	396,439	5,216,685	5,018,501
Net Operating Income (Loss)	(497,158)	(631,838)	36,990	14,681	(460,168)	(617,157)
Non-operating Revenues (Expenses):						
State share of instruction and line-item appropriations	435,824	440,924	-	-	435,824	440,924
Federal subsidies for Build America Bonds interest	10,498	10,500	-	-	10,498	10,500
Federal non-exchange grants	57,393	52,892	-	-	57,393	52,892
State non-exchange grants	7,797	7,604	-	-	7,797	7,604
Gifts	163,800	138,230	-	-	163,800	138,230
Net investment income	173,295	620,605	183	182	173,478	620,787
Interest expense on plant debt	(69,758)	(54,103)	(477)	(686)	(70,235)	(54,789)
Other non-operating revenues (expenses)	6,352	(3,915)	1,125	2,626	7,477	(1,289)
Net Non-operating Revenue	785,201	1,212,737	831	2,122	786,032	1,214,859
Income before Other Changes in Net Position	288,043	580,899	37,821	16,803	325,864	597,702
Other Changes in Net Position:						
State capital appropriations	40,868	54,808	-	-	40,868	54,808
Private capital gifts	1,688	5,486	-	-	1,688	5,486
Additions to permanent endowments	60,792	54,309	-	-	60,792	54,309
Transfers to (from) primary institution	27,413	1,433	(27,413)	(1,433)	-	-
Total Other Changes in Net Position	130,761	116,036	(27,413)	(1,433)	103,348	114,603
Increase in Net Position	418,804	696,935	10,408	15,370	429,212	712,305
Net Position - Beginning of Year:						
Beginning of year, as previously reported	6,637,119	5,940,184	90,712	75,342	6,727,831	6,015,526
Cumulative effect of accounting change	(2,164,472)	-	(262)	-	(2,164,734)	-
Beginning of Year, as restated	4,472,647	5,940,184	90,450	75,342	4,563,097	6,015,526
Net Position - End of Year	\$ 4,891,451	\$ 6,637,119	\$ 100,858	\$ 90,712	\$ 4,992,309	\$ 6,727,831

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

Statements of CASH FLOWS

Years Ended June 30, 2015 and June 30, 2014
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2015	2014	2015	2014	2015	2014
Cash Flows from Operating Activities:						
Tuition and fee receipts	\$ 755,893	\$ 725,375	\$ -	\$ -	\$ 755,893	\$ 725,375
Grant and contract receipts	657,858	634,309	46,818	47,239	704,676	681,548
Receipts for sales and services	2,707,980	2,448,063	414,736	361,678	3,122,716	2,809,741
Payments to or on behalf of employees	(2,073,659)	(2,082,513)	(266,384)	(237,941)	(2,340,043)	(2,320,454)
University employee benefit payments	(610,685)	(608,638)	(62,704)	(58,092)	(673,389)	(666,730)
Payments to vendors for supplies and services	(1,498,386)	(1,472,266)	(92,355)	(97,488)	(1,590,741)	(1,569,754)
Payments to students and fellows	(103,701)	(101,251)	-	-	(103,701)	(101,251)
Student loans issued	(8,035)	(9,441)	-	-	(8,035)	(9,441)
Student loans collected	11,924	10,847	-	-	11,924	10,847
Student loan interest and fees collected	3,197	3,013	-	-	3,197	3,013
Other receipts	31,695	86,952	-	509	31,695	87,461
Net cash provided (used) by operating activities	(125,919)	(365,550)	40,111	15,905	(85,808)	(349,645)
Cash Flows from Noncapital Financing Activities:						
State share of instruction and line-item appropriations	435,824	440,924	-	-	435,824	440,924
Non-exchange grant receipts	65,190	60,496	-	-	65,190	60,496
Gift receipts for current use	157,720	134,639	-	-	157,720	134,639
Additions to permanent endowments	60,792	54,309	-	-	60,792	54,309
Drawdowns of federal direct loan proceeds	350,550	354,854	-	-	350,550	354,854
Disbursements of federal direct loans to students	(349,197)	(355,622)	-	-	(349,197)	(355,622)
Disbursement of loan proceeds to related organization	-	386	-	-	-	386
Repayment of loans from related organization	552	7,135	-	-	552	7,135
Amounts received for annuity and life income funds	1,874	2,440	-	-	1,874	2,440
Amounts paid to annuitants and life beneficiaries	(8,992)	(3,729)	-	-	(8,992)	(3,729)
Agency funds receipts	4,428	3,665	-	-	4,428	3,665
Agency funds disbursements	(3,662)	(3,342)	-	-	(3,662)	(3,342)
Other receipts (payments)	12,551	10,168	(12,551)	(10,168)	-	-
Net cash provided (used) by noncapital financing activities	727,630	706,323	(12,551)	(10,168)	715,079	696,155
Cash Flows from Capital Financing Activities:						
Proceeds from capital debt	300,820	-	-	-	300,820	-
State capital appropriations	43,421	57,929	-	-	43,421	57,929
Gift receipts for capital projects	9,671	12,948	-	-	9,671	12,948
Payments for purchase or construction of capital assets	(610,776)	(566,746)	(9,879)	(2,723)	(620,655)	(569,469)
Principal payments on capital debt and leases	(56,857)	(58,473)	(885)	(1,277)	(57,742)	(59,750)
Interest payments on capital debt and leases	(99,736)	(98,541)	(477)	(686)	(100,213)	(99,227)
Federal subsidies for Build America Bonds interest	10,498	10,500	-	-	10,498	10,500
Net cash used by capital financing activities	(402,959)	(642,383)	(11,241)	(4,686)	(414,200)	(647,069)
Cash Flows from Investing Activities:						
Net (purchases) sales of temporary investments	(133,795)	(70,454)	2,072	3,606	(131,723)	(66,848)
Proceeds from sales and maturities of long-term investments	817,204	981,378	-	-	817,204	981,378
Investment income	123,968	121,131	183	182	124,151	121,313
Purchases of long-term investments	(822,351)	(961,368)	276	517	(822,075)	(960,851)
Net cash provided (used) by investing activities	(14,974)	70,687	2,531	4,305	(12,443)	74,992
Net Increase (Decrease) in Cash	183,778	(230,923)	18,850	5,356	202,628	(225,567)
Cash and Cash Equivalents – Beginning of Year	760,212	991,135	57,851	52,495	818,063	1,043,630
Cash and Cash Equivalents – End of Period	\$ 943,990	\$ 760,212	\$ 76,701	\$ 57,851	\$ 1,020,691	\$ 818,063

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

Statements of CASH FLOWS (continued)

Years Ended June 30, 2015 and June 30, 2014
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2015	2014	2015	2014	2015	2014
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:						
Operating income (loss)	\$ (497,158)	\$ (631,838)	\$ 36,990	\$ 14,681	\$ (460,168)	\$ (617,157)
Adjustments to reconcile net operating income (loss) to net cash used by operating activities:						
Depreciation expense	335,881	260,367	6,315	6,540	342,196	266,907
Changes in assets and liabilities:						
Accounts receivable, net	(48,569)	(56,598)	(659)	(526)	(49,228)	(57,124)
Notes receivable, net	725	2,049	2,317	(1,306)	3,042	743
Accrued interest receivable	269	-	-	-	269	-
Deferred outflows	(68,057)	-	-	-	(68,057)	-
Inventories and prepaid expenses	31,852	(31,000)	(2,657)	(687)	29,195	(31,687)
Accounts payable and accrued liabilities	53,469	(7,456)	(1,602)	(2,479)	51,867	(9,935)
Self-insurance accruals	(2,998)	4,021	-	-	(2,998)	4,021
Amounts due to third-party payors - Health System	24,389	8,413	-	-	24,389	8,413
Deposits and advance payments for goods and services	20,163	49,873	(273)	138	19,890	50,011
Compensated absences	1,842	12,305	-	(43)	1,842	12,262
Refundable advances for Federal Perkins loans	571	212	-	-	571	212
Net pension liability	(184,971)	-	-	-	(184,971)	-
Deferred inflows	209,324	(9,631)	(320)	-	209,004	(9,631)
Other liabilities	(2,651)	33,734	-	(413)	(2,651)	33,321
Net cash provided (used) by operating activities	<u>\$ (125,919)</u>	<u>\$ (365,550)</u>	<u>\$ 40,111</u>	<u>\$ 15,905</u>	<u>\$ (85,808)</u>	<u>\$ (349,645)</u>
Non Cash Transactions:						
Capital Lease	\$ -	\$ 620	\$ -	\$ -	\$ -	\$ 620
Construction in Process in Accounts Payable	65,988	63,164	-	-	65,988	63,164
Stock Gifts	17,915	16,202	-	-	17,915	16,202

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

Notes to Financial Statements |

Years Ended June 30, 2015 and 2014 (dollars in thousands)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

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

The university is governed by a Board of Trustees which is granted authority under Ohio law to do all things necessary for the proper maintenance and continual successful operation of the university. Trustees are appointed by the governor, with the advice and consent of the state Senate. In 2005, the Ohio General Assembly voted to expand the Board from 11 to 17 members. The standard term for voting members of the Board is nine years. However, as part of the transition to a larger board membership, the additional trustees appointed in 2005 and 2006 will serve terms ranging from four to eight years. The Board also includes two non-voting student trustees who are appointed to two-year terms.

In 2009, the Board appointed its first charter trustee, which expanded the Board to 18 members. A maximum of three charter trustees may be appointed and removed by a vote of the Board. Charter trustees, who must be non-Ohio residents, are appointed to three-year terms and do not have voting privileges.

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, which constitute the primary government for financial reporting purposes:

- The Ohio State University and its hospitals and clinics
- Ohio Agricultural Research and Development Center
- The Ohio Technology Consortium (OH-TECH)

In addition, these financial statements include component units -- legally separate organizations for which the university is financially accountable. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61, *The Financial Reporting Entity: Omnibus*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- Appointment of a voting majority of an organization’s governing authority and the ability of the primary government (i.e. the university) to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or;
- An organization is fiscally dependent on the primary government and provides specific financial benefits to, or imposes specific financial burdens on, the primary government.

The university’s component units and the reasons for their inclusion in the university’s financial statements are described below:

- **The Ohio State University Foundation** – The fiscal dependency criteria apply to this not-for-profit fundraising organization, which operates exclusively for the benefit of The Ohio State University.
- **OSU Health Plan, Inc.** – The university appoints a voting majority of the board for this organization, which provides medical benefit plan administration services to the university and its faculty and staff.
- **Oval Limited** – The university holds all of the voting stock of this captive insurance entity, which was established by the university to provide medical malpractice coverage to physicians in the university’s medical center.

The component units listed above provide services entirely, or almost entirely, to the university or otherwise exclusively, or almost exclusively, benefit the university. Therefore, the transactions and balances for these organizations have been blended with those of the university.

In addition to the blended component units described above, the university’s financial statements include the following discretely presented component units:

- **The Ohio State University Physicians, Inc.** – The university appoints a voting majority of the board of the medical practice group for physician faculty members in the Colleges of Medicine and Public Health.

- **Campus Partners for Community Urban Redevelopment, Inc.** – The university appoints a voting majority of the board for this non-profit organization, which participates in the redevelopment of neighborhoods adjacent to the Columbus campus.
- **Transportation Research Center of Ohio, Inc.** – The university appoints a voting majority of the board for this automotive research and testing facility in East Liberty, Ohio.
- **Dental Faculty Practice Association, Inc.** – The university appoints a voting majority of the board for the dental practice group for faculty in the College of Dentistry.

Summary financial statement information for the university's blended and discretely presented component units is provided in Notes 19 and 20. Audited financial statements for component units considered to be material to the university may be obtained from the Office of the Controller. A total university column in the financial statements is provided as memorandum only for purposes of additional analysis by users.

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

Basis of Accounting

The financial statements of the university have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. The university is reporting as a special purpose government engaged in

business type activities (BTA) on the accrual basis. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. In accordance with BTA reporting, the university presents Management's Discussion and Analysis; Statements of Net Position; Statements of Revenues, Expenses and Other Changes in Net Position; Statements of Cash Flows; and Notes to the Financial Statements. In the Financial Statements, separate columns are presented for the *primary institution* (which includes the primary government and the blended component units), *discretely presented component units* and the *total university*. The Notes to the Financial Statements include separate disclosures for the primary institution and the discretely presented component units, where relevant. Unless otherwise specified, the amounts presented in MD&A are those of the primary institution.

The university's 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 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 by the university.

These assets primarily consist of the university's permanent endowments.

- **Restricted - expendable:** Amounts 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.
- **Unrestricted:** Amounts which are not subject to externally-imposed stipulations. Substantially all unrestricted balances 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 funds are available.

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

Cash and Investments

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, savings accounts and investments with original maturities of ninety days or less at the time of purchase. Such investments consist primarily of U.S. Government obligations, U.S. Agency obligations, repurchase agreements and

money market funds. Restricted cash consists of bond proceeds restricted for capital expenditures. For purposes of the Statement of Cash Flows, "cash" is defined as the total of these two line items.

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

The university holds investments in limited partnerships, private equity and other investments, which are carried at estimated fair value provided by the management of these limited partnerships. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Investments in these limited partnerships are fair valued based on the university's proportional share of the net asset value of the total fund. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. As of June 30, 2015, the university has made commitments to limited partnerships totaling \$518,100 that have not yet been funded. These commitments may extend for a maximum of ten years.

Investment in real estate is carried at cost, if purchased, or appraised value at the date of

the gift. Holdings in real estate investment trusts (REITs) are carried at estimated fair values. The carrying and fair values of real estate at June 30, 2015 are \$5,589 and \$14,125, respectively. The carrying and fair values of real estate at June 30, 2014 are \$4,873 and \$13,713, respectively.

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

Endowment Policy

All endowments are invested in the university's Long Term Investment Pool, which consists of more than 5,000 Board authorized funds. Each named fund is assigned a number of shares in the Long Term Investment Pool 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 Long Term Investment Pool, and the associated net position is classified as restricted-expendable, unless otherwise restricted by the donor.

Annual distributions to named funds in the Long Term Investment Pool are computed using the share method of accounting for pooled investments. The annual distribution

per share is 4.25% of the average fair value per share of the Long Term Investment Pool over the most recent seven year period.

At June 30, 2015, the fair value of the university's gifted endowments is \$1,805,143, which is \$318,259 above the historical dollar value of \$1,486,884. Although the fair value of the gifted endowments in total exceeds the historical cost at June 30, 2015, there are 1,466 named funds that remain underwater. The fair value of these underwater funds at June 30, 2015 is \$499,341, which is \$48,910 below the historical dollar value of \$548,251.

At June 30, 2014, the fair value of the university's gifted endowments was \$1,768,771, which was \$349,902 above the historical dollar value of \$1,418,869. Although the fair value of the gifted endowments in total exceeded the historical cost at June 30, 2014, there were 1,212 named funds that were underwater. The fair value of these underwater funds at June 30, 2014 was \$419,662, which was \$40,773 below the historical dollar value of \$460,435.

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.

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, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift and nature of fundraising.

Inventories

The university's inventories, which consist principally of publications, general stores and other goods for resale by earnings operations, are valued at the lower of moving average cost or market. The inventories of the Health System, 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, software 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, software 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..

Advance Payments for Goods and Services

Advance payments for goods and services primarily consist of receipts relating to tuition, room, board, grants, contracts and athletic events received in advance of the services to be provided. Tuition and fees relating to the summer academic term 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.

Derivative Instruments and Hedging Activities

The university accounts for all derivative instruments on the statement of net position at fair value. Changes in the fair value (i.e., gains or losses) of the university's interest rate swap derivative are recorded each period in the statement of operations and changes in net position as a component of other non-operating expense.

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 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 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 net 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 Health System 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, and this funding is recorded as state capital appropriations. 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 statement of net position. 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. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to three years.

The university generally considers grants, contracts and non-capital appropriations to be exchange transactions. Under these arrangements, the university provides a bargained-for benefit, typically in the form of instruction, research or public service programs, either directly to the funding entity or to its constituents. The overall scope and nature of these program activities is determined by the level of funding and the requirements set forth by these resource providers.

OSU Health System Revenue

Net patient service revenue represents amounts received and the estimated realizable amounts due from patients and third-party payers for services rendered net of contractual allowances, charity care and bad debt expenses. 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 Health System contests 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 Health System recognizes settlements of protested adjustments or appeals upon resolution of the matters.

OSU Physicians Revenue

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

Charity Care and Community Benefit

Care is provided to patients regardless of their ability to pay. A patient is classified as charity care in accordance with policies established by the OSU Health System

and OSUP. Because collection of amounts determined to qualify as charity care are not pursued, such amounts are written off as administrative adjustments and not reported as net patient service revenue. OSU Health System and OSUP maintain records to identify and monitor the level of charity care provided, including the amount of charges foregone for services rendered. Net charity care costs for the OSU Health System for the years ended June 30, 2015 and 2014 are \$12,602 and \$32,609, respectively, after applying reductions of \$12,993 and \$20,710, respectively, for support received under the Health Care Assurance Program (HCAP). HCAP is administered by the State of Ohio to help hospitals cover a portion of the cost of providing charity care. Charity care costs for OSUP for the years ended June 30, 2015 and 2014 are \$6,743 and \$15,026, respectively.

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.

Implementation of GASB Statement No. 68

In fiscal year 2015, the university implemented GASB Statement No. 68, *Accounting and Financial Reporting for*

Pensions, as amended by GASB Statement No. 71. GASB Statement No. 68 requires employers participating in cost-sharing

multiple-employer pension plans to recognize a proportionate share of the net pension liabilities of the plans. The university participates in two cost-sharing multiple-employer pension plans – the State Teachers Retirement System of Ohio and the Public Employees Retirement System of Ohio. A proportionate share of the net pension liabilities of the retirement systems has been allocated to the university, based on retirement plan contributions for university employees. The cumulative effect of adopting GASB Statement No. 68 was a \$2,164,471 reduction in the university's net position as of July 1, 2014. Balances reported for the year ended June 30, 2014 have not been restated due to limitations on the information available from the retirement systems. Additional information regarding net pension liabilities, related deferrals and pension expense is provided in Note 15.

Newly Issued Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 expands the guidance on valuation of university investments, particularly alternative investments. It closely follows the Financial Accounting Standard Board's (FASB) valuation approach and disclosure requirements, including the categorization of investment fair value measurements into Levels 1, 2 and 3. Statement No. 72 will require additional disclosures, including a

schedule of investments by type and level and additional details on investments that calculate Net Asset Value (NAV) per share. It is effective for periods beginning after June 15, 2015 (fiscal year 2016).

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statement Nos. 67 and 68). The requirements in Statement No. 73 for reporting pensions generally are the same as in Statement 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015 (fiscal year 2016)—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for financial statements for fiscal years beginning after June 15, 2016 (fiscal year 2017).

In June 2015, the GASB issued Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement Nos. 74 and 75 establish new accounting and reporting standards for other postemployment benefits (OPEB), such as health insurance provided to retirees.

Under the new standards, governments that participate in OPEB plans will be required to report in their statement of net position a net OPEB liability, which is the difference between the total OPEB liability and the assets set aside to pay OPEB. Statement No. 74, which applies to plans (such as OPERS and STRS-Ohio), is effective for periods beginning after June 15, 2016 (fiscal year 2017). Statement No. 75, which applies to plan participants (including the university), is effective for periods beginning after June 15, 2017 (fiscal year 2018).

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement No. 76 reduces the GAAP hierarchy for state and local governments to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category consists of GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is specifically cleared by the GASB. The new standard is effective for periods beginning after June 15, 2015 (fiscal year 2016).

University management is currently assessing the impact that implementation of GASB Statements No. 72, 73, 74, 75 and 76 will have on the university's financial statements.

Other

The university 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.

NOTE 2 — CASH AND CASH EQUIVALENTS

At June 30, 2015, the carrying amount of the primary institution's cash, cash equivalents and restricted cash for all funds is \$943,990 as compared to bank balances of \$937,154. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$27,838 is covered by federal deposit insurance and \$909,316 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2014, the carrying amount of the primary institution's cash, cash equivalents and restricted cash for all funds is \$760,212 as compared to bank balances of \$754,462. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$17,803 is covered by federal deposit insurance and \$736,659 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2015, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash for all funds is \$76,701 as compared to bank

balances of \$66,246. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$5,427 is covered by federal deposit insurance and \$60,819 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2014, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash for all funds is \$57,851 as compared to bank balances of \$47,964. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$4,963 is covered by federal deposit insurance and \$43,001 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

NOTE 3 — INVESTMENTS

University investments are grouped into three major categories for financial reporting purposes: Temporary Investments, the Long-Term Investment Pool and Other Long-Term Investments.

Temporary Investments are amounts available for current operations. The target is to maximize value while protecting the liquidity of the assets. Temporary Investments include the following instruments with varying maturities: obligations of the U. S. Treasury and other federal agencies and instrumentalities,

municipal and state bonds, corporate bonds, certificates of deposit, commercial paper, repurchase agreements, money market funds and mutual funds.

The Long-Term Investment Pool is a unitized investment pool consisting of gifted endowment funds of the university, gifted endowment funds of the OSU Foundation, and quasi-endowment funds which are internally designated funds that are to function as endowments. The Long-Term Investment Pool operates with a long-term investment goal of preserving and maintaining the real purchasing power of the principal while allowing for the generation of a predictable stream of annual distribution. The university's Board of Trustees approved the following thematic asset classes, allocation ranges and benchmarks for the Long-Term Investment Pool:

Asset Class	Range	Benchmark
Global Equities	40-80%	MSCI All Country World Index (ACWI)
Global Credit	10-50%	Barclays U.S. Aggregate Bond Index
Real Assets	5-20%	U.S. Consumer Price Index (CPI) + 5%

The Global Equities category includes domestic equity, international equity, emerging market equity, hedged funds and private equity. The Global Credit category includes global fixed income and relative value/macro, credit oriented managers and private credit. The Real Assets category includes real estate and infrastructure funds.

Other Long-Term Investments are non-unitized investments that relate primarily to gift arrangements between donors and the OSU Foundation. Included in this category are charitable remainder trust assets invested in mutual funds, OSU Foundation interests in unitrust, gift annuities, annuity trust and pooled income agreements, life insurance policies for which the OSU Foundation has been named owner and beneficiary, and certain real estate investments. Also included in this category

are investments in certain organizations that are affiliated with the OSU Health System.

U. S. Government and Agency securities are invested through trust agreements with banks who keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the university. Common stocks, corporate bonds and money market instruments are invested through trust agreements with banks who keep the investments in their safekeeping accounts at Northern Trust and BNY Mellon in "book entry" form. The banks internally designate the securities as owned by or pledged to the university.

The cash and cash equivalents amount represents cash held in the long-term investment pool by various investment managers. Such amounts were generated by gifts received throughout the fiscal year and sales of investments in the long-term investment pool. Subsequently, the cash and cash equivalents will be used to purchase long-term investments.

Total university investments by major category for the primary institution at June 30, 2015 and 2014 are as follows:

	2015	2014
Temporary Investments	\$ 1,213,486	\$ 1,079,689
Long-Term Investment Pool:		
Gifted Endowment - University	1,047,985	1,057,810
Gifted Endowment - OSU Foundation	757,158	710,961
Quasi Endowment - Operating	1,164,148	1,158,595
Quasi Endowment - Designated	690,096	686,500
Total Long-Term Investment Pool	3,659,387	3,613,866
Securities Lending Collateral Investments	37,806	-
Other Long-Term Investments	93,367	84,731
Total Investments	\$ 5,004,046	\$ 4,778,286

Total university investments by investment type for the primary institution at June 30, 2015 are as follows:

	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Securities Lending Collateral Investments	Total
Common stock	\$ 1	\$ 478,379	\$ -	\$ -	\$ 478,380
Equity mutual funds	92,463	152,063	24,532	-	269,058
U.S. government obligations	130,087	193,656	1,812	-	325,555
U.S. government agency obligations	89,413	-	-	-	89,413
Repurchase agreements	2,000	-	-	-	2,000
Corporate bonds and notes	767,080	-	231	-	767,311
Bond mutual funds	75,107	-	17,058	-	92,165
Foreign government bonds	16,454	-	-	-	16,454
Real estate	5	-	5,561	-	5,566
Partnerships and hedge funds	-	2,786,275	29,602	-	2,815,877
Commercial paper	25,763	-	-	-	25,763
Cash and cash equivalents	-	49,014	-	-	49,014
Other	15,113	-	14,571	-	29,684
Securities Lending Collateral Assets:					
Repurchase agreements	-	-	-	12,460	12,460
Variable rate notes	-	-	-	15,682	15,682
Commercial paper	-	-	-	5,128	5,128
Certificates of deposit	-	-	-	4,538	4,538
Cash and other adjustments	-	-	-	(2)	(2)
Total Investments	\$ 1,213,486	\$ 3,659,387	\$ 93,367	\$ 37,806	\$ 5,004,046

Total university investments by investment type for the primary institution at June 30, 2014 are as follows:

	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Total
Common stock	\$ -	\$ 404,675	\$ -	\$ 404,675
Equity mutual funds	93,997	177,992	28,445	300,434
U.S. government obligations	101,634	10,686	1,891	114,211
U.S. government agency obligations	104,930	9,225	-	114,155
Repurchase agreements	800	-	-	800
Corporate bonds and notes	654,016	30,114	247	684,377
Bond mutual funds	82,230	51,271	21,247	154,748
Foreign government bonds	15,659	427	-	16,086
Real estate	5	-	5,131	5,136
Partnerships and hedge funds	-	2,836,312	12,033	2,848,345
Commercial paper	8,541	-	-	8,541
Cash and cash equivalents	-	92,211	-	92,211
Other	17,877	953	15,737	34,567
Total Investments	\$ 1,079,689	\$ 3,613,866	\$ 84,731	\$ 4,778,286

The components of the net investment income for the primary institution are as follows:

	Interest and Dividends (net)	Net Increase (Decrease) in Fair Value of Investments	Net Investment Income (Loss)
Temporary Investments	\$ 8,596	\$ 10,978	\$ 19,574
Long-Term Investment Pool	77,331	75,845	153,176
Other Long-Term Investments	2,831	(2,286)	545
Total 2015	<u>\$ 88,758</u>	<u>\$ 84,537</u>	<u>\$ 173,295</u>
Total 2014	<u>\$ 96,343</u>	<u>\$ 524,262</u>	<u>\$ 620,605</u>

Additional Risk Disclosures for Investments

Statements No. 3 and 40 of the Governmental Accounting Standards Board require certain additional disclosures related to the custodial, interest-rate, credit and foreign currency risks associated with deposits and investments.

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

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2015 are as follows:

	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 325,555	\$ 18,432	\$ 224,315	\$ 82,808	\$ -
U.S. agency obligations	89,413	1,833	58,609	12,997	15,974
Repurchase agreements	2,000	2,000	-	-	-
Commercial paper	25,763	25,763	-	-	-
Corporate bonds	767,311	205,581	492,879	30,366	38,485
Bond mutual funds	92,165	21,527	33,287	27,499	9,852
Other governmental bonds	14,572	1,531	12,195	-	846
Foreign governmental bonds	16,454	7,096	9,052	306	-
Securities Lending Collateral:					
Repurchase agreements	12,460	12,460	-	-	-
Certificates of deposit	4,538	4,538	-	-	-
Commercial paper	5,128	5,128	-	-	-
Variable rate notes	15,682	15,080	602	-	-
Total	<u>\$ 1,371,041</u>	<u>\$ 320,969</u>	<u>\$ 830,939</u>	<u>\$ 153,967</u>	<u>\$ 65,157</u>

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2014 are as follows:

	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 114,211	\$ 21,246	\$ 89,100	\$ 273	\$ 3,592
U.S. agency obligations	114,155	6,859	67,667	20,953	18,676
Repurchase agreements	800	800	-	-	-
Commercial paper	8,541	8,541	-	-	-
Corporate bonds	684,377	125,262	485,191	24,525	49,399
Bond mutual funds	154,748	21,253	45,402	23,149	64,944
Other governmental bonds	18,051	2,050	13,533	897	1,571
Foreign governmental bonds	16,086	2,203	13,155	301	427
Total	<u>\$ 1,110,969</u>	<u>\$ 188,214</u>	<u>\$ 714,048</u>	<u>\$ 70,098</u>	<u>\$ 138,609</u>

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the custodian, university investments may not be recovered. It is the policy of the university to hold investments in custodial accounts, and the securities are registered solely in the name of the university. All investments

are transacted with nationally reputable brokerage firms offering protection by the Securities Investor Protection Corporation.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. Credit quality information –

as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk.

Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, securities with split ratings, or a different rating assignment, are disclosed using the rating indicative of the greatest degree of risk.

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2015 are as follows:

	Total	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Not Rated
U.S. government and agency obligations	\$ 414,968	\$ -	\$ 413,772	\$ 528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 668
Repurchase agreements	2,000	-	-	-	-	-	-	-	-	-	-	2,000
Corporate bonds	767,311	83,411	131,000	319,689	182,628	30,932	9,022	-	-	-	-	10,629
Bond mutual funds	92,165	38,037	12,435	21,085	17,972	1,023	220	220	219	219	250	485
Foreign governmental bonds	16,454	2,011	2,228	8,557	3,157	-	-	-	-	-	-	501
Commercial paper	25,763	-	-	-	-	-	-	-	-	-	-	25,763
Other governmental bonds	14,572	-	7,168	4,437	2,967	-	-	-	-	-	-	-
Securities Lending Collateral:												
Repurchase agreements	12,460	-	-	-	-	-	-	-	-	-	-	12,460
Certificates of deposit	4,538	982	-	3,556	-	-	-	-	-	-	-	-
Commercial paper	5,128	763	408	3,957	-	-	-	-	-	-	-	-
Variable rate notes	15,682	358	7,006	8,318	-	-	-	-	-	-	-	-
Total	\$ 1,371,041	\$ 125,562	\$ 574,017	\$ 370,127	\$ 206,724	\$ 31,955	\$ 9,242	\$ 220	\$ 219	\$ 219	\$ 250	\$ 52,506

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2014 are as follows:

	Total	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Not Rated
U.S. government and agency obligations	\$ 228,366	\$ -	\$ 226,193	\$ 806	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,367
Repurchase agreements	800	-	-	800	-	-	-	-	-	-	-	-
Corporate bonds	684,377	79,301	109,281	295,614	162,954	27,538	4,922	217	-	-	44	4,506
Bond mutual funds	154,748	50,742	5,421	35,949	12,012	958	1,678	6,011	1,222	56	2,799	37,900
Foreign governmental bonds	16,086	1,003	1,728	10,240	3,115	-	-	-	-	-	-	-
Commercial paper	8,541	-	-	7,941	600	-	-	-	-	-	-	-
Other governmental bonds	18,051	2,507	7,599	7,116	779	-	-	-	-	-	-	-
Total	\$ 1,110,969	\$ 133,553	\$ 350,222	\$ 358,516	\$ 179,460	\$ 28,496	\$ 6,600	\$ 6,228	\$ 1,222	\$ 56	\$ 2,843	\$ 43,773

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

At June 30, 2015 exposure to foreign currency risk for the primary institution is as follows:

	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds and Notes	Foreign Government Bonds	Partnerships and Hedge Funds
Argentinian Peso	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -
Australian dollar	428	9,574	(291)	-	-	17,949
Bermudian dollar	-	4	-	-	-	-
Brazilian real	4,649	7,152	(260)	2,911	-	-
Canadian dollar	1,113	3,340	5	-	-	-
Chilean peso	-	1,578	-	-	-	-
Chinese yuan	-	2,877	(18)	-	-	-
Columbian peso	-	57	-	-	-	-
Czech Republic koruna	997	1,337	-	-	-	-
Danish krone	-	6,773	(5)	-	-	-
Egyptian pound	1,728	46	-	-	-	-
Euro	40,738	57,061	(304)	2,566	-	64,973
Great Britain pound sterling	34,153	48,884	43	2,039	-	15,035
Hong Kong dollar	9,661	14,922	15	-	-	-
Hungarian forint	-	6	-	-	-	-
Indian rupee	4,222	2,609	278	-	-	-
Indonesian rupiah	1,059	691	-	-	-	-
Israeli shekel	-	247	-	-	-	-
Japanese yen	18,545	33,586	64	-	-	-
Korean dollar	-	775	-	-	-	-
Macanese pataca	-	6	-	-	-	-
Malaysian ringgit	-	807	8	-	-	-
Mali West African CFA franc	-	4	-	-	-	-
Mexican peso	1,755	1,908	5	-	-	-
New Taiwan dollar	5,290	5,218	(5)	-	-	-
New Turkish lira	1,359	1,428	5	-	-	-
New Zealand dollar	-	87	(197)	-	-	-
Norwegian krone	964	1,614	-	-	-	-
Peruvian nuevo sol	-	12	-	-	-	-
Philippine peso	-	209	-	-	-	-
Polish zloty	-	165	(23)	-	-	-
Qatari rial	-	22	-	-	-	-
Russian ruble	-	435	(3)	-	-	-
Singapore dollar	-	8,357	(140)	-	-	-
South African rand	4,869	4,057	(10)	-	-	-
South Korean won	6,537	1,796	3	-	-	-
Swedish krona	1,272	2,379	8	-	-	-
Swiss franc	15,756	6,949	(8)	-	-	-
Thailand bhat	2,368	914	-	-	-	-
UAE dirham	1,536	658	-	-	-	-
Zambian kwacha	-	4	-	-	-	-
Total	\$ 158,999	\$ 228,549	\$ (830)	\$ 7,516	\$ -	\$ 97,957

At June 30, 2014, exposure to foreign currency risk for the primary institution is as follows:

	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds and Notes	Foreign Government Bonds	Partnerships and Hedge Funds
Australian dollar	\$ -	\$ 5,793	\$ 59	\$ -	\$ -	\$ 22,624
Brazilian real	7,011	5,530	11	-	-	-
Canadian dollar	-	3,216	60	-	-	-
Chilean peso	-	4,674	-	-	-	-
Chinese yuan	-	1,885	1	-	-	-
Columbian peso	-	103	-	-	-	-
Czech Republic koruna	1,035	892	-	-	-	-
Danish krone	-	512	-	1,290	-	-
Egyptian pound	1,163	37	-	-	-	-
Euro	39,013	30,886	54	1,488	684	50,915
Great Britain pound sterling	33,353	35,301	92	45	-	113
Hong Kong dollar	8,900	8,363	-	-	-	-
Hungarian forint	-	4	-	-	-	-
Indian rupee	4,248	4,885	38	-	-	-
Indonesian rupiah	2,020	950	-	-	-	-
Israeli shekel	-	222	-	-	-	-
Japanese yen	18,213	24,271	24	-	-	-
Jordanian dinar	-	1,792	-	-	-	-
Malaysian ringgit	-	744	-	-	-	-
Mexican peso	656	800	-	-	-	-
Moroccan dirham	-	-	-	-	-	-
New Taiwan dollar	5,097	1,304	-	-	-	-
New Turkish lira	1,249	1,456	-	-	-	-
New Zealand dollar	-	56	30	-	-	-
Norwegian krone	1,061	1,275	28	-	-	-
Peruvian nuevo sol	-	50	-	-	-	-
Philippine peso	-	145	-	-	-	-
Polish zloty	-	156	-	-	-	-
Russian ruble	-	552	-	-	-	-
Singapore dollar	-	5,900	30	-	-	-
South African rand	5,193	3,009	(14)	-	-	-
South Korean won	9,371	1,592	30	-	-	-
Sri Lanka rupee	-	-	-	-	-	-
Swedish krona	3,291	3,754	28	-	-	-
Swiss franc	14,859	8,481	17	-	-	-
Thailand bhat	-	249	-	-	-	-
UAE dirham	1,640	51	-	-	-	-
Total	\$ 157,373	\$ 158,890	\$ 488	\$ 2,823	\$ 684	\$ 73,652

Securities Lending

The university has engaged in a securities lending program through its custodian bank of the long-term investment pool. Securities loaned at June 30, 2015 were comprised completely of equity, and these loans were secured by collateral in the form of cash, equity, U.S. government obligations, and foreign government/private debt. All loans must be secured by collateral amounting to no less than 102% of the current fair value of domestic securities loaned and no less than 105% of the current fair value of foreign securities loaned.

As of the financial statements' date, there was no credit risk on securities loaned due to the fair value of the collateral held being greater than the fair value of securities on loan to each individual broker. The university, the custodian, and the borrower each maintain the right to terminate a loan. Upon maturity or termination of a loan agreement,

the custodian is contractually obligated to indemnify the university if the borrowers fail to return loaned securities and if liquidation of the collateral is insufficient to replace the value of the securities loaned. Noncash collateral cannot be pledged or sold by the university without a borrower's default. While earning fees received by the university during the loan period, cash collateral is simultaneously invested in short term, highly liquid securities in order to further increase interest earned while also matching a weighted average maturity of loans which is not to exceed 60 days. As of June 30, 2015, securities loaned by the university amounted to a fair value of \$77,302 and were secured by collateral in the amount of \$82,564. The portion of this collateral that was received in cash amounted to \$37,806 and is reflected within the university's statement of net position as a current asset and a corresponding current liability.

NOTE 4 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable for the primary institution at June 30, 2015 and 2014 consist of the following:

	2015	2014
Patient receivables - OSU Health System	\$ 1,010,390	\$ 868,912
Grant and contract receivables	88,433	86,015
Tuition and fees receivable	23,314	18,931
Receivables for departmental and auxiliary sales and services	51,390	52,200
State and federal receivables	8,140	12,046
Other receivables	85	112
Total receivables	1,181,752	1,038,217
Less: Allowances for doubtful accounts	696,954	598,106
Total receivables, net	<u>\$ 484,798</u>	<u>\$ 440,111</u>

Allowances for doubtful accounts consist primarily of patient receivables of the OSU Health System.

Notes receivable consist primarily of Perkins and health professions loans and are net of an allowance for doubtful accounts of \$17,130 and \$17,000 at June 30, 2015 and 2014, respectively. Federal capital contributions to the Perkins loan programs represent advances which are ultimately refundable to the federal government.

In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-exchange Transactions*, the university has recorded \$108,039 in non-endowment pledges receivable and a related allowance for doubtful accounts of \$5,611 at June 30, 2015. The university recorded \$99,646 in non-endowment pledges receivable and a related allowance for doubtful accounts of \$4,371 at June 30, 2014.

NOTE 5 — CAPITAL ASSETS

Capital assets activity for the primary institution for the year ended June 30, 2015 is summarized as follows:

The decrease in construction in progress of \$879,301 in fiscal year 2015 represents the amount of capital expenditures for new projects of \$561,719, net of assets placed in service of \$1,441,020.

Capital assets activity for the primary institution for the year ended June 30, 2014 is summarized as follows:

The increase in construction in progress of \$349,042 in fiscal year 2014 represents the amount of capital expenditures for new projects of \$578,415, net of assets placed in service of \$229,373.

Primary Institution

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 68,926	\$ 18,598	\$ 609	\$ 86,915
Intangibles	18,413	-	-	18,413
Construction in progress	1,211,647	(879,301)	-	332,346
Total non-depreciable assets	1,298,986	(860,703)	609	437,674
Capital assets being depreciated:				
Improvements other than buildings	508,330	222,467	451	730,346
Buildings and fixed equipment	4,592,063	1,025,531	10,053	5,607,541
Movable equipment, furniture and software	1,101,236	258,716	59,484	1,300,468
Library books	171,669	6,609	525	177,753
Total	6,373,298	1,513,323	70,513	7,816,108
Less: Accumulated depreciation	3,179,388	335,881	64,729	3,450,540
Total depreciable assets, net	3,193,910	1,177,442	5,784	4,365,568
Capital assets, net	\$ 4,492,896	\$ 316,739	\$ 6,393	\$ 4,803,242

Primary Institution

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 69,191	\$ -	\$ 265	\$ 68,926
Intangibles	18,413	-	-	18,413
Construction in progress	862,605	349,042	-	1,211,647
Total non-depreciable assets	950,209	349,042	265	1,298,986
Capital assets being depreciated:				
Improvements other than buildings	499,119	11,730	2,519	508,330
Buildings and fixed equipment	4,444,865	175,671	28,473	4,592,063
Movable equipment, furniture and software	1,036,759	91,659	27,182	1,101,236
Library books	165,973	5,945	249	171,669
Total	6,146,716	285,005	58,423	6,373,298
Less: Accumulated depreciation	2,960,533	260,367	41,512	3,179,388
Total depreciable assets, net	3,186,183	24,638	16,911	3,193,910
Capital assets, net	\$ 4,136,392	\$ 373,680	\$ 17,176	\$ 4,492,896

Capital assets activity for the discretely presented component units for the year ended June 30, 2015 is summarized as follows:

Capital assets activity for the discretely presented component units for the year ended June 30, 2014 is summarized as follows:

Discretely Presented Component Units

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,794	\$ 5,050	\$ -	\$ 10,844
Intangibles	-	-	-	-
Construction in progress	15	567	-	582
Total non-depreciable assets	5,809	5,617	-	11,426
Capital assets being depreciated:				
Improvements other than buildings	8,280	34	-	8,314
Buildings and fixed equipment	48,879	-	110	48,769
Movable equipment, furniture and software	63,089	2,572	(1,519)	67,180
Library books	-	-	-	-
Total	120,248	2,606	(1,409)	124,263
Less: Accumulated depreciation	49,711	6,315	248	55,778
Total depreciable assets, net	70,537	(3,709)	(1,657)	68,485
Capital assets, net	\$ 76,346	\$ 1,908	\$ (1,657)	\$ 79,911

Discretely Presented Component Units

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,794	\$ -	\$ -	\$ 5,794
Intangibles	-	-	-	-
Construction in progress	15	-	-	15
Total non-depreciable assets	5,809	-	-	5,809
Capital assets being depreciated:				
Improvements other than buildings	7,421	859	-	8,280
Buildings and fixed equipment	48,604	275	-	48,879
Movable equipment, furniture and software	61,789	1,590	290	63,089
Library books	-	-	-	-
Total	117,814	2,724	290	120,248
Less: Accumulated depreciation	43,461	6,540	290	49,711
Total depreciable assets, net	74,353	(3,816)	-	70,537
Capital assets, net	\$ 80,162	\$ (3,816)	\$ -	\$ 76,346

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses for the primary institution at June 30, 2015 and 2014 consist of the following:

	2015	2014
Payables to vendors for supplies and services	\$ 293,477	\$ 254,336
Accrued compensation and benefits	79,097	77,874
Retirement system contributions payable	42,596	26,371
Other accrued expenses	32,194	32,483
Total payables and accrued expenses	\$ 447,364	\$ 391,064

NOTE 7 – DEPOSITS AND ADVANCE PAYMENTS FOR GOODS AND SERVICES

Deposits and advance payments for goods and services for the primary institution at June 30, 2015 and 2014 consist of the following:

	2015	2014
Current deposits and advance payments:		
Tuition and fees	\$ 51,793	\$ 44,947
Departmental and auxiliary sales and services	87,459	83,143
Affinity agreements	12,622	9,350
Grants and contracts advances	93,542	78,378
Other deposits and advance payments	16,121	13,712
Total current deposits and advance payments	\$ 261,537	\$ 229,530
Other non-current deposits and advance payments	\$ 45,202	\$ 58,297

NOTE 8 – SELF-INSURANCE ACCRUALS

The university maintains self-insurance programs for professional medical malpractice, employee health insurance and workers' compensation. Information on each of these programs is provided below.

Medical Malpractice

The university has established trustee self-insurance funds for professional medical malpractice liability claims with a \$4,000 limit per occurrence with no annual aggregate. The university self-insurance funds have insurance in excess of \$4,000 per occurrence through Oval Limited, a blended component unit of the university. Effective July 1, 2008, Oval Limited provides coverage

with limits of \$55,000 per occurrence and in the aggregate. Previous coverage levels for Oval Limited are as follows:

Accident Period for Oval	Gross Oval Limit (Occurrence and Annual Aggregate)
7/1/08 – 6/30/15	\$55,000
7/1/06 – 6/30/08	\$40,000
7/1/05 – 6/30/06	\$35,000
7/1/02 – 6/30/05	\$25,000
7/1/97 – 6/30/02	\$15,000
9/30/94 – 6/30/97	\$10,000

The limits are in excess of underlying policies with limits ranging from \$4,000 to \$10,000 per occurrence and \$18,000 in the aggregate. A portion of the risks written by Oval Limited to date is reinsured by three reinsurance companies. Oval Limited retains 50% of the first \$15,000 of risk and cedes the remainder to Berkley Medical Excess Underwriters (rated A+ by A.M. Best). The next \$20,000 is fully ceded to Lexington Insurance Company (rated A by A.M. Best). Above that, Oval Limited cedes the remaining \$20,000 of risk to Endurance Specialty Insurance Ltd. (rated A by A.M. Best). The estimated liability and the related contributions to the trustee fund are based

upon an independent actuarial determination as of June 30, 2015. OSUP participates in the university self-insurance fund for professional medical malpractice liability claims.

The university's 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, 2015 of the anticipated future payments on gross claims is estimated at its present value of \$69,523 discounted at an estimated rate of 3.0% (university funds) and an additional \$29,055 discounted at an estimated rate of 3.0% (Oval Limited).

Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of \$183,504 (which primarily consist of bond and equity mutual funds, money

market funds and U.S. treasury notes) are more than the recorded liability at June 30, 2015, and the surplus of \$84,925 is included in unrestricted net position.

At June 30, 2014, the anticipated future payments on gross claims was estimated at its present value of \$69,806 discounted at an estimated rate of 3% (university funds) and an additional \$31,771 discounted at an estimated rate of 3% (Oval Limited). The self-insurance fund assets of \$177,023 (which primarily consist of bond and equity mutual funds, money market funds and U.S. treasury notes) were more than the recorded liability at June 30, 2014, and the surplus of \$75,446 was included in unrestricted net position.

Employee Health Insurance

The university is also self-insured for employee health insurance. As of June

30, 2015 and 2014, \$37,375 and \$48,507, respectively is recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Workers' Compensation

Effective January 1, 2013, the university became self-insured for workers' compensation. As of June 30, 2015 and 2014, respectively, \$15,308 and \$12,341 are recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Changes in reported self-insurance liabilities for the primary institution since June 30, 2013 result from the following activities:

	Malpractice 2015	Malpractice 2014	Health 2015	Health 2014	Workers' Compensation 2015	Workers' Compensation 2014
Liability at beginning of fiscal year	\$ 101,577	\$ 112,008	\$ 48,507	\$ 36,326	\$ 12,341	\$ 730
Current year provision for losses	109	(9,181)	288,281	310,968	(3,045)	8,566
Claim payments	(3,108)	(1,250)	(299,413)	(298,787)	6,012	3,045
Balance at fiscal year end	\$ 98,578	\$ 101,577	\$ 37,375	\$ 48,507	\$ 15,308	\$ 12,341

NOTE 9 — 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 primary institution for the year ended June 30, 2015 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes:					
WOSU	\$ 2,621	\$ -	\$ 159	\$ 2,462	\$ 159
OH Air Quality Note Series A	4,234	-	395	3,839	401
OH Air Quality Note Series B	2,340	-	-	2,340	-
St. Stephens Church Note	2,937	-	66	2,871	69
General Receipts Bonds - Fixed Rate:					
2005A, due serially through 2035	47,400	-	11,360	36,040	2,725
2008A, due serially through 2028	137,410	-	13,245	124,165	13,835
2010A, due serially through 2020	174,660	-	28,620	146,040	28,850
2010C, due 2040	654,785	-	-	654,785	-
2010D, due serially through 2032	84,625	-	-	84,625	-
2011, due 2111	500,000	-	-	500,000	-
2012A, due 2030	90,500	-	-	90,500	7,630
2012B, due 2033	20,760	-	1,840	18,920	1,785
2014A, due serially through 2044	-	135,985	-	135,985	2,190
Special Purpose General Receipts Bonds - Fixed Rate:					
2013A, due 2043	337,955	-	-	337,955	-
General Receipts Bonds - Variable Rate:					
1997, due serially through 2027	17,160	-	-	17,160	17,160
1999B1, due serially through 2029	10,765	-	-	10,765	10,765
2001, due serially through 2032	53,035	-	-	53,035	53,035
2003C, due serially through 2031	51,975	-	-	51,975	51,975
2005B, due serially through 2035	71,575	-	-	71,575	71,575
2008B, due serially through 2028	91,925	-	-	91,925	91,925
2010E, due serially through 2035	150,000	-	-	150,000	150,000
2014AB, due serially through 2044	-	150,000	-	150,000	150,000
Capital Lease Obligations	8,446	-	2,057	6,389	1,840
	2,515,108	285,985	57,742	2,743,351	655,919
Unamortized Bond Premiums	90,420	14,835	6,597	98,658	-
Total outstanding debt	\$ 2,605,528	\$ 300,820	\$ 64,339	\$ 2,842,009	\$ 655,919

Debt activity for the primary institution for the year ended June 30, 2014 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes:					
WOSU	\$ 2,825	\$ -	\$ 204	\$ 2,621	\$ 159
OH Air Quality Note Series A	4,602	-	368	4,234	395
OH Air Quality Note Series B	2,340	-	-	2,340	-
St. Stephens Church Note	3,000	-	63	2,937	66
General Receipts Bonds - Fixed Rate:					
2005A, due serially through 2035	58,260	-	10,860	47,400	11,360
2008A, due serially through 2028	150,030	-	12,620	137,410	13,245
2010A, due serially through 2020	202,050	-	27,390	174,660	28,620
2010C, due 2040	654,785	-	-	654,785	-
2010D, due serially through 2032	84,625	-	-	84,625	-
2011, due 2111	500,000	-	-	500,000	-
2012A, due 2030	90,500	-	-	90,500	-
2012B, due 2033	22,600	-	1,840	20,760	1,840
Special Purpose General Receipts Bonds - Fixed Rate:					
2013A, due 2043	337,955	-	-	337,955	-
General Receipts Bonds - Variable Rate:					
1997, due serially through 2027	17,160	-	-	17,160	17,160
1999B1, due serially through 2029	10,765	-	-	10,765	10,765
2001, due serially through 2032	53,035	-	-	53,035	53,035
2003C, due serially through 2031	51,975	-	-	51,975	51,975
2005B, due serially through 2035	71,575	-	-	71,575	71,575
2008B, due serially through 2028	91,925	-	-	91,925	91,925
2010E, due serially through 2035	150,000	-	-	150,000	150,000
Capital Lease Obligations	14,231	620	6,405	8,446	2,045
	2,574,238	620	59,750	2,515,108	504,165
Unamortized Bond Premiums	96,646	-	6,226	90,420	-
Total outstanding debt	\$ 2,670,884	\$ 620	\$ 65,976	\$ 2,605,528	\$ 504,165

Debt activity for the discretely presented component units for the year ended June 30, 2015 is as follows:

Discretely Presented Component Units					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes:					
OSU Physicians - Series 2013 Health Care Facilities Revenue Bond, due through 2035	\$ 14,785	\$ -	\$ 557	\$ 14,228	\$ 567
OSU Physicians - Term Loan Payable, due 2023	2,379	-	243	2,136	244
OSU Physicians - Fifth Third Letter of Credit	70	-	70	-	-
Capital Lease Obligations	<u>20</u>	<u>-</u>	<u>15</u>	<u>5</u>	<u>5</u>
Total outstanding debt	<u>\$ 17,254</u>	<u>\$ -</u>	<u>\$ 885</u>	<u>\$ 16,369</u>	<u>\$ 816</u>

Debt activity for the discretely presented component units for the year ended June 30, 2014 is as follows:

Discretely Presented Component Units					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes:					
Transportation Research Center Capital One Funding Corporation, due through 2014	\$ 332	\$ -	\$ 332	\$ -	\$ -
OSU Physicians - Series 2013 Health Care Facilities Revenue Bond, due through 2035	15,336	-	551	14,785	563
OSU Physicians - Term Loan Payable, due 2023	2,616	-	237	2,379	243
OSU Physicians - Term Note Payable, due 2013	22	-	22	-	-
OSU Physicians - Fifth Third Letter of Credit	-	80	10	70	70
Campus Partners - CCF Loan, City of Columbus	125	-	125	-	-
Capital Lease Obligations	<u>101</u>	<u>-</u>	<u>81</u>	<u>20</u>	<u>16</u>
Total outstanding debt	<u>\$ 18,532</u>	<u>\$ 80</u>	<u>\$ 1,358</u>	<u>\$ 17,254</u>	<u>\$ 892</u>

Debt obligations are generally callable by the university, bear interest at fixed and variable rates ranging from 0% to 6% and mature at various dates through 2111. Maturities and interest on debt obligations for the next five years and in five-year periods for the primary institution are as follows:

Primary Institution			
	Principal	Interest	Total
2016	\$ 655,919	\$ 99,590	\$ 755,509
2017	62,213	96,709	158,922
2018	62,632	93,955	156,587
2019	48,461	91,606	140,067
2020	35,414	89,755	125,169
2021-2025	193,954	424,032	617,986
2026-2030	174,893	380,912	555,805
2031-2035	122,240	348,140	470,380
2036-2040	781,470	323,919	1,105,389
2041-2045	106,155	132,919	239,074
2046-2050	-	120,000	120,000
2051-2055	-	120,000	120,000
2056-2060	-	120,000	120,000
2061-2065	-	120,000	120,000
2066-2070	-	120,000	120,000
2071-2075	-	120,000	120,000
2076-2080	-	120,000	120,000
2081-2085	-	120,000	120,000
2086-2090	-	120,000	120,000
2091-2095	-	120,000	120,000
2096-2100	-	120,000	120,000
2101-2105	-	120,000	120,000
2106-2110	-	120,000	120,000
2111	500,000	24,000	524,000
Total	<u>\$ 2,743,351</u>	<u>\$ 3,665,537</u>	<u>\$ 6,408,888</u>

Maturities and interest on debt obligations for the next five years and in five-year periods for the discretely presented component units are as follows:

Discretely Presented Component Units			
	Principal	Interest	Total
2016	\$ 829	\$ 340	\$ 1,169
2017	842	322	1,164
2018	860	304	1,164
2019	879	285	1,164
2020	898	266	1,164
2021-2025	4,165	641	4,806
2026-2030	3,702	231	3,933
2031-2035	4,194	1,040	5,234
Total	<u>\$ 16,369</u>	<u>\$ 3,429</u>	<u>\$ 19,798</u>

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 \$272,401 for future debt service which is included in unrestricted net assets.

The university has 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 for the primary institution are as follows:

	Amount Defeased	Amount Outstanding at June 30, 2015
General Receipts Bonds:		
Series 2008A	\$ 18,195	\$ 18,195
Series 2010A	13,050	13,050
Series 2010D	3,710	3,710
Total	<u>\$ 34,955</u>	<u>\$ 34,955</u>

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

Special-Purpose General Receipts Bonds

In January 2013, the university issued \$337,955 of Special Purpose General Receipts Bonds, Series 2013A. These bonds are solely payable from, and secured by, a pledge of the gross revenues of Special Purpose Revenue Facilities. Special Purpose Revenue Facilities are defined in the Series 2013 Supplement as all housing and dining facilities and such auxiliary facilities as shall constitute recreation facilities owned by the university. The bond indenture agreement includes a debt covenant, requiring the university "to set rates, charges and fees in each Fiscal Year so as to cause Special Purpose Pledged Revenues to be in an amount not less than 1.10 times the aggregate debt service for the then-current Fiscal Year on all Special Purpose General Receipts Obligations". At June 30, 2015, the university is in compliance with this covenant. Condensed financial information for the Special Purpose Revenue Facilities is provided in Note 21.

Variable Rate Demand Bonds

Series 1997, 1999B1, 2001, 2003C, 2005B, 2008B, 2010E, 2014A and 2014B 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, 2015 are as follows:

Series:	Interest Rate Not to Exceed	Effective Average Interest Rate
1997	12%	1.620%
1999 B1	12%	1.387%
2001	12%	1.161%
2003 C	12%	1.512%
2005 B	12%	1.086%
2008 B	12%	0.287%
2010 E	8%	0.093%
2014 A	5%	0.037%
2014 B	not specified	0.036%

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 2044. GASB Interpretation No. 1, Demand Bonds Issued by State and Local Governmental Entities, provides guidance on the statement of net position classification of these bonds. Under GASB Interpretation No. 1, outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the university's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the university does not have "take-out agreements" in place per the GASB Interpretation No. 1 requirements. Accordingly, the university has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled \$596,435 and \$446,435 at June 30, 2015 and 2014, respectively.

Capital Lease Obligations

Some university equipment items and vehicles are financed as capital leases. The original cost and lease obligations related to these capital leases as of June 30, 2015 are \$15,203 and \$6,389, respectively. The original cost and lease obligations related to these capital leases as of June 30, 2014 are \$32,288 and \$8,446, respectively.

Capitalization of Interest

Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. Total interest costs incurred for the years ended June 30, 2015 and 2014 for the primary institution were \$100,082 and \$98,427, respectively. Of these amounts, interest of \$30,324 and \$44,324 was capitalized in the years ended June 30, 2015 and 2014. The remaining amounts, \$69,758 in fiscal year 2015 and \$54,103 in fiscal year 2014, are reported as interest expense in the statement of revenues, expenses and changes in net position.

NOTE 10 — 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 statement of net position. The total rental expense under these agreements was \$24,760 and \$25,562 for the years ended June 30, 2015 and 2014, respectively.

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2015 are as follows:

Year Ending June 30,	Primary Institution	Discretely Presented Component Units
2016	\$ 17,625	\$ 2,762
2017	13,826	2,509
2018	13,138	1,753
2019	12,220	738
2020	11,586	536
2021-2025	46,429	1,129
2026-2030	42,586	30
2031-2035	7,019	-
2036-2040	735	-
2041-2045	735	-
2046-2050	151	-
Total minimum lease payments	\$ 166,050	\$ 9,457

NOTE 11 — COMPENSATED ABSENCES

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

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

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

The university accrues sick leave liability for those employees who are currently

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

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

NOTE 12 — OTHER LIABILITIES

Other liability activity for the primary institution for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 160,296	\$ 20,532	\$ 14,472	\$ 166,356	\$ 14,472
Self-insurance accruals	162,425	291,306	302,470	151,261	43,387
Amounts due to third party payers	19,779	52,862	19,830	52,811	8,643
Obligations under life income agreements	36,062	-	7,118	28,944	2,440
Refundable advances for Federal Perkins loans	31,657	1,142	571	32,228	-
Other noncurrent liabilities	91,168	-	7,028	84,140	-
Total	<u>\$ 501,387</u>	<u>\$ 365,842</u>	<u>\$ 351,489</u>	<u>\$ 515,740</u>	<u>\$ 68,942</u>

Other liability activity for the primary institution for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 149,777	\$ 20,773	\$ 10,254	\$ 160,296	\$ 10,254
Self-insurance accruals	149,064	312,199	298,838	162,425	51,553
Amounts due to third party payers	15,007	16,087	11,315	19,779	-
Obligations under life income agreements	37,350	2,441	3,729	36,062	4,015
Refundable advances for Federal Perkins loans	31,445	424	212	31,657	-
Other noncurrent liabilities	61,349	29,819	-	91,168	-
Total	<u>\$ 443,992</u>	<u>\$ 381,743</u>	<u>\$ 324,348</u>	<u>\$ 501,387</u>	<u>\$ 65,822</u>

NOTE 13 – RENTALS UNDER OPERATING LEASES

The university is the lessor of certain land, buildings, office and retail space under operating lease agreements. Future minimum rental income from non-cancelable operating leases for the primary institution as of June 30, 2015 is as follows:

Year Ending June 30,

2016	\$ 4,916
2017	3,898
2018	3,490
2019	3,043
2020	2,628
2021-2025	9,177
2026-2030	4,225
2031-2035	2,987
2036-2040	2,441
2041-2045	615
2046-2050	100
2051-2100	104
Total minimum future rentals	<u>\$ 37,624</u>

**NOTE 14 – 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 Position. Operating expenses by object for the primary institution for the years ended June 30, 2015 and 2014 are summarized as follows:

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 823,329	\$ 116,776	\$ -	\$ -	\$ 940,105
Separately budgeted research	271,924	162,700	-	-	434,624
Public service	80,828	51,137	-	-	131,965
Academic support	148,655	43,485	-	-	192,140
Student services	75,245	24,984	-	-	100,229
Institutional support	130,756	99,993	-	-	230,749
Operation and maintenance of plant	32,789	63,077	-	-	95,866
Scholarships and fellowships	6,341	2,902	103,701	-	112,944
Auxiliary enterprises	142,037	106,842	-	-	248,879
OSU Health System	1,054,966	915,158	-	-	1,970,124
Depreciation	-	-	-	335,881	335,881
Total operating expenses	<u>\$ 2,766,870</u>	<u>\$ 1,587,054</u>	<u>\$ 103,701</u>	<u>\$ 335,881</u>	<u>\$ 4,793,506</u>

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 814,020	\$ 124,365	\$ -	\$ -	\$ 938,385
Separately budgeted research	278,517	158,980	-	-	437,497
Public service	78,556	52,833	-	-	131,389
Academic support	150,312	38,329	-	-	188,641
Student services	74,007	22,885	-	-	96,892
Institutional support	169,025	109,027	-	-	278,052
Operation and maintenance of plant	35,920	62,758	-	-	98,678
Scholarships and fellowships	7,190	2,160	101,251	-	110,601
Auxiliary enterprises	137,691	104,224	-	-	241,915
OSU Health System	1,026,145	813,500	-	-	1,839,645
Depreciation	-	-	-	260,367	260,367
Total operating expenses	<u>\$ 2,771,383</u>	<u>\$ 1,489,061</u>	<u>\$ 101,251</u>	<u>\$ 260,367</u>	<u>\$ 4,622,062</u>

NOTE 15 — RETIREMENT PLANS

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

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

Defined Benefit Plans

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

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

OPERS

Attn: Finance Director
277 East Town Street
Columbus, OH 43215-4642
(614) 222-5601
(800) 222-7377
www.opers.org/investments/cafr.shtml

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 an 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 collective net pension liabilities of the retirement systems and the university's proportionate share of these net pension liabilities as of June 30, 2015 are as follows:

	STRS Ohio	OPERS	Total
Net pension liability - all employers	\$ 24,323,461	\$ 12,022,615	
Proportion of the net pension liability - university	4.4%	8.8%	
Proportionate share of net pension liability	\$ 1,070,914	\$ 1,059,518	\$ 2,130,432

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2015:

	STRS Ohio	OPERS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 10,310	\$ -	\$ 10,310
Net difference between projected and actual earnings on pension plan investments	-	57,206	57,206
University contributions subsequent to the measurement date	66,547	84,922	151,469
Total	<u>\$ 76,857</u>	<u>\$ 142,128</u>	<u>\$ 218,985</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ -	\$ 20,512	\$ 20,512
Net difference between projected and actual earning on pension plan investments	198,123	-	198,123
Total	<u>\$ 198,123</u>	<u>\$ 20,512</u>	<u>\$ 218,635</u>

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:

	STRS Ohio	OPERS	Total
2016	\$ 19,593	\$ 90,375	\$ 109,968
2017	(46,953)	5,452	(41,501)
2018	(46,953)	12,643	(34,310)
2019	(46,953)	14,088	(32,865)
2020	-	(214)	(214)
2021 and Thereafter	-	(728)	(728)
Total	<u>\$ (121,266)</u>	<u>\$ 121,616</u>	<u>\$ 350</u>

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 systems.

	STRS Ohio	OPERS
Statutory Authority	Ohio Revised Code Chapter 145	Ohio Revised Code Chapter 145
Benefit Formula	The annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective Aug. 1, 2015, the calculation will be 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 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective Aug. 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 and five years of service on Aug. 1, 2026.	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.
Cost-of-Living Adjustments	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.	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.
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, 2014, the employer rate was 14% and the member rate was 11% of covered payroll. The statutory employer rate for fiscal 2015 and subsequent years is 14%. The statutory member contribution rate increased by one percent July 1, 2014, and will be increased one percent each year until it reaches 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 2014, 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, 2014	December 31, 2014
Actuarial Assumptions	Valuation Date: July 1, 2014 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	Valuation Date: December 31, 2014 Actuarial Cost Method: Individual entry age Investment Rate of Return: 8.00% Inflation: 3.75% Projected Salary Increases: 4.25% - 10.05% Cost-of-Living Adjustments: 3.00% Simple

	STRS Ohio	OPERS																																																
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 setback 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-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.																																																
Date of Last Experience Study	July 1, 2012	December 31, 2010																																																
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"> <thead> <tr> <th>Asset Class</th> <th>Target Allocation</th> <th>Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Domestic Equity</td> <td>31.0%</td> <td>8.00%</td> </tr> <tr> <td>International Equity</td> <td>26.0%</td> <td>7.85%</td> </tr> <tr> <td>Alternatives</td> <td>14.0%</td> <td>8.00%</td> </tr> <tr> <td>Fixed Income</td> <td>18.0%</td> <td>3.75%</td> </tr> <tr> <td>Real Estate</td> <td>10.0%</td> <td>6.75%</td> </tr> <tr> <td>Liquidity Reserves</td> <td>1.0%</td> <td>3.00%</td> </tr> <tr> <td>Total</td> <td>100%</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	100%		<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 2014 and the long-term expected real rates of return:</p> <table border="1"> <thead> <tr> <th>Asset Class</th> <th>Target Allocation</th> <th>Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td>23.0%</td> <td>2.31%</td> </tr> <tr> <td>Domestic Equity</td> <td>19.9%</td> <td>5.84%</td> </tr> <tr> <td>Real Estate</td> <td>10.0%</td> <td>4.25%</td> </tr> <tr> <td>Private Equity</td> <td>10.0%</td> <td>9.25%</td> </tr> <tr> <td>International Equity</td> <td>19.1%</td> <td>7.40%</td> </tr> <tr> <td>Other Investments</td> <td>18.0%</td> <td>4.59%</td> </tr> <tr> <td>Total</td> <td>100%</td> <td></td> </tr> </tbody> </table> <p>* Returns presented as geometric means</p>	Asset Class	Target Allocation	Long Term Expected Return*	Fixed Income	23.0%	2.31%	Domestic Equity	19.9%	5.84%	Real Estate	10.0%	4.25%	Private Equity	10.0%	9.25%	International Equity	19.1%	7.40%	Other Investments	18.0%	4.59%	Total	100%	
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	STRS Ohio			OPERS		
Discount Rate	<p>The discount rate used to measure the total pension liability was 7.75% as of June 30, 2014. 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, 2014. 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, 2014.</p>			<p>The discount rate used to measure the total pension liability was 8.0% for both the Traditional Pension Plan and the Combined 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	1% Decrease (6.75%) \$ 1,533,130	Current Rate (7.75%) \$ 1,070,914	1% Increase (8.75%) \$ 680,034	1% Decrease (7.00%) \$ 1,955,831	Current Rate (8.00%) \$ 1,059,519	1% Increase (9.00%) \$ 304,734

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. Employer contributions at a rate of 9.5% and all employee contributions 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.

Summary of Employer Pension Expense

Total pension expense for the year ended June 30, 2015, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, is presented below. Pension expense is allocated to institutional functions on the Statement of Revenues, Expenses and Other Changes in Net Position.

	STRS Ohio	OPERS	ARP	Total
Employer Contributions	\$ 65,738	\$ 170,979	\$ 50,598	\$ 287,315
GASB 68 Accruals	(15,237)	(19,152)	-	(34,389)
Total Pension Expense	\$ 50,501	\$ 151,827	\$ 50,598	\$ 252,926

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, 2014, STRS Ohio allocated employer contributions equal to 1.0% of covered payroll 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 years 2014 and 2015, OPERS

allocated 2.0% of the employer contribution rate to fund the health care program for retirees.

OSU Physicians Retirement Plan

Retirement benefits are provided for the employees of OSUP through a tax-sheltered 403(b) and 401(a) program administered by an insurance company. OSUP is required to make nondiscretionary contributions of no less than 7.5% under the Interim Retirement Plan; however, some subsidiaries make an additional discretionary contribution of up to 17.5%, for a range of total employer contributions of 7.5% to 25%. Employees are allowed, but not required, to make contributions to the 403(b) plan. OSUP's share of the cost of these benefits was \$4,397 and \$3,996 for the years ended June 30, 2015 and 2014, respectively.

Employee contributions were \$1,457 and \$1,246 for the years ended June 30, 2015 and 2014.

NOTE 16 — CAPITAL PROJECT COMMITMENTS

At June 30, 2015, the university is committed to future contractual obligations for capital expenditures of approximately \$320,201.

These projects are funded by the following sources:

State appropriations	\$ 34,986
Internal and other sources	285,215
Total	<u>\$ 320,201</u>

NOTE 17 — 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 the Health System's professional malpractice liability, employee health benefits, workers' compensation and employee life, accidental death and dismemberment benefits.

Additional details regarding these self-insurance arrangements are provided in Note 8. The university also carries commercial insurance policies for various property, casualty and excess liability risks. Over the past three years, settlement amounts related to these insured risks have not exceeded the university's coverage amounts.

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

NOTE 18 — PARKING LEASE AND CONCESSION AGREEMENT

On September 21, 2012, the university entered into a 50-year lease and concession agreement with QIC Global Infrastructure (QIC GI). CampusParc LP, a QIC GI affiliate, owns and operates the university's parking concession on QIC GI's behalf. Under the agreement, CampusParc operates, maintains and retains parking revenues from the university's parking lots and garages. This agreement also regulates the parking rates that may be charged and future increases in these rates. The university received lump-sum payments totaling \$483,000 from QIC GI and used the proceeds to establish endowment funds, with income distributions internally designated to support student scholarships, faculty initiatives and research, transportation and sustainability and the university arts district.

The lump-sum payment under this service concession arrangement is reported as a deferred inflow of resources and is being amortized to operating revenue over the life of the agreement. Deferred inflows related to the parking agreement were \$455,070 and \$464,701 at June 30, 2015 and 2014, respectively. The university reports the parking lots and garages as capital assets with a carrying amount of \$124,947 and \$124,511 at June 30, 2015 and 2014, respectively.

NOTE 19 – COMBINING INFORMATION FOR BLENDED COMPONENT UNITS

As indicated in the Basis of Presentation in Note 1, the university consolidates certain component units in a blended presentation. Condensed combining financial information for the years ended June 30, 2015 and 2014 is presented below.

Condensed Combining Information – Year Ended June 30, 2015

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of net position:			
Current assets	\$ 41,453	\$ 5,018	\$ 52,462
Capital assets, net	3,766	135	-
Other assets	877,051	617	-
Amounts receivable from the university	-	51	-
Deferred outflows	-	-	-
Total assets and deferred inflows	<u>\$ 922,270</u>	<u>\$ 5,821</u>	<u>\$ 52,462</u>
Current liabilities	\$ 17,544	\$ 1,060	\$ 43
Noncurrent liabilities	26,289	468	29,056
Amounts payable to the university	156	801	-
Deferred inflows	-	-	-
Total liabilities and deferred inflows	<u>43,989</u>	<u>2,329</u>	<u>29,099</u>
Net investment in capital assets	3,766	135	-
Restricted:			
Nonexpendable	714,657	-	-
Expendable	148,447	-	-
Unrestricted	11,411	3,357	23,363
Total net position	<u>878,281</u>	<u>3,492</u>	<u>23,363</u>
Total liabilities, deferred inflows and net position	<u>\$ 922,270</u>	<u>\$ 5,821</u>	<u>\$ 52,462</u>

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of revenues, expenses and changes in net position			
Operating revenues:			
Grants and contracts	\$ -	\$ -	\$ -
Sales and services of OSU Physicians	-	-	-
Other sales, services and rental income	1,633	12,524	2,973
Other operating	-	-	-
Total operating revenues	<u>1,633</u>	<u>12,524</u>	<u>2,973</u>
Operating expenses, excluding depreciation	28,315	12,491	159
Depreciation expense	242	-	-
Total operating expenses	<u>28,557</u>	<u>12,491</u>	<u>159</u>
Net operating income (loss)	<u>(26,924)</u>	<u>33</u>	<u>2,814</u>
Non-operating revenues and expenses:			
Gifts for current use	163,800	-	-
Net investment income (loss)	38,487	-	551
Interest expense	-	-	-
Other non-operating revenue (expense)	-	-	-
Net non-operating revenue (expense)	<u>202,287</u>	<u>-</u>	<u>551</u>
Capital contributions and additions to permanent endowments	58,424	-	-
Transfers from (to) the university	<u>(189,684)</u>	<u>-</u>	<u>-</u>
Change in net position	44,103	33	3,365
Beginning net position	834,178	3,459	19,998
Ending net position	<u>\$ 878,281</u>	<u>\$ 3,492</u>	<u>\$ 23,363</u>
Condensed statements of cash flows:			
Net cash provided (used) by:			
Operating activities	\$ (19,737)	\$ 350	\$ 1,647
Noncapital financing activities	17,349	402	-
Capital and related financing activities	1,464	344	-
Investing activities	516	(14)	2
Net increase (decrease) in cash	<u>(408)</u>	<u>1,082</u>	<u>1,649</u>
Beginning cash and cash equivalents	3,684	3,469	11,205
Ending cash and cash equivalents	<u>\$ 3,276</u>	<u>\$ 4,551</u>	<u>\$ 12,854</u>

Condensed Combining Information – Year Ended June 30, 2014

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of net position:			
Current assets	\$ 43,096	\$ 3,770	\$ 51,807
Capital assets, net	3,784	478	-
Other assets	829,398	721	-
Amounts receivable from the university	-	-	-
Deferred outflows	-	-	-
Total assets and deferred inflows	<u>\$ 876,278</u>	<u>\$ 4,969</u>	<u>\$ 51,807</u>
Current liabilities	\$ 9,675	\$ 1,162	\$ 37
Noncurrent liabilities	32,267	-	31,772
Amounts payable to the university	158	348	-
Deferred inflows	-	-	-
Total liabilities and deferred inflows	<u>42,100</u>	<u>1,510</u>	<u>31,809</u>
Net investment in capital assets	3,784	478	-
Restricted:			
Nonexpendable	662,094	-	-
Expendable	156,931	-	-
Unrestricted	11,369	2,981	19,998
Total net position	<u>834,178</u>	<u>3,459</u>	<u>19,998</u>
Total liabilities, deferred inflows and net position	<u>\$ 876,278</u>	<u>\$ 4,969</u>	<u>\$ 51,807</u>

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of revenues, expenses and changes in net position			
Operating revenues:			
Grants and contracts	\$ -	\$ -	\$ -
Sales and services of OSU Physicians	-	-	-
Other sales, services and rental income	1,478	13,283	2,293
Other operating	-	-	-
Total operating revenues	<u>1,478</u>	<u>13,283</u>	<u>2,293</u>
Operating expenses, excluding depreciation	19,154	12,993	146
Depreciation expense	228	380	-
Total operating expenses	<u>19,382</u>	<u>13,373</u>	<u>146</u>
Net operating income (loss)	<u>(17,904)</u>	<u>(90)</u>	<u>2,147</u>
Non-operating revenues and expenses:			
Gifts for current use	138,230	-	-
Net investment income (loss)	119,451	22	6,003
Interest expense	-	-	-
Other non-operating revenue (expense)	-	-	-
Net non-operating revenue (expense)	<u>257,681</u>	<u>22</u>	<u>6,003</u>
Capital contributions and additions to permanent endowments	54,037	-	-
Transfers from (to) the university	<u>(171,201)</u>	<u>-</u>	<u>-</u>
Change in net position	122,613	(68)	8,150
Beginning net position	711,565	3,527	11,848
Ending net position	<u>\$ 834,178</u>	<u>\$ 3,459</u>	<u>\$ 19,998</u>
Condensed statements of cash flows:			
Net cash provided (used) by:			
Operating activities	\$ (15,330)	\$ 1,350	\$ 1,684
Noncapital financing activities	17,762	348	-
Capital and related financing activities	5,328	(864)	-
Investing activities	<u>(6,624)</u>	<u>6</u>	<u>2</u>
Net increase (decrease) in cash	1,136	840	1,686
Beginning cash and cash equivalents	2,548	2,629	9,519
Ending cash and cash equivalents	<u>\$ 3,684</u>	<u>\$ 3,469</u>	<u>\$ 11,205</u>

**NOTE 20 – COMBINING INFORMATION
FOR DISCRETELY PRESENTED
COMPONENT UNITS**

As indicated in the Basis of Presentation in Note 1, the university consolidates certain component units in a discrete presentation. Condensed combining financial information for the years ended June 30, 2015 and 2014 is presented below.

Condensed Combining Information – Year Ended June 30, 2015

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of net position:				
Current assets	\$ 118,069	\$ 10,140	\$ 8,991	\$ 1,268
Capital assets, net	26,139	53,177	515	79
Other assets	736	1,417	-	-
Amounts receivable from the university	10,534	-	3,976	-
Deferred outflows	-	-	40	-
Total assets and deferred inflows	\$ 155,478	\$ 64,734	\$ 13,522	\$ 1,347
Current liabilities	\$ 15,243	\$ 3,013	\$ 2,970	\$ 45
Noncurrent liabilities	16,277	-	296	-
Amounts payable to the university	32,942	63,434	-	-
Deferred inflows	-	-	5	-
Total liabilities and deferred inflows	64,462	66,447	3,271	45
Net investment in capital assets	2,768	53,177	515	-
Restricted:				
Nonexpendable	-	-	-	-
Expendable	-	-	-	-
Unrestricted	88,248	(54,890)	9,736	1,302
Total net position	91,016	(1,713)	10,251	1,302
Total liabilities, deferred inflows and net position	\$ 155,478	\$ 64,734	\$ 13,522	\$ 1,347

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of revenues, expenses and changes in net position				
Operating revenues:				
Grants and contracts	\$ -	\$ 7,245	\$ 38,611	\$ -
Sales and services of OSU Physicians	405,620	-	-	-
Other sales, services and rental income	-	-	-	8,693
Other operating	-	-	-	-
Total operating revenues	405,620	7,245	38,611	8,693
Operating expenses, excluding depreciation				
Depreciation expense	4,395	1,641	243	36
Total operating expenses	378,053	4,559	35,087	5,481
Net operating income (loss)	27,567	2,686	3,524	3,212
Non-operating revenues and expenses:				
Gifts for current use	-	-	-	-
Net investment income (loss)	47	-	136	-
Interest expense	(477)	-	-	-
Other non-operating revenue (expense)	1,125	-	-	-
Net non-operating revenue (expense)	695	-	136	-
Capital contributions and additions to permanent endowments				
Transfers from (to) the university	(20,080)	(607)	(3,544)	(3,182)
Change in net position	8,182	2,079	116	30
Beginning net position, as previously reported	82,834	(3,792)	10,398	1,272
Cumulative effect of accounting change	-	-	(263)	-
Ending net position	\$ 91,016	\$ (1,713)	\$ 10,251	\$ 1,302
Condensed statements of cash flows:				
Net cash provided (used) by:				
Operating activities	\$ 28,976	\$ 5,410	\$ 2,507	\$ 3,219
Noncapital financing activities	(9,362)	3,591	(3,598)	(3,182)
Capital and related financing activities	(5,372)	(5,540)	(330)	-
Investing activities	2,424	-	136	(26)
Net increase (decrease) in cash	16,666	3,461	(1,285)	11
Beginning cash and cash equivalents	51,441	2,673	3,424	313
Ending cash and cash equivalents	\$ 68,107	\$ 6,134	\$ 2,139	\$ 324

Condensed Combining Information – Year Ended June 30, 2014

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of net position:				
Current assets	\$ 100,537	\$ 6,916	\$ 10,142	\$ 1,232
Capital assets, net	26,524	49,278	429	115
Other assets	3,114	1,184	-	-
Amounts receivable from the university	8,585	-	3,922	-
Deferred outflows	-	-	-	-
Total assets and deferred inflows	<u>\$ 138,760</u>	<u>\$ 57,378</u>	<u>\$ 14,493</u>	<u>\$ 1,347</u>
Current liabilities	\$ 17,120	\$ 1,933	\$ 4,095	\$ 75
Noncurrent liabilities	17,406	-	-	-
Amounts payable to the university	21,400	59,237	-	-
Deferred inflows	-	-	-	-
Total liabilities and deferred inflows	<u>55,926</u>	<u>61,170</u>	<u>4,095</u>	<u>75</u>
Net investment in capital assets	4,108	49,278	429	-
Restricted:				
Nonexpendable	-	-	-	-
Expendable	-	-	-	-
Unrestricted	<u>78,726</u>	<u>(53,070)</u>	<u>9,969</u>	<u>1,272</u>
Total net position	<u>82,834</u>	<u>(3,792)</u>	<u>10,398</u>	<u>1,272</u>
Total liabilities, deferred inflows and net position	<u>\$ 138,760</u>	<u>\$ 57,378</u>	<u>\$ 14,493</u>	<u>\$ 1,347</u>

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of revenues, expenses and changes in net position				
Operating revenues:				
Grants and contracts	\$ -	\$ 7,983	\$ 37,842	\$ -
Sales and services of OSU Physicians	356,503	-	-	-
Other sales, services and rental income	-	509	-	8,283
Other operating	-	-	-	-
Total operating revenues	<u>356,503</u>	<u>8,492</u>	<u>37,842</u>	<u>8,283</u>
Operating expenses, excluding depreciation:				
Depreciation expense	4,561	1,514	355	110
Total operating expenses	<u>347,126</u>	<u>7,599</u>	<u>36,446</u>	<u>5,267</u>
Net operating income(loss)	<u>9,377</u>	<u>893</u>	<u>1,396</u>	<u>3,016</u>
Non-operating revenues and expenses:				
Gifts for current use	-	-	-	-
Net investment income (loss)	47	-	135	-
Interest expense	(684)	-	(2)	-
Other non-operating revenue (expense)	2,626	-	-	-
Net non-operating revenue (expense)	<u>1,989</u>	<u>-</u>	<u>133</u>	<u>-</u>
Capital contributions and additions to permanent endowments:				
Transfers from (to) the university	<u>(6,979)</u>	<u>8,445</u>	<u>23</u>	<u>(2,923)</u>
Change in net position	<u>4,387</u>	<u>9,338</u>	<u>1,552</u>	<u>93</u>
Beginning net position	<u>78,447</u>	<u>(13,130)</u>	<u>8,846</u>	<u>1,179</u>
Ending net position	<u>\$ 82,834</u>	<u>\$ (3,792)</u>	<u>\$ 10,398</u>	<u>\$ 1,272</u>
Condensed statements of cash flows:				
Net cash provided (used) by:				
Operating activities	\$ 8,012	\$ 1,366	\$ 3,433	\$ 3,094
Noncapital financing activities	(4,124)	(2,756)	(365)	(2,923)
Capital and related financing activities	(2,858)	(1,343)	(485)	-
Investing activities	4,126	141	135	(97)
Net increase (decrease) in cash	<u>5,156</u>	<u>(2,592)</u>	<u>2,718</u>	<u>74</u>
Beginning cash and cash equivalents	<u>46,285</u>	<u>5,265</u>	<u>706</u>	<u>239</u>
Ending cash and cash equivalents	<u>\$ 51,441</u>	<u>\$ 2,673</u>	<u>\$ 3,424</u>	<u>\$ 313</u>

NOTE 21 – SEGMENT INFORMATION

A segment is an identifiable activity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related expenses, gains, losses, assets and liabilities that can be identified. The university has one segment that meets the GASB reporting requirements.

The Office of Student Life operates student housing, dining and recreational sports facilities on the university's main and regional campuses. In January 2013, the university issued \$337,955 of Special Purpose General Receipts Bonds, Series 2013A. These bonds are solely payable from, and secured by, a pledge of the gross revenues of Special Purpose Revenue Facilities. Special Purpose Revenue Facilities are defined in the Series 2013 Supplement as all housing and dining facilities and such auxiliary facilities as shall constitute recreation facilities owned by the university. Special Purpose Pledged Revenues include all revenues, fees, rentals, rates, charges, insurance proceeds and other moneys derived from the ownership or operation of these facilities. Special Purpose Pledged Revenues totaled \$168,411 and \$163,347 for the years ended June 30, 2015 and 2014, respectively.

Condensed financial information for the Special Purpose Revenue Facilities, before the elimination of certain intra-university transactions, as of and for the years ended June 30, 2015 and 2014 is as follows:

Segment Disclosure Information – Year Ended June 30, 2015

	2015	2014
Condensed Statement of Net Position		
Assets and deferred outflows:		
Current assets	\$ 23,979	\$ 24,141
Capital assets	617,306	451,921
Other assets	165,038	309,430
Amounts receivable from the university	-	-
Deferred outflows	-	-
Total assets and deferred inflows	\$ 806,323	\$ 785,492
Liabilities and deferred inflows:		
Current liabilities	\$ 5,734	\$ 5,805
Noncurrent liabilities	-	-
Amounts payable to the university	800,191	817,238
Deferred inflows	-	-
Total liabilities and deferred inflows	805,925	823,043
Net position:		
Invested in capital assets, net of related debt	(17,847)	(55,886)
Restricted:		
Nonexpendable	-	-
Expendable	-	-
Unrestricted	18,245	18,335
Total net position	398	(37,551)
Total liabilities, deferred inflows and net position	\$ 806,323	\$ 785,492
Condensed Statement of Revenues, Expenses and Changes in Net Position		
Special-purpose pledged revenues - operating	\$ 168,411	\$ 163,347
Operating expenses, excluding depreciation	(124,522)	(119,540)
Depreciation expense	(23,205)	(24,002)
Operating income	20,684	19,805
Nonoperating revenues, net	(26,956)	(17,687)
Net income (loss) before transfers	(6,272)	2,118
Transfers from (to) other university units, net	44,221	(193,423)
Increase (decrease) in net assets	37,949	(191,305)
Beginning net position	(37,551)	153,754
Ending net position	\$ 398	\$ (37,551)
Condensed Statement of Cash Flows		
Net cash provided (used) by:		
Operating activities	\$ 39,317	\$ 33,704
Noncapital financing activities	-	-
Capital and related financing activities	(183,948)	266,940
Investing activities	97	107
Net increase (decrease) in cash	(144,534)	300,751
Beginning cash and cash equivalents	332,512	31,761
Ending cash and cash equivalents	\$ 187,978	\$ 332,512

Required Supplementary Information on GASB 68 Pension Liabilities | Year Ended June 30, 2015

The schedule of the university's proportionate shares of STRS-Ohio and OPERS net pension liabilities are presented below:

<i>(dollars in thousands)</i>	STRS Ohio	OPERS
University's proportion of the net pension liability	4.4%	8.8%
University's proportionate share of the net pension liability	\$ 1,070,914	\$ 1,059,519
University's covered-employee payroll	\$ 381,669	\$ 1,188,828
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	281%	89%
Plan fiduciary net position as a percentage of the total pension liability	74.7%	86.5%

The schedule of the university's contributions to STRS-Ohio and OPERS are presented below:

<i>(dollars in thousands)</i>	STRS Ohio	OPERS
Contractually required contribution	\$ 65,738	\$ 170,979
Contributions in relation to the contractually required contribution	\$ 65,738	\$ 170,979
Contribution deficiency (excess)	\$ -	\$ -
University's covered-employee payroll	\$ 388,309	\$ 1,208,710
Contributions as a percentage of covered-employee payroll	16.9%	14.1%

Supplementary Information on the Long-Term Investment Pool |

Year Ended June 30, 2015

The following section of the financial report provides additional information on the university's Long-Term Investment Pool, including a summary of changes in market value, investment returns and related expenses. Additional details on university investments, including asset allocations, endowment distribution policies, investment by type and risk disclosures, are provided in Notes 1 and 3 to the Financial Statements.

In 2015, the market value of the university's Long-Term Investment Pool – which includes gifted endowments, long-term investments of university operating funds and other funds internally designated to function as endowments – increased \$46 million, to \$3.66 billion at June 30, 2015. Long-Term Investment Pool activity for 2015 is summarized below:

Long-Term Investment Pool Activity (in thousands)

	Gifted Endowments– University	Gifted Endowments– Foundation	Quasi- Endowments– Operating	Quasi- Endowments– Designated	Total
Market Value at June 30, 2014	\$ 1,057,810	\$ 710,961	\$ 1,158,595	\$ 686,500	\$ 3,613,866
Net Principal Additions (Withdrawals)	9,082	58,771	26,085	15,919	109,857
Change in Fair Value	21,773	15,727	23,943	14,402	75,845
Income Earned	22,452	15,664	24,536	14,679	77,331
Distributions	(41,258)	(28,705)	(45,106)	(27,103)	(142,172)
Expenses	(21,874)	(15,260)	(23,905)	(14,302)	(75,341)
Market Value at June 30, 2015	\$ 1,047,985	\$ 757,158	\$ 1,164,148	\$ 690,096	\$ 3,659,387

Net principal additions (withdrawals) for gifted endowments include new endowment gifts and reinvestment of unused endowment distributions. **Change in fair value** includes realized gains and losses for assets sold during the year and unrealized gains and losses for assets held in the pool at June 30, 2015. **Income earned** includes interest and dividends and is used primarily to fund **distributions**. **Expenses** include investment management expenses (\$60 million), University Development related expenses (\$14 million) and other investment related expenses (\$1 million).

Investment Returns and Expenses:

The investment return for the Long-Term Investment Pool was 3.8% for fiscal year 2015. The annualized investment returns

for the three-year and five-year periods were 9.9% and 9.1%, respectively. These returns -- which are net of investment management expenses as defined by Cambridge Associates for its annual survey -- are used for comparison purposes with other endowments and various benchmarks. In addition to the \$60 million of investment management expenses, which reduced the pool by 1.7% in fiscal year 2015, the \$14 million of University Development expenses and \$1 million of other investment related expenses further reduced the pool by 0.4%.

Additional Information:

For more information on how the Long-Term Investment Pool is invested, please visit the Office of Investments website at: investments.osu.edu.

Additional details on university and foundation endowments, including balances for individual funds, are available on the Office of the Controller's website at: controller.osu.edu/acc/endow-home.shtm (click on the "Endowment Descriptions and Balances" link).

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