THURSDAY, NOVEMBER 21, 2019
AUDIT, COMPLIANCE & FINANCE COMMITTEE MEETING

Location: Longaberger Alumni House
Sanders Grand Lounge

Time: 10:00am-12:00pm

Public Session

ITEMS FOR DISCUSSION

1. *University Financial Scorecards – Mike Papadakis, Kris Devine* — 10:00-10:05am
2. *Audit Update* — 10:05-10:15am
   a. *Audited Consolidated Financial Statements (DRAFT) – Mike Papadakis, Kris Devine*
   b. *External Auditor – Christa Dewire*
3. *Corporate Engagement Office and Commercialization Update – Mike Papadakis, Scott Osborne* — 10:15-10:25am
4. *Enter Into/Increase Professional Services and Construction Contracts – Jay Kasey, Mark Conselyea* — 10:25-10:30am

ITEMS FOR ACTION

5. Consent Agenda — 10:30-10:35am
   a. Approval to Submit Audited Consolidated Financial Statements (DRAFT) to the Auditor of State
   b. Approval of 2020 Football and Golf Course Fees
   c. Approval of the 2019 Progress Report on Ohio Task Force on Affordability and Efficiency in Higher Education Recommendations
   d. Appointments to the Self Insurance Board
   e. Authorization to Enter Into/Increase Professional Services and Construction Contracts
   f. Approval to Purchase Real Property
      - Purchase of Real Property – Highland Street
      - Purchase of Real Property – Eye & Ear Institute
6. Written Reports (Background Only) – Public

   a. FY20 Interim Financial Report
   b. Efficiency Scorecard
   c. Audit & Compliance Scorecard
   d. Compliance & Integrity Report
   e. Major Project Updates

Executive Session — 10:35am-12:00pm

THE OHIO STATE UNIVERSITY

November 2020 Board Meeting

FY 2020 | Through September

Consolidated Financial Scorecard ($ in thousands)	FY20 YTD Actual	FY20 YTD Budget	Actual vs. Budget
A. Financial Snapshot (in thousands)			
1. Total Revenue excluding endowment performance	$ 1,829,895	$ 1,809,077	↑
2. Total Expenses	$ 1,751,751	$ 1,747,161	↔
3. Change in Net Assets	$ 230,956	$ 224,994	↑
4. Change in Net Assets excluding endowment performance	$ 119,832	$ 103,384	↑
5. Change in Net Financial Assets	$ 263,392	$ 125,000	↑
B. Institutional Financial Metrics			
1. Liquidity - Days Cash on Hand	206	120	↑
2. Actual Debt Service to Operations	2.6%	< 3.0%	↔
	FY20 Actual	**FY20 Benchmark**	**Actual vs. Benchmark**
3. Short Term Investment Pool Return	2.08%	2.38%	↔
4. Intermediate Investment Pool Return	2.37%	1.84%	↔
5. 1 Year Long Term Investment Pool Return	1.37%	4.82%	↓
6. 3 Year Long Term Investment Pool Average Return	6.82%	7.75%	↔
7. Credit Rating	AA	AA	↔

(green)	Meets or exceeds goal	↑	Performance up
(yellow)	Below goal	↔	No change in performance
(red)	Far below goal	↓	Performance down

THE OHIO STATE UNIVERSITY

November 2019 Board Meeting

FY 2020 | Through September

University Financial Scorecard ($ in thousands)	FY20 YTD Actual	FY20 YTD Budget	Actual vs. Budget
A. Revenue Drivers (in thousands)			
1. Tuition and Fees	$ 242,281	$ 242,219	↔
2. Grants and Contracts (exchange)	$ 230,669	$ 230,341	↔
3. Advancement Cash Receipts	$ 40,020	$ 39,866	↔
4. SSI	$ 97,473	$ 97,473	↔
5. State Line Item Appropriations	$ 22,568	$ 22,569	↔
6. Net Contribution from Auxiliary Enterprises	$ (14,183)	$ (14,199)	↔
B. Financial Snapshot (in thousands)			
1. Total Revenue excluding endowment performance	$ 855,719	$ 838,826	↑
2. Total Expenses	$ 815,866	$ 816,853	↔
3. Current Net Margin	$ 96,818	$ 79,083	↑
4. Change in Net Assets	$ 164,040	$ 157,072	↑
5. Change in Net Assets excluding endowment performance	$ 130,590	$ 112,676	↑
C. Performance Metrics (Columbus Campus only)			
1. Enrollment - summer/autumn/spring	79,934	80,136	↔
2. Credit Hours - summer/autumn/spring	946,592	939,432	↔

(green)	Meets or exceeds goal	↑	Performance up
(yellow)	Below goal	↔	No change in performance
(red)	Far below goal	↓	Performance down

THE OHIO STATE UNIVERSITY

November 2019 Board Meeting

FY 2020 | Through September

MEDICAL CENTER FINANCIAL PERFORMANCE	FY20 YTD Actual	FY20 YTD Budget	Current Status
A. Revenue Drivers			
1. Patient Admissions	17,035	16,510	↓ (green)
2. Patients in Inpatient Beds	20,948	20,346	↓ (green)
3. Patient Discharges	17,074	16,488	↓ (green)
4. Total Surgeries	12,237	11,751	↓ (green)
5. Outpatient Visits	530,372	488,745	↑ (green)
6. ED Visits	34,640	34,671	↑ (yellow)
B. Activity Metrics			
1. Adjusted Admissions	34,703	32,511	↓ (green)
2. Operating Revenue / Adjusted Admit	$ 23,973	$ 25,424	↓ (yellow)
3. Expense / Adjusted Admit	$ 21,251	$ 22,507	↓ (green)
C. Financial Snapshot (in thousands)			
1. Operating Revenues	$ 831.9	$ 826.5	↓ (green)
2. Total Expenses	$ 737.5	$ 731.7	↑ (yellow)
3. Gain from Operations	$ 94.5	$ 94.8	↓ (yellow)
4. Excess Revenue Over Expenses	$ 65.1	$ 60.2	↓ (green)
D. Performance Metrics			
1. Operating EBIDA Margin	17.6%	17.8%	↓ (yellow)
2. Days Cash on Hand	173.6	131.6	↑ (green)
3. Debt Service Coverage	7.61	7.37	↓ (green)

LEGEND

Meets or exceeds goal (green)	↑ Performance up
Below goal (yellow)	↔ No change in performance
Far below goal (red)	↓ Performance down

THE OHIO STATE UNIVERSITY

Audit Update

Audit, Compliance, & Finance Committee Meeting I November 21, 2019

Overall financial performance was presented to the Finance Committee on August 29, 2019

- Two changes to the estimation methodology used to determine fair value of certain alternative investments at June 30, 2019 since our results reported to you on August 29, 2019.

Significant accounting practice change since August includes:

- The recognition of an additional unrealized loss of $101M to write-down the value of the alternative investments meeting the held for sales criteria from NAV to fair value based on bids received.
- Changed our methodology for valuing the alternative investment portfolio to using the March 31 net asset values (NAVs) as opposed to June 30 NAVs. This resulted in a decrease in market value of $55M.
- With this reduction we are only recognizing 3 quarters of gain/loss, so the remaining quarter of recognition will be posted to the PwC summary of adjustments passed.

New Accounting Pronouncements Implemented

- GASB Statement No. 83, Certain Asset Retirement Obligations establishes criteria for the recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs).

  This resulted in a $15.5M reduction in the FY2017 net position.

- GASB Statement No.88, certain disclosures related to debt.

PwC for the Fiscal Year Ended June 30, 2019

PWC Communications on the Audit for the Fiscal Year Ended June 30, 2019.

- We have substantively completed our audit procedures and expect to issue unqualified opinions on the financial statements of the University.

- There were no significant changes to our planned audit strategy or significant risks; nor were there significant findings in procedures performed over significant risk areas. There were no significant unusual transactions identified during our audit.

- There were two new accounting standards related to accounting for certain asset retirement obligations (GASB 83) and certain disclosures related to debt (GASB 88), the impact of which are reflected within the financial statements.

PwC for the Fiscal Year Ended June 30, 2019 - continued

Management made two changes to the estimation methodology used to determine the fair value of certain alternative investments as of June 30, 2019:

- In an effort to expedite the financial close process, the year-end valuations of alternative investments are now based on March 31 reported NAVs, as opposed to June 30 reported NAVs. Any material changes in NAV post-March 31 are captured on the summary of uncorrected misstatements.
- Management explored selling certain of the natural resource alternative investments within the long-term investment portfolio and adjusted the fair value of these investments at year-end based on the bid data received to date.

We agree with management's conclusions surrounding the immateriality of uncorrected misstatements.

Other matters we are required to bring to the Committee's attention are included within our materials.

pwc

Date: October 28, 2019

To: The Ohio State University Audit, Compliance and Finance Committee

From: Christa Dewire, Audit Partner

Subject: External Audit - FY19 Audit Results

Purpose

To report to the Committee on the status and results of the external audit of the University's financial statements as of and for the fiscal year ended June 30, 2019, as well as share certain Committee-level communications required by professional auditing standards.

Committee Action

No action needed.

Executive Summary

- We will have substantively completed our audit procedures by November 21, 2019, and expect to issue unqualified opinions on the financial statements of the University.
- There were no significant changes to our planned audit strategy or significant risks; nor were there significant findings in procedures performed over significant risk areas. There were no significant unusual transactions identified during our audit.
- There were two new accounting standards related to accounting for certain asset retirement obligations (GASB 83) and certain disclosures related to debt (GASB 88), the impact of which are reflected within the financial statements.
- Management made the following changes to the estimation methodology used to determine the fair value of certain alternative investments as of June 30, 2019:
    - In an effort to expedite the financial close process, the year-end valuations of alternative investments are now based on March 31 reported NAVs, as opposed to June 30 reported NAVs. Any material changes in NAV post-March 31 are captured on the summary of uncorrected misstatements.
    - Management explored selling certain of the natural resource alternative investments within the long-term investment portfolio, and adjusted the fair value of these investments at year-end based on the bid data received to date.
- We agree with management's conclusions surrounding the immateriality of uncorrected misstatements.
- Other matters we are required to bring to the Committee's attention are included within our materials.

Report to the Audit, Compliance and Finance Committee FY19 audit results

The Ohio State University
November 21, 2019

pwc

October 28, 2019

Dear Members of the Committee:

Our relationship with The Ohio State University (the "University") is an extremely important one to our firm. We have a strong appreciation for the responsibility of management and the Audit, Compliance and Finance Committee ("Committee") members, and understand the importance of the Committee's role to the Board of Trustees and stakeholders. We also recognize that the Committee and management place importance on the role that we play as independent auditors. We are committed to providing the highest level of quality service to the University and we accept and affirm our responsibility to the Committee and to the organization. We fulfill this responsibility by performing our audit in accordance with governing professional standards in an independent and professional manner.

Included within our report are the following:

- Executive Summary
- Audit Results, including status of our audit, audit risks and results and other required communications
- Trending topics

We appreciate the courtesy and cooperation extended to us by the employees of the University throughout the performance of our engagement, and we look forward to meeting with you in November to present this report, address your questions and discuss any other matters of interest to the Committee. Please feel free to contact Christa Dewire, Engagement Partner, at (201) 738-6553 with any questions you may have.

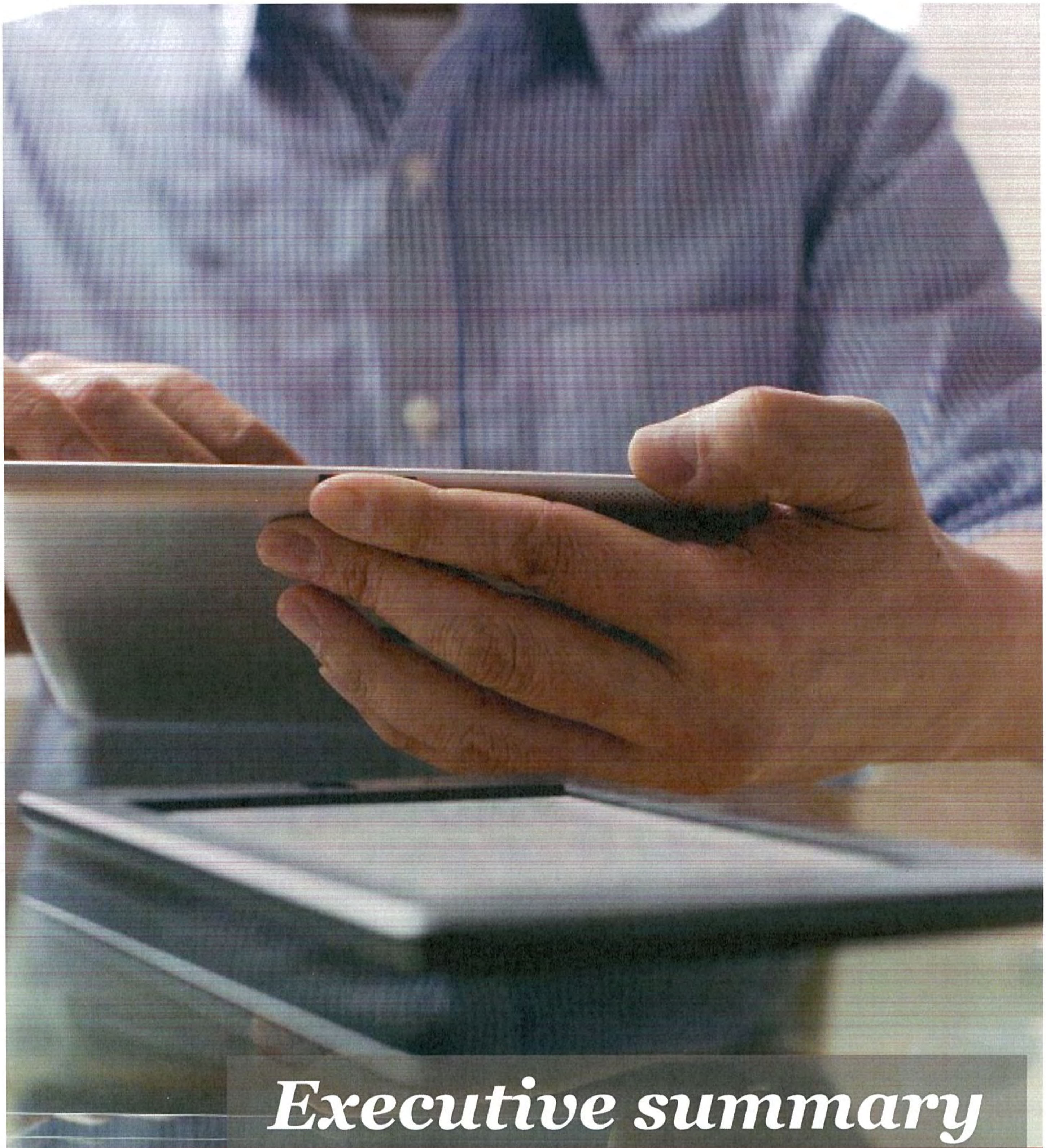
Very truly yours,

Christa L Dewire

Christa L. Dewire
Engagement partner

PricewaterhouseCoopers LLP, 41 South High Street, 25th Floor, Columbus, OH 43215-6101
T: (614) 225 8700 F: (614) 224 1044

Table of contents



Executive summary

Executive summary

Status of our audit as of October 28, 2019

We are on track to sign the University financial statement opinions following Committee approval and wrap-up of the following key items:

- Subsequent events and other completion procedures; and
- Receipt of management's signed representation letters

Drafts of our audit reports are included within Appendix I. Our opinions are unqualified. See Appendix III for an update as to the status of other PwC deliverables.

To the extent there are significant updates to these communications subsequent to submission to the Committee, but prior to our report release date, we will update the Committee verbally during the November meeting.

Significant changes to our audit plan

There have been no significant changes to our planned audit strategy.

Significant risks

There were no significant findings or exceptions in significant risk areas.

Key events and transactions affecting the year

Significant unusual transactions are those that are both significant and outside the normal course of business for the University or that otherwise appear to be unusual due to their timing, size, or nature. We did not identify any such transactions during the current year.

Executive summary, cont'd

Significant accounting policies and practices

The following impacted the university's determination of fair value of certain alternative investments as reported in the financial statements at June 30, 2019:

- In an effort to expedite the period end financial close process, management changed its estimation methodology related to the valuation of alternative fund investments at period end – utilizing March 31 net asset values (NAVs) to value the alternative investment portfolio at June 30, as opposed to June 30 NAVs. Under the new practice, management reviewed the June 30 NAVs as reflected within the capital statements received post-close and assessed the impact of the change quarter over quarter on the June 30 financial statements. The impact was a $55.4M understatement in the value of the long-term investment portfolio as of June 30, 2019. If that impact had been or becomes material, it would be recorded by management and if not material, it would be posted to the summary of unadjusted misstatements and assessed for materiality (both quantitatively and qualitatively) with other unadjusted misstatements (if any).
- Late in fiscal 2019, management undertook a process to explore selling approximately $364.0 million of natural resource alternative investments within the long term investment portfolio. Third party bids were received over the course of this process that provided management with an indication of value that was less than the reported NAV for these investments. This resulted in the recognition of an additional $101.0M of unrealized loss reflected in the fiscal 2019 financial statements.

In addition, the university adopted the following GASB Statements in the current year:

- GASB issued Statement No. 83, Certain Asset Retirement Obligations: This standard establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). The cumulative effect of adopting GASB Statement No. 83 was a $15.5 M liability and reduction in the university's opening net position as of July 1, 2017.

Executive summary, cont'd

- GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements: This standard provides disclosure requirements to increase consistency and provide additional information to financial statement users. The standard did not have a material impact on the financial statements.

There were no other significant changes in accounting policies or related disclosures.

Critical and other accounting estimates

There were no significant changes in management's processes for determining certain critical and other accounting estimates, other than those described in the significant accounting policies above, as of June 30, 2019 – including estimation of patient contractual allowances and bad debt reserves, medical malpractice liability, or pension and OPEB liabilities.

The audit procedures we performed were consistent with those shared with the Committee during our May meeting. We did not identify any bias in management's determination or accounting for such estimates as a result of our audit procedures.

Executive summary, cont'd

Identified misstatements, recorded and unrecorded

There were no corrected misstatements identified by PwC as a result of auditing procedures performed.

The following uncorrected misstatements in excess of our established de minimis threshold ($12.0 million) were identified related to the Primary Institution:

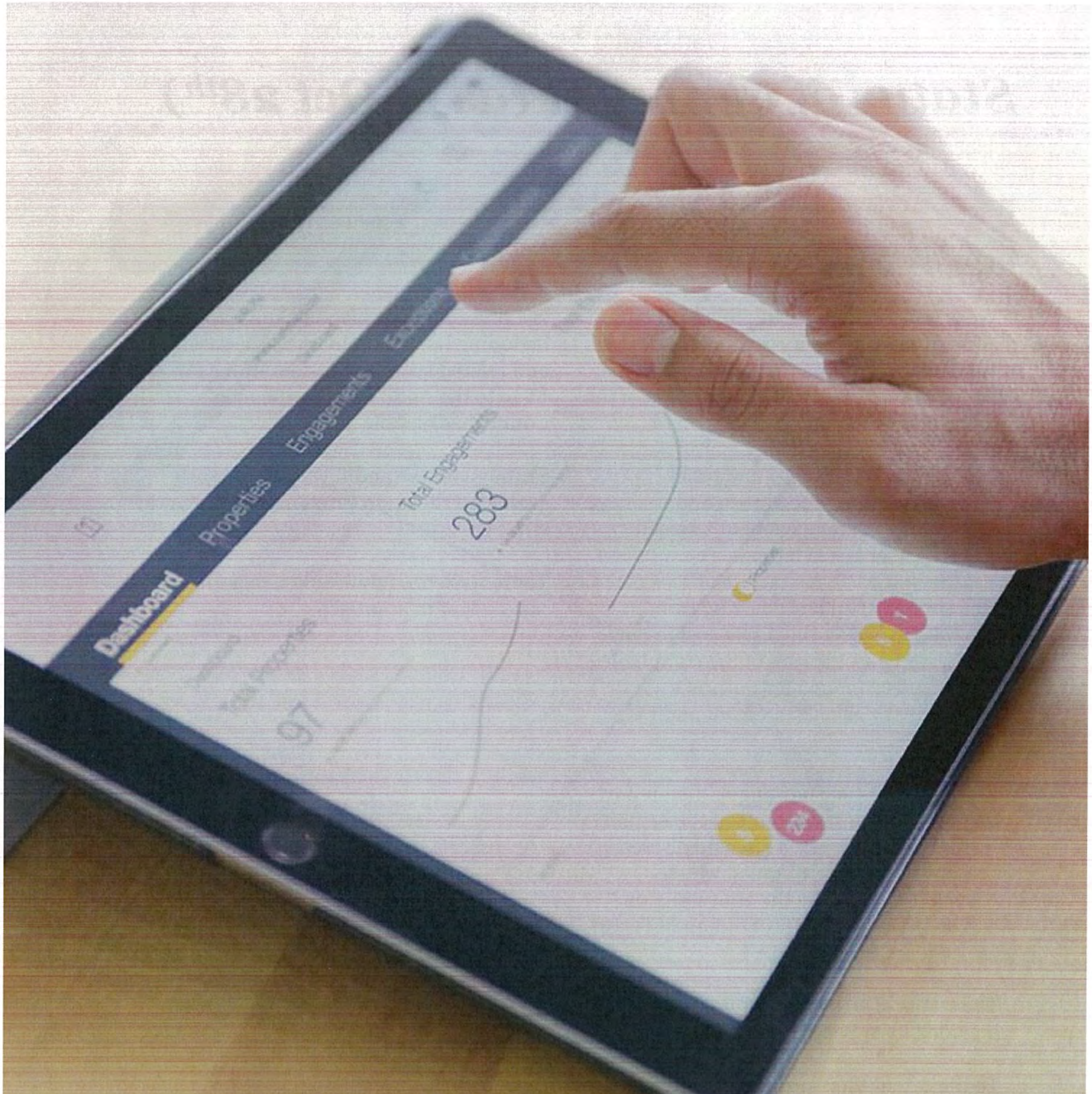
- Understatement of Long-term investment portfolio and unrealized gains of $55.4M due to the change in management's estimation methodology for the alternative fund investments.
- Recurring adjustment - Understatement of current year Health System revenue related to a lag in timing of positive claims adjustments ($13.4M in FY19). This is offset in large part by the impact of the same misstatement in FY18, which was recorded as an out of period adjustment in the current year (resulting in a $12.7M overstatement of FY19 revenue). The net impact on FY19 is a $0.7M understatement of revenue.

One disclosure exception was identified in the Primary Institution capital assets rollforward in Note 5. The exception is the result of property, plant and equipment ("PP&E") additions in FY18 which were inappropriately included in construction-in-progress ("CIP"). The impact to the FY18 and FY19 footnote includes:

- FY18 - $15.0M overstatement of CIP additions and ending CIP with a corresponding understatement of PP&E additions and ending PP&E.
- FY19 - $15.0M overstatement of beginning CIP, CIP disposals and PP&E additions with a corresponding understatement of beginning PP&E.

Management determined the impact of the above to be both quantitatively and qualitatively immaterial to both the current and prior year financial statements. We agree with the conclusions reached by management.

There were no uncorrected misstatements in excess of our established de minimis threshold ($2M) identified related to the Discretely Presented Component Units.



Audit results

Status of our audit (as of Oct 28th)

Remaining items to complete	Significant changes to the audit plan
We are substantially complete with our audit of the University financial statements, pending final approval of the financial statements and completion of the following: • Subsequent events and other completion procedures; and • Receipt of management's signed representation letters Our Uniform Guidance testing is in progress, however the direct cost testing performed for purposes of the compliance report and leveraged for purposes of our University financial statement audit is complete. We expect to issue our unqualified report on the financial statements of the primary institution and of the aggregate discretely presented component units, which collectively comprise the University on November 21st. Drafts of our audit reports are included in Appendix I. The status of all other PwC deliverables is included in Appendix III. To the extent there are significant updates to these communications subsequent to submission to the Committee, but prior to our report release date, we will update the Committee verbally during the November meeting.	We presented our planned audit approach, including our preliminary risk assessment, and related scoping considerations for FY19 to the Audit and Compliance Committee on May 30, 2019. Throughout the audit, we continuously evaluated the appropriateness of our audit strategy. There were no significant changes to the planned audit approach.

Audit risks and results

Final audit plan

Significant Risks

We emphasize certain areas in our audit on a recurring basis because of their potential significant impact on your financial results. The significant risks identified for the University's audit remain consistent with those previously communicated to the Committee and include the following:

Risk		Primary Institution	Discretely Presented Component Units
⚠	**Risk of Management Override of Controls** - required significant risk for all of our audits.	✔	✔
⚠	**Risk of Fraud in Revenue Recognition in Certain Revenue Streams** – presumed significant risk for all of our audits, ultimately dependent on the nature and complexity of certain revenue streams.	✔ Patient service revenue	✔ Patient service revenue
⚠	**Risk of Material Misstatement in the Valuation in Patient Revenue and Patient A/R** – related to the contractual allowance and allowance for doubtful accounts	✔	✔

There were no significant findings or exceptions in the significant risk areas.

Audit risks and results

Significant policies and practices

Significant accounting policy or practice	Effect on financial statements or disclosures
In an effort to expedite the period end financial close process, management changed its estimation methodology related to the valuation of alternative fund investments at period end – utilizing March 31 net asset values (NAVs) to value the alternative investment portfolio at June 30, as opposed to June 30 NAVs. Under the new practice, management reviewed the June 30 NAVs as reflected within the capital statements received post-close and assessed the impact of the change quarter over quarter on the June 30 financial statements. If that impact is deemed material, it would be recorded by management and if not material, it would be posted to the summary of unadjusted misstatements and assessed for materiality (both quantitatively and qualitatively) with other unadjusted misstatements (if any).	The impact of using the March 31 valuations was an understatement of the Long-term investment portfolio of $55.4M. Management determined the impact was not material to the FY2019 financial statements and therefore, the adjustment is included on the schedule of unadjusted misstatements. There is no impact on the financial statement disclosures in relation to this change.

Audit response

Our procedures included:

- Assessing the change in practice in relation to generally accepted accounting principles and industry practice;
- Testing management's valuation of the investments based upon the March 31 NAVs and changes in value during the three-month period ended June 30; and
- Assessing the reasonableness of management's conclusion as to whether the change in investment valuations from March 31 to June 30 was material, requiring adjustment in the June 30 financial statements.

Based on procedures performed, as well as materiality of the impact in relation to the FY19 financial statements, we do not take exception to management's change in estimation methodology for alternative investments. However, the above-referenced materiality assessment will need to be refreshed each year (both current year impact, as well as rollover impact).

Audit risks and results

Significant policies and practices, cont'd

Significant accounting policy or practice	Effect on financial statements or disclosures
Late in fiscal 2019, management undertook a process to explore selling approximately $364.0 million of natural resource alternative investments within the long term investment portfolio. Third party bids were received over the course of this process that provided management with an indication of value that was less than the reported NAV for these investments. Specific criteria within GASB Statement No. 72 relating to the probable sale of the portfolio were met as of June 30th such that management could no longer apply the NAV practical expedient to value these particular investments. Therefore other available evidence (i.e. bid data) was utilized to inform management of estimated fair value as of June 30, 2019.	The university recognized an additional unrealized loss of $101 million in the FY19 financial statements to write-down the value of the alternative investments meeting the held for sales criteria from NAV to fair value based on bid data received. Disclosure with respect to the above was included within the financial statements.

Audit response

Our procedures included:

- assessing management's conclusion that a portion of the alternative investment funds met the held for sale criteria as defined in the generally accepted accounting principles as of June 30, 2019
- testing the valuation of the investments based upon the available evidence of as the balance sheet date
- reviewing management's disclosures

Audit risks and results

Significant accounting policies and practices

In fiscal year 2019, the university implemented the following GASB Standards:

- GASB issued Statement No. 83, Certain Asset Retirement Obligations. This standard establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). ARO liabilities and related deferred inflows are recognized based on the existence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities.

  The cumulative effect of adoption ($15.5 M), applied retrospectively to July 1, 2017, was not material to any of the periods presented.

- GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This standard provides disclosure requirements to increase consistency and provide additional information to financial statement users. The standard did not have a material impact on the financial statements.

Audit risks and results

Critical accounting estimates – ***Patient Accounts Receivable and Related Allowances***

Reported patient revenues represent 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.

In the case of the Health System, management's estimates for contractual and bad debt allowances are based on either the expected price from the contract with the third party payor or cash collections and adjustments compared to revenue over a rolling twelve month period disaggregated by major payor class. Regarding OSUP, management's estimates for contractual and bad debt allowances are based on cash collections and adjustments over a twelve month period compared to prior period Patient Accounts Receivable, adjusted for significantly aged receivables, disaggregated by physician practice. Management also performs a look-back analysis of contractual and bad debt allowances established at the end of the prior fiscal year.

With regard to the Health System, management changed the measurement date of the rolling cash collections measurement date from June 30 to May 31 to allow for additional time to review the calculations and results. In addition, they further disaggregated the calculation for bad debts to the respective hospital. The results of these changes did not materially affect the contractual and bad debt allowances as of June 30, 2019. OSUP management did not make significant changes in the processes used to estimate these allowances, nor were there significant changes in the audit procedures we performed in relation to patient accounts receivable and related allowances. Details regarding both management's process and our planned audit approach were shared with the Committee as part of our audit plan in May.

The following summarizes the balances for patient accounts receivable and the related allowances:

	Health System		OSU Physicians	
(in millions)	**2019**	**2018**	**2019**	**2018**
Gross patient A/R	$1,020	$1,036	$125	$111
Reserve for contractual allowances	(526)	(548)	(72)	(63)
Reserve for bad debts	(55)	(57)	(8)	(9)
Other reserves	(57)	(58)	-	-
Other patient A/R, net	31	31	n/a	n/a
Net patient service A/R	$413	$404	$45	$40
Net patient service revenue	$3,116	$2,878	$386	$368
Days revenue in patient accounts receivable	54 days	57 days	43 days	39 days
Bad debt expense, net	$44	$42	$9	$11
As a % of net patient revenue before bad debt provision	1.38%	1.45%	2.27%	2.96%

Audit risks and results

*Other accounting estimates -**Valuation of Certain Alternative Investments***

Investments are carried at fair value, based upon quoted market prices when available. Fair values for alternative investments which include real assets, hedge funds and private equity are generally measured using the net asset value ("NAV") provided by the associated external investment manager/general partners and reviewed by the university using the most recent audited and unaudited financial statements available. The following summarizes alternative investments held by the University by type (this excludes investments in real estate and REITs):

Alternative Investments by Type (in millions)	June 30, 2019		June 30, 2018	
	Year-end Value	% of Total	Year-end Value	% of Total
Real Assets	$560	8%	$691	10%
Hedge Funds	829	11%	1,378	20%
Private Equity	1,042	14%	848	12%
Total Alternative Investments	2,431	33%	2,917	42%
Total Investment Portfolio	7,259	100%	$7,026	100%

Under GASB Statement No. 72, it is not always appropriate to use NAV as a practical expedient for valuing alternative investments. Two instances where it is not appropriate, applicable to the university are:

- Investee funds that do not follow the measurement principles provided by the FASB's standards on investment companies.
- Investments which, as of the balance sheet date, management concludes are probable of being sold as defined within GASB Statement No. 72.

Investments meeting the above criteria require further consideration by management to determine fair value and have more subjectivity and judgment involved in their valuation. Approximately 57 alternative fund investments with fair value of $488.0M at June 30, 2019 (compared to 23 alternative fund investments with fair value of $242.0M at June 30, 2018) were valued by a means other than NAV as a practical expedient. The increase year-over-year is a result of the alternative investment funds for which management concluded sale was probable.

The remaining alternative investment portfolio consists of investments that follow fair value measurement principles provided by the FASB standards on investment companies with information related to net asset value available as of the financial statement close date.

Audit risks and results

*Other accounting estimates – **Medical Malpractice Liability***

The University maintains a self-insurance program for professional medical malpractice liability, which is made up of three funds (Fund I, Fund II and Oval) each of which provide for different levels of loss coverage. Management's estimate of professional medical malpractice liability is based on an independent actuarial determination and includes provisions for known claims (case reserves) and estimates of incurred but not reported claims and incidents (IBNR).

A rollforward of the liability is presented below.

(in millions)	June 30, 2019	June 30, 2018
Liability at beginning of fiscal year	$70	$74
Current year provision/(release)	5	1
Claim payments	(5)	(5)
Liability at fiscal year-end	70	70

Key inputs and assumptions related to this liability include historical loss data (which is utilized by the third party actuary to estimate losses) and a discount rate, which management has established at 3% (consistent with prior year). In addition, management has historically applied an additional cost factor to the actuary's estimate to bring the funding requirement to a 75% confidence level (consistent with prior year). This is to address the volatility associated with such liabilities. While claims history may not support this increased funding requirement, the impact of applying such a factor is below de minimis.

There have been no significant changes in the processes management uses to estimate this liability, nor were there significant changes in the audit procedures we performed in relation to this liability. Details regarding both management's process and our planned audit approach were shared with the Committee as part of our audit plan in May.

Audit risks and results

*Other accounting estimates – **Pension and OPEB Liabilities***

GASB Statement No. 68 ("GASB 68") and GASB Statement No. 75 ("GASB 75") require employers that participate in cost-sharing, multi-employer plans (such as the University) to recognize their proportionate share of net pension and net other post-employment benefit (OPEB) liabilities of the plan. The University participates in two such plans, the State Teachers Retirement System of Ohio and the Ohio Public Employees Retirement System. A proportionate share of the net pension and OBEP liabilities is allocated to the University, based on retirement plan contributions for University employees. The collective net pension and OPEB liabilities of the retirement systems and the University's proportionate share of these liabilities are as follows:

Net Pension Liability	2019			2018		
(in millions)	STRS - Ohio	OPERS	Total	STRS - Ohio	OPERS	Total
All employers	$21,988	$27.274		$23,755	$15,548	
University's share	4.6%	9.9%		4.6%	9.4%	
University's	$1,020	$2,695	$3,715	$1,081	$1,467	$2,548

The increase in net pension liability in FY2019 relates primarily to OPERS net pension liabilities. In calendar year 2018, OPERS reduced its long-term assumed rate of return on pension plan investments from 7.5% to 7.2%, increasing total pension liabilities for the system. In addition, OPERS realized a 2.99% negative return on defined benefit plan investments for the period.

Net OPEB (Asset)/Liability	2018			2018		
(in millions)	STRS - Ohio	OPERS	Total	STRS - Ohio	OPERS	Total
All employers	$(1,607)	$13,038		$3,902	$10,859	
University's share	4.6%	10.1%		4.6%	9.7%	
University's	$(74)	$1,321	$1,246	$178	$1,055	$1,233

Note that the state plan measurement dates differ from the University's fiscal year-end. The measurement date for STRS-Ohio is June 30, 2018. The measurement date for OPERS is December 31, 2018.

Audit risks and results

*Other accounting estimates – **Pension and OPEB Liabilities***

Although changes in net pension and OPEB liabilities generally are recognized as expense in the current period, certain items are deferred and recognized as expense in future periods. The following is a rollforward of the pension and OPEB liabilities from year to year (primary institution only):

(in millions)	FY2019	FY2018
Net pension liability at July 1	$2,548	$3,565
Pension expense – GASB 68	480	(262)
Increase (decrease) in deferred outflows of resources	385	(360)
Decrease (increase) in deferred inflows of resources	302	(395)
Net pension liability at June 30	3,715	2,548

(in millions)	FY2019	FY2018
Net OPEB liability at July 1	$1,233	$1,225
OPEB expense – GASB 75	15	21
Increase (decrease) in deferred outflows of resources	116	88
Decrease (increase) in deferred inflows of resources	(118)	(101)
Net OPEB liability at June 30	$1,246	1,233

Pension and OPEB expense is allocated across functional categories within the financial statements but disclosed in aggregate, along with pension and OPEB expense related to employer contributions, in the footnotes.

Changes in deferred outflows and inflows are driven by differences between expected and actual earnings on plan investments; changes in assumptions, differences between expected and actual experience, changes in proportion of university contributions, as well as university contributions subsequent to the measurement date.

Disclosures related to GASB 68 and 75 include net deferred inflows and outflows of resources for the next five years and beyond; detail with respect to pension benefit formulas, contribution requirements and significant assumptions used in the measurement of total pension liabilities for the retirement systems. The benefit formulas as well as significant assumptions are determined at the Plan level and are subject to audit by the State Plan auditors.

There have been no significant changes in the processes management uses to account for these liabilities, nor were there significant changes in the audit procedures we performed. Details regarding both management's process and our planned audit approach were shared with the Committee as part of our audit plan in May.

Audit risks and results

Control deficiencies

We considered the internal control structure of the University to gain a basic understanding of the accounting system in order to design an effective and efficient audit approach, though not specifically for the purpose of providing assurance on the internal control structure.

We are required to report to you weaknesses in internal control which are either "significant deficiencies" or "material weaknesses," both of which represent deficiencies in the design or operation of the internal control structure.

MW - Material weakness	***SD - Significant deficiency***
A deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual financial statements will not be prevented or detected on a timely basis.	A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

We did not identify any material weaknesses or significant deficiencies. Other control deficiencies at the University level will be communicated to management in writing upon completion of our fieldwork.

Any significant deficiencies or material weaknesses identified at the stand-alone financial statement level for audited components or affiliates will be communicated to the Committee in January 2020 (upon completion of those audits).

Other required communications

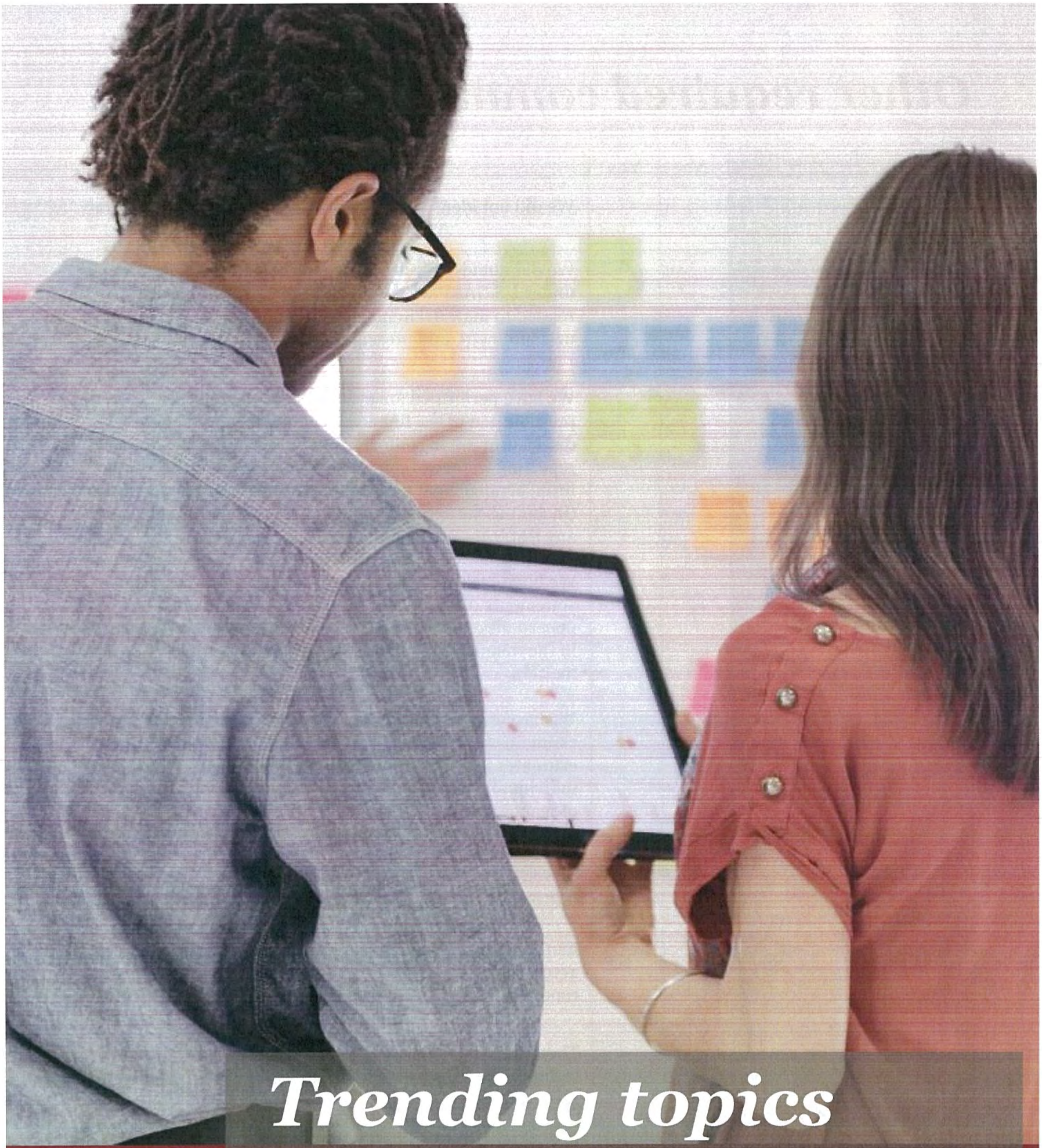
Matter to report	No	Yes	Comments
Independence re-evaluation	✓		There were no independence matters that occurred or were identified subsequent to May 6, 2019, the date of our most recent independence communication to the Audit Committee.
Material uncertainties related to events and conditions (specifically going concern)	✓		There were no conditions or events that we identified indicating there is substantial doubt about the University's ability to continue as a going concern.
Disagreements with management	✓		There were no disagreements with management.
Consultation with other accountants	✓		We are not aware of any consultations management has had with other accountants about significant accounting or auditing matters.
Difficulties encountered during the audit	✓		There were no significant difficulties encountered during the audit. There were no limitations on the system-wide audit including where our access to information at a component was restricted.
Other material written communications		✓	In accordance with our engagement letter, we provide the Committee with copies of all material written communications between us and the University. See Appendix II for draft management representation letter. Final signed copy of the letter will be shared with the Committee Chair.
Fraud	✓		We did not identify any potential or known fraud involving management, employees who have a significant role in the internal control structure or which could be material to the financial statements.
Illegal acts	✓		We did not identify any potential or known illegal acts.
Non-compliance with laws and regulations	✓		We did not identify any instances of non-compliance with laws and regulations

Other required communications

Matter to report	No	Yes	Comments
Other information in documents containing audited/reviewed financial statements	✓		We did not identify any information that was materially inconsistent with the information in the financial statements.
Identified Misstatements		✓	Identified misstatements include those that are uncorrected misstatements related to accounts and disclosures that the auditor presented to management and corrected misstatements, other than those that are clearly trivial, related to accounts and disclosures that might not have been detected except through the auditing procedures performed. There were no corrected misstatements, other than those that are clearly trivial, identified by PwC as a result of auditing procedures performed. The following uncorrected misstatements in excess of the established deminimis threshold ($12.0 million) were identified related to the Primary Institution: • Understatement of Long-term investment portfolio and unrealized gains of $55.4M due to the change in management's estimation methodology for the alternative fund investments. • Recurring adjustment - Understatement of current year Health System revenue related to a lag in timing of positive claims adjustments ($13.4M in FY19). This is offset in large part by the impact of the same misstatement in FY18, which was recorded as an out of period adjustment in the current year (resulting in a $12.7M overstatement of FY19 revenue). The net impact on FY19 is a $0.7M understatement of revenue. One disclosure exception was identified in the capital assets rollforward in Note 5 totaling $15.0M. There were no uncorrected misstatements in excess of our established de minimis threshold ($1.2 million) related to the discretely presented component units. Management determined the impact of the above to be both quantitatively and qualitatively immaterial to both the current and prior year financial statements. We agree with management's conclusions. See Appendix II for additional detail.

Other required communications

Matter to report	No	Yes	Comments
Significant unusual transactions	✓		We did not identify any significant or unusual transactions.
Alternative Accounting Treatments	✓		We did not identify any alternative treatments permissible under US GAAP for accounting policies and practices related to material items, including recognition, measurement, and presentation and disclosure.
Quality of the company's financial reporting	✓		We have performed an evaluation of whether the presentation of the financial statements and the related disclosures are in conformity with the applicable financial reporting framework, including our consideration of the form, arrangement and content of the financial statements (including the accompanying notes). We did not identify any instances of non conformity. We have evaluated the potential effect on the financial statements of significant exposures and risks, and uncertainties, such as pending litigation, that are disclosed in the financial statements. We did not identify any matters. We have evaluated whether the difference between estimates best supported by the audit evidence and estimates included in the financial statements, which are individually reasonable, indicate a possible bias on the part of management. We did not identify any areas of possible bias.
Departure from Standard Report	✓		We anticipating issuing unqualified reports in relation to the University's financial statements, with an emphasis of matter paragraph addressing the implementation of new accounting standards. See Appendix I for drafts of these reports.
Other Matters	✓		There were no other matters arising from the audit that are significant to the oversight of the University's financial reporting process.



Trending topics

pwc

Health Industries

The US health industry has often lagged other industries—think tech, retail, hospitality— when it comes to modernizing. Once thought to operate outside the greater US economy, the industry—with its byzantine payment system, complicated regulatory barriers and reliance on face-to-face interactions—is being disrupted. Finally, there's robust evidence that what PwC calls the New Health Economy is kicking into gear.

Click on the image to read the report

Health Industries

A prescription for blockchain and healthcare: Reinvent or be reinvented

Blockchain disruption is coming. Are healthcare organizations ready?

Blockchain-based technologies offer substantial opportunities to reinvent how healthcare organizations access, collect, distribute, share, leverage, monitor and audit data. Not all organizations will benefit. Organizations that are slow to change may lose out to ones that use the technology to cut costs and increase efficiencies.

Organizations should be prepared to identify where blockchain could improve their operations and interactions with trusted partners. Because blockchain projects are undergoing research and development, organizations have just a few years before blockchain-based partnerships and programs begin to come into use. They have precious little time to plan, adjust and adapt. Refer to the link below for more information.

https://www.pwc.com/us/en/industries/health-industries/health-research-institute/blockchain-in-healthcare.html

Today's complex risks make it challenging for a board to gain a clear line of sight into a company's opportunities and threats.

Removing the siloed approach to risk reporting helps a company get a comprehensive view of risk. And that can help its board feel confident that no key risks are falling through the cracks. How does a company do that? By adopting an approach to governance, risk and compliance that provides a single source of truth on risk.

Click on the image to read the report

GASB Standards

Upcoming Accounting standards for governmental entities

FY19-20	FY20-21
GASB No. 84 Fiduciary activities (periods beginning after December 15, 2018)	GASB No. 87 Leases (periods beginning after December 15, 2019)
GASB No. 90 Majority Equity Interests -an amendment of GASB Statements No.14 & No. 16 (periods beginning after December 15, 2018)	GASB No. 89 Accounting for interest cost incurred before the end of a construction Period (periods beginning after December 15, 2019)

GASB 84: Fiduciary Activities

GASB Statement No. 84, *Fiduciary Activities,* was issued in January 2017 to enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this Statement apply to the financial statements of all state and local governments.

The focus of the criteria for identifying activities that should be reported as fiduciary activities generally is on:
(1) whether a government is controlling the assets of the fiduciary activity and
(2) the beneficiaries with whom a fiduciary relationship exists.

Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in the fiduciary fund financial statements (a statement of fiduciary net position and a statement of changes in fiduciary net position) of the basic financial statements.

This Statement describes four fiduciary funds that should be reported, if applicable:
(1) pension (and other employee benefit) trust funds,
(2) investment trust funds,
(3) private-purpose trust funds and
(4) custodial funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for the University in 2020. Earlier application is encouraged. The University is in the process of assessing the potential financial statement impact of the new guidance. The guidance may impact the University's financial statement presentation and processes.

GASB 87: Leases

On June 28, 2017, the GASB issued governmental lease accounting standard Statement No. 87, *Leases,* which will bring substantially all leases on to lessees' balance sheets.

Lessees

For operating leases (other than short-term leases), lessees will be required to recognize an asset for the right to use the leased item and a corresponding lease liability.

With the exception of short-term leases, all distinctions between operating and capital leases will be eliminated, and all leases will be treated as financings (similar to capital lease accounting today). Lease liabilities will be considered long-term debt and lease payments will be capital financing outflows in the cash flow statement. In the activity statement, lessees will no longer report rent expense for today's operating-type leases, but will instead report interest expense on the liability and amortization expense related to the asset.

Lessors

Lessor accounting will mirror lessee accounting. Lessors will recognize a lease receivable and a corresponding deferred inflow of resources (with certain exceptions) while continuing to report the asset underlying the lease. Interest income associated with the receivable will be recognized using the effective interest method. Lease revenue will arise from amortizing the deferred inflow of resources in a systematic and rational manner over the lease term.

Once the new standards take effect, FASB and GASB entities will apply different accounting for operating-type leases. This may add complexity when comparing financial statements of entities in sectors comprised of both GASB and FASB reporters, such as higher education and healthcare.

The requirements of Statement No. 87 are effective for the University in 2021, with earlier application encouraged.

The University will begin to assess the potential financial statement impact of the new guidance. The new guidance may impact the University's financial statements and processes.

GASB 90: Majority Equity Interests – An amendment of GASB Statements No.14 & No. 16

GASB Statement No. 90, *Majority Equity Interests – An amendment of GASB Statements No.14 and No. 16,* was issued in August 2018 to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for the University in 2020. Earlier application is encouraged. The University is in the process of assessing the potential financial statement impact of the new guidance. The guidance may impact the University's financial statement presentation and processes.

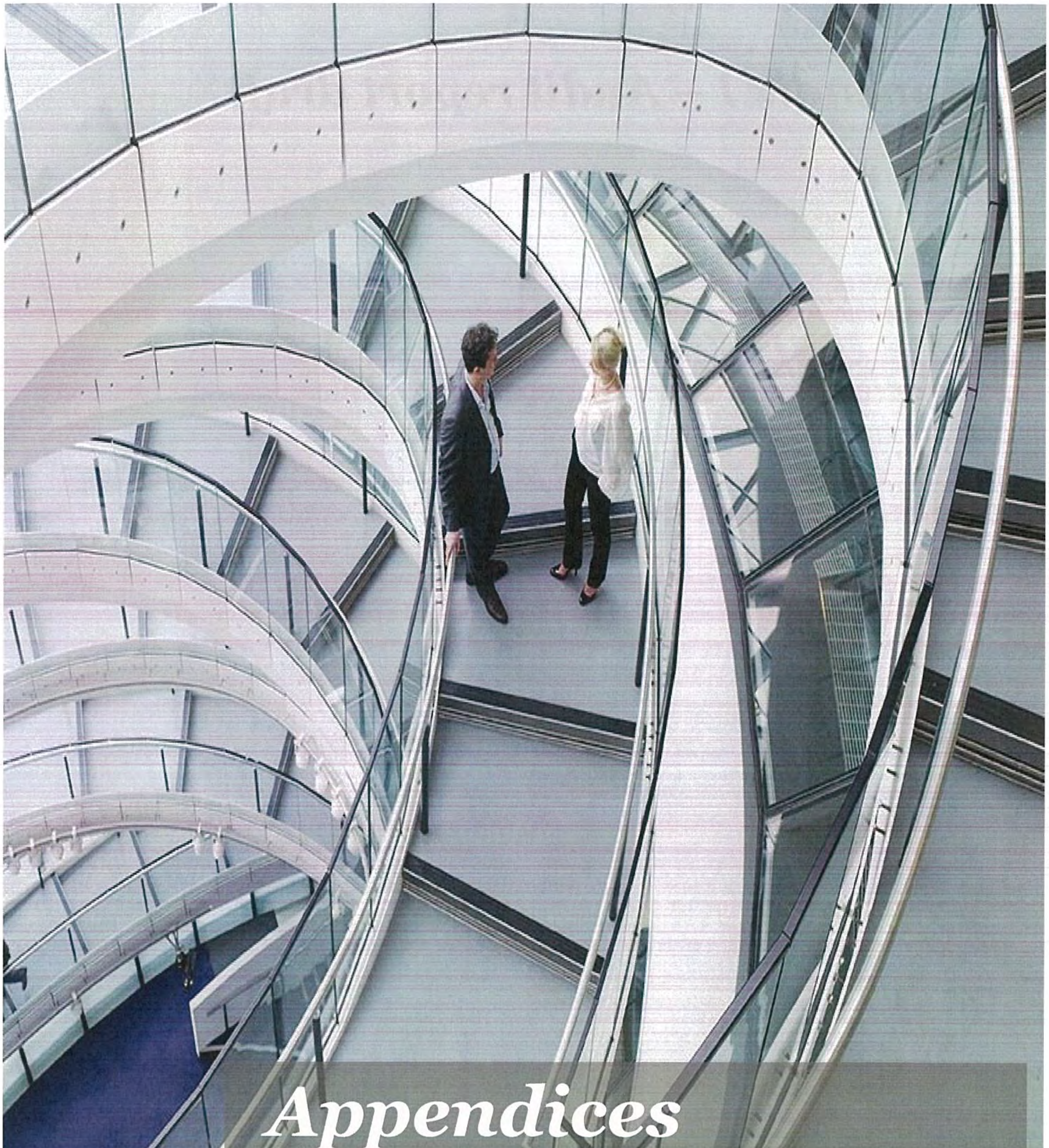
GASB 89: Accounting for interest cost incurred before the end of a construction period

GASB Statement No. 89, *Accounting for interest cost incurred before the end of a construction period,* was issued in June 2018 to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement apply to the financial statements of all state and local governments.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for the University in 2021. Earlier application is encouraged. The University is in the process of assessing the potential financial statement impact of the new guidance. The guidance may impact the University's financial statement presentation and processes.



Appendices

Appendix I – Audit report draft

DRAFT

Report of Independent Auditors

To the Board of Trustees of
The Ohio State University

We have audited the accompanying financial statements of the primary institution and of the aggregate discretely presented component units, of The Ohio State University (the "University"), a component unit of the State of Ohio, which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, 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.

Auditors' 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.

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 The Ohio State University as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 21, the Required Supplementary Information on GASB 68 Pension Liabilities on page 89 and the Required Supplementary Information on GASB 75 Net OPEB Liabilities on page 90 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 other information on the long-term investment pool on pages 91 through 92 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2019. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

November 22, 2019

pwc

DRAFT

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

To the Board of Trustees of
The Ohio State University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the primary institution and of the aggregate discretely presented component units of The Ohio State University (the "University"), a component unit of the State of Ohio, which comprise of the statements of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

November 22, 2019

Appendix II – Management representation letter draft

THE OHIO STATE UNIVERSITY

Office of the Controller
2042 Blankenship Hall
901 Woody Hayes Drive
Columbus, OH 43210
Phone (614) 688-1647
Fax (614) 688-3572

DRAFT

November 22, 2019

PricewaterhouseCoopers LLP
41 South High Street
Suite 2500
Columbus, OH 43215

We are providing this letter in connection with your audits of the financial statements of The Ohio State University (the "University") as of June 30, 2019 and June 30, 2018 and for the years then ended for the purpose of expressing opinions as to whether such financial statements present fairly, in all material respects, the financial position, respective changes in net position and cash flows of the primary institution and aggregate discretely presented component units of the University in conformity with accounting principles generally accepted in the United States of America.

We acknowledge and confirm that we have fulfilled our responsibility, as set out in our engagement letter of June 13, 2019, for the preparation and fair presentation in the financial statements of financial position, respective changes in net position and of cash flows in conformity with generally accepted accounting principles, including the appropriate selection and application of accounting policies.

Certain representations in this letter are described as being limited to those matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. Materiality used for purposes of these representations is $5,000,000.

We confirm, to the best of our knowledge and belief, as of November 22, 2019, the date of your reports, the following representations made to you during your audits:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP), and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which the University is subject. We have prepared the University's financial statements on the basis that the University is able to continue as a going concern. There are no conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

2. We have made available to you:

   a. All financial records and related data.

   b. Unconditional access to persons within the entity from whom you have requested audit evidence.

   c. All minutes of the meetings of the Board of Trustees, the Audit, Compliance and Finance Committee and other Committees of the Board and summaries of actions of recent meetings for which minutes have not yet been prepared. The most recent meetings held were:

      (1) Board of Trustees – November 21, 2019

      (2) Audit, Compliance & Finance Committee – November 21, 2019

      (3) Academic Affairs, Student Life & Research Committee – November 20, 2019

(4) Advancement Committee – November 21, 2019

(5) Talent, Compensation & Governance Committee – November 20, 2019

(6) Master Planning & Facilities Committee – November 21, 2019

3. We have appropriately reconciled our books and records (e.g., general ledger accounts) underlying the financial statements to their related supporting information (e.g., sub ledger or third-party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements, as necessary. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to an income statement account and vice versa. All consolidating entries have been properly recorded. All intra-entity accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

4. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.

5. There are no material transactions, agreements or accounts that have not been properly recorded in the accounting records underlying the financial statements.

6. The effects of the uncorrected financial statement misstatements and out-of-period adjustments summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

7. We acknowledge and confirm that we have fulfilled our responsibility, as set out in our engagement letter of June 13, 2019, for 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 and we have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware. We have also disclosed to you which of these deficiencies, if any, we believe are significant deficiencies or material weaknesses in internal control over financial reporting.

8. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

9. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud and we have no knowledge of any fraud or suspected fraud affecting the University involving:

   a. Management,
   b. Employees who have significant roles in internal control over financial reporting, or
   c. Others where the fraud could have a material effect on the financial statements.

10. We have no knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, former employees, analysts, regulators, or others

(As to items 8, 9 and 10, we understand the term "fraud" to mean those matters described in AICPA AU-C 240.)

11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

12. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

13. We have identified and disclosed to you violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or for auditor reporting on non-compliance.

14. We have taken timely and appropriate steps to remedy fraud, illegal acts, and violations of provisions of contracts or grant agreements, or abuse that you report.

15. The University has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

16. We have disclosed to you the identity of the University's related parties and all the related party relationships and transactions of which we are aware.

17. The following, if material, have been properly recorded or disclosed in the financial statements:

    a. Relationships and transactions with related parties, as described in Accounting Standards Codification (ASC) 850, *Related Party Disclosures*, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

    b. Guarantees, whether written or oral, under which the University is contingently liable.

    c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with ASC 275, *Risks and Uncertainties*. (Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.)

18. The University has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the financial statements.

19. The University has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

20. Receivables recorded in the financial statements represent bona fide claims against debtors for services or other charges arising on or before the balance sheet dates and are not subject to discount except for normal cash discounts. Receivables classified as current do not include any material amounts which are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.

21. Inventories recorded in the financial statements for the University are stated at the lower of moving average cost or market. The inventories of the Health System are valued at, cost being determined on the basis of first-in, first-out basis and due provision was made to reduce all slow-moving, obsolete, or unusable inventories to their estimated useful or scrap values. Inventory quantities at the balance sheet dates were determined from physical counts or from perpetual inventory records, which have been adjusted on the basis of physical inventories taken by competent employees at various times during the year. Liabilities for amounts unpaid are recorded for all items included in inventories at balance sheet dates and all quantities billed to customers at those dates are excluded from the inventory balances.

22. All liabilities of the University of which we are aware are included in the financial statements at the balance sheet dates. There are no other liabilities or gain or loss contingencies that are required to be recognized or disclosed by ASC 450, *Contingencies*, and no unasserted claims or assessments that our legal counsel has advised us are probable of assertion and required to be disclosed in accordance with that Topic, other than those disclosed in the footnotes to the financial statements.

23. We are responsible for all significant estimates and judgments affecting the financial statements. Significant estimates and judgments and their underlying assumptions, methods, procedures and the source and reliability of supporting data are reasonable and based on applicable guidance, are completely and appropriately disclosed in the financial statements, and appropriately reflect management's intent and ability to carry out specific courses of action, where relevant. The procedures and methods utilized in developing assumptions, estimates and judgments are appropriate and have been consistently applied in the periods presented. There have been no subsequent events which would require the adjustment of any significant estimate and related disclosures.

24. All borrowings and financial obligations of the University and its components have been disclosed to you and are properly recorded and disclosed in the financial statements. Further, we appropriately classified debt as current or non-current in the statement of net position in accordance with the appropriate authoritative guidance.

25. Investments in the Long-Term Portfolio are in compliance with the University's asset allocation policy.

26. We are responsible for the fair value of estimates related to temporary investments, the Long-term Investment Pool, other long-term investments, and securities loaned by the University under its securities lending program, including real assets, hedge funds and private equity securities, and determined the models, methods and assumptions used by pricing services and other parties are reasonable. In addition, the measurement of fair value and related fair value levelling hierarchy presented within the notes to the financials is consistent with the requirements of GASB Statement No. 72, *Fair Value Measurement and Application*.

27. For certain investments within our alternative investment portfolio, we have deemed it probable, as of June 30, 2019, that the University will sell the investments for amounts different from the NAV per share (or its equivalent). Leveraging recent bid data received, we recognized an additional $101 million unrealized loss on this portfolio as of 6/30/19. In determining that a sale is probable, all of the following criteria have been met as of June 30, 2019:

    a. The University, having the authority to approve the action, is committed to a plan to sell the investments.

    b. An active program to locate a buyer and other actions required to complete the plan to sell the investments has been initiated.

    c. The investments are available for immediate sale subject only to terms that are usual and customary for sales of such investments (for example, a requirement to obtain approval of the sale from the investee, or a buyer's due diligence procedures).

    d. Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

28. Tax-exempt bonds issued have retained their tax-exempt status

29. The University has properly recorded, classified and disclosed net position in accordance with GASB Statement 35, *Basic Financial Statements – and Management's Discussion and Analysis –*

for Public Colleges and Universities. Net position resulting from transactions with externally-imposed purpose restrictions have been recorded, classified and disclosed as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact. Restricted net position has been appropriately classified as nonexpendable or expendable.

30. The University has one segment that meets the GASB reporting requirements; in that the 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 condensed financial information for the Special Purpose Revenue Facilities as presented in the footnotes to the financial statements was prepared on a basis consistent with the University financial statements.

31. We assume responsibility for the findings of specialists. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have had an impact on the independence or objectivity of the specialists. We adequately considered qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records related to self-insurance reserves for medical malpractice.

32. We have presented, in either the statement of revenues, expenses, and other changes in net position or the notes to the financial statements, information about expenses (but not losses) reported by their functional classification, such as major classes of program services and supporting activities. Expenses that relate to more than one program or supporting activity, or to a combination of programs and supporting services, have been appropriately allocated among the appropriate functions. Administrative allocations to the functional categories were based on full cost allocations.

33. We acknowledge our responsibility for the presentation of the required supplementary information on GASB 68 pension liabilities and GASB 75 other postemployment benefit liabilities that are mandatory for all cost-sharing employers. We believe such information, including its form and content, is fairly presented in accordance with GASB Statement Nos. 68 and 75, as amended. The methods of measurement or presentation have not changed from those used in the prior period. We have informed you about any significant assumptions or interpretations underlying the measurement or presentation of the information.

34. The University is exempt from taxes as an instrumentality of the State of Ohio under Internal Revenue Code S115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

35. We have notified you of (i) any current or planned offerings of securities on a regulated market in a non-U.S. country or (ii) when we have provided or plan to provide audited financial statements to a non-U.S. regulator or government in connection with our access to its public capital markets, whether or not we include or refer to your report or include reference to your Firm.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Michael Papadakis
Senior Vice President for Business and Finance and CFO

Kristine G. Devine
Vice-President of Financial Operations and Deputy Chief Financial Officer

Lisa A. Plaga
Controller

Thomas F. Ewing
Director of Financial Reporting

Summary of Uncorrected Misstatements and Out-of-Period Adjustments

Client	The Ohio State University - Primary Institution	Period End	6/30/19

Period Impacted	AJE#	Type	Description	Debits/ Credits (Dr/Cr)	Financial Statement Line Item (FSLI) Impacted	Balance Sheet Impact			Income Statement Impact
						Assets Increase/(Decrease)	Liabilities (Increase)/Decrease	Net Position (Increase)/Decrease	Income Statement Impact Increase/(Decrease)
2019 - Annual	1	Uncorrected	Understatement of LTIP portfolio and unrealized gains	Cr Dr	Investment income Investments at fair value	$ 55,393			$ 55,393
	2	Out-of-period	Overstatement of Health System FY19 revenue related to the out-of-period correction of FY18 postive claims adjustments.	Dr Cr	HS - Net Patient Service Revenue Accounts payable		$ (12,727)		$ (12,727)
	3	Uncorrected	Understament of Health System FY19 revenue related to a lag in timing of positive claims adjustments.	Cr Dr	HS - Net Patient Service Revenue Accounts payable		$ 13,412		$ 13,412

One disclosure exception was identified in the Primary Institution capital assets rollforward in Note 5. The exception is the result of property, plant and equipment ("PP&E") additions in FY18 which were inappropriately included in construction-in-progress ("CIP"). The impact to the FY18 and FY19 footnote includes:

FY18 - $15.0M overstatement of CIP additions and ending CIP with a corresponding understatement of PP&E additions and ending PP&E.

FY19 - $15.0M overstatement of beginning CIP, CIP disposals and PP&E additions with a corresponding understatement of beginning PP&E.

Appendix III – Status of PwC Deliverables (as of October 28, 2018)

University Audit	Components	Deliverables	Status (at Oct 28)
Primary Institution	General University	Financial Statement Audit Opinion (GASB) GAGAS Internal Controls Opinion (including procedures to support compliance with Ohio Revised Code)	Nov 21
	OSU Wexner Medical Center Health System (OSU Health System)		
Discretely Presented Component Units	OSU Physicians		
	Campus Partners for Community Urban Redevelopment and Subsidiaries (Campus Partners)		
	Transportation Research Center Inc.		
	Dental Faculty Practice Association, Inc.		

Other Deliverables	Reporting Entity	Status (at Oct 28)
Stand-alone Financial Statement Audits	OSU Foundation	Completed, pending Foundation Board Approval
	OSU Health System	Nov 15
	Transportation Research Center	Nov 15
	OSU Physicians	Completed
	Athletics Department	Nov 15
	WOSU Public Media	Dec 15
	OSU Global Gateways	Completed
	Campus Partners	Completed
Compliance	Uniform Compliance	December 15
Review report	Wexner Center for the Arts	October 31
	OSU Health Plan	Nov 9
Agreed Upon Procedures	NCAA	Nov 15
Benefit Plan Audit	Transportation Research Center – Benefit Plan	Completed

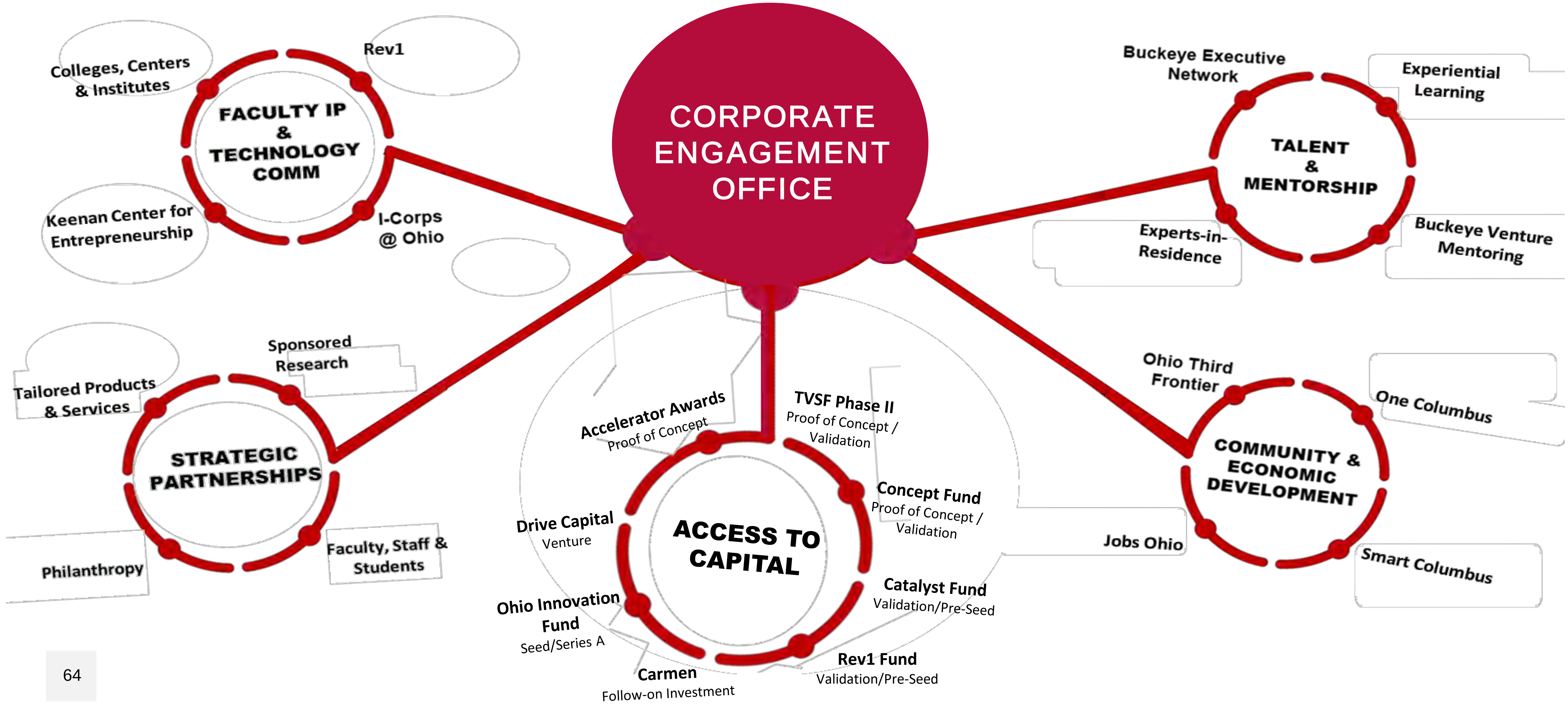
THE OHIO STATE UNIVERSITY

Corporate Engagement Office

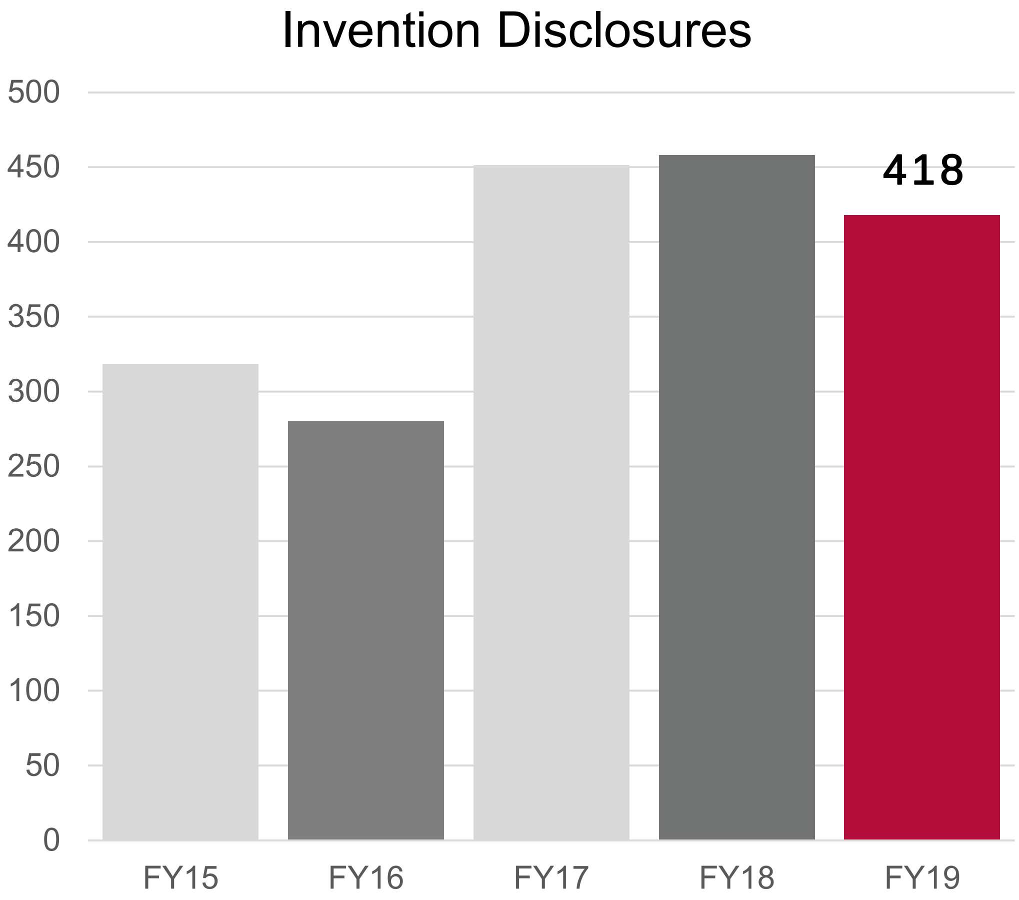
Board of Trustees – Audit, Compliance & Finance Committee

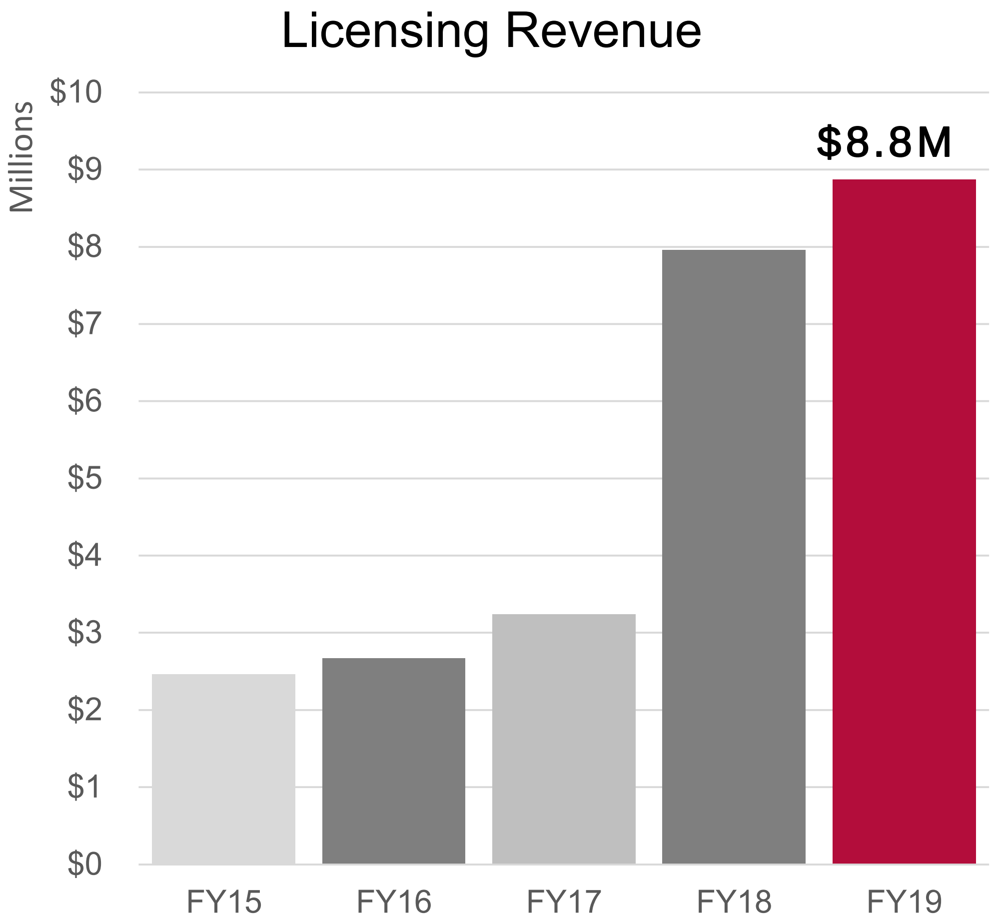
November 2019

Advancing the Ohio State innovation ecosystem

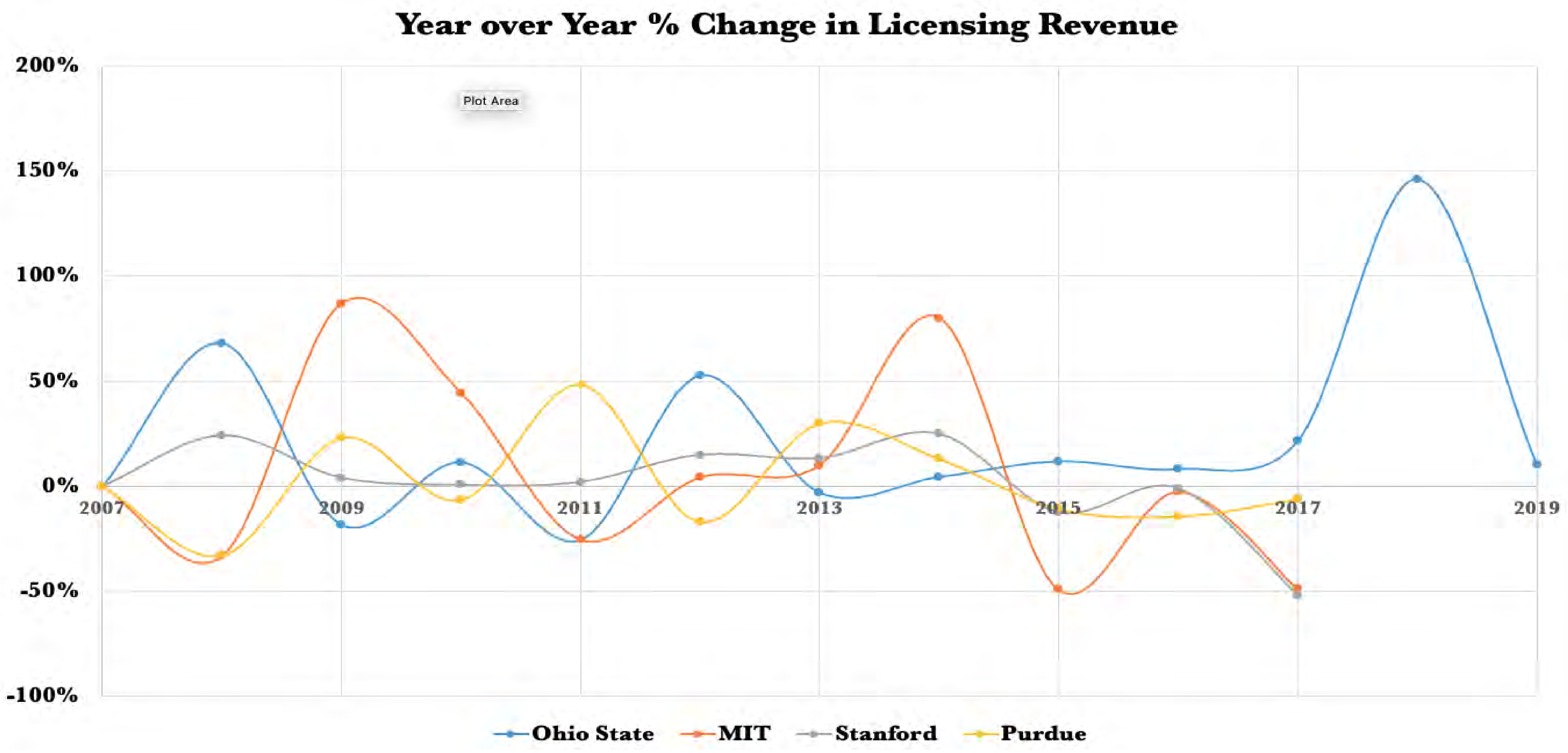


Year-end data

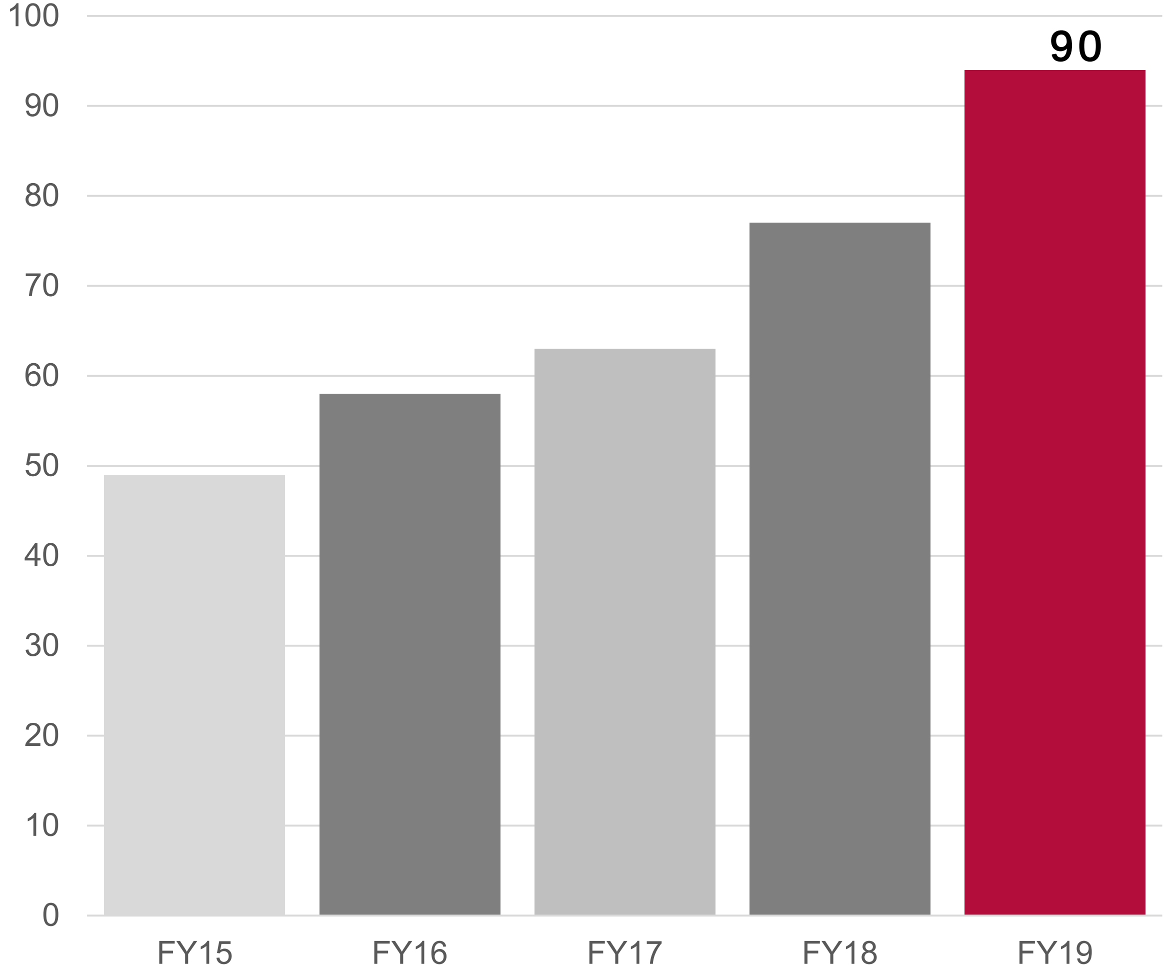


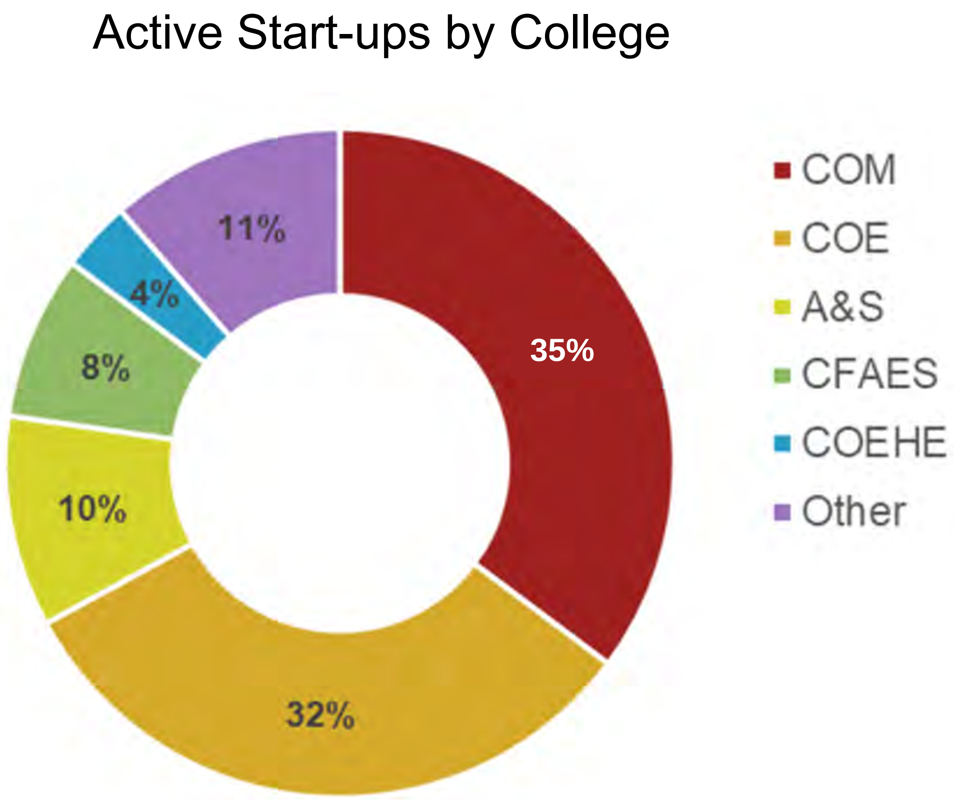


Commercialization revenues are unpredictable



Active Ohio State Startups





Corporate Engagement Strategic Plan

Ambition: We will be a preferred partner for corporations, cultivating a modern workforce, advancing discovery and innovation for societal impact and fostering economic success.

Strategic Partnerships

Culture

Talent & Capabilities

Operations & Alignment

Corporate Engagement Strategic Plan

NEXT STEPS:

- Creation of executive oversight committee and a university-wide stakeholder team
- Establish model to assess & grow corporate partnerships
- Create guidelines, metrics and process to achieve outcomes
- Develop plan to address infrastructure & resource needs

APPROVAL TO ENTER INTO/INCREASE PROFESSIONAL SERVICES AND ENTER INTO/INCREASE CONSTRUCTION CONTRACTS

APPROVAL TO ENTER INTO PROFESSIONAL SERVICES CONTRACTS

WMC Loading Dock Expansion and Renovation

APPROVAL TO ENTER INTO/INCREASE PROFESSIONAL SERVICES AND CONSTRUCTION CONTRACTS

Controlled Environment Food Production Research Complex
Lincoln Tower Office Renovations
Wexner Medical Center Inpatient Hospital
WMC West Campus Ambulatory Facilities

Synopsis: Authorization to enter into professional services and construction contracts, as detailed in the attached materials, is proposed.

WHEREAS in accordance with the attached materials, the university desires to enter into/increase professional services contracts for the following projects; and

	Prof. Serv. Approval Requested	Total Requested	
WMC Loading Dock Expansion and Renovation	$0.5M	$0.5M	Auxiliary funds

WHEREAS in accordance with the attached materials, the university desires to enter into/increase professional services contracts and enter into/increase construction contracts for the following projects; and

	Prof. Serv. Approval Requested	Construction Approval Requested	Total Requested	
Controlled Environment Food Production Research Complex	$1.4M	$30.8M	$32.2M	Fundraising University debt University funds
Lincoln Tower Office Renovations (increase)	$0.2M	$1.8M	$2.0M	Auxiliary funds
Wexner Medical Center Inpatient Hospital	$21.4M	$7.8M	$29.2M	Auxiliary funds
WMC West Campus Ambulatory Facilities	$2.5M	$17.7M	$20.2M	Auxiliary funds

**APPROVAL TO ENTER INTO PROFESSIONAL SERVICES
AND ENTER INTO/INCREASE CONSTRUCTION CONTRACTS (CONT)**

WHEREAS the Capital Investment Plan (CIP) outlines capital projects recommended for funding and was approved by the University Board of Trustees on August 30, 2019; and

WHEREAS approval for professional services and construction for the Wexner Medical Center Inpatient Hospital is needed to advance the design and to enable construction coordination; and

WHEREAS the full cost of professional services and enabling construction for the Wexner Medical Center Inpatient Hospital was not known at the time the CIP was approved; and

WHEREAS the Master Planning and Facilities Committee has reviewed the projects listed above for alignment with all applicable campus plans and guidelines; and

WHEREAS the Finance Committee has reviewed the projects listed above for alignment with the Capital Investment Plan and other applicable financial plans:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves that the fiscal year 2020 Capital Investment Plan be amended to include professional services and construction for the Wexner Medical Center Inpatient Hospital in the amount of $29.2M; and

BE IT RESOLVED, That the Board of Trustees hereby approves that the President and/or Senior Vice President for Business and Finance be authorized to enter into/increase professional services and construction contracts for the projects listed above in accordance with established university and state of Ohio procedures, with all actions to be reported to the board at the appropriate time.

WMC Loading Dock Expansion and Renovation

OSU-200238 (CNI#19000137)

Project Location: Doan Hall

- **approval requested and amount**

professional services (through DD)	$0.5M

- **project budget**

professional services	TBD
construction w/contingency	TBD
total project budget	TBD

- **project funding**
  - ☐ university debt
  - ☐ fundraising
  - ☐ university funds
  - ☒ auxiliary funds
  - ☐ state funds

- **project schedule**

BoT professional services approval	11/19
design/bidding	
construction	
facility opening	

- **project delivery method**
  - ☐ general contracting
  - ☐ design/build
  - ☒ construction manager at risk

- **planning framework**
  - o this project is included in the FY 2020 Capital Investment Plan and is based on a study of dock operations completed in March 2018
  - o final project scope and budget will be validated during design

- **project scope**
  - o the project will renovate and expand the clean and soiled staging area, add additional soiled dock doors, upgrade the pneumatic trash and linen system
  - o the expanded dock will support the continued growth of the Medical Center

- **approval requested**
  - o approval is requested to enter into professional services contracts through Design Development

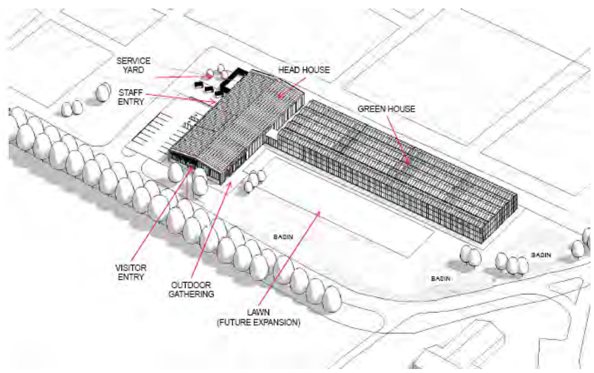
- **project team**

University project manager:	Robin Faires
AE/design architect:	TBD
CM at Risk	TBD

Controlled Environment Food Production Research Complex

OSU-160919 (CNI# 16000011, 17000008, 17000152 & 19000142)

Project Location: Waterman Laboratory



- **approval requested and amount**

professional services	$1.4M
construction w/contingency	$30.8M

- **project budget**

professional services	$4.2M
construction w/contingency	$30.8M
total project budget	$35.0M

- **project funding**
  - ☒ university debt
  - ☒ fundraising
  - ☒ university funds
  - ☐ auxiliary funds
  - ☐ state funds

- **project schedule**

BoT professional services approval	06/17
design/bidding	10/17 – 03/20
BoT construction approval	11/19
construction	03/20 – 01/22
facility opening	03/22

- **project delivery method**
  - ☐ general contracting
  - ☐ design/build
  - ☒ construction manager at risk

- **planning framework**
  - o a study was completed in 2016 to identify site and program requirements
  - o program and estimate reconciliation completed July 2019
  - o this project is included in the FY17 - FY20 Capital Investment Plans

- **project scope**
  - o the project will construct a new horticulture greenhouse complex facility that will address urban and traditional food research production
  - o the project will be constructed at Waterman Agriculture and Natural Resources Laboratory and will include research, teaching and outreach in a new controlled horticulture environment

- **approval requested**
  - o approval is requested to increase professional services contracts and enter into construction contracts

- **project team**

University project manager:	Brandon Shoop
AE/design architect:	Erdy McHenry Architecture LLC
CM at Risk:	Corna/Kokosing Construction Co.

Lincoln Tower Office Renovations

OSU-190192 (CNI# 18000154, 19000137)

Project Location: Lincoln Tower

- **approval requested and amount**
  increase professional services and construction

	Orig	Incr	Total
prof services	$0.6M	$0.2M	$0.8M
construction	$4.4M	$1.8M	$6.2M

- **project budget**

professional services	$0.8M
construction w/contingency	$6.2M
total project budget	$7.0M

- **project funding**
  - ☐ university debt
  - ☐ development funds
  - ☐ university funds
  - ☒ auxiliary funds
  - ☐ state funds

- **project schedule**

BoT prof svc/cons approval	11/18
design/bidding	12/18 – 10/19
construction	11/19 – 06/20
facility opening	06/20

- **project delivery method**
  - ☒ general contracting
  - ☐ design/build
  - ☐ construction manager at risk

- **planning framework**
  - this project is included in the FY 2019 and FY 2020 Capital Investment Plans

- **project scope**
  - the project will renovate the 11th, 12th and 13th floors for Hematology and Medical Oncology faculty and staff currently located in Starling Loving
  - the project increase is a result of adding a floor to the scope
  - overall scope includes a redesign of the space and installation of modular workspaces
  - the proposed layout allows for faculty and staff growth consistent with the Wexner Medical Center strategic plan

- **approval requested**
  - approval is requested to increase professional services and construction contracts

---

- **project team**

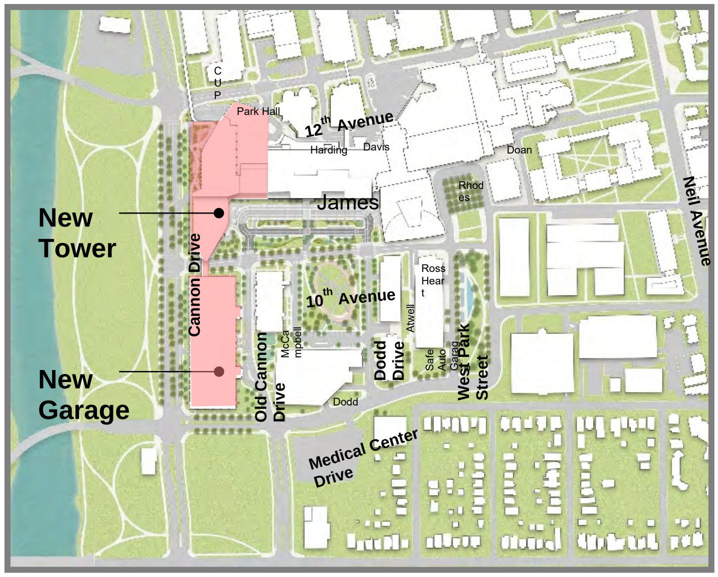
University project manager:	Lance Timmons
AE/design architect:	Shyft Collective Design
General contract:	

Project Data Sheet for Board of Trustees Approval

Wexner Medical Center Inpatient Hospital

OSU-180391 (CNI# 17000099)

Project Location: 10th Avenue / Cannon Drive



- **approval requested and amount**
  professional services $21.4M
  construction (enablers) $7.8M

- **project budget**

professional services	TBD
construction w/contingency	TBD
total project budget	TBD

- **project funding**
  ☐ university debt
  ☐ fundraising
  ☐ university funds
  ☒ auxiliary funds (health system)
  ☐ state funds

- **project schedule**

BoT professional services approval	2/18
design/bidding	
construction	
facility opening	

- **project delivery method**
  ☐ general contracting
  ☐ design/build
  ☒ construction manager at risk

- **planning framework**
  - o the project was included in the FY 2018 Capital Investment Plan for professional services; the FY 2020 Capital Investment Plan will be amended to include additional design and enabling construction work

- **project scope**
  - o this project will design and construct new inpatient hospital tower with up to 840 private-room beds, replacing and expanding on the 440 beds in Rhodes Hall and Doan Hall
  - o state-of-the-art diagnostic, treatment and inpatient service areas including emergency department, imaging, operating rooms, critical care and medical/surgical beds
  - o leading-edge digital technologies to advance patient care and teaching
  - o early enabling work includes investigative surveys and construction planning and coordination

- **approval requested**
  - o approval is requested to increase professional services contracts through the Construction Document phase and increase construction contracts for enabling work
  - o approval is requested to amend the Capital Investment Plan

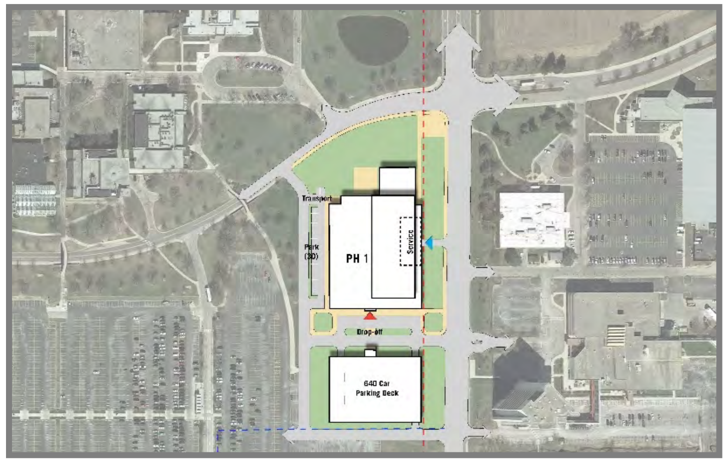
- **project team**

University project manager:	Kristin Poldemann
AE/design architect:	Henningson Durham & Richardson
CM at Risk:	Walsh-Turner (joint venture)

WMC West Campus Ambulatory Facilities

OSU-180390 (CNI# 13000189, 18000175, 18000156)

Project Location: Kenny Road and Carmack Road



- **approval requested and amount**

professional services (garage/site CDs)	$2.5M
construction w/contingency (garage)	$17.7M

- **project budget**

professional services	TBD
construction w/contingency	TBD
total project budget	TBD

- **project funding**
  - ☐ university debt
  - ☐ fundraising
  - ☐ university funds
  - ☒ auxiliary funds (health system)
  - ☐ state funds

- **project schedule**

BoT professional services approval	11/18
BoT construction approval – garage	11/19
design/bidding	12/18 – 5/20
construction	5/20 – 12/22
facility opening – garage	2022
facility opening – ambulatory	2022
facility opening – proton	2023

- **project delivery method**
  - ☐ general contracting
  - ☐ design/build
  - ☒ construction manager at risk

- **planning framework**
  - o consistent with the university and Wexner Medical Center strategic plans
  - o the project is included in the FY 2019 and FY 2020 Capital Investment Plans

- **project scope**
  - o the project will construct a cancer-focused ambulatory facility including a surgical center, proton therapy, and medical office space of approximately 400,000 sf
  - o the proton therapy facility will focus on cutting edge cancer treatments
  - o facilities will include outpatient operating rooms, an endoscopy unit, an urgent care, a pre-anesthesia center, an outpatient diagnostic imaging center, and patient and building support spaces
  - o the project will also include a 640-space parking garage

- **approval requested**
  - o approval is requested to increase professional services for early site work and to complete the design of the garage and to increase construction contracts for the construction of the garage and early abatement

- **project team**

University project manager:	Mitch Dollery
AE/design architect:	Perkins & Will
CM at Risk:	BoldtLinbeck (joint venture)

APPROVAL TO SUBMIT AUDITED CONSOLIDATED FINANCIAL STATEMENTS (DRAFT) TO THE AUDITOR OF STATE

Synopsis: Approval to submit the draft audited consolidated financial statements to the Auditor of State, is proposed.

WHEREAS The Ohio State University annually seeks an independent audit of the consolidated financial statements as a matter of strong financial oversight; and

WHEREAS the Auditor of State is required under Ohio law to audit each public office; and

WHEREAS the university is a public office and is required under Ohio law to file a financial report with the Auditor of State for each fiscal year; and

WHEREAS the university operates on a fiscal year ending June 30 of each year; and

WHEREAS the university has produced consolidated financial statements for the 2018 and 2019 fiscal years, in accordance with accounting principles, generally accepted in the United States; and

WHEREAS the university engages an outside auditing firm, currently PricewaterhouseCoopers LLC, to audit its consolidated financial statements; and

WHEREAS the university management and PricewaterhouseCoopers have produced a final draft of the audited consolidated financial statements for the 2018 and 2019 fiscal years; and

WHEREAS the Auditor of State may accept the audited consolidated financial statements in lieu of the audit required by Ohio law; and

WHEREAS the audited consolidated financial statements will not be final until approved by the Auditor of State:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby accepts the draft audited consolidated financial statements for the 2018 and 2019 fiscal years; and

BE IT FURTHER RESOLVED, That the Board of Trustees hereby approves the submission of these consolidated financial statements to the Auditor of State for review and approval.

The Ohio State University

(A Component Unit of the State of Ohio)

Financial Statements
As of and for the Years Ended June 30, 2019 and 2018
And Report of Independent Auditors

Table of Contents

Report of Independent Auditors

To the Board of Trustees of
The Ohio State University

We have audited the accompanying financial statements of the primary institution and of the aggregate discretely presented component units, of The Ohio State University (the "University"), a component unit of the State of Ohio, which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, 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.

Auditors' 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.

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 The Ohio State University as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 21, the Required Supplementary Information on GASB 68 Pension Liabilities on page 93 and the Required Supplementary Information on GASB 75 Net OPEB Liabilities on page 94 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 other information on the long-term investment pool on pages 95 through 96 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2019. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

November 22, 2019

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, 2019, with comparative information for the years ended June 30, 2018 and June 30, 2017. 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 68,000 students, 7,000 faculty members and 27,000 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, 168 master's degree programs, 114 doctoral programs and nine professional degree programs.

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 Ohio State University Wexner Medical Center ("the 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 seven hospitals and a network of ambulatory care locations. The Health System provides care across the spectrum from primary care to quaternary specialized care. Key clinical care locations and facilities at the Health System include:

- ***University Hospital*:** the Wexner Medical Center's flagship hospital is a leader in minimally invasive surgery, a Level I Trauma Center and one of the busiest kidney and pancreas transplant centers in the world.
- ***Arthur G. James Cancer Hospital and Solove Research Institute ("The James"):*** one of the nation's premier centers for prevention, detection and treatment of cancer.
- ***Richard M. Ross Heart Hospital ("The Ross"):*** a leader in cardiology and heart surgery, the Ross Heart Hospital is the only nationally ranked heart hospital in the area, according to U.S. News & World Report.
- ***OSU Harding Hospital:*** offers the most comprehensive inpatient and outpatient mental health and behavioral health services in central Ohio.
- ***University Hospital East:*** offers renowned Ohio State services in orthopedic care, emergency services, cancer care, addiction services, ear, nose and throat care, heart care, radiology and imaging services, rehabilitation and wound healing.
- ***Dodd Hall:*** home to Ohio State's nationally recognized and accredited rehabilitation inpatient program, specializing in stroke, brain and spinal cord rehabilitation.

- ***Brain and Spine Hospital:*** home to central Ohio's top-ranked Neurology/Neurosurgery program, according to U.S. News & World Report. Patients benefit from the expertise of a world-renowned team of doctors, nurses and scientists, each specializing in just one disorder.
- ***Ambulatory Services:*** offering primary care and many specialized health services in numerous convenient locations throughout Ohio. Primary care, sports medicine, orthopedics, mammography, imaging, wound care and other specialties are provided with the compassionate and nationally ranked expert care that is synonymous with The Ohio State University Wexner Medical Center.

The Health System provided services to approximately 64,500 adult inpatients and 1,915,000 outpatients during fiscal year 2019 and 64,500 adult inpatients and 1,810,000 outpatients during fiscal year 2018.

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* and Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*.

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)
- Pelotonia (a new fundraising organization operating exclusively for the benefit of the university – operations of the original Pelotonia LLC organization will be transferred to the new Pelotonia organization in FY2020)

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 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, 2019, with comparative information as of June 30, 2018. 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 or at NAV, as applicable. 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 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, 2019, with comparative information for the year ended June 30, 2018. 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 generally will 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 and certain investment management expenses. 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, 2019, with comparative information for the year ended June 30, 2018. 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 other post-employment benefits and other information on the university's Long-Term Investment Pool.

Financial Highlights and Key Trends

In 2019, the university's share of OPERS and STRS-Ohio net pension liabilities increased $1.17 billion, to $3.72 billion at June 30, 2019, primarily due to a combination of negative investment returns for OPERS and reductions in OPERS long-term assumed rate of return on pension plan investments. Health System operating revenues grew $328 million, to $3.43 billion in 2019. Growth in surgical cases, increased chemotherapy and pharmaceutical volumes and increased bed capacity contributed to the growth in operating revenue. Educational and general expenses increased $667 million, to $2.67 billion in 2019, primarily due to a $557 swing in expenses associated with pension and other post-employment benefit (OPEB) liabilities. University investments yielded $230 million of net investment income in 2019, down from $439 million in 2018. Total net position increased $112 million, to $5.43 billion at June 30, 2019, primarily due to strong Health System operating results.

Demand for an Ohio State education and outcomes for students remain strong. 68,100 students were enrolled in Autumn 2018, up 1,656 students compared to Autumn 2017. 95% of the freshmen enrolled in Autumn 2017 returned to OSU in Autumn 2018. Over 64% of students graduated within four years, and over 83% graduated within six years.

The following sections provide additional details on the university's 2019 financial results and a look ahead at significant economic conditions that are expected to affect the university in the future.

Statement of Net Position

Summary Statement of Net Position *(in thousands)*

	2019	2018	2017
Cash and temporary investments	$ 3,308,174	$ 3,023,554	$ 2,230,609
Receivables, inventories, prepaids and other current assets	872,714	845,332	757,389
Total current assets	4,180,888	3,868,886	2,987,998
Restricted cash	492,033	564,656	666,032
Noncurrent notes and pledges receivable, net	124,901	112,019	108,073
Net other post-employment benefit receivable	74,520	-	-
Long-term investment pool	5,256,759	5,211,434	4,253,459
Other long-term investments	219,455	163,946	143,638
Capital assets, net of accumulated depreciation	5,268,363	5,043,222	4,883,584
Total noncurrent assets	11,436,031	11,095,277	10,054,786
Total assets	15,616,919	14,964,163	13,042,784
Deferred outflows	1,155,735	739,619	1,014,812
Total assets and deferred outflows	$ 16,772,654	$ 15,703,782	$ 14,057,596
Accounts payable and accrued expenses	$ 591,844	$ 579,363	$ 524,754
Deposits and advance payments for goods and services	281,886	274,401	223,880
Current portion of bonds, notes and lease obligations	618,302	640,589	651,984
Other current liabilities	112,259	105,021	87,708
Total current liabilities	1,604,291	1,599,374	1,488,326
Noncurrent portion of bonds, notes and lease obligations	2,543,360	2,582,017	2,640,142
Net pension liability	3,715,058	2,548,009	3,565,362
Net other post-employment benefits liability	1,339,383	1,249,521	-
Advance from concessionaire	1,024,555	1,046,342	-
Other noncurrent liabilities	434,885	383,681	383,394
Total noncurrent liabilities	9,057,241	7,809,570	6,588,898
Total liabilities	10,661,532	9,408,944	8,077,224
Deferred inflows	677,046	972,224	484,007
Net investment in capital assets	2,605,381	2,376,795	2,259,207
Restricted:			
Nonexpendable	1,580,115	1,551,278	1,473,074
Expendable	1,303,269	1,328,793	1,190,162
Unrestricted	(54,689)	65,748	573,922
Total net position	5,434,076	5,322,614	5,496,365
Total liabilities, deferred inflows and net position	$ 16,772,654	$ 15,703,782	$ 14,057,596

During the year ended June 30, 2019, **cash and temporary investment** balances increased $285 million, to $3.31 billion, primarily due to strong healthcare operating cash flows. Amounts shown as restricted cash consist primarily of unspent proceeds from the General Receipts Bonds, which are being used to fund various capital projects. **Restricted cash** balances decreased $73 million, to $492 million at June 30, 2019, reflecting application of bond proceeds to 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 $16 million, to $635 million at June 30, 2019. Increases in Health System patient receivables, tuition receivables and receivables for departmental earnings operations were partially offset by a decrease in receivables related to the federal direct-lending program. **Inventories and prepaid expenses** increased $8 million, to $134 million at June 30, 2019, primarily due to increases in Health System pharmaceutical inventories.

The fair value of the university's **long-term investment pool** (LTIP) increased $45 million, to $5.26 billion at June 30, 2019. The increase is primarily due to $192 million of additions to quasi-endowment funds, $107 million of interest and dividend income and a net $7 million increase in the fair value of LTIP investments. These increases were partially offset by $217 million in distributions. 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 unrestricted 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 increased $5 million, to $44 million at June 30, 2019, reflecting an increase in securities lending activity in 2019. These balances are reported 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 $56 million, to $220 million, at June 30, 2019, primarily due to an unrealized gain in funds invested with Drive Capital.

Capital assets, which include the university's land, buildings, improvements, equipment and library books grew $225 million, to $5.27 billion at June 30, 2019. 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). Depreciation expense increased $19 million, to $413 million in 2019.

Health System capital expenditures approximated $232 million for facilities, infrastructure improvement, land, and equipment purchases. The University capitalized $87 million of equipment and library books, and $61million related to the Workday ERP Enterprise project. University capital construction and renovation expenditures were approximately $323 million primarily in Academic buildings, Athletics, maintenance of existing facilities, Student Life and other auxiliary operations.

The $52 million first phase of the Cannon Drive project elevated and straightened the road between King Avenue and John Herrick Drive. The Health System completed a $39 million project to build out shelled space of the 10th and 12th floors of the James Cancer Hospital to create 72 ICU beds. The 700 Ackerman facility underwent a $22 million renovation to house OSU Physicians, Central Scheduling and Customer Service, Corporate Operations and Compliance, and the OSU Health Plan. The $49 million Covellii Multi-Sport Arena and the $42 million Schumaker Student-Athlete Development Complex were two major Athletics projects completed during the fiscal year. The Arena houses the men's and women's varsity volleyball, fencing, wrestling, and gymnastics matches and the Student-Athlete facility houses state-of-the-art athletic training programs and cardio equipment. In addition, the $20 million Airport project to expand and modernize the existing field operations base was completed in the fall of 2018. The $31 million Schottenstein Center project opened the north concourse, renovated walls and lighting, and constructed Men's and Women's basketball offices. A $36 million Ohio Stadium project is nearly complete and includes power upgrades, suite box expansion and renovation. The renovation of C-deck and new suite and loge addition is nearing completion.

The OSU Health System has major construction projects currently underway or in advanced planning stages including:

- A new inpatient hospital with up to 840 beds to replace and expand upon the original Rhodes and Doan Halls.
- A $95 million garage for the new inpatient hospital
- A $45 million sterile supply building to support the new hospital and ambulatory facilities
- A $345 million west campus outpatient ambulatory facility
- A $138 million regional ambulatory facility to the northeast on Hamilton Road
- A regional ambulatory facility to the northwest in Dublin

Major academic facility projects currently underway include:

- The Arts District – Design work is underway on the $161 million project to be constructed on the west side of High Street between 15th and 18th Avenues. The project includes new learning environments for the School of Music and the Department of Theatre, a Moving Image Production program, student gathering, and support spaces. The project will also extend Annie and John Glenn Avenue from College Road to High Street and is expected to finish in 2021.

- Postle Hall – Construction is underway on the $98 million project to construct a 130,000 square foot dental facility for student pre-clinical labs and patient clinics, an ambulatory surgery center, a faculty practice, a radiology clinic, and a sterilization facility. The project is slated for completion in the spring of 2020.

- Koffolt and Fontana Labs – This $59 million project will provide approximately 124,000 square feet of research labs, teaching labs, classrooms, and departmental offices for Biomedical Engineering and Materials Science Engineering. The facilities are slated for completion in the fall of 2019.

- Wooster Laboratory building – Construction is underway on a $34 million Entomology research facility at the Wooster campus. The project is slated for completion in the spring of 2020.

- Health Sciences Faculty Office and Optometry clinic – Construction has begun for a new $36 million facility at the corner of 11th and Neil Avenues.

The university's estimated future capital commitments, based on contracts and purchase orders, total approximately $327 million at June 30, 2019.

Accounts payable and accrued expenses were up $12 million, to $592 million at June 30, 2019, reflecting increases in accrued compensation and benefits and retirement contributions payable, which were partially offset by a decrease in payables to vendors for supplies and services. **Deposits and advance payments for goods and services** increased $7 million, to $282 million, primarily due to increases in unearned tuition revenues and advance payments from sponsors of research projects.

On April 10, 2017, the university entered into a 50-year agreement to lease the university's utility system to Ohio State Energy Partners (OSEP) and grant it the exclusive right to operate the utility system and provide utility services to the Columbus campus. On July 6, 2017, the university received an upfront payment of $1.09 billion. The upfront payment is reported as an **advance from concessionaire** and is being amortized as a reduction to operating expense (Operation and Maintenance of Plant) on a straight-line basis over the term of the agreement.

Under the agreement, OSEP operates, maintains and makes capital investments in the utility system and charges the university a Utility Fee, which includes fixed, variable and operating and maintenance (O&M) components. OSEP capital investments in the utility system are recognized as capital assets and a related **long-term payable to the concessionaire**. The fixed and O&M components of the Utility Fee are recognized as operating expense. The variable component of the Utility Fee will be recognized as a reduction in the long-term payable to the concessionaire and interest expense. For the years ended June 30, 2019 and 2018, the university recognized fixed and O&M utility fees totaling $56 million and $53 million, respectively. The carrying amount of OSEP capital investments and related payable to the concessionaire at June 30, 2019 and June 30, 2018 were $42 million and $10 million, respectively.

University debt, in the form of **bonds, notes and capital lease obligations**, decreased $61 million, to $3.16 billion at June 30, 2019, reflecting repayments of bond principal. There were no bond issuances in 2019.

The university's plant debt includes variable rate demand bonds that mature at various dates through 2044. 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 $575 million and $588 million at June 30, 2019 and 2018, respectively.

GASB Statement No. 68 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. A related accounting standard, GASB Statement No. 75, requires employers participating in other post-employment benefit (OPEB) plans to recognize liabilities for plans whose actuarial liabilities exceed the plan’s net assets. OPEB benefits consist primarily of post-retirement healthcare. The university participates in two multi-employer cost-sharing retirement systems, OPERS and STRS-Ohio, and is required to record a liability for its proportionate share of the net pension and OPEB liabilities of the retirement systems.

In 2019, the university’s share of OPERS and STRS-Ohio net pension liabilities increased $1.17 billion, to $3.72 billion at June 30, 2019. The increase relates primarily to OPERS net pension liabilities. In calendar year 2018, OPERS reduced its long-term assumed rate of return on pension plan investments from 7.5% to 7.2%, increasing total pension liabilities for the system. In addition, OPERS realized a 2.99% negative return on defined benefit plan investments for the period. STRS net pension liabilities were relatively stable in 2019. Deferred outflows related to pensions increased $386 million, to $1.02 billion at June 30, 2019, and deferred inflows related to pensions decreased $302 million, to $110 million at June 30, 2019. The swing in deferrals relates primarily to OPERS projected vs actual investment returns. These deferrals will be recognized as pension expense in future periods.

In 2019, the university also saw significant changes in its share of OPERS and STRS-Ohio net OPEB assets and liabilities. OPERS net OPEB liabilities increased $266 million, to $1.34 billion at June 30, 2019, primarily due to a negative 5.76% return OPERS health care investments in calendar 2018. The university’s share of STRS-Ohio OPEB liabilities swung from a $178 million net OPEB liability to a $75 million net OPEB asset at June 30, 2019, reflecting a combination of reductions in retiree health care benefits, an increase in the discount rate used to calculate total OPEB liabilities and a 9.57% positive investment return in fiscal 2018. Deferrals related to OPEB were relatively stable in 2019.

Total pension and OPEB expense recognized by the university was $841 million in 2019. Total pension and OPEB expense includes $358 million of employer contributions and $483 million of expense accruals related to the net increase in pension and OPEB liabilities year over year.

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 and OPEB funding. Although the liabilities recognized under GASB 68 and GASB 75 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 and OPEB liabilities, deferrals and related expense.

Deferred inflows primarily consist of changes to OPEB and pension liabilities as explained in the previous paragraphs. Other deferred inflows consist primarily of the unamortized proceeds of the parking service concession arrangement. The parking deferred inflows, which totaled $417 million at June 30, 2019, are being amortized to operating revenue on a straight-line basis over the 50-year life of the agreement. The remaining balance of deferred inflows relates to deferred gains on debt-related transactions and deferrals for irrevocable split-interest agreements.

Prior-Year Highlights: In 2017, the university entered into a 50-year comprehensive energy management agreement with Ohio State Energy Partners (OSEP) and received a $1.09 billion upfront payment. $820 million of the upfront proceeds have been invested in the university’s Long Term Investment Pool. The remainder of the upfront proceeds will be used to finance capital projects. On July 1, 2017, the university implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than 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 other postemployment benefit (OPEB) liabilities – resulted in a $1.22 billion reduction in the university’s opening unrestricted net position. The net OPEB liability recognized by the university at June 30, 2018 was $1.25 billion. ***In 2017*****,** the fair value of the university’s long-term investment pool increased $637 million, to $4.25 billion, primarily due to a combination of $494 million in net investment income and a $250 million investment of Wexner Medical Center Health System cash in the pool. Net pension liabilities increased $771 million, to $3.57 billion, reflecting a reduction in the discount rate used by OPERS to calculate the pension liability and lower-than-projected investment returns for STRS-Ohio.

Statement of Revenues, Expenses and Changes in Net Position

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

	2019	2018	2017
Operating Revenues:			
Tuition and fees, net	$ 969,633	$ 935,893	$ 927,317
Grants and contracts	732,253	698,847	677,361
Auxiliary enterprises sales and services, net	339,615	328,692	309,497
OSU Health System sales and services, net	3,432,271	3,103,891	2,853,177
Departmental sales and other operating revenues	201,783	183,823	204,091
Total operating revenues	5,675,555	5,251,146	4,971,443
Operating Expenses:			
Educational and general	2,665,355	1,998,165	2,432,201
Auxiliary enterprises	361,346	322,149	313,185
OSU Health System	3,109,070	2,720,988	2,595,797
Depreciation	413,039	394,461	374,615
Total operating expenses	6,548,810	5,435,763	5,715,798
Net operating loss	(873,255)	(184,617)	(744,355)
Non-operating revenues (expenses):			
State share of instruction and line-item appropriations	469,679	475,593	473,061
Gifts - current use	160,102	168,209	181,212
Net investment income (loss)	229,663	439,154	542,819
Grants, interest expense and other non-operating	(14,961)	(7,614)	(38,131)
Net non-operating revenue	844,483	1,075,342	1,158,961
Income (loss) before other changes in net position	(28,772)	890,725	414,606
State capital appropriations	64,900	83,217	68,270
Private capital gifts	26,565	15,470	26,762
Additions to permanent endowments	45,533	55,579	52,458
Capital contributions and other changes in net position	3,236	6,129	7,719
Total other changes in net position	140,234	160,395	155,209
Increase in net position	111,462	1,051,120	569,815
Net position - beginning of year	5,322,614	5,496,365	4,941,790
Cumulative effect of accounting change	-	(1,224,871)	(15,240)
Net position - end of year	$ 5,434,076	$ 5,322,614	$ 5,496,365

Net **tuition and fees** increased $34 million, to $970 million in 2019, primarily due to a combination of enrollment and rate increases. New first year student enrollment was up 10%, and instructional and non-resident tuition rates were up 1.4% and 4.8%, respectively. The overall increase in gross tuition, which totaled $54 million, was partially offset by a $20 million increase in scholarship allowances. In 2018, the university introduced the Ohio State Tuition Guarantee for new first-year students, which provides incoming undergraduates with more certainty about college costs by setting rates for in-state tuition, mandatory fees, room and board for four years. Total enrollment for the 2018-2019 academic year was up 0.9% over the prior academic year.

Operating **grant and contract revenues** increased $33 million, to $732 million in 2019. The increase relates primarily to a $30 million increase in federal research grants managed by the Office of Sponsored Programs.

Local grants and contracts decreased $13 million, primarily due to the $15 million in one-time funding received in 2018 from the City of Columbus for the Cannon Drive relocation project. Private grants and contracts were up $16 million, primarily due to increases in research grants from private sponsors.

Total **auxiliary revenues** increased $11 million, to $340 million in 2019, primarily due to two concerts held in Ohio Stadium in summer 2018 and increases in Student Life housing and dining revenues. **Auxiliary expenses** increased $39 million, to $361 million, due primarily to expenses associated with the Stadium concerts, Athletics salaries, cost of sales, and travel, and Student Life housing and dining costs.

Educational and general expenses increased $667 million, or 33%, to $2.67 billion in 2019. Additional details are provided below.

Educational and General Expenses *(in thousands)*	2019	2018	2017
Instruction and departmental research	$ 1,038,290	$ 1,006,057	$ 952,038
Separately budgeted research	492,816	473,463	462,514
Public service	176,384	177,325	162,807
Academic support	223,172	217,086	202,375
Student services	93,405	99,032	100,221
Institutional support	246,307	188,735	158,761
Operation and maintenance of plant	123,128	118,556	89,473
Scholarships and fellowships	127,769	130,363	129,267
Non-cash accruals for pensions and other postemployment benefits	144,084	(412,452)	174,745
Total educational and general expense	$ 2,665,355	$ 1,998,165	$ 2,432,201

The overall increase in educational and general expense is primarily due to pension and OPEB accruals. These accruals are allocated to functional expense lines in the Statement of Revenues, Expenses and Changes in Net Position, based on pension-eligible salaries. Excluding the $557 million swing in expenses related to pension and OPEB accruals, total educational and general expenses increased $111 million, or 4.6%, in 2019. **Instruction and departmental research** expenses increased $32 million, reflecting increases in salaries. **Separately budgeted research** expenses increased $19 million, reflecting growth in sponsored programs administered by the Office of Sponsored Programs. **Institutional support** expenses increased $58 million, primarily due to increased central expenses for employee benefits. Other educational and general expense categories were relatively stable in 2019.

Health System operating revenues grew $328 million, to $3.43 billion in 2019. Operating expenses (excluding depreciation, interest and transfers) increased $388 million, to $3.11 billion. An in-depth look at the Health System, as presented in their stand-alone financial statements, is provided below.

The Health System operates nearly 1,450 inpatient beds and serves as a major tertiary and quaternary referral center for Ohio and the Midwest. The Wexner Medical Center delivers superior patient care, quality outcomes, and patient safety and has been recognized by US News and World Report for 27 consecutive years as one of "America's Best Hospitals." Eleven specialties have been in the top 10% nationally, and the Medical Center received the highest possible rating for eight common procedures and conditions. In 2019, Becker Hospital Review selected the Medical Center for its list of "100 Great Hospitals in America" in innovation, top-notch patient care and leadership in clinical advancement backed by forward-thinking research.

The Health System is proud to be the first health system in central Ohio to have a hospital achieve Magnet Recognition, one of the highest honors awarded for nursing excellence. The Ross Heart Hospital, University Hospital, and The James are all designated Magnet hospitals. The Health System has more "Top Doctors" than any other central Ohio hospital. Our physicians were selected by Castle Connolly because they are among the very best in their specialties.

In 2019, the Health System was leading the way with the Medical Center strategy of being "future-focused and driven to improve health in Ohio and across the world through innovation in research, education and patient care" and continued its financial excellence due to increased demand for our services combined with the persistent focus on improving efficiency. Inpatient admissions continued with a strong patient mix while inpatient beds increased 3.8% compared to the prior year.

Outpatient visits increased by 5.8% over 2018 primarily due to growth in Ambulatory Care volumes and growth in outpatient infusion services. Continued success in Ambulatory Services programs at The Jameson Crane Sports Medicine Institute and Upper Arlington outpatient facilities experienced 11.9% growth over the prior year.

The Health System experienced higher surgical volumes in 2018 with 4.0% growth over the prior year. Service lines contributing to growth in surgical volumes in 2019 were Cancer, Neurosurgery, Orthopedic, Thoracic, Trauma/Critical Care/Burn, and Vascular. The growth in surgical volumes contributed to a strong patient mix in admissions, revenues, and outpatient volumes.

Solid organ transplants grew by 9.5% over prior year. The Wexner Medical Center is leading the way in organ transplantation, celebrating 10,000 solid organ transplants since its first transplant, a kidney, 52 years ago. Less than 10% of adult transplant centers in the United States have achieved this milestone.

The Wexner Medical Center experienced a 9.3% growth in Chemotherapy infusion sessions as James Cancer Hospital provided new and advanced treatments of cancer.

In 2019, total operating revenues grew $274.4 million, or 8.8% over the prior fiscal year. Growth in surgical cases, increased chemotherapy and pharmaceutical volumes and increased bed capacity contributed to the growth in operating revenue.

Approximately 92% of total operating revenues are from patient care activities. Other Operating Revenues include revenue from reference labs, cafeteria operations, rental agreements and other non-patient services. Due to the increasing complexity and significantly growing number of specialty oral and self-administered pharmaceuticals available for cancer and non-cancer patients, the Health System operates a Retail Pharmacy dedicated to improving patient care by easing the challenges of managing medications. The Retail Pharmacy contributed $127.6 million of operating revenues in 2019 and $98.8 million in 2018. Other Operating Revenues also includes a portion of the margin shared with Nationwide Children's Hospital for the management of the Neonatal Intensive Care Unit located at the Heath System. The goal of this managed unit is to standardize the care and quality outcomes of all the neonatal patients in Central Ohio. The NICU contributed $15.9 million of operating revenues in 2019 and $16.6 million in 2018.

Operating expenses increased $407.1 million or 14.5% from 2018 to 2019. Operating expenses correlate with the increases experienced with patient volumes and occupancy levels. The growth in salaries and benefits from 2018 to 2019 is reflective of increased salaries and a larger workforce due to the growth in patient volumes. Strong surgical and transplant volumes as well as increase in chemotherapy treatments contributed to the increase in supplies and drugs. The increase in volumes at the Specialty Retail Pharmacy contributed to the increase in drugs expense in 2019. Purchased services also grew in 2019 reflecting higher information technology and medical equipment general repairs costs, increased franchise fees, and advertising expense.

Income Before Other Changes in Net Position was $186.6 million in 2019 compared to $270.9 million in 2018. Impacts to Income Before Other Changes in Net Position include pension expense of $225.8 million in 2019 compared to $117.3 million in 2018. This reflects the annual accounting for GASB 68. OPEB expense was $77.5 million in 2019 compared to $40.9 million in 2018, reflecting annual accounting for GASB 75. Income Before Other Changes in Net Position for clinical activities grew $61.3 million from 2018 to 2019, an increase of 14.3%. The increase in Income Before Other Changes in Net Position for clinical activities can be attributed to expanded bed capacity, growth in surgical volumes, strong pharmaceutical activity, and expense control initiatives implemented throughout the Health System.

The Health System's other changes in net position for fiscal year 2019 includes Medical Center Investments of $150.0 million invested into research, education, and programs at the Medical Center. Medical Center Investments totaled $150.4 million in 2018. Other changes in net position include capital contributions of $8.7 million in 2019 and $16.5 million in 2018 for hospital projects and capital acquisitions.

The Health System will continue to respond to the challenges and opportunities of the healthcare environment. The healthcare industry is witnessing a transformation toward a value-based system that will require The Health System to continue to provide high quality care and superior outcomes. The Health System has aggressively implemented cutting edge healthcare delivery strategies and continues to enhance tertiary and quaternary care delivery across a broader geographic area.

The Health System is continuing its mission to provide world-class patient care and meet anticipated future growth, embarking on a plan to expand its primary and preventive care presence with the construction of new state-of-the-art outpatient centers. In 2019, the Health System committed to building two new facilities, including a 244,000 square foot center in Northeast Columbus that will include primary care, oncology, heart and vascular, orthopedic and neuroscience care along with four ambulatory surgery operating rooms and four endoscopy rooms. The second specialty center will be located in Dublin, Ohio. The Health System will continue creating an innovative healthcare delivery model to deliver high value care with an unparalleled patient experience and access.

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 2019. Total consolidated operating revenues increased $34 million, to $560 million, reflecting increases in patient volumes. Total consolidated OSUP expenses (excluding depreciation and interest) increased $23 million to $507 million in 2019. These figures are included in the Discretely Presented Component Units columns of the university's financial statements.

Total state operating support was relatively stable in 2019, decreasing $6 million, to $470 million. **State share of instruction** decreased $6 million, to $383 million due to a one-time appropriation in fiscal year 2018 of $5 million for the John Glenn College of Public Affair's State of Ohio Leadership Institute. **State line-item appropriations** were flat at $86 million.

State capital appropriations decreased $18 million, to $65 million in 2019, primarily due to a decline in capital expenditures for Pomerene Oxley Hall renovation and various repair and replacement projects, offset by increases in capital expenditures for the Koffolt/Fontana lab renovation and Postle Hall replacement.

Total **gifts** to the university decreased $7 million, to $232 million in 2019. Increases in capital gifts were offset by decreases in current use and endowment gifts. Several colleges and support units received gifts in excess of $1 million in 2019, including Veterinary Medicine, the Cancer Hospital and Research Institute, the College of Medicine, Neuroscience, the College of Arts and Sciences, the College of Engineering, the College of Food, Agricultural and Enviro Sciences, WOSU Public Media, Fisher College of Business, General University Scholarships and the Department of Athletics. Over 272,000 alumni and friends made gifts to the University, up from 270,000 in 2018.

University investments yielded $230 million of **net investment income** in 2019, compared with $439 million in 2018, primarily due to lower investment returns in the university's long-term investment pool (LTIP). The LTIP returned 1.2% in 2019, down from 7.7% in 2018. The decrease in LTIP returns was primarily due to a combination of below-benchmark performance across asset classes and a $101 million reduction in the fair value of certain natural resources and oil and gas investments.

Prior-Year Highlights: ***In 2018*****,** OSU Health System operating revenues grew $251 million, to $3.10 billion. Health System operating expenses (excluding depreciation, interest and transfers) increased $125 million, to $2.72 billion. University investments yielded $439 million of net investment income, reflecting LTIP returns of +7.7%. Educational and general expenses decreased $434 million, to $2.00 billion, primarily due to pension and OPEB accruals. ***In 2017*****,** OSU Health System consolidated operating revenues increased $228 million, to $2.85 billion, reflecting continued volume growth for both inpatient and outpatient services. Auxiliary revenues increased $48 million, to $309 million, primarily due to increases in the number of beds in the North Residential District and additional meal plans sold to second-year students, who are now required to live in the campus dorms. Educational and general expenses increased $129 million, to $2.49 billion, primarily due to GASB 68 pension accruals.

Statement of Cash Flows

University Cash Flows Summary *(in thousands)*	**2019**	**2018**	**2017**
Net cash flows from (used in) operating activities	$ (7,757)	$ 1,053,673	$ (45,720)
Net cash flows from noncapital financing activities	779,439	764,223	787,986
Capital appropriations and gifts for capital projects	99,114	94,627	82,982
Proceeds from capital debt	-	73,885	6,430
Payments for purchase or construction of capital assets	(604,717)	(497,962)	(414,606)
Principal and interest payments on capital debt and leases, net of federal Build America Bond interest subsidies	(180,138)	(256,514)	(192,914)
Net cash flows provided (used) in investing activities	(1,128)	(505,508)	(238,980)
Net increase (decrease) in cash and cash equivalents	$ 84,813	$ 726,424	$ (14,822)

University cash and cash equivalents increased $85 million in 2019. Net cash flows from operating and non-capital financing activities decreased $1.05 billion, to $772 million, primarily due to the receipt of the $1.09 billion upfront payment from OSEP in 2018. Total cash used by capital financing activities was $686 million, reflecting capital expenditures and payments for debt service. Total cash used by investing activities was $1 million, reflecting net purchases of long-term investments.

Economic Factors That Will Affect the Future

To make the next bold leap in Ohio State’s 150-year history, the university continues to invest in initiatives that advance its land-grant mission as a flagship public research university.

Guided by the strategic plan, the university’s focus on operational excellence and resource stewardship has produced dedicated funding sources that support new affordability measures, teaching programs and other commitments to bolster academic excellence.

To that end, Ohio State expects to generate more than $200 million in efficiency savings from fiscal 2015 through fiscal 2020 for academic initiatives, and the university invested $800 million in proceeds from the Comprehensive Energy Management partnership into endowments that provide ongoing support for strategic academic priorities.

At the Wexner Medical Center, revenues continue to outpace budget and surgeries in high-demand areas continue to grow. The university plans to reinvest these funds in patient care and in capital planning to support growing demand, including through a new inpatient hospital, expanded ambulatory facilities and an integrated health sciences facility.

Three programs in fiscal year 2020 highlight the university's academic priorities:

- **Access and Affordability.** Ohio State is controlling costs and providing unprecedented aid for students demonstrating financial need. In total, the university has increased financial assistance committing more than $150 million and supporting more than 5,000 low- to moderate-income Ohio students. These unprecedented affordability efforts are funded with efficiency initiatives and proceeds from innovative funding.

- **Teaching and Learning.** Ohio State's comprehensive digital learning initiative, Digital Flagship, is providing more than 24,000 first- and second-year students with an iPad and related tools for the 2019-2020 academic year. The program includes support for faculty interested in utilizing technology in the classroom, the development of new university apps and economic development opportunities. The university is funding the program using efficiency savings.

- **Operational Excellence and Resource Stewardship.** In a continued effort to control costs and provide unprecedented aid to students, the university prioritized strategic procurement to reduce costs. Since fiscal 2013, the university has produced $324 million in cumulative savings while negotiating 960 university contracts.

Ohio State is also continuing cost transparency for families with the third year of the Ohio State Tuition Guarantee, which offers incoming in-state undergraduate students certainty about the cost of their college education by freezing tuition rates, mandatory fees, room and board for the duration of their four years at Ohio State.

Now in the third year of a 50-year comprehensive partnership, Ohio State continues to see tangible improvement in its energy management and sustainability. To date, 107,000 indoor and 1,700 outdoor light fixtures have been converted to energy-efficient technology and energy systems are being upgraded in 14 buildings. Future improvements, including a Combined Heat and Power plant, promise to reduce the campus carbon footprint by 35%.

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by the university, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995.

All statements, other than statements of historical facts, which address activities, events or developments that the university expects or anticipates will or may occur in the future contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The university does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

THE OHIO STATE UNIVERSITY
STATEMENTS OF NET POSITION
June 30, 2019 and June 30, 2018
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2019	2018	2019	2018	2019	2018
ASSETS AND DEFERRED OUTFLOWS:						
Current Assets:						
Cash and cash equivalents	$ 1,570,164	$ 1,412,728	$ 138,936	$ 136,098	$ 1,709,100	$ 1,548,826
Temporary investments	1,738,010	1,610,826	16,510	4,845	1,754,520	1,615,671
Accounts receivable, net	635,324	619,310	63,003	53,277	698,327	672,587
Notes receivable - current portion, net	25,231	25,231	87	86	25,318	25,317
Pledges receivable - current portion, net	31,540	29,524	-	-	31,540	29,524
Accrued interest receivable	25,050	23,454	-	-	25,050	23,454
Inventories and prepaid expenses	133,524	125,289	4,597	4,592	138,121	129,881
Investments held under securities lending program	44,391	39,510	-	-	44,391	39,510
Amounts due from (to) primary institution	(22,346)	(16,986)	22,346	16,986	-	-
Total Current Assets	4,180,888	3,868,886	245,479	215,884	4,426,367	4,084,770
Noncurrent Assets:						
Restricted cash	492,033	564,656	-	-	492,033	564,656
Notes receivable, net	60,750	41,118	2,461	2,548	63,211	43,666
Pledges receivable, net	64,151	70,901	-	-	64,151	70,901
Net other post-employment benefit asset	74,520	-	-	-	74,520	-
Long-term investment pool	5,256,759	5,211,434	-	-	5,256,759	5,211,434
Other long-term investments	219,455	163,946	-	1,481	219,455	165,427
Capital assets, net	5,268,363	5,043,222	164,152	134,559	5,410,355	5,154,803
Total Noncurrent Assets	11,436,031	11,095,277	166,613	138,588	11,580,484	11,210,887
Total Assets	15,616,919	14,964,163	412,092	354,472	16,006,851	15,295,657
Deferred Outflows:						
Pension	1,017,370	631,606	18	45	1,017,388	631,651
Other post-employment benefits	116,167	87,904	6	11	116,173	87,915
Other deferred outflows	22,198	20,109	-	-	22,198	20,109
Total Deferred Outflows	1,155,735	739,619	24	56	1,155,759	739,675
Total Assets and Deferred Outflows	$ 16,772,654	$ 15,703,782	$ 412,116	$ 354,528	$ 17,162,610	$ 16,035,332
LIABILITIES, DEFERRED INFLOWS AND NET POSITION:						
Current Liabilities:						
Accounts payable and accrued expenses	$ 591,844	$ 579,363	$ 20,047	$ 24,049	$ 611,891	$ 603,411
Deposits and advance payments for goods and services	281,886	274,401	2,111	2,094	283,997	276,495
Current portion of bonds, notes and leases payable	43,627	52,229	1,343	1,322	44,970	53,551
Long-term bonds payable, subject to remarketing	574,675	588,360	-	-	574,675	588,360
Liability under securities lending program	44,391	39,510	-	-	44,391	39,510
Other current liabilities	89,752	88,850	5,797	-	95,549	88,850
Amounts due to (from) primary institution - current	(21,884)	(23,339)	21,884	23,339	-	-
Total Current Liabilities	1,604,291	1,599,374	51,182	50,804	1,655,473	1,650,177
Noncurrent Liabilities:						
Bonds, notes and leases payable	2,543,360	2,582,017	18,161	21,042	2,561,521	2,603,059
Concessionaire payable	39,121	10,316	-	-	39,121	10,316
Net pension liability	3,715,058	2,548,009	136	236	3,715,194	2,548,245
Net other post-employment benefit liability	1,339,383	1,249,521	60	153	1,339,443	1,249,674
Compensated absences	177,672	170,225	-	-	177,672	170,225
Self-insurance accruals	82,507	74,139	-	-	82,507	74,139
Amounts due to third-party payors - Health System	49,374	44,909	-	-	49,374	44,909
Irrevocable split-interest agreements	28,463	29,378	-	-	28,463	29,378
Refundable advances for Federal Perkins loans	33,478	32,638	-	-	33,478	32,638
Advance from concessionaire	1,024,555	1,046,342	-	-	1,024,555	1,046,342
Other noncurrent liabilities	122,292	109,281	24,603	23,019	124,735	109,324
Amounts due to (from) primary institution - noncurrent	(98,022)	(87,205)	98,022	87,205	-	-
Total Noncurrent Liabilities	9,057,241	7,809,570	140,982	131,655	9,176,063	7,918,249
Total Liabilities	10,661,532	9,408,944	192,164	182,459	10,831,536	9,568,426
Deferred Inflows:						
Parking service concession arrangement	416,545	426,176	-	-	416,545	426,176
Pension	109,993	411,768	10	41	110,003	411,809
Other post-employment benefits	117,979	100,500	3	11	117,982	100,511
Other deferred inflows	32,529	33,780	-	-	32,529	33,779
Total Deferred Inflows	677,046	972,224	13	52	677,059	972,275
Net Position:						
Net investment in capital assets	2,605,381	2,376,795	143,730	111,779	2,749,111	2,488,574
Restricted:			-	-		-
Nonexpendable	1,580,115	1,551,278	-	-	1,580,115	1,551,278
Expendable	1,303,269	1,328,793	-	-	1,303,269	1,328,793
Unrestricted	(54,689)	65,748	76,209	60,238	21,520	125,986
Total Net Position	5,434,076	5,322,614	219,939	172,017	5,654,015	5,494,631
Total Liabilities, Deferred Inflows and Net Position	$ 16,772,654	$ 15,703,782	$ 412,116	$ 354,528	$ 17,162,610	$ 16,035,332

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

THE OHIO STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
Years ended June 30, 2019 and June 30, 2018
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Operating Revenues:						
Student tuition and fees (net of scholarship	$ 969,633	$ 935,893	$ -	$ -	$ 969,633	$ 935,893
allowances of $218,936 and $199,405, respectively)			-	-		
Federal grants and contracts	354,214	328,410	13,534	13,612	367,748	342,022
State grants and contracts	83,651	78,676	-	-	83,651	78,676
Local grants and contracts	25,608	38,929	-	-	25,608	38,929
Private grants and contracts	268,780	252,832	36,447	44,577	305,227	297,409
Sales and services of educational departments	156,921	152,495	9,440	9,469	166,361	161,964
Sales and services of auxiliary enterprises (net of scholarship allowances of $37.284 and $34,274, respectively)	339,615	328,692	-	-	339,615	328,692
Sales and services of the OSU Health System, net	3,432,271	3,103,891	-	-	3,432,271	3,103,891
Sales and services of OSU Physicians, Inc., net	-	-	560,322	525,796	560,322	525,796
Other operating revenues	44,862	31,328	-	-	44,862	31,328
Total Operating Revenues	5,675,555	5,251,146	619,743	593,454	6,295,298	5,844,600
Operating Expenses:						
Educational and General:						
Instruction and departmental research	1,070,292	811,123	9,403	8,934	1,079,695	820,057
Separately budgeted research	487,327	300,952	15,798	19,331	503,125	320,283
Public service	183,228	137,120	9,153	9,891	192,381	147,011
Academic support	242,960	182,452	-	-	242,960	182,452
Student services	109,166	105,760	-	-	109,166	105,760
Institutional support	309,691	210,691	20,636	22,789	330,327	233,480
Operation and maintenance of plant	135,307	123,783	699	3,101	136,006	126,884
Scholarships and fellowships	127,384	126,284	-	-	127,384	126,284
Auxiliary enterprises	361,346	322,149	-	-	361,346	322,149
OSU Health System	3,109,070	2,720,988	-	-	3,109,070	2,720,988
OSU Physicians, Inc.	-	-	507,366	484,132	507,366	484,132
Depreciation	413,039	394,461	7,467	7,674	420,506	402,135
Total Operating Expenses	6,548,810	5,435,763	570,522	555,852	7,119,332	5,991,615
Net Operating Income (Loss)	(873,255)	(184,617)	49,221	37,602	(824,034)	(147,015)
Non-operating Revenues (Expenses):						
State share of instruction and line-item appropriations	469,679	475,593	-	-	469,679	475,593
Federal subsidies for Build America Bonds interest	10,619	10,574	-	-	10,619	10,574
Federal non-exchange grants	63,042	59,272	-	-	63,042	59,272
State non-exchange grants	11,119	11,422	-	-	11,119	11,422
Gifts	160,102	168,209	-	-	160,102	168,209
Net investment income	229,663	439,154	2,624	1,239	232,287	440,393
Interest expense on plant debt	(115,084)	(116,489)	(960)	(891)	(116,044)	(117,380)
Other non-operating revenues (expenses)	15,343	27,607	(22,890)	(20,522)	(7,547)	7,085
Net Non-operating Revenue	844,483	1,075,342	(21,226)	(20,174)	823,257	1,055,168
Income (Loss) before Changes in Net Position	(28,772)	890,725	27,995	17,428	(777)	908,153
Changes in Net Position:						
State capital appropriations	64,900	83,217	-	-	64,900	83,217
Private capital gifts	26,565	15,470	-	-	26,565	15,470
Additions to permanent endowments	45,533	55,579	-	-	45,533	55,579
Capital contributions and changes in net position	3,236	6,129	19,927	-	23,163	6,129
Total Changes in Net Position	140,234	160,395	19,927	-	160,161	160,395
Increase in Net Position	111,462	1,051,120	47,922	17,428	159,384	1,068,548
Net Position - Beginning of Year:						
Beginning of year, as previously reported	5,322,614	5,511,827	172,017	154,731	5,494,631	5,666,558
Cumulative effect of accounting changes	-	(1,240,333)	-	(142)	-	(1,240,475)
Beginning of Year, as restated	5,322,614	4,271,494	172,017	154,589	5,494,631	4,426,083
Net Position - End of Year	$ 5,434,076	$ 5,322,614	$ 219,939	$ 172,017	$ 5,654,015	$ 5,494,631

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

THE OHIO STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and June 30, 2018
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Cash Flows from Operating Activities:						
Tuition and fee receipts	$ 848,524	$ 824,050	$ -	$ -	$ 848,524	$ 824,050
Grant and contract receipts	732,383	707,591	51,383	59,288	783,766	766,879
Receipts for sales and services	3,894,191	3,551,804	558,634	524,443	4,452,825	4,076,247
Receipt from energy concessionaire	-	1,089,914	-	-	-	1,089,914
Payments to or on behalf of employees	(2,533,272)	(2,379,815)	(374,538)	(353,956)	(2,907,810)	(2,733,771)
University employee benefit payments	(663,084)	(600,854)	(85,463)	(84,429)	(748,547)	(685,283)
Payments to vendors for supplies and services	(2,196,722)	(2,056,435)	(104,119)	(105,265)	(2,300,841)	(2,161,700)
Payments to students and fellows	(118,803)	(121,853)	-	-	(118,803)	(121,853)
Student loans issued	(4,001)	(9,979)	-	-	(4,001)	(9,979)
Student loans collected	8,848	8,804	-	-	8,848	8,804
Student loan interest and fees collected	2,184	1,848	-	-	2,184	1,848
Other receipts	21,995	38,598	-	-	21,995	38,598
Net cash provided (used) by operating activities	(7,757)	1,053,673	45,897	40,081	38,140	1,093,754
Cash Flows from Noncapital Financing Activities:						
State share of instruction and line-item appropriations	469,679	475,593	-	-	469,679	475,593
Non-exchange grant receipts	74,161	70,694	-	-	74,161	70,694
Gift receipts for current use	173,649	172,973	-	-	173,649	172,973
Additions to permanent endowments	45,533	55,579	-	-	45,533	55,579
Drawdowns of federal direct loan proceeds	353,493	328,892	-	-	353,493	328,892
Disbursements of federal direct loans to students	(339,227)	(343,209)	-	-	(339,227)	(343,209)
Repayment of loans from related organization	691	880	-	-	691	880
Amounts received from irrevocable split-interest agreements	734	153	-	-	734	153
Amounts paid to annuitants and life beneficiaries	(1,735)	(1,733)	-	-	(1,735)	(1,733)
Agency funds receipts	5,566	5,386	-	-	5,566	5,386
Agency funds disbursements	(5,387)	(4,894)	-	-	(5,387)	(4,894)
Other receipts (payments)	2,282	3,909	(6,578)	(14,388)	(4,296)	(10,479)
Net cash provided (used) by noncapital financing activities	779,439	764,223	(6,578)	(14,388)	772,861	749,835
Cash Flows from Capital Financing Activities:						
Proceeds from capital debt	-	73,885	7,806	6,854	7,806	80,739
State capital appropriations	64,788	80,238	-	-	64,788	80,238
Gift receipts for capital projects	34,326	14,389	-	-	34,326	14,389
Payments for purchase or construction of capital assets	(604,717)	(497,962)	(34,848)	(26,160)	(639,565)	(524,122)
Principal payments on capital debt and leases	(67,092)	(145,060)	(894)	(796)	(67,986)	(145,856)
Interest payments on capital debt and leases	(123,666)	(122,376)	(968)	(897)	(124,634)	(123,273)
Federal subsidies for Build America Bonds interest	10,620	10,922	-	-	10,620	10,922
Net cash (used) by capital financing activities	(685,741)	(585,964)	(28,904)	(20,999)	(714,645)	(606,963)
Cash Flows from Investing Activities:						
Net (purchases) sales of temporary investments	(102,981)	26,067	(13,343)	4,371	(116,324)	30,438
Proceeds from sales and maturities of long-term investments	3,556,262	2,361,342	3,220	69	3,559,482	2,361,411
Investment income, net of related expenses	142,775	96,521	2,546	1,239	145,321	97,760
Purchases of long-term investments	(3,597,184)	(2,989,438)	-	-	(3,597,184)	(2,989,438)
Net cash provided (used) by investing activities	(1,128)	(505,508)	(7,577)	5,679	(8,705)	(499,829)
Net Increase in Cash	84,813	726,424	2,838	10,373	87,651	736,797
Cash and Cash Equivalents - Beginning of Year	1,977,384	1,250,960	136,098	125,725	2,113,482	1,376,685
Cash and Cash Equivalents - End of Year	$ 2,062,197	$ 1,977,384	$ 138,936	$ 136,098	$ 2,201,133	$ 2,113,482

THE OHIO STATE UNIVERSITY
STATEMENTS OF CASH FLOWS, Cont'd
Years Ended June 30, 2019 and June 30, 2018
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Reconciliation of Net Operating Income (Loss) to Net Cash Used by Operating Activities:						
Operating income (loss)	$ (873,255)	$ (184,617)	$ 49,221	$ 37,602	$ (824,034)	$ (147,015)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	413,039	394,461	7,467	7,674	420,506	402,135
Changes in assets and liabilities:						
Accounts receivable, net	(30,166)	(26,424)	(6,188)	(5,541)	(36,354)	(31,965)
Notes receivable, net	(19,447)	(4,055)	86	114	(19,361)	(3,941)
Accrued interest receivable	131	(39)	-	-	131	(39)
Inventories and prepaid expenses	(8,235)	(26,066)	(5)	(964)	(8,240)	(27,030)
Amounts due to/from primary institution	(3,924)	(2,928)	(5,943)	(3,581)	(9,867)	(6,509)
Net other post-employment benefit asset	(74,520)	-	-	-	(74,520)	-
Deferred outflows	(413,871)	272,207	31	99	(413,840)	272,306
Accounts payable and accrued liabilities	36,319	47,859	(6,214)	4,939	30,105	52,798
Self-insurance accruals	8,368	(7,100)	-	-	8,368	(7,100)
Amounts due to third-party payors - Health System	4,465	6,877	-	-	4,465	6,877
Deposits and advanced payments	5,609	49,077	17	375	5,626	49,452
Compensated absences	7,447	5,631	-	-	7,447	5,631
Refundable advances for Federal Perkins loans	840	924	-	-	840	924
Advance from concessionaire	(21,787)	1,046,342	-	-	(21,787)	1,046,342
Net pension liability	1,167,049	(1,017,353)	(100)	(146)	1,166,949	(1,017,499)
Net other post-employment benefit liability	89,862	24,651	(93)	11.00	89,769	24,662
Deferred inflows	(293,927)	486,295	(38)	42	(293,965)	486,337
Other liabilities	(1,754)	(12,069)	7,656	(543)	5,902	(12,612)
Net cash provided (used) by operating activities	$ (7,757)	$ 1,053,673	$ 45,897	$ 40,081	$ 38,140	$ 1,093,754
Non Cash Transactions:						
Construction in process in accounts payable	$ 32,180	$ 43,852	$ 3,925	$ 1,494	$ 36,105	$ 45,346
Construction in process in concessionaire payable	31,878	10,316	-	-	31,878	10,316
Capital lease	10,958	10,508	-	-	10,958	10,508
Stock gifts	14,104	18,238	-	-	14,104	18,238
Net increase (decrease) in fair value of investments	84,113	341,400	(203)	77	83,910	341,477
Forgiveness of debt	-	-	2,000	-	2,000	-

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

The Ohio State University (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. 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* and Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.*, 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.
- **Pelotonia** – The fiscal dependency criteria apply to this not-for-profit fundraising organization, which operates exclusively for the benefit of The Ohio State University.

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 primary government, collectively referred to as the primary institution.

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**. – This non-profit organization, which participates in the redevelopment of neighborhoods adjacent to the Columbus campus, is fiscally dependent on the university.
- **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 20 and 21. Audited financial statements for the discretely presented 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 total university column reflects eliminations of transactions between the primary institution and the discretely component units. These transactions consist primarily of (a) discretionary subsidies and contributions which are presented as either non-operating activities or capital additions at the component unit level and (b) exchange-based goods and services that support the operations of the entity, which are presented as operating revenues and expenses at the component unit level. The impact of these transactions on the statement of revenues, expenses and changes in net position was $0 for the years ended June 30, 2019 and 2018.

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 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 and material. 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,* as amended by GASB Statement No. 72, *Fair Value Measurement and Application*. 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, 2019, the university has made commitments to limited partnerships totaling $1,319,760 that have not yet been funded. These commitments may extend for a maximum of ten years.

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 6,603 Board authorized funds and 284 pending 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 4.5% of the average fair value per share of the Long Term Investment Pool over the most recent seven year period.

At June 30, 2019, the fair value of the university and Foundation gifted endowments is $2,039,437, which is $315,252 above the historical dollar value of $1,724,185. Although the fair value of the gifted endowments in total exceeds the historical cost at June 30, 2019, there are 1,704 named funds that remain underwater. The fair value of these underwater funds at June 30, 2019 is $563,140, which is $51,189 below the historical dollar value of $614,329.

At June 30, 2018, the fair value of the university and Foundation gifted endowments is $2,062,986, which is $387,387 above the historical dollar value of $1,675,599. Although the fair value of the gifted endowments in total exceeds the historical cost at June 30, 2018, there are 1,127 named funds that remain underwater. The fair value of these underwater funds at June 30, 2018 is $373,891, which is $35,116 below the historical dollar value of $409,007.

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 Non-exchange 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 acquisition 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

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 instruments and futures instruments are recorded each period in the statement of revenues, expenses and changes in net position as a component of other non-operating expense.

Operating and Non-Operating Revenues and Expenses

The university defines operating activities, for purposes of reporting on the Statement of Revenues, Expenses, and 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 and certain expenses related to investments, 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 Uniform Guidance 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 payors 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 payors for services rendered net of contractual allowances, charity care, self-pay discounts and bad debt expenses. OSU Physicians (OSUP), a discretely presented component unit of the university, provides care to patients under various reimbursable agreements, including governmental and commercial payors (third party payors). 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 reimbursements, and for administrative adjustments.

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 and not reported as gross 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, 2019 and 2018 are $50,336 and $50,909, respectively, after applying an decrease of $3,443 and a increase of $6,776, 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, 2019 and 2018 are $7,856 and $7,169, 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. 75

In fiscal year 2018, the university implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires employers in cost-sharing, multi-employer plans to recognize a proportionate share of the net other post-employment benefit (OPEB) assets and liabilities of the plans. The university participates in two cost-sharing multiple-employer pension plans, the State Teachers Retirement System of Ohio and the Ohio Public Employees Retirement System, which provide post-retirement healthcare benefits. A proportionate share of the net OPEB assets and 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. 75 was a $1,224,870 reduction in the university's net position as of July 1, 2017. Additional information regarding net OPEB assets and liabilities, related deferrals and OPEB expense is provided in Note 15.

Implementation of GASB Statement No. 83

In fiscal year 2019, the university implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. This standard establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). ARO liabilities and related deferred outflows are recognized based on the existence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities.

(dollars in thousands)

The cumulative effect of adopting GASB Statement No. 83 was a $15,462 reduction in the university's net position as of July 1, 2017. The effects of adopting Statement No. 83 in the university's financial statements for the year ended June 30, 2018 were as follows:

	As Previously Reported	Effect of Adoption of Statement No. 83	As Restated
Statement of Net Position - Primary Institution			
Other deferred outflows	$ 18,393	$ 1,716	$ 20,109
Total deferred outflows	737,903	1,716	739,619
Other noncurrent liabilities	91,944	17,337	109,281
Total noncurrent liabilities	7,792,233	17,337	7,809,570
Total liabilities	9,391,607	17,337	9,408,944
Unrestricted net position	81,369	(15,621)	65,748
Total net position	5,338,235	(15,621)	5,322,614

	As Previously Reported	Effect of Adoption of Statement No. 83	As Restated
Statement of Revenues, Expenses and Changes in Net Position - Primary Institution			
Operation and maintenance of plant	$ 123,625	$ 158	$ 123,783
Total operating expenses	5,435,605	158	5,435,763
Net operating income (loss)	(184,459)	(158)	(184,617)
Income (loss) before changes in net position	890,883	(158)	890,725
Increase in net position	1,051,278	(158)	1,051,120

Implementation of GASB Statement No. 88

GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, was implemented by the University as of July 1, 2018. This Statement defines debt for purposes of disclosures in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires additional disclosures related to debt including providing additional information for direct borrowings and direct placements of debt separately from other debt. Implementation of Statement No. 88 had no impact on the financial statements.

Newly Issued Accounting Pronouncements

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

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

In June 2018, the GASB issued Statement No. 89*, Accounting for Interest Cost Incurred before the End of a Construction Period*. This standard requires that interest cost incurred during the period of construction be recognized as an expense in the period in which the cost is incurred. These costs will no longer be included in the historical costs of capital assets. The standard is effective for periods beginning after December 15, 2019 (FY2021) and will be applied on a prospective basis.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. This standard establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The standard is effective for periods beginning after December 15, 2018 (FY2020).

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard clarifies the definition of a conduit debt obligation, establishes the third-party obligor's responsibility for the liability and modifies disclosure requirements for these arrangements. The standard is effective for periods beginning after December 15, 2020 (FY2022).

University management is currently assessing the impact that implementation of GASB Statements No. 84, 87, 89, 90 and 91 will have on the university's financial statements.

Other

The university is exempt from income taxes under Internal Revenue service rules. Any unrelated business income is taxable.

NOTE 2 — CASH AND CASH EQUIVALENTS

At June 30, 2019, the carrying amount of the primary institution's cash, cash equivalents and restricted cash is $2,062,197 as compared to bank balances of $2,073,030. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, $180,099 is covered by federal deposit insurance and $1,892,931 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, 2018, the carrying amount of the primary institution's cash, cash equivalents and restricted cash is $1,977,384 as compared to bank balances of $1,972,510. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, $194,946 is covered by federal deposit insurance and $1,777,564 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, 2019, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash is $138,936 as compared to bank balances of $142,401. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, $4,548 is covered by federal deposit insurance and $137,853 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, 2018, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash is $136,098 as compared to bank balances of $139,932. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, $4,881 is covered by federal deposit insurance and $135,051 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 other private equity investments and 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.

(dollars in thousands)

Total university investments by major category for the primary institution at June 30, 2019 and 2018 are as follows:

	Primary Institution	
	2019	**2018**
Temporary Investments	$ 1,738,010	$ 1,610,826
Long-Term Investment Pool:		
Gifted Endowment - University	1,070,008	1,104,236
Gifted Endowment - OSU Foundation	969,429	958,750
Quasi Endowment - Operating	1,289,534	1,208,769
Quasi Endowment - Designated	1,927,788	1,939,679
Total Long-Term Investment Pool	5,256,759	5,211,434
Securities Lending Collateral Investments	44,391	39,510
Other Long-Term Investments	219,455	163,946
Total Investments	$ 7,258,615	$ 7,025,716

(dollars in thousands)

Total university investments by investment type for the primary institution at June 30, 2019 are as follows:

	Primary Institution				
	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Securities Lending Collateral Investments	Total
U.S. equity	$ 309	$ 533,091	$ -	$ -	$ 533,400
International equity	-	391,301	-	-	391,301
Equity mutual funds	86,616	1,024,535	22,284	-	1,133,435
U.S. government obligations	157,044	554,889	471	-	712,404
U.S. government agency obligations	129,502	-	-	-	129,502
Corporate bonds and notes	1,223,091	-	-	-	1,223,091
Bond mutual funds	92,439	-	16,103	-	108,542
Foreign government bonds	12,380	-	-	-	12,380
Real assets	9,578	525,966	24,884	-	560,428
Hedge funds	-	829,151	-	-	829,151
Private equity	-	903,311	138,625	-	1,041,936
Commercial paper	18,068	-	-	-	18,068
Cash and cash equivalents	-	494,515	-	-	494,515
Other	8,983	-	17,088	-	26,071
Securities Lending Collateral Assets:					
Repurchase agreements	-	-	-	18,703	18,703
Variable rate notes	-	-	-	950	950
Certificates of deposit	-	-	-	24,772	24,772
Cash and other adjustments	-	-	-	(34)	(34)
	$ 1,738,010	$ 5,256,759	$ 219,455	$ 44,391	$ 7,258,615

(dollars in thousands)

Total university investments by investment type for the primary institution at June 30, 2018 are as follows:

	Primary Institution				
	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Securities Lending Collateral Investments	Total
U.S. equity	$ -	$ 319,135	$ -	$ -	$ 319,135
International equity	-	348,018	-	-	348,018
Equity mutual funds	84,459	750,572	23,818	-	858,849
U.S. government obligations	140,893	384,731	468	-	526,092
U.S. government agency obligations	118,198	-	-	-	118,198
Corporate bonds and notes	1,098,902	-	-	-	1,098,902
Bond mutual funds	92,242	-	17,036	-	109,278
Foreign government bonds	11,960	-	-	-	11,960
Real assets	10,441	651,882	28,472	-	690,795
Hedge funds	-	1,377,733	-	-	1,377,733
Private equity	-	772,239	76,263	-	848,502
Commercial paper	39,501	-	-	-	39,501
Cash and cash equivalents	-	607,124	-	-	607,124
Other	14,230	-	17,889	-	32,119
Securities Lending Collateral Assets:					
Repurchase agreements	-	-	-	19,014	19,014
Variable rate notes	-	-	-	19,268	19,268
Certificates of deposit	-	-	-	1,258	1,258
Cash and other adjustments	-	-	-	(30)	(30)
	$ 1,610,826	$ 5,211,434	$ 163,946	$ 39,510	$ 7,025,716

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

	2019	2018
Interest and dividends	$ 197,877	$ 162,059
Net increase in fair value of investments	84,112	341,400
Investment expenses	(52,326)	(64,305)
Total	$ 229,663	$ 439,154

Information on Fair Value of Investments

Fair value is defined in the accounting standards as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value.

Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Directly held equity securities, registered bond and equity mutual funds, and other miscellaneous investments classified in Level 1 are valued using prices quoted in active markets that the custodian and university have the ability to access.

Level 2 – Quoted prices in the markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly, are classified as Level 2. Level 2 investments include US government agencies and obligations, corporate bonds, municipal bonds, foreign government bonds, repurchase agreements, commercial paper, and other debt related investments. The evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities.

Level 3 – Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment. Investments included in Level 3 consist primarily of the university's ownership in real estate, limited partnerships and equity positions in private companies.

Net Asset Value (NAV) – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV if the NAV is determined in accordance with the fair value measurement principles provided by the FASB standards relevant to investment companies. Interest in investment funds with a NAV reported under an alternative basis or meet the intent to sell criteria are reflected as Level 3 investments.

(dollars in thousands)

Investments measured at NAV consist mainly of non-publicly traded mutual funds, hedge funds, private equity, and other alternative funds. These assets are valued by the associated external investment manager/general partner and reviewed by the university using the most recent audited and unaudited financial statements available.

Not Leveled – Cash is not measured at fair value and, thus, is not subject to the fair value disclosure requirements. Cash not subject to such requirements amounted to $37,109 and $19,733 at June 30, 2019 and 2018, respectively.

Investments by fair value category for the primary institution at June 30, 2019 are as follows:

	Primary Institution				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as Practical Expedient (NAV)	Total Fair Value
U.S. equity	$ 533,400	$ -	$ -	$ -	$ 533,400
International equity	391,301	-	-	-	391,301
Equity mutual funds	188,590	-	-	944,845	1,133,435
U.S. government obligations	8,311	704,093	-	-	712,404
U.S. government agency obligations	-	129,502	-	-	129,502
Corporate bonds and notes	-	1,220,966	2,125	-	1,223,091
Bond mutual funds	108,542	-	-	-	108,542
Foreign government bonds	-	12,380	-	-	12,380
Real assets	19,719	-	313,986	226,723	560,428
Hedge funds	-	-	-	829,151	829,151
Private equity	-	-	187,790	854,146	1,041,936
Commercial paper	-	18,068	-	-	18,068
Cash equivalents	457,406	-	-	-	457,406
Other	-	8,551	17,520	-	26,071
Securities Lending Collateral Assets:					
Repurchase agreements	-	18,703	-	-	18,703
Variable rate notes	-	950	-	-	950
Commercial paper	-	-	-	-	-
Certificates of deposit	-	24,772	-	-	24,772
Other adjustments	-	(34)	-	-	(34)
	$ 1,707,269	$ 2,137,951	$ 521,421	$ 2,854,865	$ 7,221,506

(dollars in thousands)

Investments by fair value category for the primary institution at June 30, 2018 are as follows:

	Primary Institution				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as Practical Expedient (NAV)	Total Fair Value
U.S. equity	$ 319,135	$ -	$ -	$ -	$ 319,135
International equity	348,018	-	-	-	348,018
Equity mutual funds	196,170	-	-	662,679	858,849
U.S. government obligations	3,313	522,779	-	-	526,092
U.S. government agency obligations	-	118,198	-	-	118,198
Corporate bonds and notes	-	1,097,801	1,101	-	1,098,902
Bond mutual funds	109,278	-	-	-	109,278
Foreign government bonds	-	11,960	-	-	11,960
Real assets	9,927	-	144,843	536,025	690,795
Hedge funds	-	-	-	1,377,733	1,377,733
Private equity	-	-	122,338	726,164	848,502
Commercial paper	-	39,501		-	39,501
Cash equivalents	587,391	-	-	-	587,391
Other	-	13,813	18,306	-	32,119
Securities Lending Collateral Assets:					
Repurchase agreements	-	19,014	-	-	19,014
Variable rate notes	-	19,268	-	-	19,268
Commercial paper	-	-	-	-	-
Certificates of deposit	-	1,258	-	-	1,258
Other adjustments	-	(30)	-	-	(30)
	$ 1,573,232	$ 1,843,562	$ 286,588	$ 3,302,601	$ 7,005,983

Additional Information on Investments Measured at the NAV

Additional information on fair values, unfunded commitments, remaining life and redemption for investments measured at the NAV for the primary institution at June 30, 2019 is as follows:

	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Equity mutual funds - non-public international	$ 944,845	$ -	No limit	1 to 30 days	None
Hedge funds - absolute return, credit, long/short equities	829,151	-	No limit	30 to 180 day notice periods	Lock-up provisions ranging from none to 2 years; side pockets on a few funds
Private equity - private credit, buyouts, venture, secondary	854,146	785,128	1-12 years	Partnerships ineligible for redemption	Not redeemable
Real assets - natural resources, real estate, intrastructure	226,723	165,257	1-12 years	Partnerships ineligible for redemption	Not redeemable
	$ 2,854,865	$ 950,385			

(dollars in thousands)

At June 30, 2019, university management identified several partnership investments measured at NAV whose sale is probable for an amount different from NAV. The fair value of these investments – based on bids provided by third parties – is $243,182. The university is continuing to consider the sale of these investments.

Additional Risk Disclosures for Investments

GASB Statements No. 3 and 40 require certain additional disclosures related to the liquidity, interest-rate, custodial, credit and foreign currency risks associated with deposits and investments.

Liquidity risk – The university's private equity and real asset investments are illiquid and subject to redemption restrictions in accordance with their respective governing documents.

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, 2019 are as follows:

	Primary Institution				
		Investment Maturities (in years)			
	Fair Value	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
U.S. government obligations	$ 712,404	$ 583,306	$ 111,097	$ 18,001	$ -
U.S. government agency	-				
obligations	129,502	21,127	12,463	17,203	78,709
Commercial paper	18,068	18,068	-	-	-
Corporate bonds	1,223,091	242,552	828,631	65,590	86,318
Bond mutual funds	108,542	(135)	60,981	32,353	15,343
Other governmental bonds	8,550	1,857	4,226	1,163	1,304
Foreign governmental bonds	12,380	6,014	6,366	-	-
Securities Lending Collateral:					
Repurchase agreements	18,703	18,703	-	-	-
Certificates of deposit	950	950	-	-	-
Commercial paper	-	-	-	-	-
Variable rate notes	24,772	24,772	-	-	-
Total	$ 2,256,962	$ 917,214	$ 1,023,764	$ 134,310	$ 181,674

(dollars in thousands)

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2018 are as follows:

	Primary Institution				
		Investment Maturities (in years)			
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	$ 526,092	$ 425,816	$ 100,002	$ 274	$ -
U.S. government agency obligations	118,198	4,215	32,651	14,098	67,234
Commercial paper	39,501	39,501	-	-	-
Corporate bonds	1,098,902	268,876	734,097	41,510	54,419
Bond mutual funds	109,278	7,975	56,393	29,257	15,653
Other governmental bonds	13,812	5,574	5,385	49	2,804
Foreign governmental bonds	11,960	3,888	8,072	-	-
Securities Lending Collateral:	-				
Repurchase agreements	19,014	19,014	-	-	-
Certificates of deposit	1,258	1,258			
Commercial paper	-	-	-	-	-
Variable rate notes	19,268	19,268	-	-	-
Total	$ 1,957,283	$ 795,385	$ 936,600	$ 85,188	$ 140,110

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.

(dollars in thousands)

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2019 are as follows:

	Primary Institution										
	Total	AAA	AA	A	BBB	BB	B	CCC	CC	C	Not Rated
U.S. government											
and agency obligations	$ 841,906	$ 4,746	$ 778,923	$ 55,899	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,338
Corporate bonds	1,223,091	76,957	191,993	440,442	358,615	21,993	652	-	-	-	132,439
Bond mutual funds	108,542	20,337	60,937	11,802	12,155	1,915	653	721	-	-	22
Foreign government bonds	12,380	2,715	201	6,359	-	-	-	-	-	-	3,105
Commercial paper	18,068	-	-	4,985	-	-	-	-	-	-	13,083
Other government bonds	8,550	-	5,110	3,440	-	-	-	-	-	-	-
Securities Lending Collateral:											
Repurchase agreements	18,703	-	-	-	-	-	-	-	-	-	18,703
Certificates of deposit	950	-	-	950	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-	-	-	-	-
Variable rate notes	24,772	-	7,855	16,917	-	-	-	-	-	-	-
Total	$ 2,256,962	$ 104,755	$ 1,045,019	$ 540,794	$ 370,770	$ 23,908	$ 1,305	$ 721	$ -	$ -	$ 169,690

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2018 are as follows:

	Primary Institution										
	Total	AAA	AA	A	BBB	BB	B	CCC	CC	C	Not Rated
U.S. government											
and agency obligations	$ 644,290	$ 3,881	$ 589,810	$ 41,579	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,020
Corporate bonds	1,098,902	61,155	172,281	454,979	310,119	17,706	4,650	-	-	-	78,012
Bond mutual funds	109,278	76,817	5,108	16,180	8,002	1,405	739	1,010	-	-	17
Foreign government bonds	11,960	1,690	3,029	5,236	2,005	-	-	-	-	-	-
Commercial paper	39,501	-	-	37,507	1,994	-	-	-	-	-	-
Other government bonds	13,812	1,192	6,033	2,892	-	-	-	300	-	-	270
Securities Lending Collateral:											
Repurchase agreements	19,014	-	-	-	-	-	-	-	-	-	19,014
Certificates of deposit	1,258	-	-	1,258	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-	-	-	-	-
Variable rate notes	19,268	-	6,361	12,907	-	-	-	-	-	-	-
Total	$ 1,957,283	$ 144,735	$ 782,622	$ 572,538	$ 322,120	$ 19,111	$ 5,389	$ 1,310	$ -	$ -	$ 106,333

Concentration of credit risk – Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the university to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

There is no investment in issuers other than U. S. government guaranteed securities that represents five percent or more of investments held at June 30, 2019 and June 30, 2018.

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.

(dollars in thousands)

At June 30, 2019, exposure to foreign currency risk for the primary institution is as follows:

	Primary Institution					
	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds and Notes	Foreign Government Bonds	Partnerships and Hedge Funds
Argentine Peso	$ -	$ -	$ 34	$ -	$ -	$ -
Australian dollar	5,969	31,351	98	-	-	-
Bangladeshi taka	-	-	-	-	-	-
Brazilian real	9,032	7,322	144	-	-	-
Canadian dollar	17,890	10,414	62	627	-	-
Chilean peso	435	196	54	-	-	-
Chinese yuan	663	57,495	5	-	-	-
Columbian peso	181	62	90	-	-	-
Czech Republic koruna	67	670	-	-	-	-
Danish krone	1,236	5,027	3	-	-	-
Egyptian pound	80	274	-	-	-	-
Euro	111,377	83,394	(854)	798	990	89,635
Great Britain pound sterling	40,376	74,112	91	3,545	-	104,324
Hong Kong dollar	24,286	39,176	(320)	-	-	-
Hungarian forint	122	63	-	-	-	-
Iceland Krona	-	-	36	-	-	-
Indian rupee	4,237	2,247	(4)	-	-	-
Indonesian rupiah	952	3,127	186	-	-	-
Israeli shekel	198	134	7	-	-	-
Japanese yen	104,304	51,414	393	-	5,513	-
Kenyan Shilling	-	377	-	-	-	-
Kuwaiti dinar	-	148	-	-	-	-
Malaysian ringgit	987	1,919	(2)	-	-	-
Mexican peso	1,136	2,117	155	-	-	-
New Taiwan dollar	5,141	9,020	(2)	-	-	-
New Turkish lira	253	761	-	-	-	-
New Zealand dollar	288	106	46	-	-	-
Norwegian krone	4,760	3,294	67	-	-	-
Pakistan rupee	33	23	-	-	-	-
Peruvian nuevo sol	-	7	146	-	-	-
Philippine peso	490	722	-	-	-	-
Polish zloty	602	135	122	-	-	-
Qatarian rial	441	241	-	-	-	-
Romanian new leu	-	-	-	-	-	-
Russian ruble	1,435	625	254	-	-	-
Saudi Riyal	616	287	-	-	-	-
Singapore dollar	1,143	7,940	-	-	-	-
South African rand	2,622	6,396	86	-	-	-
South Korean Won	9,700	9,769	(129)	-	-	-
Sri Lanka rupee	-	-	-	-	-	-
Swedish krona	3,916	14,000	126	-	-	-
Swiss franc	34,631	17,664	(114)	-	-	29,825
Thailand bhat	1,416	1,186	(1)	-	-	-
UAE dirham	286	154	-	-	-	-
Total	$ 391,301	$ 443,369	$ 779	$ 4,970	$ 6,503	$ 223,784

(dollars in thousands)

At June 30, 2018, exposure to foreign currency risk for the primary institution is as follows:

	Primary Institution					
	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds and Notes	Foreign Government Bonds	Partnerships and Hedge Funds
Argentine Peso	$ -	$ -	$ 88	$ -	$ -	$ -
Australian dollar	2,933	16,426	(5)	-	-	-
Bangladeshi taka	-	12	-	-	-	-
Brazilian real	4,477	4,966	23	-	-	-
Canadian dollar	10,755	5,805	177	-	-	-
Chilean peso	287	1,592	-	-	-	-
Chinese yuan	77	5,344	607	-	-	-
Columbian peso	116	782	56	-	-	-
Czech Republic koruna	42	1,484	-	-	-	-
Danish krone	3,433	3,930	5	-	-	-
Egyptian pound	46	17	(117)	-	-	-
Euro	104,881	63,019	(568)	-	1,672	98,131
Great Britain pound sterling	60,906	88,214	9	2,509	-	75,012
Hong Kong dollar	17,917	22,857	-	-	-	-
Hungarian forint	62	71	-	-	-	-
Iceland Krona	-	-	32	-	-	-
Indian rupee	2,318	4,896	191	-	-	-
Indonesian rupiah	487	785	-	-	-	-
Israeli shekel	166	160	-	-	-	-
Japanese yen	81,496	67,162	(95)	-	-	-
Kuwaiti dinar	-	1,707	-	-	-	-
Malaysian ringgit	609	3,584	-	-	-	-
Mexican peso	723	2,430	485	-	-	-
New Taiwan dollar	3,149	6,670	(306)	-	-	-
New Turkish lira	197	2,002	-	-	-	-
New Zealand dollar	129	79	80	-	-	-
Norwegian krone	5,380	3,614	54	-	-	-
Pakistan rupee	41	2,275	-	-	-	-
Peruvian nuevo sol	-	6	-	-	-	-
Philippine peso	233	1,367	-	-	-	-
Polish zloty	268	244	-	-	-	-
Qatarian rial	196	69	-	-	-	-
Romanian new leu	-	822	(120)	-	-	-
Russian ruble	447	436	263	-	-	-
Singapore dollar	548	10,186	(303)	-	-	-
South African rand	1,602	6,178	2	-	-	-
South Korean won	4,846	7,561	(247)	-	-	-
Sri Lanka rupee	-	38	-	-	-	-
Swedish krona	3,028	5,308	78	-	-	-
Swiss franc	31,142	18,485	-	-	-	24,863
Thailand bhat	576	3,503	(1)	-	-	-
UAE dirham	139	3,229	-	-	-	-
Total	$ 343,652	$ 367,315	$ 388	$ 2,509	$ 1,672	$ 198,006

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, 2019 and 2018 were comprised completely of equities, and these loans were secured by collateral in the form of cash, equities, 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 June 30, 2019, 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, 2019, securities loaned by the university amounted to a fair value of $69,375 and were secured by collateral in the amount of $80,012. The portion of this collateral that was received in cash amounted to $44,387 and is reflected within the university's statement of net position as a current asset and a corresponding current liability.

As of June 30, 2018, securities loaned by the university amounted to a fair value of $82,521 and were secured by collateral in the amount of $88,940. The portion of this collateral that was received in cash amounted to $39,510 and is reflected within the university's statement of net position as a current asset and a corresponding current liability.

(dollars in thousands)

NOTE 4 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable for the primary institution at June 30, 2019 and 2018 consist of the following:

	Primary Institution	
	2019	**2018**
Gross receivables - OSU Health System	$ 1,171,862	$ 1,165,740
Grant and contract receivables	94,218	92,973
Tuition and fees receivable	21,970	19,519
Receivables for departmental and auxiliary sales and services	51,667	44,280
State and federal receivables	12,382	26,535
Other receivables	28	32
Total receivables	1,352,127	1,349,079
Less: Allowances	716,803	729,769
Total receivables, net	$ 635,324	$ 619,310

Allowances consist primarily of allowances for doubtful accounts and contractual adjustments of 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 $18,149 and $18,709 at June 30, 2019 and 2018, 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 $101,478 in non-endowment pledges receivable and a related allowance for doubtful accounts of $5,787 at June 30, 2019. The university recorded $104,041 in non-endowment pledges receivable and a related allowance for doubtful accounts of $3,616 at June 30, 2018.

Accounts receivable for the discretely presented component units at June 30, 2019 and 2018 consist of the following:

	Discretely Presented Component Units	
	2019	**2018**
Gross receivables - OSU Physicians	$ 129,817	$ 115,796
Other receivables	13,304	9,358
Total receivables	143,121	125,154
Less: Allowances for doubtful accounts	80,118	71,877
Total receivables, net	$ 63,003	$ 53,277

Allowances consist primarily of allowances for doubtful accounts and contractual adjustments of receivables of OSU Physicians.

(dollars in thousands)

NOTE 5 — CAPITAL ASSETS

Capital assets activity for the primary institution for the year ended June 30, 2019 is summarized as follows:

	Primary Institution			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 89,492	$ 3,317	$ -	$ 92,809
Intangibles	18,413	-	-	18,413
Construction in progress	378,859	16,925	-	395,784
Total non depreciable assets	486,764	20,242	-	507,006
Capital assets being depreciated:				
Improvements other than buildings	833,855	88,659	15	922,499
Buildings and fixed equipment	6,375,994	363,809	4,196	6,735,607
Movable equipment, furniture and software	1,547,854	165,277	64,473	1,648,658
Library books	191,275	3,890	834	194,331
Total	8,948,978	621,635	69,518	9,501,095
Less: Accumulated depreciation	4,392,520	413,039	65,821	4,739,738
Total depreciable assets, net	4,556,458	208,596	3,697	4,761,357
Capital assets, net	$ 5,043,222	$ 228,838	$ 3,697	$ 5,268,363

The increase in construction in progress of $16,925 in fiscal year 2019 represents the amount of capital expenditures for new projects of $573,711, net of assets placed in service of $556,786.

Capital assets activity for the primary institution for the year ended June 30, 2018 is summarized as follows:

	Primary Institution			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 88,502	$ 1,201	$ 211	$ 89,492
Intangibles	18,413	-	-	18,413
Construction in progress	166,710	212,149	-	378,859
Total non depreciable assets	273,625	213,350	211	486,764
Capital assets being depreciated:				
Improvements other than buildings	828,429	34,794	29,368	833,855
Buildings and fixed equipment	6,214,539	168,613	7,158	6,375,994
Movable equipment, furniture and software	1,452,745	139,184	44,075	1,547,854
Library books	188,006	4,295	1,026	191,275
Total	8,683,719	346,886	81,627	8,948,978
Less: Accumulated depreciation	4,073,760	394,461	75,701	4,392,520
Total depreciable assets, net	4,609,959	(47,575)	5,926	4,556,458
Capital assets, net	$ 4,883,584	$ 165,775	$ 6,137	$ 5,043,222

The increase in construction in progress of $212,149 in fiscal year 2018 represents the amount of capital expenditures for new projects of $496,509, net of assets placed in service of $284,360.

(dollars in thousands)

Capital assets activity for the discretely presented component units for the year ended June 30, 2019 is summarized as follows:

	Discretely Presented Component Units			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 25,731	$ 3,741	$ 34	$ 29,438
Intangibles	46	16	-	62
Construction in progress	19,758	21,704	-	41,462
Total non depreciable assets	45,535	25,461	34	70,962
Capital assets being depreciated:				
Improvements other than buildings	14,360	3,705	634	17,431
Buildings and fixed equipment	111,918	4,993	17,516	99,395
Movable equipment, furniture and software	33,434	9,839	252	43,021
Total	159,712	18,537	18,402	159,847
Less: Accumulated depreciation	70,688	7,467	11,498	66,657
Total depreciable assets, net	89,024	11,070	6,904	93,190
Capital assets, net	$ 134,559	$ 36,531	$ 6,938	$ 164,152

The increase in construction in progress of $21,704 in fiscal year 2019 represents the amount of capital expenditures for new projects of $27,858, net of assets placed in service of $6,154.

Capital assets activity for the discretely presented component units for the year ended June 30, 2018 is summarized as follows:

	Discretely Presented Component Units			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 25,731	$ -	$ -	$ 25,731
Intangibles	52	-	6	46
Construction in progress	15,166	4,592	-	19,758
Total non depreciable assets	40,949	4,592	6	45,535
Capital assets being depreciated:				
Improvements other than buildings	13,423	2,362	1,425	14,360
Buildings and fixed equipment	102,366	10,731	1,179	111,918
Movable equipment, furniture and software	30,574	3,653	793	33,434
Total	146,363	16,746	3,397	159,712
Less: Accumulated depreciation	65,145	7,674	2,131	70,688
Total depreciable assets, net	81,218	9,072	1,266	89,024
Capital assets, net	$ 122,167	$ 13,664	$ 1,272	$ 134,559

The increase in construction in progress of $4,592 in fiscal year 2018 represents the amount of capital expenditures for new projects of $14,943, net of assets placed in service of $10,351.

(dollars in thousands)

The university recognized asset retirement obligations (AROs) of $17,337 at June 30, 2019 and 2018, respectively. Assets with AROs include university facilities in which radioactive materials are used, facilities handling hazardous chemicals or waste and fuel storage tanks, all of which are subject to regulation by the State of Ohio. Liability estimates are based on decommissioning funding plans (for facilities handling radioactive materials) and historical experience (for hazardous waste facilities and fuel storage tanks). The estimated remaining useful lives of these assets range from 0 to 26 years.

NOTE 6 — ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses for the primary institution at June 30, 2019 and 2018 consist of the following:

	Primary Institution	
	2019	**2018**
Payables to vendors for supplies and services	$ 326,794	$ 330,538
Accrued compensation and benefits	141,433	131,639
Retirement system contributions payable	84,622	80,066
Other accrued expenses	38,995	37,120
Total payables and accrued expenses	$ 591,844	$ 579,363

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, 2019 and 2018 consist of the following:

	Primary Institution	
	2019	**2018**
Current deposits and advance payments:		
Tuition and fees	$ 45,827	$ 42,585
Departmental and auxiliary sales and services	82,509	81,541
Affinity agreements	3,087	2,915
Advance from concessionaire	21,786	21,786
Grant and contract advances	113,290	111,091
Other deposits and advance payments	15,387	14,483
Total current deposits and advance payments	$ 281,886	$ 274,401
Advance from concessionaire	$ 1,024,555	$ 1,046,342
Other non-current deposits and advance payments:	101,089	68,018

(dollars in thousands)

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 trusteed self-insurance funds for professional medical malpractice liability claims with a $4,000 limit per occurrence and $18,000 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, 2017, Oval Limited provides coverage with limits of $85,000 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)
7/1/16 – 6/30/19	$85,000
7/1/15 – 6/30/16	$75,000
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 of $4,000 per occurrence and $18,000 in the aggregate. For the year ended June 30, 2019, Oval reinsured, in excess of the self-insured retention, 100% of the first $25,000 of risk to Berkley Insurance Company. The next $20,000 was fully ceded to Endurance Specialty Insurance Ltd, then $20,000 ceded to The Medical Protective Company, with the next $10,000 ceded to Berkshire Hathaway Specialty Insurance and above that Oval ceded the remaining $10,000 of the risk to Ironshore Insurance Ltd.

The estimated liability and the related contributions to the trustee fund are based upon an independent actuarial determination as of June 30, 2019. 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, 2019 of the anticipated future payments on gross claims is estimated at its present value of $51,092 discounted at an estimated rate of 3% (university funds) and an additional $19,247 discounted at an estimated rate of 3% (Oval Limited).

(dollars in thousands)

Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of $205,510 (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, 2019, and the surplus of $135,136 is included in unrestricted net position.

At June 30, 2018, the anticipated future payments on gross claims was estimated at its present value of $51,042 discounted at an estimated rate of 3% (university funds) and an additional $19,286 discounted at an estimated rate of 3% (Oval Limited). The self-insurance fund assets of $203,611 (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, 2018, and the surplus of $133,283 was included in unrestricted net position.

Employee Health Insurance

The university is also self-insured for employee health insurance. As of June 30, 2019 and 2018, $37,016 and $32,997, 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, 2019 and 2018, respectively, $19,276 and $20,112 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, 2017 result from the following activities:

	Malpractice		Health		Workers' Compensation	
	2019	2018	2019	2018	2019	2018
Liability at beginning of fiscal year	$ 70,328	$ 73,523	$ 32,997	$ 35,849	$ 20,112	$ 20,498
Current year provision for losses	5,381	865	348,520	335,534	6,273	15,914
Claim payments	(5,370)	(4,060)	(344,501)	(338,386)	(7,109)	(16,300)
Balance at fiscal year end	$ 70,339	$ 70,328	$ 37,016	$ 32,997	$ 19,276	$ 20,112

NOTE 9 — DEBT

The university may finance the construction, renovation and acquisition of certain facilities through the issuance of debt obligations, which include general receipts bonds, special purpose receipts bonds, capital lease obligations, and other borrowings.

(dollars in thousands)

Debt activity for the primary institution for the year ended June 30, 2019 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Direct Borrowings and Direct Placements - Notes:					
WOSU	$ 1,985	$ -	$ 159	$ 1,826	$ 159
OH Air Quality Note Series A	2,618	-	420	2,198	426
OH Air Quality Note Series B	2,340	-	-	2,340	-
St. Stephens Church Note	2,653	-	80	2,573	84
Direct Borrowings and Direct Placements - Other:					
Capital Lease Obligations	15,329	10,958	5,286	21,001	7,262
Ohio State Energy Partners	10,316	31,877	521	41,672	2,551
General Receipts Bonds - Fixed Rate:					
2008A, due serially through 2028	7,570	-	7,570	-	-
2010A, due serially through 2020	40,460	-	24,135	16,325	10,200
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	66,750	-	8,530	58,220	8,910
2012B, due 2033	13,515	-	1,480	12,035	1,510
2014A, due serially through 2044	129,245	-	2,435	126,810	2,560
2016A, due serially through 2111	600,000	-	-	600,000	-
2016B, due serially through 2030	23,255	-	2,790	20,465	2,930
2017, due serially through 2028	69,950	-	-	69,950	7,035
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	49,800	-	4,840	44,960	44,960
2005B, due serially through 2035	71,575	-	8,845	62,730	62,730
2008B, due serially through 2028	86,025	-	-	86,025	86,025
2010E, due serially through 2035	150,000	-	-	150,000	150,000
2014B, due serially through 2044	150,000	-	-	150,000	150,000
	3,151,711	42,835	67,091	3,127,455	618,302
Unamortized Bond Premiums	81,211	-	7,883	73,328	-
Total outstanding debt	$ 3,232,922	$ 42,835	$ 74,974	$ 3,200,783	$ 618,302

(dollars in thousands)

Debt activity for the primary institution for the year ended June 30, 2018 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Direct Borrowings and Direct Placements - Notes:					
WOSU	$ 2,144	$ -	$ 159	$ 1,985	$ 159
OH Air Quality Note Series A	3,031	-	413	2,618	420
OH Air Quality Note Series B	2,340	-	-	2,340	-
St. Stephens Church Note	2,729	-	76	2,653	80
Direct Borrowings and Direct Placements - Other:					
Capital Lease Obligations	8,548	10,508	3,727	15,329	4,630
Ohio State Energy Partners	-	10,316	-	10,316	-
General Receipts Bonds - Fixed Rate:					
2008A, due serially through 2028	94,510	-	86,940	7,570	7,570
2010A, due serially through 2020	79,160	-	38,700	40,460	24,135
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	74,980	-	8,230	66,750	8,530
2012B, due 2033	15,335	-	1,820	13,515	1,480
2014A, due serially through 2044	131,560	-	2,315	129,245	2,435
2016A, due serially through 2111	600,000	-	-	600,000	-
2016B, due serially through 2030	25,935	-	2,680	23,255	2,790
2017, due serially through 2028	-	69,950	-	69,950	-
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	49,800	-	-	49,800	49,800
2005B, due serially through 2035	71,575	-	-	71,575	71,575
2008B, due serially through 2028	86,025	-	-	86,025	86,025
2010E, due serially through 2035	150,000	-	-	150,000	150,000
2014B, due serially through 2044	150,000	-	-	150,000	150,000
	3,205,997	90,774	145,060	3,151,711	640,589
Unamortized Bond Premiums	86,129	12,719	17,637	81,211	-
Total outstanding debt	$ 3,292,126	$ 103,493	$ 162,697	$ 3,232,922	$ 640,589

(dollars in thousands)

Debt activity for the discretely presented component units for the year ended June 30, 2019 is as follows:

	Discretely Presented Component Units				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Direct Borrowings and Direct Placements:					
OSU Physicians - Series 2013 Health Care Facilities Revenue Bond, due through 2035	$ 12,437	$ 47	$ 811	$ 11,673	$ 895
OSU Physicians - Term Loan Payable, due 2023	1,347	-	-	1,347	-
TRC Ohio Development Service Agency Note Payable	5,000	-	309	4,691	314
Campus Partners - Columbus Foundation Note Payable	1,833	-	86	1,747	88
Campus Partners - Edwards TIF Note Payable	1,650	350	2,000	-	-
Capital Lease Obligations	97	4	55	46	46
Total outstanding debt	$ 22,364	$ 401	$ 3,261	$ 19,504	$ 1,343

Debt activity for the discretely presented component units for the year ended June 30, 2018 is as follows:

	Discretely Presented Component Units				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Direct Borrowings and Direct Placements:					
OSU Physicians - Series 2013 Health Care Facilities Revenue Bond, due through 2035	$ 13,024	$ -	$ 587	$ 12,437	$ 612
OSU Physicians - Term Loan Payable, due 2023	1,614	-	267	1,347	263
TRC Ohio Development Service Agency Note Payable	-	5,000	-	5,000	311
Campus Partners - Columbus Foundation Note Payable	1,896	-	63	1,833	85
Campus Partners - Edwards TIF Note Payable	150	1,500	-	1,650	-
Capital Lease Obligations	-	152	55	97	51
Total outstanding debt	$ 16,684	$ 6,652	$ 972	$ 22,364	$ 1,322

(dollars in thousands)

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				
	Bonds		Direct Borrowings and Direct Placements		
	Principal	Interest	Principal	Interest	Total
2020	$ 607,820	$ 133,140	$ 10,482	$ 3,314	$ 754,756
2021	31,585	121,620	10,341	3,285	166,831
2022	33,370	120,135	7,054	2,863	163,422
2023	42,345	118,693	6,072	2,553	169,663
2024	38,020	116,726	3,266	2,405	160,417
2025-2029	166,425	558,392	16,276	9,116	750,209
2030-2034	127,385	526,364	8,452	4,999	667,200
2035-2039	120,340	502,333	6,683	2,381	631,737
2040-2044	780,515	298,880	2,984	604	1,082,983
2045-2049	358,040	204,576	-	-	562,616
2050-2054	-	170,600	-	-	170,600
2055-2059	250,000	145,300	-	-	395,300
2060-2064	-	120,000	-	-	120,000
2065-2069	-	120,000	-	-	120,000
2070-2074	-	120,000	-	-	120,000
2075-2079	-	120,000	-	-	120,000
2080-2084	-	120,000	-	-	120,000
2085-2089	-	120,000	-	-	120,000
2090-2094	-	120,000	-	-	120,000
2095-2099	-	120,000	-	-	120,000
2100-2104	-	120,000	-	-	120,000
2105-2109	-	120,000	-	-	120,000
2110-2111	500,000	48,000	-	-	548,000
	$ 3,055,845	$ 4,264,759	$ 71,610	$ 31,520	$ 7,423,734

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		
	Direct Borrowings and Direct Placements		
	Principal	Interest	Total
2020	$ 1,343	$ 348	$ 1,691
2021	2,893	586	3,479
2022	1,256	267	1,523
2023	1,256	243	1,499
2024	1,006	222	1,228
2025-2029	5,304	835	6,139
2030-2034	5,430	350	5,780
2035-2039	1,016	12	1,028
	$ 19,504	$ 2,863	$ 22,367

(dollars in thousands)

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

University bond indentures include provisions for Events of Default and Remedies. In general, if the university fails to pay any interest or principal when it is due and payable, the Trustee may, upon the request of the holders of at least 25% of the outstanding principal on the bonds, declare the principal and any accrued interest as immediately due and payable. For the Series 2013A Special Purpose General Receipts bonds, Events of Default also include failure 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 1.1 times the aggregate debt service for the then-current Fiscal Year on all Special Purpose General Receipts Obligations".

The university's private and direct placement debt consists primarily of long-term payables to Ohio State Energy Partners (OSEP) for capital improvements. The university's Utility System Lease and Concession Agreement with OSEP includes Events of Default, including the failure to pay the Utility Fee. If the university fails to remedy the default as specified in the agreement, OSEP may terminate the agreement and require the university to pay OSEP the Utility System Concession Value as of the date of such termination. The Utility System Concession Value is defined as the fair market value of the Concessionaire Interest in the lease and concession agreement and would include principal and interest on any outstanding long-term payables to OSEP.

The outstanding bond indentures do not require mandatory reserves for future payment of principal and interest. However, the university has set aside $342,397 for future debt service which is included in unrestricted net position.

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, 2019
General Receipts Bonds:		
Series 2010A	$ 13,050	$ 991
Series 2010D	4,376	4,376
	$ 17,426	$ 5,367

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

(dollars in thousands)

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, 2019, the university is in compliance with this covenant. Condensed financial information for the Special Purpose Revenue Facilities is provided in Note 22.

Variable Rate Demand Bonds

Series 1997, 1999B1, 2001, 2003C, 2005B, 2008B, 2010E 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, 2019 are as follows:

Series:	Interest Rate Not to Exceed	Effective Average Interest Rate
1997	12%	1.477%
1999B1	12%	1.282%
2001	12%	1.095%
2003C	12%	1.425%
2005B	12%	1.022%
2008B	12%	0.497%
2010E	8%	0.436%
2014B	not specified	0.721%

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 $574,675 and $588,360 at June 30, 2019 and 2018, 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, 2019 are $33,708 and $21,000, respectively. The original cost and lease obligations related to these capital leases as of June 30, 2018 are $22,750 and $15,328, 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, 2019 and 2018 for the primary institution were $123,584 and $122,281. Of these amounts, interest of $8,500 and $5,792 were capitalized. The remaining amounts of $115,084 and $116,489 for the years ended June 30, 2019 and 2018, respectively, 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 $19,692 and $23,638 for the years ended June 30, 2019 and 2018, respectively.

(dollars in thousands)

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2019 are as follows:

Year Ending June 30,	Primary Institution	Discretely Presented Component Units
2020	$ 15,916	$ 8,148
2021	14,808	7,177
2022	14,764	6,292
2023	13,350	5,683
2024	9,673	4,812
2025-2029	46,393	16,440
2030-2034	12,199	6,794
2035-2039	275	84
2040-2044	-	54
2045-2049	-	-
2050-2054	-	-
2055-2059	-	-
2060-2064	-	-
2064 and beyond	-	-
Total minimum lease payments	$ 127,378	$ 55,484

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.

(dollars in thousands)

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, 2019 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 185,004	$ 23,204	$ 15,268	$ 192,940	$ 15,268
Self-insurance accruals	123,436	353,066	349,871	126,631	44,124
Amounts due to third party payors	66,333	61,054	50,917	76,470	27,096
Irrevocable split-interest agreements	32,728	-	1,001	31,727	3,264
Refundable advances for Federal Perkins loans	32,638	840	-	33,478	-
Other noncurrent liabilities	91,944	30,348	-	122,292	-
	$ 532,083	$ 468,512	$ 417,057	$ 583,538	$ 89,752

Other liability activity for the primary institution for the year ended June 30, 2018 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 177,207	$ 22,576	$ 14,779	$ 185,004	$ 14,779
Self-insurance accruals	129,870	336,012	342,446	123,436	49,297
Amounts due to third party payors	66,526	28,301	28,494	66,333	21,424
Obligations under life income agreements	34,308	-	1,580	32,728	3,350
Refundable advances for Federal Perkins loans	31,714	924	-	32,638	-
Other noncurrent liabilities	101,486	-	9,542	91,944	-
	$ 541,111	$ 387,813	$ 396,841	$ 532,083	$ 88,850

(dollars in thousands)

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, 2019 is as follows:

Year Ending June 30,		
2020	$	4,150
2021		3,201
2022		2,928
2023		2,804
2024		2,256
2025-2029		5,148
2030-2034		2,412
2035-2039		300
2040-2044		10
2045-2049		10
2050-2054		10
Total minimum future rentals	$	23,229

The discretely presented component units are the lessor of certain land, buildings, office and retail space under operating lease agreements. Future minimum rental income from non-cancelable operating leases as of June 30, 2019 is as follows:

Year Ending June 30,		
2020	$	23,782
2021		9,835
2022		2,732
2023		2,508
2024		2,387
2025-2029		5,700
2030-2034		245
Total minimum future rentals	$	47,189

(dollars in thousands)

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 Changes in Net Position. Operating expenses by object for the primary institution for the years ended June 30, 2019 and 2018 are summarized as follows:

Year Ended June 30, 2019

	Primary Institution				
	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 937,736	$ 132,556	$ -	$ -	$ 1,070,292
Separately budgeted research	305,772	181,555	-	-	487,327
Public service	101,633	81,595	-	-	183,228
Academic support	202,555	40,405	-	-	242,960
Student services	86,559	22,607	-	-	109,166
Institutional support	227,931	81,760	-	-	309,691
Operation and maintenance of plant	37,166	98,141	-	-	135,307
Scholarships and fellowships	6,265	2,317	118,802	-	127,384
Auxiliary enterprises	211,868	149,478	-	-	361,346
OSU Health System	1,699,285	1,409,785	-	-	3,109,070
Depreciation	-	-	-	413,039	413,039
Total operating expenses	$ 3,816,770	$ 2,200,199	$ 118,802	$ 413,039	$ 6,548,810

Year Ended June 30, 2018

	Primary Institution				
	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 680,084	$ 131,039	$ -	$ -	$ 811,123
Separately budgeted research	129,233	171,719	-	-	300,952
Public service	53,990	83,130	-	-	137,120
Academic support	138,079	44,373	-	-	182,452
Student services	81,649	24,111	-	-	105,760
Institutional support	129,178	81,513	-	-	210,691
Operation and maintenance of plant	30,761	93,022	-	-	123,783
Scholarships and fellowships	2,337	2,093	121,854	-	126,284
Auxiliary enterprises	182,760	139,389	-	-	322,149
OSU Health System	1,469,851	1,251,137	-	-	2,720,988
Depreciation	-	-	-	394,461	394,461
Total operating expenses	$ 2,897,922	$ 2,021,526	$ 121,854	$ 394,461	$ 5,435,763

(dollars in thousands)

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 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. In addition, the retirement systems provide other post-employment benefits (OPEB), consisting primarily of healthcare. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors.

In accordance with GASB Statements Nos. 68 and 75, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension and OPEB liabilities of the plans. Although changes in the net pension and OPEB liabilities generally are recognized as expense in the current period, certain items are deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 10 years).

The collective net pension liabilities of the retirement systems and the university's proportionate share of these liabilities as of June 30, 2019 are as follows:

	STRS-Ohio	OPERS	Total
Net pension liability - all employers	$ 21,987,755	$ 27,273,872	
Proportion of the net pension liability - university	4.6%	9.9%	
Proportionate share of net pension liability	$ 1,019,690	$ 2,695,368	$ 3,715,058

The collective net pension liabilities of the retirement systems and the university's proportionate share of these liabilities as of June 30, 2018 are as follows:

	STRS-Ohio	OPERS	Total
Net pension liability - all employers	$ 23,755,214	$ 15,548,439	
Proportion of the net pension liability - university	4.6%	9.4%	
Proportionate share of net pension liability	$ 1,081,053	$ 1,466,955	$ 2,548,009

(dollars in thousands)

The collective net OPEB liabilities of the retirement systems and the university's proportionate share of these liabilities as of June 30, 2019 are as follows:

	STRS-Ohio	OPERS	Total
Net OPEB (asset) liability - all employers	$ (1,606,898)	$ 13,037,639	
Proportion of the net OPEB (asset) liability - university	4.6%	10.1%	
Proportionate share of net OPEB (asset) liability	$ (74,520)	$ 1,321,019	$ 1,246,499

The collective net OPEB liabilities of the retirement systems and the university's proportionate share of these liabilities as of June 30, 2018 are as follows:

	STRS-Ohio	OPERS	Total
Net OPEB liability - all employers	$ 3,901,631	$ 10,859,263	
Proportion of the net OPEB liability - university	4.6%	9.7%	
Proportionate share of net OPEB liability	$ 177,556	$ 1,055,239	$ 1,232,795

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2019:

	STRS-Ohio	OPERS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 23,538	$ 1,288	$ 24,826
Changes in assumptions	180,708	238,382	419,090
Net difference between projected and actual earnings on pension plan investments	-	380,743	380,743
Changes in proportion of university contributions	1,246	6,478	7,724
University contributions subsequent to the measurement date	77,702	107,284	184,986
Total	**$ 283,194**	**$ 734,175**	**$ 1,017,369**
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 6,659	$ 41,458	$ 48,117
Net difference between projected and actual earnings on pension plan investments	61,833	-	61,833
Changes in proportion of university contributions	-	43	43
Total	**$ 68,492**	**$ 41,501**	**$ 109,993**

(dollars in thousands)

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2018:

	STRS-Ohio	OPERS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 41,745	$ 2,277	$ 44,022
Changes in assumptions	236,438	171,962	408,400
Changes in proportion of university contributions	1,036	4,061	5,097
University contributions subsequent to the measurement date	74,173	99,914	174,087
Total	**$ 353,392**	**$ 278,214**	**$ 631,606**
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 8,713	$ 34,978	$ 43,691
Net difference between projected and actual earnings on pension plan investments	35,676	332,347	368,023
Changes in proportion of university contributions	-	54	54
Total	**$ 44,389**	**$ 367,379**	**$ 411,768**

Deferred outflows of resources and deferred inflows of resources for OPEB were related to the following sources as of June 30, 2019:

	STRS-Ohio	OPERS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 8,704	$ 429	$ 9,133
Changes in assumptions	-	40,879	40,879
Net difference between projected and actual earnings on OPEB plan investments	-	63,078	63,078
Changes in proportion of university contributions	141	2,936	3,077
University contributions subsequent to the measurement date	-	-	-
Total	**$ 8,845**	**$ 107,322**	**$ 116,167**
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 4,342	$ 3,584	$ 7,926
Changes in assumptions	101,540	-	101,540
Net difference between projected and actual earnings on pension plan investments	8,513	-	8,513
Changes in proportion of university contributions	-	-	-
Total	**$ 114,395**	**$ 3,584**	**$ 117,979**

(dollars in thousands)

Deferred outflows of resources and deferred inflows of resources for OPEB were related to the following sources as of June 30, 2018:

	STRS-Ohio	OPERS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 10,250	$ 822	$ 11,072
Changes in assumptions	-	76,832	76,832
Total	**$ 10,250**	**$ 77,654**	**$ 87,904**
Deferred Inflows of Resources:			
Changes in assumptions	14,303	-	14,303
Net difference between projected and actual earnings on OPEB plan investments	7,589	78,608	86,197
Total	**$ 21,892**	**$ 78,608**	**$ 100,500**

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

	STRS-Ohio	OPERS	Total
2020	162,189	352,878	515,067
2021	57,227	127,618	184,845
2022	7,345	40,118	47,463
2023	(12,059)	172,315	160,256
2024	-	(259)	(259)
2025 and Thereafer	-	4	4
Total	**$ 214,702**	**$ 692,674**	**$ 907,376**

The amounts above include university contributions subsequent to the measurement date.

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

	STRS-Ohio	OPERS	Total
2020	(18,888)	48,049	29,161
2021	(18,888)	14,323	(4,565)
2022	(18,888)	10,859	(8,029)
2023	(16,991)	30,507	13,516
2024	(16,285)	-	(16,285)
2025 and Thereafer	(15,610)	-	(15,610)
Total	**$ (105,550)**	**$ 103,738**	**$ (1,812)**

(dollars in thousands)

The following table provides additional details on the benefit formulas, contribution requirements and significant assumptions used in the measurement of total pension and OPEB liabilities for the retirement systems (information below applies to both pensions and OPEB unless otherwise indicated).

	STRS-Ohio	**OPERS**
Statutory Authority	Ohio Revised Code Chapter 3307	Ohio Revised Code Chapter 145
Benefit Formula	**Pensions** -- The annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. **OPEB** – STRS Ohio provides access to health care coverage for eligible retirees who participated in the Defined Benefit or Combined Plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees and prescription drugs and reimbursement of a portion of the monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. Pursuant to the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by the plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Benefit recipients contributed $329.3 million or 64% of the total health care costs in fiscal 2018 (excluding deductibles, coinsurance and copayments).	**Pensions** -- 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 five years 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 five 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. **OPEB** – The Ohio Revised Code permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans.

(dollars in thousands)

	STRS-Ohio	OPERS
	Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage. For the year ended June 30, 2018, STRS Ohio received $107.2 million in Medicare Part D reimbursements.	Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, case management, and other programs. Additional details on health care coverage can be found in the Plan Statement in the OPERS 2018 CAFR. OPERS no longer participates in the Medicare Part D program as of December 31, 2016. In 2018, OPERS received the final distribution of funds from the Medicare Part D program for calendar year 2016 of $378,007.
Cost-of-Living Adjustments (COLAs)	Effective July 1, 2017, the COLA was reduced to 0%.	Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, current law provides for an annual COLA. The COLA is calculated on the member's base pension benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a COLA on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

(dollars in thousands)

	STRS-Ohio	OPERS
Contribution Rates	Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. Under Ohio law, funds to pay health care costs may be deducted from employer contributions. For the year ended June 30, 2018, no employer allocation was made to the health care fund.	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2018, 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, 2018	December 31, 2018 (OPEB is rolled forward from December 31, 2017 actuarial valuation date)
Actuarial Assumptions	**Valuation Date:** July 1, 2018 for pensions; June 30, 2018 for OPEB **Actuarial Cost Method:** Individual entry age **Investment Rate of Return:** 7.45% **Inflation:** 2.50% **Projected Salary Increases:** 12.50% at age 20 to 2.50% at age 65 **Cost-of-Living Adjustments:** 0% effective July 1, 2017 **Payroll Increases:** 3.00% **Health Care Cost Trends:** -5.2% to 9.6% initial; 4% ultimate	**Valuation Date:** December 31, 2018 for pensions; December 31, 2017 for OPEB **Actuarial Cost Method:** Individual entry age **Investment Rate of Return:** 7.2% for pensions; 6.0% for OPEB **Inflation:** 3.25% **Projected Salary Increases:** 3.25% - 10.75% **Cost-of-Living Adjustments:** 3.00% Simple – for those retiring after January 7, 2013, 3.00% Simple through 2018, then 2.15% Simple. **Health Care Cost Trends:** 10.0% initial; 3.25% ultimate
Mortality Rates	Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.	Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

(dollars in thousands)

<table>
<tr><th></th><th>STRS-Ohio</th><th>OPERS</th></tr>
<tr><td></td><td></td><td>Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.</td></tr>
<tr><td>Date of Last Experience Study</td><td>June 30, 2016</td><td>December 31, 2015</td></tr>
<tr><td>Investment Return Assumptions</td><td>The 10 year expected real rate of return on defined benefit pension and health care 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:
<table>
<tr><th>Asset Class</th><th>Target Allocation</th><th>Long Term Expected Return*</th></tr>
<tr><td>Domestic Equity</td><td>28.0%</td><td>7.35%</td></tr>
<tr><td>International Equity</td><td>23.0%</td><td>7.55%</td></tr>
<tr><td>Alternatives</td><td>17.0%</td><td>7.09%</td></tr>
<tr><td>Fixed Income</td><td>21.0%</td><td>3.00%</td></tr>
<tr><td>Real Estate</td><td>10.0%</td><td>6.00%</td></tr>
<tr><td>Liquidity Reserves</td><td>1.0%</td><td>2.25%</td></tr>
<tr><td>Total</td><td>100%</td><td></td></tr>
</table>
* Returns presented as geometric means</td><td>The long term expected rates of return on defined benefit pension and health care investment assets were 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 defined benefit pension assets for 2018 and the long-term expected real rates of return:
<table>
<tr><th>Asset Class</th><th>Target Allocation</th><th>Long Term Expected Return*</th></tr>
<tr><td>Fixed Income</td><td>23.0%</td><td>2.79%</td></tr>
<tr><td>Domestic Equity</td><td>19.0%</td><td>6.21%</td></tr>
<tr><td>Real Estate</td><td>10.0%</td><td>4.90%</td></tr>
<tr><td>Private Equity</td><td>10.0%</td><td>10.81%</td></tr>
<tr><td>International Equity</td><td>20.0%</td><td>7.83%</td></tr>
<tr><td>Other Investments</td><td>18.0%</td><td>5.50%</td></tr>
<tr><td>Total</td><td>100.0%</td><td></td></tr>
</table>
* Returns presented as arithmetic means</td></tr>
</table>

(dollars in thousands)

<table>
<tr><th></th><th>STRS-Ohio</th><th>OPERS</th></tr>
<tr><td></td><td></td><td>The following table displays the Board-approved asset allocation policy for health care assets for 2018 and the long-term expected real rates of return:
<table><tr><th>Asset Class</th><th>Target Allocation</th><th>Long Term Expected Return*</th></tr><tr><td>Fixed Income</td><td>34.0%</td><td>2.42%</td></tr><tr><td>Domestic Equities</td><td>21.0%</td><td>6.21%</td></tr><tr><td>REITs</td><td>6.0%</td><td>5.98%</td></tr><tr><td>International Equities</td><td>22.0%</td><td>7.83%</td></tr><tr><td>Other Investments</td><td>17.0%</td><td>5.57%</td></tr><tr><td>Total</td><td>100.0%</td><td></td></tr></table>* Returns presented as arithmetic means</td></tr>
<tr><td>Discount Rate</td><td>Pensions -- The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

OPEB -- The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members.</td><td>Pensions -- The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. 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.

OPEB – A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met).</td></tr>
</table>

(dollars in thousands)

	STRS-Ohio	OPERS
	Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB liability as of June 30, 2018.	This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.
Changes in Assumptions Since the Prior Measurement Date	**Pensions** – There were no changes in assumptions since the prior measurement date of June 30, 2017. **OPEB** -- The discount rate was increased from the blended rate of 4.13% to the long term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.	There has been no change in assumptions compared to prior year.
Benefit Term Changes Since the Prior Measurement Date	**Pensions** – There were no changes in benefit terms since the prior measurement date of June 30, 2017. **OPEB** -- The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.	**Pensions** -- For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

(dollars in thousands)

Sensitivity of Net Pension Liability to Changes in Discount Rate	**1% Decrease (6.45%)**	**Current Rate (7.45%)**	**1% Increase (8.45%)**	**1% Decrease (6.2%)**	**Current Rate (7.2%)**	**1% Increase (8.3%)**
	$ 1,489,123	$ 1,019,690	$ 622,379	$ 3,994,727	$ 2,695,368	$ 1,616,292
Sensitivity of Net OPEB Liability to Changes in Discount Rate	**1% Decrease (6.45%)**	**Current Rate (7.45%)**	**1% Increase (8.45%)**	**1% Decrease (2.96%)**	**Current Rate (3.96%)**	**1% Increase (4.96%)**
	$ (63,871)	$ (74,520)	$ (83,471)	$ 1,690,029	$ 1,321,019	$ 1,027,493
Sensitivity of Net OPEB Liability to Changes in Medical Trend Rate	**1% Decrease in Trend Rate**	**Current Trend Rate**	**1% Increase in Trend Rate**	**1% Decrease in Trend Rate**	**Current Trend Rate**	**1% Increase in Trend Rate**
	$ (82,966)	$ (74,520)	$ (65,944)	$ 1,269,751	$ 1,321,019	$ 1,379,988

Defined Contribution Plans

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

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

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 9.53% 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.

(dollars in thousands)

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 and OPEB Expense

Total pension and OPEB expense for the year ended June 30, 2019, including employer contributions and accruals associated with recognition of net pension liabilities, net OPEB liabilities and related deferrals, is presented below.

	STRS-Ohio	OPERS	ARP	Total
Employer Contributions	$ 77,781	$ 220,062	$ 60,390	$ 358,233
GASB 68 Pension Accruals	32,939	446,571		479,510
GASB 75 OPEB Accruals	(158,168)	161,088		2,920
Total Pension and OPEB Expense	**$ (47,448)**	**$ 827,721**	**$ 60,390**	**$ 840,663**

Total pension and OPEB expense for the year ended June 30, 2018, including employer contributions and accruals associated with recognition of net pension liabilities, net OPEB liabilities and related deferrals, is presented below.

	STRS-Ohio	OPERS	ARP	Total
Employer Contributions	$ 74,356	$ 201,072	$ 60,366	$ 335,794
GASB 68 Pension Accruals	(481,055)	219,081		(261,974)
GASB 75 OPEB Accruals	(54,180)	74,701		20,521
Total Pension and OPEB Expense	**$ (460,879)**	**$ 494,854**	**$ 60,366**	**$ 94,341**

Pension and OPEB expenses are allocated to institutional functions on the Statement of Revenues, Expenses and Changes in Net Position.

Both STRS Ohio and OPERS issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting the two organizations.

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

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

(dollars in thousands)

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 $5,780 and $5,191 for the years ended June 30, 2019 and 2018, respectively.

Employee contributions were $2,129 and $1,893 for the years ended June 30, 2019 and 2018.

NOTE 16 — CAPITAL PROJECT COMMITMENTS

At June 30, 2019, the university is committed to future contractual obligations for capital expenditures of approximately $326,824 for the primary institution and $17,500 for discretely presented component units.

These projects are funded by the following sources:

	Primary Institution	Discretely Presented Component Units
State appropriations	$ 102,081	$ -
Internal and other sources	224,743	17,500
Total	$ 326,824	$ 17,500

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.

In April 2018, after receiving a complaint from a former OSU wrestler, the university initiated an independent investigation into allegations of sexual misconduct by former OSU physician Dr. Richard Strauss. Strauss was employed from 1978-1998 and died in 2005. In May 2019, the university released a report from the independent investigators that detailed acts of sexual abuse against at least 177 former students by Dr. Richard Strauss during his employment with the university. Civil actions relating to this investigation allege Title IX violations by the university. It is possible that additional lawsuits could be filed. The case is in mediation. The outcome of the pending and potential litigation is unknown at June 30, 2019, and, therefore, no accruals for future costs have been recorded in the 2019 financial statements.

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 $416,545 and $426,176 at June 30, 2019 and 2018, respectively. The university reports the parking lots and garages as capital assets with a carrying amount of $124,508 at June 30, 2019 and 2018.

NOTE 19 — UTILITY SYSTEM LEASE AND CONCESSION AGREEMENT

On April 10, 2017, the university entered into a 50-year agreement to lease the university's utility system to Ohio State Energy Partners (OSEP) and grant it the exclusive right to operate the utility system and provide utility services to the Columbus campus. On July 6, 2017, the university received an upfront payment of $1,089,914. The upfront payment is reported as an Advance from Concessionaire and is being amortized as a reduction to operating expense (Operation and Maintenance of Plant) on a straight-line basis over the term of the agreement.

Under the agreement, OSEP operates, maintains and makes capital investments in the utility system and charges the university a Utility Fee, which includes fixed, variable and operating and maintenance (O&M) components. OSEP capital investments in the utility system are recognized as capital assets and a related long-term payable to the concessionaire. The fixed and O&M components of the Utility Fee are recognized as operating expense. The variable component of the Utility Fee will be recognized as a reduction in the long-term payable to the concessionaire and interest expense.

The university recognized fixed and O&M utility fees totaling $56,140 and $53,309, respectively for the years ended June 30, 2019 and 2018. The carrying amounts of OSEP capital investments and related payable to the concessionaire at June 30, 2019 and 2018 were $41,672 and $10,316, respectively.

(dollars in thousands)

NOTE 20 — 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, 2019 and 2018 is presented below.

Condensed Combining Information – Year Ended June 30, 2019

	OSU Foundation	OSU Health Plan	Oval Limited	Pelotonia	Eliminations
Condensed statements of net position:					
Current assets	$ 84,921	$ 5,229	$ 51,461	$ -	$ -
Capital assets, net	2,953	112	-	-	-
Other assets	1,182,732	681	-	-	(102,265)
Total assets	$ 1,270,606	$ 6,022	$ 51,461	$ -	$ (102,265)
Current liabilities	$ 3,323	$ 1,545	$ 34	$ -	$ -
Noncurrent liabilities	60,554	494	19,247	102,265	(102,265)
Amounts payable to the university	40,025	-	-	-	-
Deferred inflows	13,795	-	-	-	-
Total liabilities and deferred inflows	117,697	2,039	19,281	102,265	(102,265)
Net investment in capital assets	2,953	-	-	-	-
Restricted:					
Nonexpendable	910,296	-	-	-	-
Expendable	225,537	-	-	-	(102,265)
Unrestricted	14,123	3,983	32,180	(102,265)	102,265
Total net position	1,152,909	3,983	32,180	(102,265)	-
Total liabilities, deferred inflows and net position	$ 1,270,606	$ 6,022	$ 51,461	$ -	$ (102,265)

(dollars in thousands)

	OSU Foundation	OSU Health Plan	Oval Limited	Pelotonia	Eliminations
Condensed statements of revenues, expenses and changes in net position:					
Operating revenues:					
Other sales, services and rental income	$ 1,583	$ 12,432	$ (344)	$ -	$ -
Total operating revenues	1,583	12,432	(344)	-	-
Operating expenses, excluding depreciation	14,164	12,483	(236)	-	-
Depreciation expense	184	48	-	-	-
Total operating expenses	14,348	12,531	(236)	-	-
Net operating income (loss)	(12,765)	(99)	(108)	-	-
Non-operating revenues and expenses:					
Gifts for current use	262,406	-	-	-	(102,265)
Net investment income (loss)	10,008	-	1,537	-	-
Other non-operating revenue (expense)	1,774	(6)	-	(102,265)	102,265
Net non-operating revenue (expense)	274,188	(6)	1,537	(102,265)	-
Capital contributions and additions to permanent endowments	71,009	-	-	-	-
Transfers from (to) the university	(244,284)	-	-	-	-
Change in net position	88,148	(105)	1,429	(102,265)	-
Beginning net position	1,064,761	4,088	30,751	-	-
Ending net position	$ 1,152,909	$ 3,983	$ 32,180	$ (102,265)	$ -
Condensed statements of cash flows:					
Net cash provided (used) by:					
Operating activities	$ (10,507)	$ 245	$ (1,591)	$ -	$ -
Noncapital financing activities	(2,256)	-	-	-	-
Capital and related financing activities	25,476	(52)	-	-	-
Investing activities	8,063	(44)	1,511	-	-
Net increase (decrease) in cash	20,776	149	(80)	-	-
Beginning cash and cash equivalents	22,859	4,315	1,290	-	-
Ending cash and cash equivalents	$ 43,635	$ 4,464	$ 1,210	$ -	$ -

(dollars in thousands)

Condensed Combining Information – Year Ended June 30, 2018

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of net position:			
Current assets	$ 61,573	$ 5,054	$ 50,081
Capital assets, net	3,137	114	-
Other assets	1,084,966	637	-
Total assets	$ 1,149,676	$ 5,805	$ 50,081
Current liabilities	$ 3,177	$ 1,223	$ 43
Noncurrent liabilities	44,987	494	19,287
Amounts payable to the university	21,908	-	-
Deferred inflows	14,843	-	-
Total liabilities and deferred inflows	84,915	1,717	19,330
Net investment in capital assets	3,137	-	-
Restricted:			
Nonexpendable	877,276	-	-
Expendable	170,695	-	-
Unrestricted	13,653	4,088	30,751
Total net position	1,064,761	4,088	30,751
Total liabilities, deferred inflows and net position	$ 1,149,676	$ 5,805	$ 50,081

(dollars in thousands)

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of revenues, expenses and changes in net position:			
Operating revenues:			
Other sales, services and rental income	$ 1,713	$ 13,088	$ 143
Total operating revenues	1,713	13,088	143
Operating expenses, excluding depreciation	21,333	12,937	171
Depreciation expense	242	55	-
Total operating expenses	21,575	12,992	171
Net operating income (loss)	(19,862)	96	(28)
Non-operating revenues and expenses:			
Gifts for current use	167,843	-	-
Net investment income (loss)	79,809	-	2,084
Other non-operating revenue (expense)	2,087	-	-
Net non-operating revenue (expense)	249,739	-	2,084
Capital contributions and additions to permanent endowments	71,591	-	-
Transfers from (to) the university	(223,325)	-	-
Change in net position	78,143	96	2,056
Beginning net position	986,618	3,992	28,695
Ending net position	$ 1,064,761	$ 4,088	$ 30,751
Condensed statements of cash flows:			
Net cash provided (used) by:			
Operating activities	$ (21,219)	$ (1,288)	$ (2,187)
Noncapital financing activities	25,033	-	-
Capital and related financing activities	15,904	-	-
Investing activities	(1,222)	(51)	(39)
Net increase (decrease) in cash	18,496	(1,339)	(2,226)
Beginning cash and cash equivalents	4,363	5,654	3,516
Ending cash and cash equivalents	$ 22,859	$ 4,315	$ 1,290

(dollars in thousands)

NOTE 21 — 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, 2019 and 2018 is presented below.

Condensed Combining Information – Year Ended June 30, 2019

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of net position:				
Current assets	$ 200,538	$ 8,646	$ 12,236	$ 1,713
Capital assets, net	26,809	105,505	31,610	228
Other assets	-	2,461	-	-
Amounts receivable from the university	18,355	-	3,991	-
Deferred outflows	-	-	24	-
Total assets and deferred outflows	$ 245,702	$ 116,612	$ 47,861	$ 1,941
Current liabilities	$ 16,645	$ 5,525	$ 6,851	$ 277
Noncurrent liabilities	12,124	26,264	4,572	-
Amounts payable to the university	19,569	90,602	9,451	284
Deferred inflows	-	-	13	-
Total liabilities and deferred inflows	48,338	122,391	20,887	561
Net investment in capital assets	13,682	103,184	26,920	(56)
Unrestricted	183,682	(108,963)	54	1,436
Total net position	197,364	(5,779)	26,974	1,380
Total liabilities, deferred inflows and net position	$ 245,702	$ 116,612	$ 47,861	$ 1,941

(dollars in thousands)

	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	$ -	$ 10,857	$ 39,124	$ -
Sales and services of OSU Physicians	560,322	-	-	-
Other sales, services and rental income	-	-	-	9,440
Total operating revenues	560,322	10,857	39,124	9,440
Operating expenses, excluding depreciation	507,366	9,153	37,133	9,403
Depreciation expense	3,581	2,920	892	74
Total operating expenses	510,947	12,073	38,025	9,477
Net operating income (loss)	49,375	(1,216)	1,099	(37)
Non-operating revenues and expenses:				
Net investment income	2,373	222	29	-
Interest expense	(376)	(138)	(446)	-
Other non-operating revenue (expense)	(23,384)	605	21	(132)
Net non-operating revenue (expense)	(21,387)	689	(396)	(132)
Changes in net position				
Capital contributions and changes in net position	-	5,250	14,677	-
Change in net position	27,988	4,723	15,380	(169)
Beginning net position, as previously reported	169,376	(10,502)	11,594	1,549
Cumulative effect of accounting change	-	-	-	-
Ending net position	$ 197,364	$ (5,779)	$ 26,974	$ 1,380
Condensed statements of cash flows:				
Net cash provided (used) by:				
Operating activities	$ 39,180	$ 3,964	$ 2,536	$ 217
Noncapital financing activities	(23,473)	9,366	7,662	(133)
Capital and related financing activities	(4,372)	(12,415)	(12,027)	(90)
Investing activities	(7,716)	36	199	(96)
Net increase (decrease) in cash	3,619	951	(1,630)	(102)
Beginning cash and cash equivalents	128,332	2,444	4,779	543
Ending cash and cash equivalents	$ 131,951	$ 3,395	$ 3,149	$ 441

(dollars in thousands)

Condensed Combining Information – Year Ended June 30, 2018

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of net position:				
Current assets	$ 179,489	$ 5,331	$ 12,268	$ 1,810
Capital assets, net	27,209	93,867	13,185	298
Other assets	1,481	2,548	-	-
Amounts receivable from the university	12,853	-	4,133	-
Deferred outflows	-	-	56	-
Total assets and deferred outflows	$ 221,032	$ 101,746	$ 29,642	$ 2,108
Current liabilities	$ 18,599	$ 4,179	$ 4,500	$ 187
Noncurrent liabilities	13,046	26,328	5,076	-
Amounts payable to the university	20,011	81,741	8,420	372
Deferred inflows	-	-	52	-
Total liabilities and deferred inflows	51,656	112,248	18,048	559
Net investment in capital assets	13,282	90,382	8,188	(73)
Unrestricted	156,094	(100,884)	3,406	1,622
Total net position	169,376	(10,502)	11,594	1,549
Total liabilities, deferred inflows and net position	$ 221,032	$ 101,746	$ 29,642	$ 2,108

(dollars in thousands)

	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	$ -	$ 11,093	$ 47,096	$ -
Sales and services of OSU Physicians	525,796	-	-	-
Other sales, services and rental income	-	-	-	9,466
Total operating revenues	525,796	11,093	47,096	9,466
Operating expenses, excluding depreciation	484,133	9,892	45,217	8,933
Depreciation expense	3,574	3,352	694	54
Total operating expenses	487,707	13,244	45,911	8,987
Net operating income (loss)	38,089	(2,151)	1,185	479
Non-operating revenues and expenses:				
Net investment income (loss)	826	122	291	-
Interest expense	(299)	(37)	(555)	-
Other non-operating revenue (expense)	(21,788)	1,598	114	(446)
Net non-operating revenue (expense)	(21,261)	1,683	(150)	(446)
Change in net position	16,828	(468)	1,035	33
Beginning net position, as previously reported	152,548	(10,034)	10,701	1,516
Cumulative effect of accounting change	-	-	(142)	-
Ending net position	$ 169,376	$ (10,502)	$ 11,594	$ 1,549
Condensed statements of cash flows:				
Net cash provided (used) by:				
Operating activities	$ 36,676	$ (562)	$ 3,417	$ 550
Noncapital financing activities	(21,790)	5,444	2,404	(448)
Capital and related financing activities	(7,509)	(9,909)	(3,686)	105
Investing activities	5,331	122	291	(65)
Net increase (decrease) in cash	12,708	(4,905)	2,426	142
Beginning cash and cash equivalents	115,624	7,349	2,353	401
Ending cash and cash equivalents	$ 128,332	$ 2,444	$ 4,779	$ 543

NOTE 22 — 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 $221,757 and $214,631 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 is as follows:

(dollars in thousands)

Segment Disclosure Information – Year Ended June 30, 2019 and June 30, 2018

		2019		2018
Condensed Statement of Net Position				
Assets and deferred outflows:				
Current assets	$	27,489	$	26,645
Capital assets		715,499		724,651
Total assets	$	742,988	$	751,296
Liabilities and deferred inflows:				
Current liabilities	$	7,279	$	7,751
Amounts payable to the university		721,238		738,540
Total liabilities		728,517		746,291
Net position:				
Net investment in capital assets		(5,739)		(13,889)
Unrestricted		20,210		18,894
Total net position		14,471		5,005
Total liabilities and net position	$	742,988	$	751,296

		2019		2018
Condensed Statement of Revenues, Expenses and Changes in Net Position				
Special-purpose pledged revenues - operating	$	221,757	$	214,631
Operating expenses, excluding depreciation		(150,933)		(145,243)
Depreciation expense		(35,021)		(34,103)
Operating income		35,803		35,285
Nonoperating revenues, net		(30,478)		(39,618)
Net income (loss) before transfers		5,325		(4,333)
Transfers from (to) other university units, net		4,141		18,375
Increase (decrease) in net position		9,466		14,042
Beginning net position		5,005		(9,037)
Ending net position	$	14,471	$	5,005
Condensed Statement of Cash Flows				
Net cash provided (used) by:				
Operating activities	$	103,485	$	85,641
Capital and related financing activities		(103,296)		(87,477)
Investing activities		645		278
Net increase (decrease) in cash		834		(1,558)
Beginning cash and cash equivalents		25,603		27,161
Ending cash and cash equivalents	$	26,437	$	25,603

The Ohio State University
Required Supplementary Information on GASB 68 Pension Liabilities (Unaudited)
Year Ended June 30, 2019

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

	2019		2018		2017		2016		2015	
(dollars in thousands)	STRS-Ohio	OPERS	STRS-Ohio	OPERS	STRS-Ohio	OPERS	STRS-Ohio	OPERS	STRS-Ohio	OPERS
University's proportion of the net pension liability	4.6%	9.9%	4.6%	9.4%	4.5%	9.1%	4.5%	9.0%	4.4%	8.8%
University's proportionate share of the net pension liability	$ 1,019,690	$ 2,695,368	$ 1,081,053	$ 1,466,955	$ 1,510,814	$ 2,054,548	$ 1,238,470	$ 1,556,156	$ 1,070,914	$ 1,059,519
University's covered payroll	$ 434,106	$ 1,521,447	$ 412,149	$ 1,381,054	$ 392,797	$ 1,289,346	$ 388,309	$ 1,236,914	$ 381,669	$ 1,188,828
University's proportionate share of the net pension liability as a percentage of its covered payroll	235%	177%	262%	106%	385%	159%	319%	126%	281%	89%
Plan fiduciary net position as a percentage of the total pension liability	77.3%	74.9%	75.3%	84.9%	66.8%	77.4%	72.1%	81.2%	74.7%	86.5%

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

	2019		2018		2017		2016		2015	
(dollars in thousands)	STRS-Ohio	OPERS	STRS-Ohio	OPERS	STRS-Ohio	OPERS	STRS-Ohio	OPERS	STRS-Ohio	OPERS
Contractually required contribution	$ 77,781	$ 220,062	$ 74,356	$ 201,072	$ 70,373	$ 188,762	$ 66,975	$ 178,293	$ 65,738	$ 170,979
Contributions in relation to the contractually required contribution	$ 77,781	$ 220,062	$ 74,356	$ 201,072	$ 70,373	$ 188,762	$ 66,975	$ 178,293	$ 65,738	$ 170,979
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 452,084	$ 1,525,502	$ 434,106	$ 1,421,367	$ 412,149	$ 1,334,350	$ 392,797	$ 1,260,366	$ 388,309	$ 1,208,710
Contributions as a percentage of covered payroll	17.2%	14.4%	17.1%	14.1%	17.1%	14.1%	17.1%	14.1%	16.9%	14.1%

The Ohio State University
Required Supplementary Information on GASB 75 Net OPEB Liabilities (Unaudited)
Year Ended June 30, 2019

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

	2019		2018	
(dollars in thousands)	**STRS-Ohio**	**OPERS**	**STRS-Ohio**	**OPERS**
University's proportion of the net OPEB liability	4.6%	10.1%	4.6%	9.7%
University's proportionate share of the net OPEB liability	$ (74,520)	$ 1,321,019	$ 177,556	$ 1,055,239
University's covered payroll	$ 434,106	$ 1,521,447	$ 412,149	$ 1,381,054
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	-17%	87%	43%	76%
Plan fiduciary net position as a percentage of the total OPEB liability	176.0%	46.3%	47.1%	54.1%

The Ohio State University
Supplementary Information on the Long-Term Investment Pool (Unaudited)
Year Ended June 30, 2019

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 2019, the fair 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 $45 million, to $5.26 billion at June 30, 2019. The Long-Term Investment Pool activity for 2019 is summarized below:

Long-Term Investment Pool Activity (in thousands)

	Gifted Endowments		Quasi-Endowments		
	University	**Foundation**	**Operating**	**Designated**	**Total**
Balance at June 30, 2018	**$ 1,104,236**	**$ 958,750**	**$ 1,208,769**	**$ 1,939,679**	**$ 5,211,434**
Net Principal Additions (Withdrawals)	3,367	43,443	121,770	54,768	223,348
Change in Fair Value	1,218	1,533	2,781	1,530	7,062
Income Earned	22,239	19,705	25,237	39,454	106,635
Distributions	(46,093)	(40,747)	(52,062)	(81,114)	(220,016)
Expenses	(14,959)	(13,255)	(16,961)	(26,529)	(71,704)
Balance at June 30, 2019	**$ 1,070,008**	**$ 969,429**	**$ 1,289,534**	**$ 1,927,788**	**$ 5,256,759**

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, 2019. **Income earned** includes interest and dividends and is used primarily to fund **distributions**. **Expenses** include investment management expenses ($52 million), University Development related expenses ($19 million) and other investment related expenses ($1 million).

Investment Returns and Expenses:

The investment return for the Long-Term Investment Pool was 1.2% for fiscal year 2019. The annualized investment returns for the three-year and five-year periods were 7.7% and 4.6%, 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 $52 million of investment management expenses, which reduced the pool by 1.0% in fiscal year 2019, the $19 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: **go.osu.edu/EndowAdmin** (click on the "Endowment Descriptions and Balances" link).

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

To the Board of Trustees of
The Ohio State University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the primary institution and of the aggregate discretely presented component units of The Ohio State University (the "University"), a component unit of the State of Ohio, which comprise of the statements of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

November 22, 2019

Acknowledgements

The 2019 Financial Report and the included financial statements are prepared by the staff of the Office of the Controller.

Natalie H. Darner

Allison M. Dodson

Andrea Filbeck

Thomas F. Ewing

Rachel R. Ford

Robert L. Hupp, II

Gary L. Leimbach

John C. Lister

Ben J. Moore

Lisa A. Plaga

Patricia M. Privette

Wei Qu

Dawn M. Romie

Julie L. Saunders

Kathryn M. Seay

Jeffrey A. Smith

Timothy A. Thibodeau

Mary J. Wehner

Michael Papadakis – Senior Vice President and Chief Financial Officer

Kristine G. Devine – Vice President for Operations and Deputy Chief Financial Officer

Board of Trustees

AUTHORIZATION TO APPROVE ATHLETIC PRICES AND FEES

Synopsis: Approval of football ticket prices for fiscal year 2021 and golf course membership dues and fees for calendar year 2020 at the recommended levels is requested.

WHEREAS The Ohio State University Department of Athletics has a long history of self-sustainability in supporting 36 world-class athletics programs and providing needed revenues back to the university for scholarships and academic programs; and

WHEREAS Ohio State desires to continue its variable ticket pricing methodology to create a range of pricing options for fans attending games; and

WHEREAS each year the Athletic Council reviews projections for the coming year's budget and recommends ticket prices and golf course membership dues and fees; and

WHEREAS the Athletic Council has approved football ticket pricing, and golf course membership dues and fees as shown on the attached tables; and

WHEREAS the Athletic Council's recommendations have been reviewed and are recommended by the appropriate university administration:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves the recommended prices for football tickets for fiscal year 2021, and for golf course membership dues and fees for calendar year 2020.

THE OHIO STATE UNIVERSITY BOARD OF TRUSTEES
FINANCE COMMITTEE

November 21, 2019

TOPICS: Football Ticket Prices
Golf Course Membership Dues and Daily Green Fees

CONTEXT:

The Ohio State University Department of Athletics continues to be one of only 13 self-sustaining athletic programs across the nation. Currently, the Department of Athletics funds more than 1,100 student-athletes in successful endeavors of academic achievement and athletics competitions, with a Graduation Success Rate of 86 percent. Yearly, the Department of Athletics contributes more than $30 million back to the institution's academic mission. Funds generated from tickets sales assist in funding $28 million in scholarships provided to our student athletes.

The Department of Athletics first introduced premier-game pricing in 2013, and beginning with the 2016 football season adopted a completely variable pricing model for all individual game tickets, while providing discounts for public and faculty & staff season ticket purchasers. These pricing strategies have been successful in regards to matching pricing to market and in positive feedback received from fans regarding the variable pricing for games. The Athletic Council and University administrators recommend continuation of these pricing guidelines. Historical pricing for the previous three seasons are included in the attached appendix. Additionally, a golf course membership dues and daily green fees increase is necessary to meet increased costs and remain financially stable for FY2021.

RECOMMENDATION:

For Football tickets:

- Assign the individual game and season ticket pricing for the 2020 football season as indicated in the attached table.

For Golf Course Membership Dues and Green Fees:

- For the 2020 calendar year (FY2021), increase the Alumni, Faculty/Staff and Affiliate membership dues by 8%, increase the OSU Student membership dues by 2.7%, and assign daily green fees as indicated in the attached table.

CONSIDERATIONS:

Football Tickets:

- Variable ticket pricing is widely in use by various athletic programs across the country, provides affordability for fans, and has been successful at Ohio State since first introduced for the 2013 season.
- Athletic Council utilizes a tiered pricing methodology as an administrative tool when establishing variable ticket pricing for games, with regular review of the structure and pricing methodologies.

- Season ticket discounts of approximately 15% off the aggregate individual price for public, and approximately 20% off the aggregate individual price for faculty and staff, will remain.
- Season ticket pricing will remain the same as for the 2019 season, which represents an average annual increase of $2.34 since the 2017 season.
- The student ticket price of $34 per game remains unchanged since the 2013 season.

Football Ticket Pricing – 2020 Season (FY2021)				
Opponent	Reserved	Box/Club	Faculty / Staff	Student
Bowling Green	$ 70	$ 95		
Buffalo	$ 63	$ 88		
Rutgers	$ 80	$ 105		
Iowa	$ 150	$ 175		
Nebraska	$ 150	$ 175		
Indiana	$ 90	$ 115		
Michigan	$ 220	$ 245		
Season Ticket	$ 702	$ 851	$ 659	$ 238

Golf Course Membership Dues and Green Fees:

- The membership dues increase would be allocated to the capital reserve account for deferred maintenance and future projects, and daily fees are allocated as operating revenue.
- In a market comparison of daily green fees, membership dues and initiation fees, the current rates are lower or comparable to local courses for the quality and amenities provided.

Golf Course Membership Dues/Green Fees – 2020 Calendar Year (FY2021)					
	Annual	Green Fees		Green Fees	
Category / Affiliation	Membership	Scarlet	*Twilight*	Gray	*Twilight*
Student	$ 750	$ 35	$ 30	$ 25	$ 20
Faculty / Staff	$ 2,791	$ 65	$ 35	$ 40	$ 25
With Spouse	$ 4,535				
Full Family	$ 5,406				
Alumni / Buckeye Club	$ 3,487	$ 80	$ 40	$ 50	$ 30
With Spouse	$ 5,231				
Full Family	$ 6,102				
Young Professional (21-26yo)	$ 2,266	$ 80	$ 40	$ 50	$ 30
With Spouse	$ 4,011				
Young Professional (27-32yo)	$ 2,616	$ 80	$ 40	$ 50	$ 30
With Spouse	$ 4,360				

REQUESTED OF FINANCE COMMITTEE:

Approval

Appendix - Football Ticket Pricing History

2019 Football

Opponent	Reserved	Box/Club	Faculty/Staff	Student
Florida Atlantic	$60	$85		
Cincinnati	$90	$115		
Miami (OH)	$65	$90		
Michigan State	$147	$172		
Wisconsin	$170	$195		
Maryland	$92	$117		
Penn State	$198	$223		
Season Ticket	$702	$851	$659	$238
Season Ticket Δ from 2018	*+$63*	*+$62*	*+$58*	*$0*
Average Single Ticket Price	*$117.43*			

2018 Football

Opponent	Reserved	Box/Club	Faculty/Staff	Student
Oregon State	$99	$124		
Rutgers	$80	$105		
Tulane	$67	$92		
Indiana	$90	$115		
Minnesota	$96	$121		
Nebraska	$120	$145		
Michigan	$197	$222		
Season Ticket	$639	$789	$601	$238
Season Ticket Δ from 2017	*-$56*	*-$56*	*-$51*	*$0*
Average Single Ticket Price	*$107.00*			

2017 Football

Opponent	Reserved	Box/Club	Faculty/Staff	Student
Oklahoma	$190	$215		
Army	$70	$95		
UNLV	$65	$90		
Maryland	$80	$105		
Penn State	$140	$165		
Michigan State	$190	$215		
Illinois	$80	$105		
Season Ticket	$695	$845	$652	$238
Season Ticket Δ from 2016	*+$81*	*+$82*	*+$76*	*$0*
Average Single Ticket Price	*$116.43*			

APPROVAL OF 2019 PROGRESS REPORT ON OHIO TASK FORCE ON AFFORDABILITY AND EFFICIENCY RECOMMENDATIONS

Synopsis: Approval of Ohio State's 2019 progress report on the Ohio Task Force on Affordability and Efficiency recommendations, which will be submitted to the Chancellor of Higher Education, is proposed.

WHEREAS Governor John R. Kasich established the Ohio Task Force on Affordability and Efficiency in Higher Education in 2015 to recommend solutions for state colleges and universities to enhance affordability and efficiency; and

WHEREAS The Ohio State University supported the goals and work of this task force; and

WHEREAS the task force delivered its recommendations in the report "Action Steps to Reduce College Costs" on October 1, 2015; and

WHEREAS House Bill 49 (Section 381.550) requires the Board of Trustees of each state college and university to approve an efficiency report based on the task force recommendations each fiscal year and submit it to the Chancellor of Higher Education; and

WHEREAS consultations have taken place within the university to review and apply the recommendations to Ohio State's circumstances; and

WHEREAS Ohio State's strategic plan, which includes a pillar focused on operational excellence and resource stewardship, is in strong alignment with task force recommendations:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves the university's 2019 progress report in response to the task force recommendations, as detailed in the attached document; and

BE IT FURTHER RESOLVED, That the attached document be delivered to the Chancellor of the Ohio Department of Higher Education.

THE OHIO STATE UNIVERSITY

Board of Trustees

210 Bricker Hall
190 North Oval Mall
Columbus, OH 43210-1358

614-292-6359 Phone
614-292-5903 Fax

osu.edu

November 21, 2019

Chancellor Randy Gardner
Ohio Department of Higher Education
25 South Front Street
Columbus, OH 43215

Chancellor Gardner,

Ohio State is proud of our record as a leader in operational excellence and resource stewardship, a strategic focus aligned with the goals of the Ohio Task Force on Affordability and Efficiency in Higher Education. As stated in Ohio State's strategic plan, "The university must be a responsible steward of its resources in order to re-direct investment into initiatives that will help us to achieve our bold aspirations."

Our 2019 report demonstrates Ohio State's significant progress in these areas. The university has dedicated more than $150 million in new need-based aid for low- and moderate-income Ohioans since 2015, funded through efficiency savings and new resource generation. More than 42,000 Buckeyes have benefitted from these affordability initiatives. Ohio State has already invested $800 million in proceeds from the Comprehensive Energy Management partnership to support student aid and other academic priorities and is on track to generate more than $200 million in efficiency savings through fiscal 2020. Highlights of our work include:

- **Buckeye Opportunity Program**: Starting in the 2018-19 academic year, all in-state students who qualify for Pell Grants receive an aid package that covers the full cost of tuition and mandatory fees. More than 4,000 students have already benefitted across all Ohio State campuses from this program, which is funded with an endowment created from Comprehensive Energy Management proceeds. (go.osu.edu/bop)
- **Digital Flagship**: Ohio State's comprehensive digital learning initiative is providing more than 24,000 incoming first- and second-year students with an iPad learning-technology suite as part of the university's Digital Flagship collaboration with Apple to support educational innovation for students and economic development opportunities for the community. The university is funding the program using efficiency savings. (digitalflagship.osu.edu)
- **Additional financial aid**: Administrative efficiencies have funded $85 million in President's Affordability Grants over four years, and other institutional funds have supported the expansion of the Land-Grant Opportunity Scholarship program to offer twice as many grants and to increase the value to cover the full cost of attendance. (go.osu.edu/testimony)
- **Tuition affordability**: The Ohio State Tuition Guarantee, now in its third year, offers incoming in-state students certainty about the cost of a college education by freezing rates for tuition, mandatory fees, room and board for four years. For students who began prior to the guarantee, in-state tuition has not increased since fiscal 2013. (go.osu.edu/tuitionguarantee)
- **Fee simplification and savings:** Starting in spring 2019, Ohio State eliminated 278-course fees, piloted a digital textbook program that will reduce student costs by 75 percent to 80 percent, waived additional tuition costs for eligible students who take

heavy loads and broadened our policy that offers in-state tuition to military families. Together, these four initiatives will save students up to $1.9 million a year. (go.osu.edu/fee-reduction)

- **Resource stewardship**: In a continued effort to control costs and provide unprecedented aid to students, the university prioritized strategic procurement to reduce costs. Since fiscal 2013, the university has produced $324 million in cumulative savings while negotiating 960 university contracts.

Collectively, these and other initiatives represent Ohio State's continued momentum in advancing an affordable and excellent education for our students and their families.

Gary R. Heminger
Chairman of the Board of Trustees

Ohio Department of Higher Education

Mike DeWine, Governor
Randy Gardner, Chancellor

Affordability & Efficiency

Section I: Operational Efficiency

Affordability and efficiency in higher education are high among the DeWine-Husted administration's policy priorities. DHE continues to encourage institutions to consider the Ohio Task Force on Affordability and Efficiency's October 2015 report "Action Steps to Reduce College Costs" (Task Force) linked here: [www.ohiohighered.org/sites/ohiohighered.org/files/uploads/affordability-efficiency/Action-Steps-to-Reduce-College-Costs_100115.pdf.](www.ohiohighered.org/sites/ohiohighered.org/files/uploads/affordability-efficiency/Action-Steps-to-Reduce-College-Costs_100115.pdf) Although this year's template does not require each IHE to report on every recommendation of the Task Force, we are requesting that IHE's provide the most recent information available on selected items.

As presented in Recommendation 3B of the Task Force, IHE's have access to multiple joint purchasing agreements in the following categories:

- Copier/printer services
- Computer hardware
- Travel services
- Outbound shipping
- Scientific supplies and equipment
- Office supplies and equipment

Contract Type	Did your IHE participate in joint contracts in FY19? [yes, no, worked toward]	Monetary Impact
Copier/printer services	No	The university has a best-in-class contract for copiers, printers and multifunction devices. Ohio State sought to work with other schools to extend similar rates. None committed to the same kind of volume guarantees that we have adopted.
Computer hardware	Yes	Ohio State utilizes the State of Ohio state term schedule.
Travel services	Worked toward	The university works with a travel management company and has mandated employee utilization of this contract. This is a step required in the IUC Purchasing Group's three-phase action plan to develop an opportunity for joint purchasing.

Outbound shipping	Yes	Ohio State utilizes the State of Ohio state term schedule for outbound shipping.
Scientific supplies & equipment	Yes	Ohio State led a collaborative contract opportunity through the Inter-University Council Purchasing Group for scientific supplies and lab equipment. This process has resulted in contracts that are expected to save IUC members at least 7 percent on what is currently a $115 million annual spend among the public universities in Ohio.
Office supplies & equipment	No	Ohio State has generated significant savings on office supplies by ensuring near-universal contract utilization and by employing the process endorsed by the IUC Purchasing Group: focusing our spend on a core list of products. This resulted in a best-in-class contract for this category

Additionally, since fiscal 2012, Ohio State's strategic procurement program has produced cumulative savings of $388 million by utilizing the university's buying power to drive both savings and quality enhancements. In fiscal 2019 alone, the university saved $64.0 million through strategic procurement compared with contracted rates in fiscal 2012. These savings directly benefit colleges and other university units by reducing operating costs, which in turn has allowed the university to hold down student costs.

Per recommendation 4C of the Task Force, IHE's should evaluate opportunities for affinity relationships and sponsorships that can support students, faculty, and staff. Institutions can use these types of partnerships to generate new resources by identifying "win-win" opportunities with private entities that are interested in connecting with students, faculty, staff, alumni, or other members of their communities. Please complete the section below with the implementation status of your institution.

Did your institution initiate any new partnerships or sponsorships in FY19? If yes, please complete the below table for those new relationships.

Partnerships/Sponsorships	Description	Revenue Generated
Furniture Contract	10-year preferred vendor agreement. Includes purchasing incentive and a Trademark & Licensing agreement providing limited marketing and branding opportunities.	Licensing revenue generated
Dell Computers	ESports sponsorship support	$33,500 in donated computers to support the program startup.
Zippy Shell Storage	Sponsorship of Student Life and Office of International Affairs	$12,000
Energy Management P3 (2018)	The partnership is implementing a new digital energy control platform for the comprehensive management	$271,800 (FY2019)

	of buildings and utility plants. This platform has enabled the university to participate in regional Demand Response and Capacity Performance programs with the regional transmission operator.	

If the IHE realized efficiencies gained in FY19 from already existing relationships, please identify, specifically including revenue generated. *Include in the table above or add a similar table.*

Employee health benefits continue to be a major cost driver for all IHE's. The Task Force recommendations addressed this issue in 5D, recommending that a statewide working group identify opportunities to collaborate on health-care costs. At this point, we are especially interested in learning about best practices that could be applicable around the state. Please provide the following information if your institution has generated any significant savings or health benefits improvements in FY 19

What initiatives or plan changes did the IHE implement in FY19 to manage or reduce healthcare costs?

- **The university achieved $11.4 million in healthcare savings in calendar 2018.**

Has the institution achieved any expected annual cost savings through healthcare efficiencies in FY19? Please explain how cost savings were estimated.

Strategies that were implemented to realize these efficiencies included:

- Enhanced utilization management efforts, resulting in $5 million in savings. This was achieved through various methods, including:
  - Increasing the number of medical cases that were reviewed by the OSU Health Plan Medical Director to an all-time high of 19.9%. This provided the opportunity to reduce expensive inpatient stay lengths and redirect to an appropriate lower-cost setting, where possible.
  - Shifting more specialty medication reviews to internal pharmacy/clinical expertise to evaluate treatment options and base authorizations on those with the greatest opportunity for efficacy based on the individual's needs.
  - Implementing bundled pricing for total joint replacement procedures for hips and knees with capped pricing and shared savings opportunities based on meeting defined quality outcome measures.
- Improved contract pricing with our pharmacy benefit manager, as well as conducting ongoing audits of their claims adjudication and pricing, resulting in a total of $2.4 million in savings.
- Holding OSU provider contract fees flat for facilities for all of 2018 and for physicians for eight months of 2018, resulting in $4 million in savings.

The Ohio State University

Energy Efficiencies seek to refine sustainable methods utilized by the institution to procure and use energy (resulting in more efficient use of energy), including but not limited to lighting systems, heating & cooling systems, electricity, natural gas, and utility monitoring. Again, we are especially interested in learning about best practices that could be applicable around the state. Please provide the following information if your institution has undertaken any significant energy savings projects in FY19.

FY19 Projects/Initiatives	Efficiencies Gained, including Monetary Impact
ENGIE Digital Energy Management Platform - a new master control platform for the comprehensive management of buildings and utility plants. This platform is enabling the university to increase its participation in regional *Demand Response* and *Capacity Performance* programs with the regional transmission operator.	$271,800 in new ancillary revenues (FY2019)
Indoor and Outdoor Lighting retrofits – converting incandescent, fluorescent, and HID lamps to LED. These projects began in FY2018 and will continue through FY2020. To date, more than 100,000 lamps have been replaced	Total campus energy efficiency (measured as the amount of energy used per square foot of building space) improved by approximately 1.8% in FY2019. Most of that efficiency can be attributed to energy savings resulting from the earliest installations of the LEDs. The FY2019 energy costs savings attributable to the lighting retrofit is approximately $862,000

Has the institution gained efficiencies in FY19 from previously implemented projects/strategies? If yes, please discuss cumulative efficiencies gained.

The Task Force charged DHE with developing a common measurement of administrative productivity. However, the Task Force also acknowledged that each institution should have the latitude to develop its own standards of the proper level of productivity for its campus units. DHE will provide specific financial data for each institution as part of this year's reporting process. The Efficiency Advisory Committee will need to continue to evaluate this data and determine how best to utilize it taking into account the significant diversity of IHE's and their missions throughout Ohio.

Specific institutional measures to be evaluated include:

- Average Expenditure per Student
- Total Revenue per Student
- Facility Cost per Student
- Square Feet per Student

The Ohio State University

Regional Compacts

Ohio Revised Code Section 3345.59 requires regional compacts of Ohio's public institutions, with an executed agreement in place by June 30, 2018 for institutions to collaborate more fully on shared operations and programs. Per O.R.C. §3345.59 {E} colleges and universities shall report within their annual efficiency reports the efficiencies gained as a result of the compact.

Please discuss efficiencies gained or opportunities for future partnerships as a result of each of the categories within the compact.

Category	Description	Monetary Impact
Reducing duplication of academic programming	There continues to be no program duplication evident for the university within the Central Ohio region, or at the regional campus locations. The university, internally, monitors program size and duplication through its regular academic program development, implementation and review processes.	N/A
Implementing strategies to address workforce education needs of the region	The universities, through their program planning strategies, identify needs in counties where they are jointly locating staff. Programming is focused on 4-H Youth Development, Family and Consumer Sciences, Community Development, and/or 4-H Youth Development.	N/A
Sharing resources to align educational pathways and to increase access within the region	In Aug. 2019, Ohio State re-affirmed its 2011 agreement with Columbus State Community College to support the Preferred Pathway Program. The initiative was designed to expand access to higher education and make it easier for Columbus State students to earn a bachelor's degree by providing a guaranteed path for transferring.	N/A
Reducing operational and administrative costs to provide more learning opportunities and collaboration in the region	In identified counties where there are staff from CSU and OSU co-located, agreements are (or will be) in place to facilitate the use of facilities and administrative support.	Once fully implemented, it is estimated that Ohio State would realize $30,000 annually in efficiencies.
Enhancing career counseling and experiential learning opportunities for students	N/A	N/A
Collaboration and pathways with information technology centers, adult basic and literacy education programs and school districts	N/A	N/A

Enhancing the sharing of resources between institutions to expand capacity and capability for research and development	N/A	N/A
Identifying and implementing the best use of university regional campuses	In May 2019, Ohio State's board of trustees approved a new bachelor of science in engineering technology with a concentration in engineering, which will be offered on the university's Lima, Mansfield and Marion campuses in autumn 2020 and is tentatively scheduled to begin on the Newark campus in 2023. Also, universities, through their program planning strategies, identify needs in counties where they are jointly locating staff. Programming is focused on 4-H Youth Development, Family and Consumer Sciences, Community Development, and/or 4-H Youth Development.	

Section II: Academic Practices

Textbook Affordability

Textbook Cost Study

Ohio Revised Code Section 3333.951(D) requires Ohio's public colleges and universities to annually conduct a study to determine the current cost of textbooks for students enrolled in the institution and submit the study to the Chancellor. Please attach the analysis of textbook costs developed by your institution labeled "[Institution Name – Academic Year – Textbook Cost Study]" Please summarize the results of your institution's study below.

Category	Amount
Average cost for textbooks that are new	$103.36
Average cost for textbooks that are used	$78.36
Average cost for rental textbooks	$67.78 for new rentals; $41.16 for used rentals (Note: Averages are for textbooks that are available for rent through the university's bookstore.)

Average cost for eBook	$70.14 to buy; $46.52 to rent (Averages are for eBooks that are available through the university's bookstore.)

Note: Ohio State utilized a methodology developed last year by the Inter-University Council's textbook working group. Our analysis focused on the top undergraduate major based on the total number of unduplicated students majoring in each area in the following eight areas:

- Arts (Art)
- Business (Finance)
- Education (Early Childhood Education)
- Engineering (Computer Science and Engineering)
- Health Professions (Nursing)
- Humanity (English)
- Natural Sciences (Biology)
- Social Sciences (Psychology)

Ohio State refined its methodology for 2018 to better capture a typical range of course materials in these majors, including potential electives. As a result, these data are not comparable to the previous report. The average prices listed are based on university bookstore pricing and do not include open educational materials, other course materials that are offered at no charge to students or through the CarmenBooks inclusive access program.

Reducing Textbook Costs for Students

Ohio Revised Code Section 3333.951(C) requires Ohio's public colleges and universities to report their efforts toward reducing textbook costs for students. Please discuss all initiatives implemented, including those referenced below that ensure students have access to affordable textbooks.

1. Does your institution offer inclusive access purchasing of college textbooks? If yes, what percentage of courses participate?

    - Yes. Ohio State takes advantage of the Engage eReader and publisher inclusive access contract made available through our membership in the Unizin consortium. We have branded this program as CarmenBooks, which offers digital copies of selected textbooks for a fraction of the cost of a new, physical copy. With CarmenBooks, students typically save 80% off the retail price of publisher textbooks, and 40% off the cost of access to publisher online homework systems. Students access the Engage eReader and digital course materials through the Learning Management System (CarmenCanvas). Students retain access to digital course materials throughout their enrollment at Ohio State.

    - In academic year 2018-2019, CarmenBooks was used in 21 courses by 2,212 students with a total of $288,000 in savings (calculated as list price vs. inclusive access price). This represents 0.2% of total courses offered at Ohio State. As this was the pilot year for the CarmenBooks program, future numbers will show an increase in CarmenBooks usage.

2. Does your institution offer open educational resources (OER) in lieu of purchased materials? If yes, what percentage of courses participate? How many non-duplicative students benefit currently from OER?

   - Yes. Ohio State has a grant program that supports faculty transitioning from conventional textbooks to OER resources. Through Autumn 2019, the Affordable Learning Exchange has funded projects in 70 courses on all campuses. ALX is a partnership between units concerned with teaching and learning at Ohio State, and pairs excellence with affordability through grants, research, and faculty outreach.
     ALX projects have contributed to affordability at Ohio State by:
     - Impacting hundreds of faculty across all OSU campuses with grant and learning opportunities
     - Saving students nearly $5 million by the end of academic year 2018-19
     - Switching to OERs in 0.7% of courses at Ohio State, benefitting 17,950 non-duplicative students
     - Contributing to a local and global discussion of OER and student affordability
     - Establishing a strong Affordable Learning brand that reaches beyond Ohio State
     - Enabling research on student engagement and outcomes with OERs and other affordable learning tools

3. Is your institution a member of an organization that works to develop high-quality, low-cost materials including OER? If yes, what organization? Please describe.

   - In June 2017, Ohio State in partnership with North Central State College and Ohio Dominican universities, and 15 other community colleges received an Ohio Department of Higher Education Innovation Grant in the amount of $1.3 million. The grant was awarded to support the development of open educational resources (OER) and other materials in an effort to reduce the cost of textbooks for students. The culmination of that work is the development of open course materials for 21 of our shared high-enrollment courses.

     Faculty teams representing Ohio's 2-year and 4-year colleges and universities, both public and private, put guides together to present alternatives to commercial textbooks for Ohio students. Full course guides using OER materials are available for many of Ohio's high enrollment courses. They can be adopted in full or in part to meet the needs of course instructors. The courses have been divided into modules that meet the objectives of the Ohio Department of Higher Education's Transfer Assurance Guides (TAGs) and Ohio Transfer Module (OTM) guidelines.

     Ohio State is also a founding member of the Open Textbook Network, a national organization that curates high-quality open textbooks and offers faculty and librarian professional development programs to encourage use of OERs.

     Ohio State is also a member of the Unizin consortium. This membership facilitates the use of the Engage eReader, a cornerstone of our inclusive access program, among other benefits related to student cost reduction.

4. What other practices does your institution utilize to improve college textbook affordability?

- We offer faculty professional development opportunities around OERs and textbook affordability through both our Professional Learning program and the University Institute for Teaching and Learning.

Please provide any relevant information in the table below.

Initiative	Explanation of Initiative	Cost Savings to Students
CarmenBooks	Inclusive Access pilot	$288,000
Affordable Learning Exchange	Supports faculty in developing no- or low-cost materials	$910,000

Textbook Selection Policy

Ohio Revised Code Section 3345.025 requires the board of trustees of each state IHE to adopt a textbook selection policy for faculty to use when choosing and assigning textbooks and other instructional materials. The policy shall include faculty responsibilities and actions faculty may take in selecting and assigning textbooks and other instructional materials. Examples of topics addressed within such a policy include textbook adoption deadlines, faculty ethics rules on personal use/resale of publisher-provided free textbooks, disclosure of personal interest/royalties and textbook ownership of faculty-use books.

1. Has your institution's board of trustees adopted a textbook selection policy consistent with Ohio Revised Code 3345.025? The Policies and Procedures Handbook (item 1.8) details expectations for the use of self-authored materials. In addition, the University Senate approved a resolution in March 2017 encouraging faculty to submit timely textbook orders.
2. Has your institution adopted a faculty textbook auto-adoption policy that assigns the previous semester's version of a textbook when a faculty member does not actively select a new edition by the federally-required date of class registration? No.

Please attach the policy in full length and label the file as "[Institution Name – Academic Year – Textbook Selection Policy]."

Time to Degree

Reducing time to degree is one of the most effective ways to reduce student costs. The Task Force offered several recommendations for assisting students in reducing time to degree, including developing an educational campaign to increase student awareness on the importance of maintaining an adequate course load, providing incentives for students to attend full-time and graduate on time. Institutions have also been encouraged to review academic programs to assure the number of hours necessary to earn a degree align with recommended standards.

Standardize Credits

Recommendation 7C of the Task Force was for institutions to streamline graduation requirements so that most bachelor's degree programs can be completed within 126 credit hours or less, and associate degree programs can be completed within 65 credit hours or less.

Please provide a spreadsheet list of every degree program at your institution that requires more than 65 credit hours to complete and associate degree and/or 126 credit hours to complete a bachelor's degree, list the number of credit hours required in a separate column and label the file "[Institution Name – Academic Year – Time to Degree Standardization]"   Please complete the table below.

Percent of Programs that require more than the recommended minimum credit hours to earn a degree	**Percent of FTE in programs that require more than the recommended minimum credit hours to earn a degree**
14%*	10%*
Average number of credit hours earned by students awarded an associate degree in FY 19	**Average number of credit hours earned by students awarded a baccalaureate degree in FY 19**
84	145

***Note:** The vast majority of Ohio State's undergraduate programs require either the university's minimum of 121 semester hours or require the amount needed for accreditation. The provided data shows all programs that require more than 126 semester hours — including programs where these requirements are tied to accreditation.

Alternative Delivery Methods

Online and competency-based education are both growing dramatically as delivery platforms for higher education across the United States. Recommendation 7G of the Task Force was for institutions to consider developing or expanding programs that measure student success based on demonstrated competencies instead of through the amount of time students spend studying a subject.

1. Does your institution offer competency-based education? If yes, please provide a list of enrollment, degrees and course offerings.
   - Given Ohio State's student body, our analysis has been that competency-based education is not the best focus for enhancements. Instead, we are continually focused on refining our curriculum based on the high standards of our incoming students. However, the university is engaging with outside experts to better understand CBE opportunities and explore what role CBE may play in the future at Ohio State.

2. Has your institution seen a difference in completion rates relative to traditional modes of education? N/A

3. Have students experienced cost savings? How is the fiscal impact quantified? N/A

Flexible delivery methods, such as distance learning, provide an opportunity to improve access by providing students with additional opportunities to complete their education. In fact, enrollment in such programs has increased dramatically in recent years.

1. Does your institution offer distance-based or online education? If yes, please provide a list of enrollment, degrees and course offerings.
    - Yes. Ohio State offers online courses to all eligible students, as well as a portfolio of online programs through Ohio State Online. During AY18-19, Ohio State had 54,080 enrollments across 9,021 online offerings, of which 3,652 enrollments were from online programs. Currently, Ohio State has 38 online programs, 28 of which are enrolling in Autumn 2019.

2. Has your institution seen a difference in completion rates relative to traditional modes of education?
    - For graduates of programs offered as both on-ground and online, during 2018-19, Ohio State had 358 on-ground graduate students, taking an average of 5.7 terms (2.4 years) to complete their credential. During the same timeframe, Ohio State had 183 online graduate programs students, taking an average 5.4 terms (2.0 years). At the undergraduate level, there were 404 on-ground graduates, taking an average 4.5 terms (2.5 years) while the 150 undergraduate online programs students took 3.9 terms (2.0 years).

3. Have your students experienced cost savings? How is the fiscal impact quantified?
    - Ohio State Online students do not pay room and board or other expenses associated with on-campus experiences (e.g., parking, COTA). Further, all Ohio State Online students pay the in-state tuition rate. Also, open education resources are leveraged as much as possible across online programs. All students who enroll in an online program pay a $100 term fee (plus $5 for out-of-state students) that supports online exam security tools. Every online program provides a total cost-to-degree estimate at: https://online.osu.edu/tuition-and-fees. Finally, with a net decrease for time-to-degree for online programs students, students are enrolled for fewer terms, which further reduces the total cost.

Course and Program Evaluation

Recommendation 8 of the Task Force was for institutions to evaluate courses and programs for enrollment and consideration of continuation. Per O.R.C 3345.35, the colleges and universities need to address this recommendation every five years. The next applicable date is FY22.

Is your institution currently undertaking, or within the past year undertook, a review of course and degree enrollment for consideration of possible changes such as continuation or termination? If yes, please explain and list specific courses and degrees.

What steps, if any, did your IHE take in FY19 to share courses/programs with partnering institutions? N/A
If you implemented course/program sharing, please discuss efficiencies gained, including cumulative efficiencies to date.

Co-located Campuses

The Ohio State University

Ohio Revised Code Section 3333.951 requires Ohio's co-located colleges and universities to annually review best practices and shared services in order to improve academic and other services and reduce costs for students. Co-located campuses are then required to report their findings to the Efficiency Advisory Committee. (Reference also recommendation 9 from the Task Force.)

Ohio State Campus: Lima
Co-Located Campus: Rhodes State College (Lima)
Estimated Total Cost Savings From Shared Services: Approximately $1.4 million; no substantive changed from previous year

Type of Shared Service or Best Practice (IE: Administrative, Academic, etc.)	Please include an explanation of this shared service.	Monetary Impact from Shared Service
Physical Facilities Operations (includes physical facilities leadership; grounds keeping; building maintenance and environment services; campus custodial; and scheduling of campus facilities)	Cost sharing for physical facilities leadership, building maintenance and environment services, campus custodial services is done on a building square feet method of calculation. Cost sharing for grounds keeping is done on an aggregate square feet method of calculation. Cost sharing for scheduling of campus facilities is done on a cost-share reconciliation method each quarter.	Estimated savings to university: $904,600
Academic Support Services (includes libraries)	Cost sharing for library services for personnel, materials and equipment are done on a campus full time equivalent (FTE) method of calculation. Cost sharing for library collection costs are done by direct cost collections unique to each institution.	Estimated savings to university: $168,300
Campus Security and Public Safety (includes public safety administration; traffic management; and police and emergency responses)	Not reported in FY18	
Student Life and Campus Events (includes student engagement; recreation and intramural sports and athletics)	Cost sharing for the personnel and operation expenses are done on a campus full time equivalent (FTE) method of calculation.	Estimated savings to university: $177,300
Administrative Services (includes Office of Advancement and shared marketing agency)	Not reported in FY18	
Auxiliary Services (includes childcare center, cafeteria and vending services; shared copying and printing services; and campus bookstore / gift shop)	The cafeteria and vending service is outsourced through a contract with external service providers. Cost sharing for contract is done on a full time equivalent (FTE) method of calculation. Cost sharing for shared copying and printing services on a cost-share reconciliation method each quarter. The bookstore and gift shop service is outsourced through a contract with external service providers. Cost sharing for contract is done on a full time equivalent (FTE) method of calculation. Cost sharing of telephone services	Estimated savings to university: $155,800

	is done by direct cost by extension and on a cost-share reconciliation method each quarter for expenses.	
Approach and Process to Sharing Services with Co-located Campus	In accordance with state policy and by mutual accord, the University and the co-located institution share resources and connect programs to benefit the students of both institutions. This collaboration allows for multiple pathways for student education, reducing unnecessary duplication of services, and promotes the effective use of state fiscal, physical, and personnel resources. The University and co-located institution have formal collaboration agreements and partner wherever possible with the goal of heightening academic quality, operational transparency, and economic efficiency.	

Ohio State Campus: Mansfield
Co-Located Campus: North Central State College
Estimated Total Cost Savings From Shared Services: Approximately $1.44 million; no substantive changes from previous year

Type of Shared Service or Best Practice (IE: Administrative, Academic, etc.)	Please include an explanation of this shared service.	Monetary Impact from Shared Service
Physical Facilities Operations (includes physical facilities leadership; grounds keeping; building maintenance and environment services; campus custodial; and scheduling of campus facilities)	Cost sharing is managed generally by a formula based on assigned square feet for each co-located institution.	Estimated savings to university: $793,900
Academic Support Services (includes libraries)	Cost sharing for library services is 55% for the university and 45% for the co-located campus; cost- sharing for internship programming is 50/50 basis.	Estimated savings to university: $128,850
Campus Security and Public Safety (includes public safety administration; traffic management; and police and emergency responses)	Cost sharing for public safety admin, traffic management personnel, and police and emergency response services is generally on a 50/50 basis for the University and for the co-located institution.	Estimated savings to university: $159,100
Student Life and Campus Events (includes student engagement; recreation and intramural sports and athletics)	Cost sharing for student engagement and recreation and intramural sports is 75% for the University and 25% for the co-located institution. Cost sharing for athletics is based on student participation from each institution and is tracked monthly.	Estimated savings to university: $58,800
Administrative Services (includes Office of Advancement and shared marketing agency)	Cost sharing for office of advancement is shared on mutually shared activities/events; cost for institution-specific activities/events are paid by the specific institution; each institution pays for its own personnel. Cost	Estimated savings to university: $92,200

	sharing for shared marketing "agency" is split 50/50 on mutual shared activities/events and personnel; cost for institution specific activities/events are paid by the specific institution.	
Auxiliary Services (includes childcare center, cafeteria and vending services; shared copying and printing services; and campus bookstore / gift shop)	Cost for childcare center is supported by revenue generated from user fees and grants. Cafeteria and vending services have proceeds from contracts directed to a Campus Improvement Fund to benefit shared improvements. Cost for shared copying and printing services are managed and paid by the co-located institution and provided on a cost basis to the University.	Estimated savings to university: $202,200
Approach and Process to Sharing Services with Co-located Campus	In accordance with state policy and by mutual accord, the University and the co-located institution share resources and connect programs to benefit the students of both institutions. This collaboration allows for multiple pathways for student education, reducing unnecessary duplication of services, and promotes the effective use of state fiscal, physical, and personnel resources. The University and co-located institution have formal collaboration agreements and partner wherever possible with the goal of heightening academic quality, operational transparency, and economic efficiency.	

Ohio State Campus: Marion
Co-Located Campus: Marion Technical College
Estimated Total Cost Savings From Shared Services: Approximately $1.28 million

Type of Shared Service or Best Practice (IE: Administrative, Academic, etc.)	Please include an explanation of this shared service.	Monetary Impact from Shared Service
Physical Facilities Operations (includes physical facilities leadership; grounds keeping; building maintenance and environment services; campus custodial; and scheduling of campus facilities)	Cost sharing for these services is done using a formula that combines each institution's on-campus assignable square footage (ASF) and faculty/staff/student full time equivalent (FTE).	Estimated savings to the university of $980,000
Academic Support Services (includes libraries)	Cost sharing for library services is done using a formula that combines each institution's on-campus assignable square footage (ASF) and faculty/staff/student full time equivalent (FTE). Some testing, mental health,	Estimated savings to the university of $113,500

	and disabilities services are shared between the institutions on an exchange basis	
Campus Security and Public Safety (includes public safety administration; traffic management; and police and emergency responses)	Cost sharing for these services is done using a formula that combines each institution's on-campus assignable square footage (ASF) and faculty/staff/student full time equivalent (FTE).	Estimated savings to the university of $65,000
Student Life and Campus Events (includes student engagement; recreation and intramural sports and athletics)	Cost sharing for these services is done using a formula that assigns 75% of the cost to Ohio State Marion and 25% of the cost to Marion Technical College in recognition of comparative use by each institution's students.	Estimated savings to the university of $8,000
Administrative Services (includes Office of Advancement and shared marketing agency)	Not shared	
Auxiliary Services (includes childcare center, cafeteria and vending services; shared copying and printing services; and campus bookstore / gift shop)	Cost sharing for these services is done using a formula that combines each institution's on-campus assignable square footage (ASF) and faculty/staff/student full time equivalent (FTE).	Estimated savings to the university of $98,000
Technology Services	Cost sharing for these services is done using a formula that combines each institution's on-campus assignable square footage (ASF) and faculty/staff/student full time equivalent (FTE).	Estimated savings to the university of $17,000
Approach and Process to Sharing Services with Co-located Campus	In accordance with state policy and by mutual accord, the University and Marion Technical College share resources and connect programs to benefit the students of both institutions. This collaboration allows for multiple pathways for student education, reducing unnecessary duplication of services, and promotes the effective use of state fiscal, physical, and personnel resources. The University and Marion Technical College have formal collaboration agreements and partner wherever possible with the goal of heightening academic quality, operational transparency, and economic efficiency. Resources from both institutions are combined for some infrastructure and building renovation projects.	

Ohio State Campus: Newark
Co-Located Campus: Central Ohio Technical College
Estimated Total Cost Savings From Shared Services: approximately $1.28 million; no substantive change from previous year.

Type of Shared Service or Best Practice (IE: Administrative, Academic, etc.)	Please include an explanation of this shared service.	Monetary Impact from Shared Service
Public Service (includes conference services)	Cost sharing for conference services is shared on a 50/50 basis.	Estimated savings to university: $1,470
Physical Facilities Operations (includes physical facilities leadership; grounds keeping; building maintenance and environment services; campus custodial; and scheduling of campus facilities) **Campus Security and Public Safety** (includes public safety administration; traffic management; and police and emergency responses)	Cost sharing for all of these services is done on a full time equivalent (FTE) method of calculation.	Estimated savings to university: $655,067
Academic Support Services (includes libraries)	Cost sharing for both these services is done on a full time equivalent (FTE) method of calculation.	Estimated savings to university: $134,400
Student Life and Campus Events (includes student engagement; recreation and intramural sports and athletics)	Cost sharing for these services is done on a headcount method of calculation.	Estimated savings to university: $72,799
Administrative Services (includes Office of Advancement and shared marketing agency)	Cost sharing for executive office, office of development, business and finance office, accounting, performing arts, and welcome center is done on a 50/50 method of calculation. Cost sharing for human resources, purchasing, bursar, technology services, marketing and public relations, staff development committee, services center, telecommunications, and telephone services is done on a full time equivalent (FTE) method of calculation.	Estimated savings to university: $157,318
Auxiliary Services (includes childcare center, cafeteria and vending services; shared copying and printing services; and campus bookstore / gift shop)	No changes	
Approach and Process to Sharing Services with Co-located Campus	In accordance with state policy and by mutual accord, the University and the co-located institution share resources and connect programs to benefit the students of both institutions. This collaboration allows for multiple pathways for student education, reducing unnecessary duplication of services, and promotes the effective use of state fiscal, physical, and personnel resources. The University and co-located institution have formal collaboration agreements and partner wherever possible with the goal of heightening academic quality, operational transparency, and economic efficiency.	

Section III: Policy Reforms

Financial Advising

Recommendation 10A of the Task Force was for institutions to provide financial literacy as a standard part of students' education. In addition, the Ohio Attorney General's Student Loan Debt Advisory Group report of June 2017 made a similar recommendation as well as other proposals on how to improve processing of student accounts and debts. The report can be found at: www.ohioattorneygeneral.gov/Files/Publications-Files/Publications-for-Schools/Ohio-Attorney-General-s-Student-Loan-Debt-Collecti.aspx

1. Has your institution considered the Ohio Attorney General's Student Loan Debt Advisory Group report recommendation on financial literacy? If so, please describe your institution's implementation.

Yes. Ohio State follows best practices that are responsive to the advisory group recommendations, including in the following areas:

a) Institutions should encourage student financial responsibility.
   - Ohio State students must sign a financial responsibility statement each semester.

b) Ohio colleges and universities should adopt best practices for student financial literacy.
   - Ohio State has a dedicated collection staff that advises and counsels students about their loan repayment options and available options to stay out of default. Customer Service staff and Collection staff advise students of their options with institutional debt.
   - The university publishes its debt collection policy, which includes the role of the Attorney General's Office. Student loans differ depending on the type of loan and the loan fund (donor). The terms of the loan and collection consequences are outlined in the promissory note the student signs.

c) Institutions should obtain express prior consent from students to contact them by any available communication method, specifically artificial recorded voice technology systems.
   - As part of Ohio State's financial responsibility statement, the student agrees that we can contact them by various methods including, but not limited to, cell phone (call & text) and email.

2. Does your institution provide a standard course for incoming students that includes financial literacy education?
   - The institution offers an optional Scarlet & Gray Financial Coaching program to students and all students can access iGrad online financial literacy modules. https://swc.osu.edu/services/financial-education/financial-coaching/ https://osu.igrad.com/

3. Does the course explain the institution's debt collection practices, fees, notifications and referral process to the AG? N/A

4. Does the institution have a process to inform students that they do not have to accept the entire student loan amount for which they are eligible? Yes.

Financial Aid

Ohio IHEs should strive to meet guidance issued by the U.S. Department of Education (USDE) on April 15, 2019: (https://ifap.ed.gov/eannouncements/041519RecWhatPostInstShouldWork2Avoid.html).
The guidance calls for not describing loans as "awards", including the total cost of attendance in letters, breaking costs down into clear components, avoiding comingling grants, scholarships, loans and work-study together, and always including a net cost calculation in financial aid letters. The State of Ohio also wishes to ensure that financial aid dollars it provides are supplementing financial aid for students, not supplanting dollars that would otherwise be given to a similar or identical student.

1. What strategies does your institutions use to coordinate multiple forms of financial aid (institutional or otherwise) for students that are certain or likely to receive state-sponsored financial aid in the form of OCOG, Choose Ohio First, Ohio National Guard Scholarships, War Orphans Scholarships, etc. or other state aid?
   - Ohio State's financial aid packaging strategy incorporates state aid in the process of determining aid as either estimated or actual awards whenever possible. This allows for a total package that addresses federal, state and institutional aid as accurately as possible and attempts to maximize all aid eligibility in an effort to meet our institutional goals to improve affordability and reduce indebtedness.

2. Which of the April 15, 2019 recommendations made by the USDE regarding financial aid letters has your institution implemented? If you have chosen not to implement a particular recommendation, please explain why.
   - There have been multiple updates to the financial aid letters over the last few years. Ohio State's notifications satisfy the USDE requirements in the following manner:
     - Includes the cost of attendance broken down by component.
     - Grants, scholarships, loans and work study are grouped and identified separately. Including indicating what needs to be repaid and what is earned through work.
     - Sources of aid are clearly titled.
     - Parent PLUS loans are not listed as offer in the initial financial aid notification.
     - Net costs are calculated and provided in the letter.
     - Next steps are included in the initial notification.
   - Also, Ohio State's financial aid notifications that will be sent for 2020-2021 will:
     - Provide additional information on next steps within the financial aid notification.
     - The financial aid notification will not be referred to as an award letter.

Certification Practices

Ohio Revised Code 131.02 requires state IHE's to certify their outstanding debt to the Ohio Attorney General's office (AGO) for collection either 45 days after the amount is due or within 10 days after the start of the next academic session, whichever is later. However, Ohio's institutions certify their outstanding debt pursuant to varying policies and practices. To ensure that all Ohio students are treated fairly and uniformly, the recommendation #7 of the Student Loan Debt Advisory Group report is that state institutions adopt uniform certification practices that emphasize transparency for both debtors and the AGO. The advisory group recommended that the Ohio Bursars Association, in partnership with the Ohio Association of Community Colleges and the Inter-University Council, facilitate this effort.

Specifically, institutions were asked to develop uniform practices for collecting debt with attention to the type, content, and frequency of notices issued to students; and the fees and other collection costs applied to student debts.

1. Has your institution reviewed its certification practices per the 2017 AG Student Loan Debt Advisory Group report? If yes, explain.
   - Yes, we determined our practices that were already in place met the recommendations.

2. When your institution certifies debt to the Attorney General, are late fees or other penalties that your institution charged to the student included before certification, thereby leading to collection fees applied to prior collection fees?
   - When debt is certified, collection fees are separated from principal thus providing the OAG with the original principal amount and the amount of collection fees. The OAG can then apply collection fees to principal only and avoid collection fees applied to prior collection fees.

3. Does your institution provide student debtors with opportunities for settlement of debt before certification to the AG? If not, has your institution explored options with the AG to allow settlement?
   - Yes, we provide settlement opportunities prior to certification and we have also granted the OAG settlement authority within agreed upon guidelines.

Section IV: Students Benefit

When institutions save money, they ideally invest a portion of those savings into student benefits, such as reduced fees, increased institutional aid, quality improvements, etc.

For fiscal year 2019 only, please explain what, if anything, your institution is doing that is a new benefit for your students. Answers may be financial benefits or intangibles such as efforts to improve career counseling, undergraduate teaching, research, etc. If you have targeted financial aid for tuition, fees, room and board, books, technology or other expenses, please explain the focus of cost reduction.

If you have seen a significant savings from an initiative in the past fiscal year, please describe that here.

Chart #1:

Category	Initiative	FY19 (*Actual*)

Cost savings/avoidance to the college/university in FY19 ONLY	3A: Campus contracts	$64 million
	4B: Operations review – efficiency savings	$53.8 million
	5E: Data centers	$1.4 million
	Subtotal of Institutional Efficiency Savings	**$119.2 million**
New resource generation for the college/university in FY19 ONLY	4A: Asset review	$43.6 million (includes (annual distributions from energy, Coke, and Nike endowments, as well as one-time payments)
	4C: Affinity partnerships and sponsorships	
	Subtotal of New Resource Generation	**$43.6 million**
Cost savings/avoidance to students in FY19 ONLY	4B: Operations review (President's Affordability Grants)	$25 million
	4B: Operations review (Land Grant Opportunity Scholarships)	$553,500
	6B: Textbook affordability	$1.2 million
	6C: Digital Flagship	$12.3 million
	7B: Completion grants	$120,900
	7E: Summer programs	$9.2 million
	7B: Tuition Waiver for 18+ credit hours	$325,000
	Subtotal of Student Savings	**$48.7 million**

Additional Practices

Some IHE's may implement practices that make college more affordable and efficient, but which have not been the topic of a specific question in this reporting template. This section invites your institution to share any positive practices you have implemented that benefit student affordability and/or institutional efficiency.

Please share any additional best practices your institution is implementing or has implemented.

- Ohio State continued its focus on operational excellence and resource stewardship, generating $53.8 million in administrative savings in FY19 through efficiency initiatives. These savings are re-deployed to student financial aid programs (specifically the Buckeye Opportunity Grants) and the Digital Flagship program, which provides incoming students with an iPad digital learning suite.
- The university extended its pouring-rights agreement with Coca-Cola for another 15 years. With a total projected value of $84.7 million, the contact provides funds to support student initiatives and strategic priorities, including scholarships, student discovery projects, educational initiatives and internships.

- Ohio State continued the Ohio State Tuition Guarantee, providing incoming Ohio resident students with predictability about the cost of a four-year education by freezing tuition, mandatory fees, housing and dining costs for four years. Although not tied to a specific number of credits per semester, this program creates an incentive for students to complete their degree in four years. Exceptions are allowed for students in programs that requires more than four years to complete or who face circumstances such as military service, medical emergencies or family emergencies. The class that entered Ohio State in fall 2019 (FY20) is the third under the Tuition Guarantee model.
- Completion grants were awarded to 140 students for 2018-2019. These grants go to those who are very near to graduation and in jeopardy of being dropped for non-payment. Each completion grant averaged $864, an amount that allows students to stay in school and work toward completing their degrees. The grants are funded through institutional and donor funds available through the University Innovation Alliance, a collaborative of 11 public research institutions committed to increasing the number and socioeconomic diversity of college graduates.
- The university has also approved a new tuition waiver, which started in spring 2019, that will assist students who are taking more than 18 credit hours in a term to complete their degrees or to take advantage of internships or research opportunities. For eligible students who obtain the approval of their academic advisors, these waivers would provide savings of more than $400 per additional credit hour. In Spring 2019, 459 students used the waivers at a savings of more than $325,000.

Section V: Future Goals

This year's template does not require updates on every recommendation of the Task Force. Nonetheless, it is important that each institution continue to track its progress on achieving its Five-year goals that have been identified in prior years' submissions. An updated copy of the five-year goal template is attached. Please provide the data to complete the template, including information already provided in Section IV. In addition, if you have any updates or changes that need to be made to your five-year goals submitted in 2016, please update.

See attached MasterRecommendation2.

The DeWine-Husted administration recognizes that each institution of higher education in Ohio faces unique challenges and opportunities with respect to the institution's highest priority goals over the next several years. With that in mind, please provide any suggestions about possible roles the state could play in supporting your institutional goals.

1. Please provide your thoughts and suggestions regarding ways that the State of Ohio can further support strength, resiliency and reputational excellence in Ohio's post-secondary education system.
   - Asking for authority to sell real estate via an act of the Board of Trustees (similar to how community colleges can currently) or via the state Controlling Board rather than needing a law change

- Allowing institutions to set differential tuition rates for space, facility, and faculty needs

2. What legislative obstacles or policy roadblocks, if any, inhibit efficiencies and affordability practices at the IHE's?
   - Explicitly provide that BOTs can purchase, sell, lease, or grant easements in perpetuity without needing a law change
   - Allow CEO/CFOs to sign financial statements (GASB 14)
   - Allow, in certain circumstances, BOTs to meet by videoconference

- - -

Thank you for completing the FY19 Efficiency Reporting Template. We appreciate the important role Ohio's colleges and universities play in supporting Ohio students, economic growth, world-class research and the overall success for our state.

MASTER RECOMMENDATION 2: FIVE-YEAR GOAL FOR INSTITUTIONAL EFFICIENCY SAVINGS AND NEW RESOURCE GENERATION

Ohio State established a five-year plan for the years FY16-FY20 to generate a total of at least $400 million to be devoted to access, affordability and excellence. The university has already surpassed the goal of devoting at least $100 million of that total to student financial aid. Savings generated through the 2020 plan are incremental to other cost-savings and resource-generation activities.

The following chart aligns specifically with the 2020 plan.

Note: Section IV of the university's response to the task force report demonstrates the full range of operational excellence, innovative funding and resource stewardship activities at Ohio State, including ongoing efforts that pre-dated the 2020 Vision.

Category	Recommendation	Component	Description	FY16 (revised)	FY 2017 (Estimate)	FY 2017 (*Actual*)	FY 2018 (Estimate)	FY 2018 (*Actual*)	FY 2019 (Estimate)	FY 2019 (*Actual*)	FY 2020 (Estimate)	FY 2021 (Estimate)	Subtotal	Budget Narrative/Explanation of Efficiency Savings $$ (attach additional sheets if necessary)
Efficiency Savings	3A	Campus contracts	Require employees to use existing contracts for purchasing goods and services.	$ 3,040,000	$ -	$ -	TBD	$ -	TBD	$ 200,000	$ 200,000	TBD	**$ 3,440,000**	Since FY12, Ohio State's strategic procurement program has produced cumulative savings of $388 million by utilizing the university's buying power to drive both savings and quality enhancements. In FY19, the university saved $64.0 million through strategic procurement compared with contracted rates in fiscal 2012, with savings remaining within units.
	3B	Collaborative contracts	Pursue new and/or strengthened joint purchasing agreements.											
	4B	Operations review	Conduct an assessment of non-academic operations that might be run more efficiently by a regional cooperative, private operator or other entity.											
	5A	Cost diagnostic	Identify key drivers of costs and revenue across the university.	$ 22,358,000	$ 30,000,000	$ 32,895,231	$ 30,000,000	$ 54,479,129	$ 48,461,000	$ 53,800,000	$ 42,000,000	TBD	**$ 253,993,360**	
	5C	Organizational structure	Review organizational structure in line with best practices to identify opportunities to streamline and reduce costs.											
	5D	Health-care costs	Seek to control health-care costs											
			Subtotal Efficiency Savings	$ 25,398,000	$ 30,000,000	$ 32,895,231	$ 30,000,000	$ 54,479,129	$ 48,460,000	$ 54,000,000	$ 42,200,000		**$ 257,433,360**	

Category	Recommendation	Component	Description	FY16	FY 2017	FY 2017 (*Actual*)	FY 2018	FY 2018 (*Actual*)	FY 2019	FY 2019 (*Actual*)	FY 2020	FY 2021	Subtotal	Budget Narrative/Explanation of New Resource Generation $$ (attach additional sheets if necessary)
New Resource Generation	4A	Asset review	Conduct an assessment of non-core assets to determine their market value if sold, leased or otherwise repurposed.	$ -	$ -	$ -	$ 1,090,000,000	$ 1,096,587,718	$ 35,523,000	$ 34,842,506	$ 35,594,117	TBD	$ 1,167,024,341	Annual endowment distributions, philanthropy and other payments from energy partnership, Nike extension, and Coke pouring-rights contact, along with sale of non-essential real estate.
	4C	Affinity partnerships and sponsorships	Upon determining assets and operations that are to be retained, evaluate opportunities for affinity relationships and sponsorships.	$ 31,560,000	TBD	$ 1,007,444	TBD	$ 1,031,009	$ 8,328,600	$ 8,738,570	$ 3,559,160	TBD	$ 45,896,183	
			Subtotal New Resource Generation	$ 31,560,000	$ -	$ 1,007,444	$ 1,090,000,000	$ 1,097,618,727	$ 43,851,600	$ 43,581,076	$ 39,153,277		**$ 1,212,920,524**	
TOTAL OF COMBINED INSTITUTIONAL OPPORTUNITIES FOR ENHANCED STUDENT AFFORDABILITY				$ 56,958,000	$ 30,000,000	$ 33,902,675	$ 1,120,000,000	$ 1,152,097,856	$ 92,311,600	$ 97,581,076	$ 81,353,277		**$ 1,470,353,884**	

SPECIFIC RE-DEPLOYMENT OF SAVINGS TO STUDENTS: Please use the area below to describe, in detail, how you plan to re-deploy the institutional resources that are saved and/or generated through the task force components outlined above to reduce costs for students.

Since FY15, Ohio State has committed more than $150 million in additional need-based aid for Ohio students, with funding provided through efficiencies and new resource generation. Programs include the Buckeye Opportunity Program, President's Affordability Grants and the Land Grant Opportunity Scholarships.

Beyond these savings, the university has introduced the Digital Flagship, a collaboration with Apple that is the largest deployment of learning technology in the university's history. Efficiencies support this program, which provides each incoming student with an iPad and related technology.

The university uses other savings and new resources to invest in teaching excellence, and to control costs through initiatives such as the Ohio State Tuition Guarantee. Each dollar saved supports Ohio State's strategic plan.

SIGNIFICANT CHANGE(S) IN 5-YEAR GOALS FROM FY16 SUBMISSION TO FY17 SUBMISSION: Please use the area below to describe, in detail, significant deviation in your institution's 5-year goals from the FY16 submission to the FY17 submission, if applicable.

Efficiency savings in FY18 include contributions from colleges and support units that were deposited in efficiency accounts during that fiscal year, however the underlying efficiencies may have occurred in previous years.

The FY16 efficiency total has been revised to reflect the total to date toward the 2020 Vision goal of $200 million in savings.

APPOINTMENTS TO THE SELF-INSURANCE BOARD

Synopsis: Appointment of members to the Self-Insurance Board, is proposed.

WHEREAS the Board of Trustees directed that a Self-Insurance Board be established to oversee the University Self-Insurance Program; and

WHEREAS the Board of Trustees on December 6, 2002, approved the expansion of the University Self-Insurance Program to include the faculty physicians and their clinical staff who are employees of Ohio State University Physicians, Inc.; and

WHEREAS all members of the Self-Insurance Board are appointed by The Ohio State University Board of Trustees upon recommendation of the President; and

WHEREAS the resignation of Galen Barnes was effective September 27, 2019:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves that the following individuals be appointed as members of the Self-Insurance Board effective December 1, 2019, for the term specified below:

- Cynthia A. Powell, CPA, term ending June 30, 2021
- Michael P. Leach, term ending June 30, 2021

BE IT FURTHER RESOLVED, That this appointment entitles each member to any immunity, insurance or indemnity protection to which officers and employees of the university are, or hereafter may become, entitled.

APPROVAL TO ENTER INTO/INCREASE PROFESSIONAL SERVICES AND ENTER INTO/INCREASE CONSTRUCTION CONTRACTS

APPROVAL TO ENTER INTO PROFESSIONAL SERVICES CONTRACTS
WMC Loading Dock Expansion and Renovation

APPROVAL TO ENTER INTO/INCREASE PROFESSIONAL SERVICES AND CONSTRUCTION CONTRACTS
Controlled Environment Food Production Research Complex
Lincoln Tower Office Renovations
Wexner Medical Center Inpatient Hospital
WMC West Campus Ambulatory Facilities

Synopsis: Authorization to enter into professional services and construction contracts, as detailed in the attached materials, is proposed.

WHEREAS in accordance with the attached materials, the university desires to enter into/increase professional services contracts for the following projects; and

	Prof. Serv. Approval Requested	Total Requested	
WMC Loading Dock Expansion and Renovation	$0.5M	$0.5M	Auxiliary funds

WHEREAS in accordance with the attached materials, the university desires to enter into/increase professional services contracts and enter into/increase construction contracts for the following projects; and

	Prof. Serv. Approval Requested	Construction Approval Requested	Total Requested	
Controlled Environment Food Production Research Complex	$1.4M	$30.8M	$32.2M	Fundraising University debt University funds
Lincoln Tower Office Renovations (increase)	$0.2M	$1.8M	$2.0M	Auxiliary funds
Wexner Medical Center Inpatient Hospital	$21.4M	$7.8M	$29.2M	Auxiliary funds
WMC West Campus Ambulatory Facilities	$2.5M	$17.7M	$20.2M	Auxiliary funds

APPROVAL TO ENTER INTO PROFESSIONAL SERVICES AND ENTER INTO/INCREASE CONSTRUCTION CONTRACTS (CONT)

WHEREAS the Capital Investment Plan (CIP) outlines capital projects recommended for funding and was approved by the University Board of Trustees on August 30, 2019; and

WHEREAS approval for professional services and construction for the Wexner Medical Center Inpatient Hospital is needed to advance the design and to enable construction coordination; and

WHEREAS the full cost of professional services and enabling construction for the Wexner Medical Center Inpatient Hospital was not known at the time the CIP was approved; and

WHEREAS the Master Planning and Facilities Committee has reviewed the projects listed above for alignment with all applicable campus plans and guidelines; and

WHEREAS the Finance Committee has reviewed the projects listed above for alignment with the Capital Investment Plan and other applicable financial plans:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves that the fiscal year 2020 Capital Investment Plan be amended to include professional services and construction for the Wexner Medical Center Inpatient Hospital in the amount of $29.2M; and

BE IT RESOLVED, That the Board of Trustees hereby approves that the President and/or Senior Vice President for Business and Finance be authorized to enter into/increase professional services and construction contracts for the projects listed above in accordance with established university and state of Ohio procedures, with all actions to be reported to the board at the appropriate time.

APPROVAL FOR ACQUISITION OF REAL PROPERTY

LOCATED AT 1619 HIGHLAND STREET, COLUMBUS, FRANKLIN COUNTY, OHIO
PARCEL 010-038978-00

Synopsis: Authorization to purchase real property located at 1619 Highland Street, Columbus, Franklin County, Ohio, is proposed.

WHEREAS the Ohio State University seeks to purchase improved real property located at 1619 Highland Street, Columbus, Ohio, identified as Franklin County parcel 010-038978-00; and

WHEREAS the property is currently zoned as a C4 commercial property and consists of a two-story multi-family apartment building; and

WHEREAS this is a strategic acquisition and supports the plan contemplated in Framework 2.0; and

WHEREAS all costs associated with the acquisition of the property will be provided by the Planning, Architecture and Real Estate’s Land Purchase Reserve Fund, and all costs associated with maintenance, repairs and any improvements will be provided by the Office of Planning, Architecture and Real Estate:

NOW THEREFORE

BE IT RESOLVED, That Board of Trustees hereby approves that the President and/or Senior Vice President for Business and Finance be authorized to take action required to effect the purchase of the referenced property in the name of the state of Ohio for the use and benefit of The Ohio State University, at a purchase price of $950,000, and upon terms and conditions deemed to be in the best interest of the university.

APPROVAL FOR ACQUISITION OF REAL PROPERTY
1619 HIGHLAND STREET
COLUMBUS, FRANKLIN COUNTY, OHIO
BACKGROUND

Background

The Ohio State University seeks to acquire from 1619 Highland, LLC, approximately 0.14 acres of improved real property to support the future development of the site contemplated in Framework 2.0. The improvements include a two-story multi-family apartment building comprised of approximately 4,155 square feet (collectively, the “Property”), and is the last parcel needed to assemble an entire block.

Location and Description

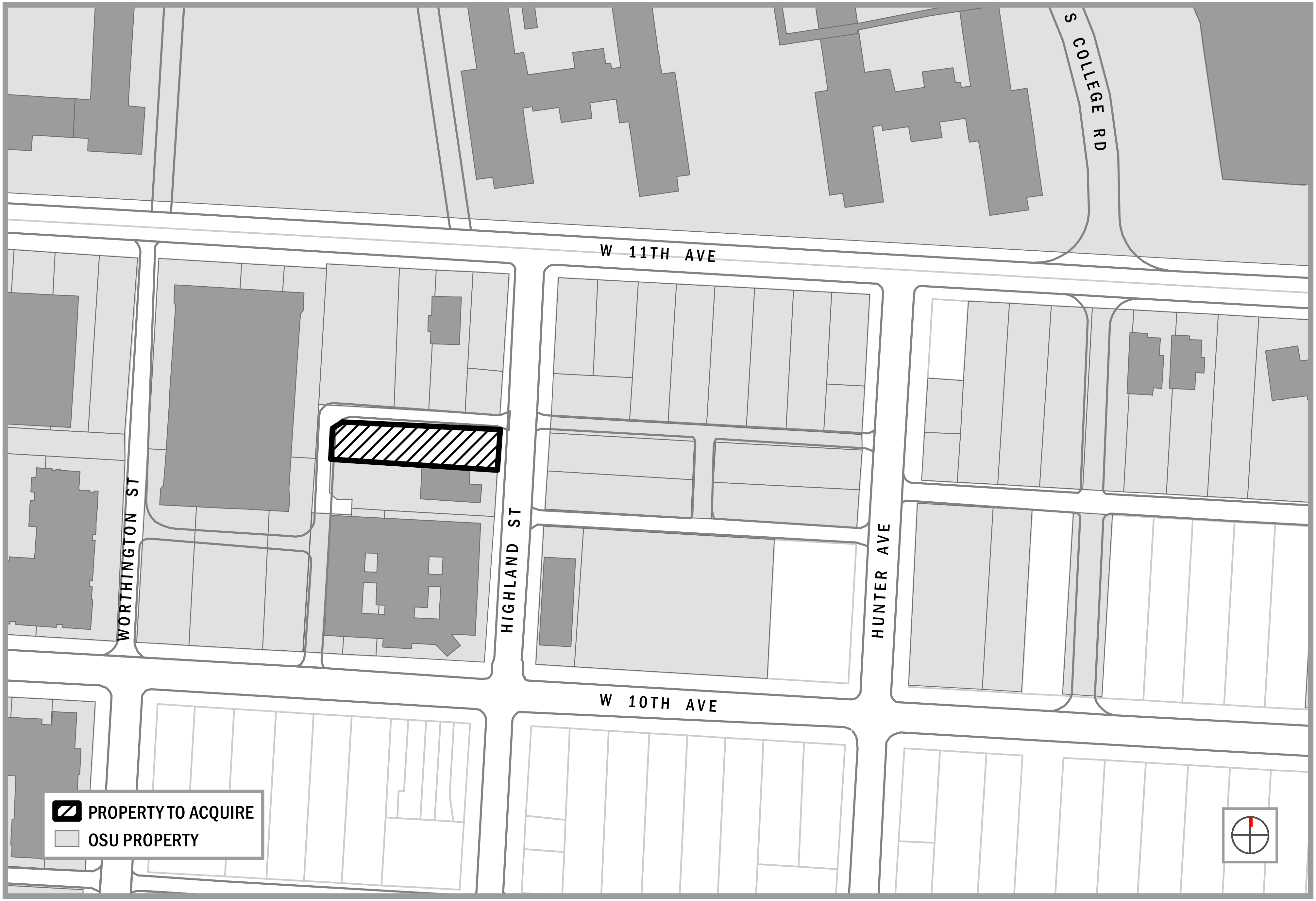
The Property is located at 1619 Highland Street. The apartment building is comprised of eight one-bedroom units, all occupied by residential tenants. The site is zoned as a C4 commercial property.

Property History

The property is titled to 1619 Highland, LLC and will be acquired in the name of the state of Ohio for the use and benefit of The Ohio State University. Acquisition will require approval of the State Controlling Board.

Acquisition of Property

Planning, Architecture and Real Estate (PARE) recommends that the 0.14± acres of improved real property be acquired for a purchase price of $950,000 and under other terms and conditions to be negotiated in the best interest of the university. The source of funding for the acquisition is PARE’s land purchase reserve fund. PARE will operate the property with the goal of replenishing the land purchase reserve prior to redevelopment.



THE OHIO STATE UNIVERSITY

PURCHASE OF REAL PROPERTY
PARCEL ID: 010-038978
1619 HIGHLAND STREET
COLUMBUS, FRANKLIN COUNTY, OHIO 43201

Prepared By: The Ohio State University
Office of Planning, Architecture, and Real Estate
Issue Date: October 2, 2019
The Ohio State University Board of Trustees

APPROVAL FOR THE ACQUISITION OF REAL PROPERTY

915 OLENTANGY RIVER ROAD
COLUMBUS, FRANKLIN COUNTY, OHIO

Synopsis: Authorization to purchase real property located at 915 Olentangy River Road, Columbus, Franklin County, Ohio, is proposed.

WHEREAS The Ohio State University ("University") seeks to purchase improved real property located at 915 Olentangy River Road, Columbus, Ohio, identified as Franklin County parcel 010-280575 ("Property"); and

WHEREAS the property is strategically located 1.6 miles from the university's main campus; and

WHEREAS the property includes a five-story 137,529+ square foot building, known as the OSU Eye and Ear Institute, which houses multi-specialty medical groups and an ambulatory outpatient surgery center; and

WHEREAS this property is highly visible, well-located and supports the Wexner Medical Center's ambulatory care strategic plan and its mission to improve health in Ohio and across the world through innovation in research, education and patient care; and

WHEREAS the university currently leases the entire property under a long-term lease, approved by the Board of Trustees in 2009 by Resolution 2009-33 ("Lease"); and

WHEREAS the lease provides the university with an option to purchase the property ("Option"); and

WHEREAS the university exercised the option to purchase the property on December 20, 2018 ("Exercise Date"); and

WHEREAS the obligation of the university to purchase the property after exercising the option is subject to and conditioned upon (a) approval of its Board of Trustees and the State of Ohio Controlling Board, and (b) the university's receipt and acceptance of two appraisals supporting the purchase price for the property prior to December 31, 2019:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves that the President and/or Senior Vice President for Business and Finance be authorized to take action required to effect the purchase of the referenced property at a price of $43,000,000, in the name of the state of Ohio for the use and benefit of The Ohio State University Wexner Medical Center and upon terms and conditions deemed to be in the best interest of the university.

APPROVAL FOR ACQUISITION OF REAL PROPERTY
915 OLENTANGY RIVER ROAD
COLUMBUS, FRANKLIN COUNTY, OHIO
BOARD BACKGROUND

Background

The Ohio State University's Wexner Medical Center (WMC) seeks to acquire approximately 7.489 acres of improved real property located at 915 Olentangy River Road (Property) from Gowdy Partners II, LLC (Owner). The Property is improved with a five-story, 137,529± square foot medical office building (MOB) with adjacent parking, which WMC operates as its OSU Eye and Ear Institute (Institute). The Property is highly visible and well located and is home to a variety of healthcare services critical to WMC to meet the objectives of its ambulatory care strategic plan and its mission to improve health in Ohio and across the world through innovation in research, education and patient care.

WMC currently occupies the entire Property pursuant to a long-term lease the OSU Board of Trustees approved at its September 19, 2008 meeting through Resolution No. 2009-33 (Lease). The Lease provides the university with an option to purchase the Property. The university exercised the option to purchase the Property on December 20, 2018.

The obligation of the university to purchase the Property after exercising the option is subject to and conditioned upon (a) approval of its Board of Trustees and the State of Ohio Controlling Board and (b) the university's receipt and acceptance to two appraisals supporting the purchase price for the Property. Satisfaction of these conditions must occur by December 31, 2019.

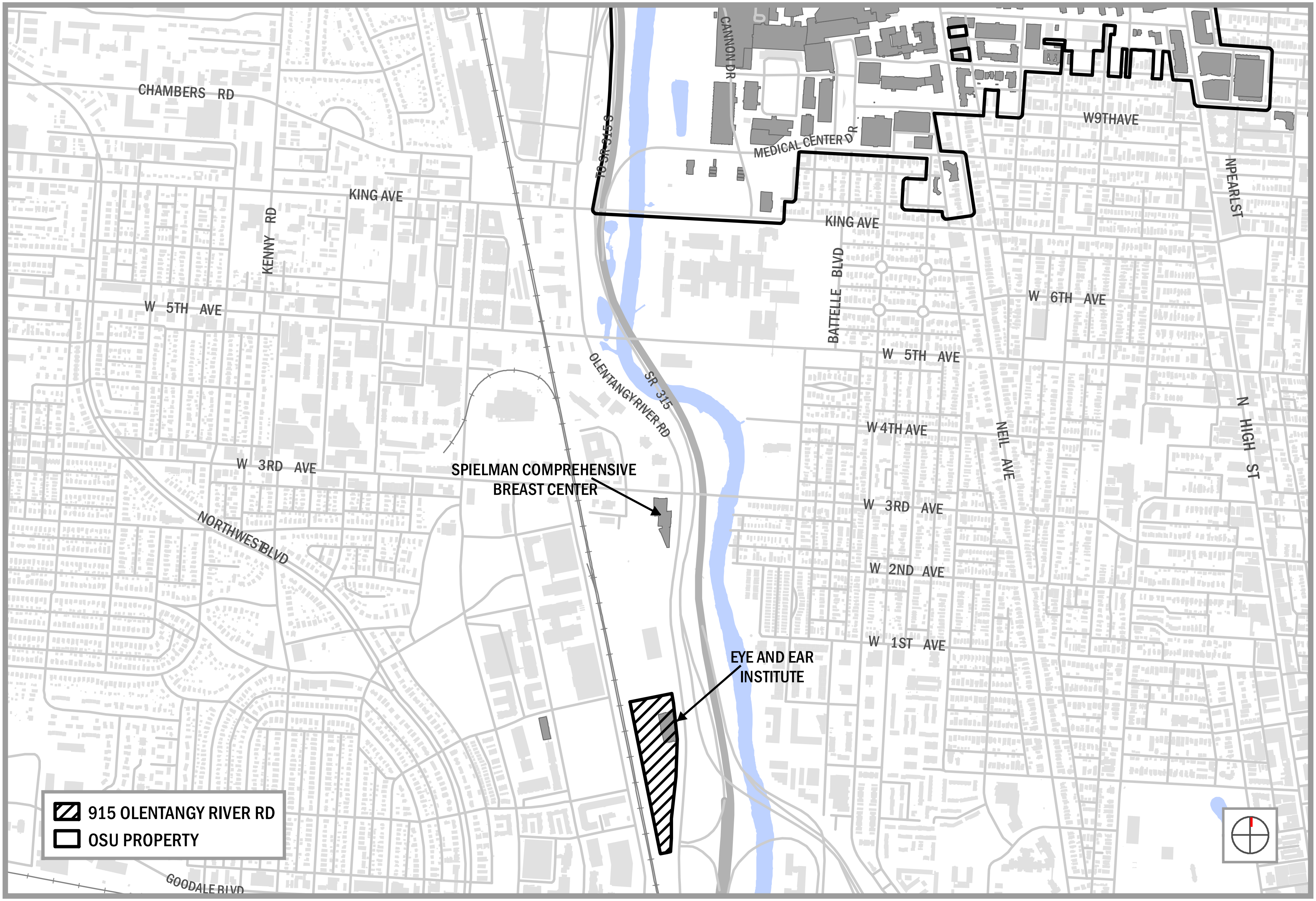
Location and Description

The parcel to be acquired, identified as county parcel 010-280575, is zoned CPD (Commercial Planned Development) and is part of a larger tract of land, commonly known as Gowdy Field. The Property is located at the southwest portion of the Gowdy Field land parcel that parallels State Route 315 and is located 1.6 miles from The Ohio State University (OSU) Columbus campus. The Institute includes multi-specialty medical groups, an ambulatory out-patient surgery center.

OSU Stefanie Spielman Comprehensive Breast Center, a four-story, 114,900 square foot, medical office building, which is fully leased by OSU, is also located at Gowdy Field.

Purchase of Property

WMC recommends that the university purchase the Property for $43,000,000 on terms and conditions set forth in the purchase option and that are in the best interest of the university. The Wexner Medical Center will provide the source of funding for the acquisition.



THE OHIO STATE UNIVERSITY

PURCHASE OF 7.849 ACRES OF REAL PROPERTY
915 OLENTANGY RIVER ROAD
PARCEL 010-280575
COLUMBUS, FRANKLIN COUNTY, OHIO 43212

Prepared By: The Ohio State University
Office of Planning, Architecture, and Real Estate
Issue Date: July 22, 2019
The Ohio State University Board of Trustees

THE OHIO STATE UNIVERSITY BOARD OF TRUSTEES
AUDIT, COMPLIANCE & FINANCE COMMITTEE

TOPIC: Fiscal Year 2020 Interim Financial Report - September 30, 2019

CONTEXT: The purpose of this report is to provide an update of financial results for the first quarter of fiscal year 2020.

REQUESTED OF THE AUDIT, COMPLIANCE & FINANCE COMMITTEE: No vote required; for information only.

FINANCIAL SUMMARY

Overall our financial position remains strong. The first quarter of fiscal year 2020, resulted in an overall change in net position of $225 million or an increase of $36 million over the first quarter of fiscal year 2019. The main drivers include:

Revenues

Student Tuition and Fees – increased $10 million, to $204 million or 5.0% over the same period of fiscal year 2019, due primarily to an increase in gross tuition of $13 million, offset by $3 million increase in scholarship allowances. The increase in gross tuition is due primarily to increases in non-resident surcharges of $6 million, new first-year undergraduate instructional fees of $1 million, summer semester tuition of $1 million, and one additional autumn semester academic day in the current semester of $5 million. Non-resident surcharge rates and new first-year undergraduate instructional fees increased 4.8% and 3.6%, respectively. Enrollment is nearly flat compared to budget and to fiscal year 2019. The increase in scholarship allowance reflects budgeted increases in undergraduate student financial aid.

Grants and contracts – increased $9 million due primarily to an increase of $4 million in federal grants and contracts and $8 million in private grants and contracts due to an increase in awarded dollars, which are up 31% overall compared to this time last year, including a 26.7% increase in federal awarded dollars and a 60.2% increase in non-federal. It is likely that some of the differences by sponsors are growth and some are due to timing, which can loom large this early in the fiscal year.

Sales and services of auxiliary enterprises – decreased $9 million, to $73 million, primarily due to the Texas Christian University (TCU) away football game guarantee revenue in fiscal year 2019 and two large Stadium shows held in July and August of 2018.

Sales and services of the OSU Health System and OSU Physicians, Inc - increased $70 million, or 7.4%, to $1,025 million. The Health System accounted for $55 million of the increase. Total outpatient visits and surgeries were 13.7% and 8.9% above prior year, respectively.

State Capital Appropriations - increased $12 million primarily due to increases in capital expenditures for Koffolt/Fontana lab renovation.

Expenses

University - expenses of $708 million for the first three months of fiscal year 2020 increased $29 million, or 4.2%, compared to the same period of fiscal year 2019 primarily due to salary increases of $20 million, depreciation increase of $4 million, and supplies and services increase of $2 million.

OSU Health System and OSU Physicians - expenses of $889 million increased $65 million, or 7.9%, primarily due to increases in operating expenses driven by activity and rate growth as well as higher cost of drugs.

Cash and Investments
Total university cash and investments increased $269 million, to $9,697 million at September 30, 2019 compared to the same period of last year. Total cash and temporary investments increased $142 million for the first three months of fiscal year 2020 primarily due to receipt of student tuition and fees for Autumn semester. Gifted endowment and long-term investments increased $172 million primarily due to an increase in market value, income earned, new endowed gifts, and other transfers.

Long Term Investment Pool
For the three months ended September 30, 2019, the fair value of the university's Long-Term Investment Pool increased $68.2 million to $5,320 million.

Net principal additions include new endowment gifts ($17.4 million), reinvestment of unused endowment distributions ($0.8 million), and other net transfers of University monies ($28.1 million). Change in market value includes realized gains (losses) on the sale of investment assets and unrealized gains (losses) associated with assets held in the pool at September 30, 2019. Income earned includes interest and dividends and is used primarily to help fund distributions. Expenses include investment management expenses ($13.0 million), University Development related expenses ($4.8 million) and other administrative related expenses ($0.2 million).

LTIP Investment Returns - For the three months ended September 30, 2019 (FYTD), the LTIP earned a net of investment fee return of 1.52% versus a Policy Benchmark of 0.71%, resulting in outperformance of 0.81%. During that period, our Global Equities returned 1.68%, followed by Global Fixed Income at 1.35% and Real Assets at 1.01%.

Temporary Investments - For the three months ended September 30, 2019 (FYTD) the Intermediate Investments earned a return of 0.87% (+$8.4 million) outperforming the BofA ML 1-3 Yr US Gov't/Credit benchmark (+0.70%) by 0.17%. Short-Term Investments earned 0.73% (+$4.4 million) outperforming the 90 Day T-Bill benchmark (+0.51%) by 0.22%.

Statement of Net Position
Other significant changes on the Consolidated Statement of Net Position include recognition of Pension and Other Post Employment benefit assets and liabilities for OPERS and STRS actuarial estimation changes and increased investments in property, plant, and equipment since September 30, 2018.

Cash Flows
Cash provided by operating activities was $82 million through the first three months of fiscal year 2020, compared with net cash provided by operating activities of $115 million for the same period in fiscal year 2019. The decrease in cash is due primarily to increased payments to vendors and employees.

Cash provided by noncapital financing activities was $188 million through the first three months of fiscal year 2020, compared with $223 million for the same period in fiscal year 2019. The decrease is primarily due to timing of state line item appropriations receipts and drawdowns of federal direct loan proceeds.

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF NET POSITION - UNAUDITED
September 30, 2019 and September 30, 2018

	As of September 2019	As of September 2018	Increase/Decrease Dollars	%
ASSETS:				
Current Assets:				
Cash and cash equivalents	$ 1,876,248	$ 1,821,437	$ 54,811	3.0%
Temporary investments	1,778,699	1,639,425	139,274	8.5%
Accounts receivable, net	835,091	741,551	93,540	12.6%
Notes receivable - current portion, net	25,317	25,317	-	0.0%
Pledges receivable - current portion, net	31,540	29,524	2,016	6.8%
Accrued interest receivable	19,114	19,522	(408)	-2.1%
Inventories and prepaid expenses	283,157	253,160	29,997	11.8%
Investments held under securities lending program	37,898	34,699	3,199	9.2%
Total Current Assets	4,887,064	4,564,635	322,429	7.1%
Noncurrent Assets:				
Restricted cash	493,671	545,369	(51,698)	-9.5%
Notes receivable, net	60,667	43,326	17,341	40.0%
Pledges receivable, net	64,151	70,901	(6,750)	-9.5%
Net other post-employment benefit asset	74,520	-	74,520	100.0%
Long-term investment pool	5,319,940	5,251,759	68,181	1.3%
Other long-term investments	228,357	169,248	59,109	34.9%
Capital assets, net	5,449,662	5,207,109	242,553	4.7%
Total Noncurrent Assets	11,690,968	11,287,712	403,256	3.6%
Total Assets	16,578,032	15,852,347	725,685	4.6%
Deferred Outflows:				
Pension	1,017,388	631,650	385,738	61.1%
Other post-employment benefits	116,173	87,904	28,269	32.2%
Other deferred outflows	21,982	19,731	2,251	11.4%
Total Assets and Deferred Outflows	$ 17,733,575	$ 16,591,632	$ 1,113,674	6.9%
LIABILITIES AND NET POSITION:				
Current Liabilities:				
Accounts payable and accrued expenses	$ 565,547	$ 589,632	$ (24,085)	-4.1%
Deposits and advance payments for goods and services	687,296	663,974	23,322	3.5%
Current portion of bonds, notes and leases payable	44,969	53,241	(8,272)	-15.5%
Long-term bonds payable, subject to remarketing	574,675	588,360	(13,685)	-2.3%
Liability under securities lending program	37,898	34,699	3,199	9.2%
Other current liabilities	96,412	87,016	9,396	10.8%
Total Current Liabilities	2,006,797	2,016,922	(10,125)	-0.5%
Noncurrent Liabilities:				
Bonds, notes and leases payable	2,559,865	2,595,817	(35,952)	-1.4%
Concessionaire payable	39,121	10,316	28,805	279.2%
Net pension liability	3,715,195	2,548,245	1,166,950	45.8%
Net other post-employment benefit liability	1,339,444	1,249,521	89,923	7.2%
Compensated absences	178,664	171,897	6,767	3.9%
Self-insurance accruals	82,293	73,903	8,390	11.4%
Amounts due to third-party payors - Health System	52,698	49,495	3,203	6.5%
Irrevocable split-interest agreements	29,292	29,582	(290)	-1.0%
Refundable advances for Federal Perkins loans	33,478	32,638	840	2.6%
Advance from concessionaire	1,019,109	1,040,895	(21,786)	-2.1%
Other noncurrent liabilities	124,242	111,687	12,555	11.2%
Total Noncurrent Liabilities	9,173,401	7,913,996	1,259,405	15.9%
Total Liabilities	11,180,198	9,930,918	1,249,280	12.6%
Deferred Inflows:				
Parking service concession arrangement	414,138	423,769	(9,631)	-2.3%
Pension	110,003	411,808	(301,805)	-73.3%
Other post-employment benefits	117,982	100,500	17,482	17.4%
Other deferred inflows	32,478	33,729	(1,251)	-3.7%
Total Deferred Inflows	674,601	969,806	(295,205)	-30.4%
Net Position:				
Net investment in capital assets	2,898,527	2,585,184	313,343	12.1%
Restricted:				
Nonexpendable	1,680,169	1,599,825	80,344	5.0%
Expendable	1,079,888	1,163,473	(83,585)	-7.2%
Unrestricted	220,192	340,433	(120,241)	-35.3%
Total Net Position	5,878,776	5,690,908	187,868	3.3%
Total Liabilities, Deferred Inflows, and Net Position	$ 17,733,575	$ 16,591,632	$ 1,141,943	6.9%

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - UNAUDITED
Comparative Year-To-Date
September 30, 2019 and September 30, 2018

	September 2019	September 2018	Increase/Decrease Dollars	Increase/Decrease %
Operating Revenues:				
Student tuition and fees, net	$ 204,153	$ 194,456	$ 9,697	5.0%
Federal grants and contracts	108,510	104,731	3,779	3.6%
State grants and contracts	18,220	18,719	(499)	-2.7%
Local grants and contracts	5,934	8,929	(2,995)	-33.5%
Private grants and contracts	88,335	80,510	7,825	9.7%
Sales and services of educational departments	44,098	43,061	1,037	2.4%
Sales and services of auxiliary enterprises	72,945	82,105	(9,160)	-11.2%
Sales and services of the OSU Health System, net	877,646	822,933	54,713	6.6%
Sales and services of OSU Physicians, Inc., net	147,807	132,131	15,676	11.9%
Other operating revenues	6,940	4,910	2,030	41.3%
Total Operating Revenues	1,574,588	1,492,485	82,103	5.5%
Operating Expenses:				
Educational and General:				
Instruction and departmental research	209,864	204,751	5,113	2.5%
Separately budgeted research	134,009	127,537	6,472	5.1%
Public service	47,761	46,553	1,208	2.6%
Academic support	61,289	53,193	8,096	15.2%
Student services	22,573	23,207	(634)	-2.7%
Institutional support	72,802	69,801	3,001	4.3%
Operation and maintenance of plant	31,740	32,138	(398)	-1.2%
Scholarships and fellowships	23,418	22,229	1,189	5.3%
Auxiliary enterprises	85,561	88,972	(3,411)	-3.8%
OSU Health System	748,829	697,836	50,993	7.3%
OSU Physicians, Inc.	139,693	125,381	14,312	11.4%
Depreciation	105,004	100,455	4,549	4.5%
Total Operating Expenses	1,682,543	1,592,053	90,490	5.7%
Operating Loss	(107,955)	(99,568)	(8,387)	8.4%
Non-operating Revenues (Expenses):				
State share of instruction and line-item appropriations	120,042	117,872	2,170	1.8%
Federal subsidies for Build America Bonds interest	2,830	2,830	-	0.0%
Federal non-exchange grants	33,703	34,252	(549)	-1.6%
State non-exchange grants	1,271	1,031	240	23.3%
Gifts	46,208	45,030	1,178	2.6%
Net investment income (loss)	111,224	92,558	18,666	20.2%
Interest expense on plant debt	(29,542)	(29,997)	455	-1.5%
Other non-operating revenues(expenses)	5,716	2,325	3,391	145.8%
Net Non-operating Revenue (Expense)	291,452	265,901	25,551	9.6%
Income (Loss) before Other Revenues, Expenses, Gains or Losses	183,497	166,333	17,164	10.3%
Changes in Net Position				
State capital appropriations	21,707	11,627	10,080	86.7%
Private capital gifts	2,593	2,853	(260)	-9.1%
Additions to permanent endowments	17,388	7,835	9,553	121.9%
Total Changes in Net Position	41,688	22,315	19,373	86.8%
Increase (Decrease) in Net Position	225,185	188,648	$ 36,537	19.4%
Net Position - Beginning of Year				
Beginning of year	5,653,592	5,502,260		
Net Position - End of Period	$ 5,878,777	$ 5,690,908		

STATEMENTS OF CASH FLOWS - UNAUDITED
Years Ended September 30, 2019 and September 30, 2018
(in thousands)

	September 2019	September 2018	Incr/(Decr) to Cash Dollars	%
Cash Flows from Operating Activities:				
Tuition and fee receipts	$ 329,635	$ 325,751	$ 3,884	1.2%
Grant and contract receipts	177,426	160,212	17,214	10.7%
Receipts for sales and services	1,194,796	1,133,498	61,298	5.4%
Payments to or on behalf of employees	(797,458)	(740,052)	(57,406)	7.8%
University employee benefit payments	(219,373)	(195,533)	(23,840)	12.2%
Payments to vendors for supplies and services	(594,720)	(550,628)	(44,092)	8.0%
Payments to students and fellows	(21,297)	(20,148)	(1,149)	5.7%
Student loans issued	(1,000)	(2,297)	1,297	-56.5%
Student loans collected	2,016	3,090	(1,074)	-34.8%
Student loan interest and fees collected	513	472	41	8.7%
Other receipts, net	11,405	712	10,693	1501.8%
Net cash provided (used) by operating activities	81,943	115,077	(33,134)	-28.8%
Cash Flows from Noncapital Financing Activities:				
State share of instruction and line-item appropriations	97,567	117,872	(20,305)	-17.2%
Non-exchange grant receipts	34,974	35,283	(309)	-0.9%
Gift receipts for current use	46,208	45,030	1,178	2.6%
Additions to permanent endowments	17,388	7,835	9,553	121.9%
Drawdowns of federal direct loan proceeds	138,000	167,800	(29,800)	-17.8%
Disbursements of federal direct loans to students	(148,224)	(152,362)	4,138	-2.7%
Repayment of loans from related organization	1,149	190	959	504.7%
Amounts paid to annuitants and life beneficiaries	(434)	(433)	(1)	0.2%
Agency funds receipts	7,018	6,882	136	2.0%
Agency funds disbursements	(5,564)	(5,385)	(179)	3.3%
Net cash provided (used) by noncapital financing activities	188,082	222,712	(34,630)	-15.5%
Cash Flows from Capital Financing Activities:				
State capital appropriations	21,294	12,500	8,794	70.4%
Gift receipts for capital projects	2,593	2,853	(260)	-9.1%
Payments for purchase or construction of capital assets	(144,677)	(128,225)	(16,452)	12.8%
Principal payments on capital debt and leases	(454)	(478)	24	-5.0%
Interest payments on capital debt and leases	(2,156)	(2,072)	(84)	4.1%
Net cash provided (used) by capital financing activities	(123,400)	(115,422)	(7,978)	6.9%
Cash Flows from Investing Activities:				
Net (purchases) sales of temporary investments	(24,179)	(23,754)	(425)	1.8%
Proceeds from sales and maturities of long-term investments	1,084,405	986,963	97,442	9.9%
Investment income	60,405	39,884	20,521	51.5%
Purchases of long-term investments	(1,098,470)	(973,931)	(124,539)	12.8%
Net cash provided (used) by investing activities	22,161	29,162	(7,001)	-24.0%
Net Increase (Decrease) in Cash	168,786	251,529	$ (82,743)	-32.9%
Cash and Cash Equivalents - Beginning of Year	2,201,133	2,113,482		
Cash and Cash Equivalents - End of Period	$ 2,369,919	$ 2,365,011		

THE OHIO STATE UNIVERSITY

Efficiency and New Resources Scorecard

Board of Trustees Audit, Compliance & Finance Committee | November 21, 2019

Highlights: Operational Excellence

Efficiency program	FY20 Target	FY20 YTD	Progress to goal	Status
University	$45M	$12.4M	28%	
Wexner Medical Center	$42M	$14.5M	34%	
Capital efficiencies*	$11M	$5.2M	47%	

* Additional project underway to establish building comps benchmarks.

NEW INITIATIVES FUNDED

- More than $150 million has been committed through fiscal 2020 to fund four major initiatives

Strategic initiative	Description	Funding source
President's Affordability Grants	Aid for 15,000+ low- and moderate-income Ohioans per year	Administrative efficiencies
Buckeye Opportunity Program	Aid package covers tuition for Ohio students who qualify for Pell grants	Innovative funding
Digital Flagship	24,000 students receive iPad learning technology suite through FY20	Administrative efficiencies
University Institute for Teaching and Learning	Teaching excellence program available to faculty	Innovative funding

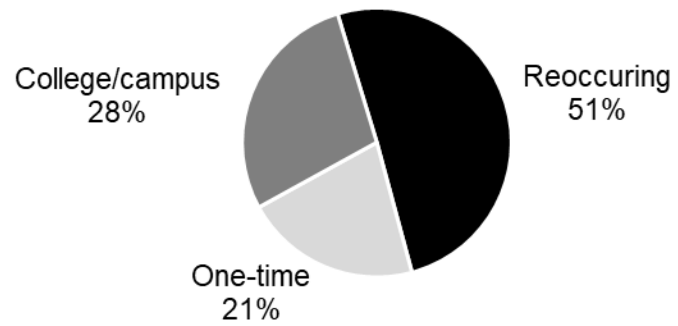
The Ohio State University

Operational efficiency scorecard

The university set a 5-year, $200 million goal for non-WMC efficiencies

FY20 goal	$200M		
Progress to date	**Total**	**% of goal**	**Status**
Through FY18	$114.2M	57%	
Through FY19	$167.8M	84%	
Projected through FY20	$217.7M	109%	

Savings through FY20 (Sep 2019)



OTHER EFFICIENCY HIGHLIGHTS

The university's 2020 goals focused on savings that could be redeployed to student financial aid and other strategic initiatives. Other initiatives reduce the cost of capital projects and operating costs at colleges and the Wexner Medical Center.

	Progress through FY20	**Status**	**Notes**
Strategic procurement	$403.8M compared with FY12		Savings largely benefit colleges and units through discounted rates on goods and services
Wexner Medical Center	$546.4M since FY15		Margin improvement has increased days cash on hand metric from 81 days to 168.2 days
C[illegible]l projects	$93.1M In FY18 thru FY20 YTD		Costs avoided by improving project accounting, capturing bid favorability, budget reductions

New resource scorecard

The university set a 5-year, $200 million goal for innovative funding

FY20 goal	$200M	
Major projects	**Upfront total**	**Annual funding through FY20**
NIKE extension	$22.5M	$6.4M
Comprehensive Energy Management	$1.07B	$99.1M
Coca-Cola extension	$6M	$550,000
Total	**$1.1B**	**$106.1M**

OTHER NEW RESOURCE HIGHLIGHTS

The university continues to benefit from innovative funding work that pre-dated the 2020 goal. Examples include:

Project	New resource metric	Notes
Parking	$176.4M distributed FY13-FY20	Supports 200+ scholarships per year, 137 Discovery Themes faculty hires, Arts District and more
Affinity relationships	160+ internships per year	Relationships with Nationwide, Huntington and other partners support the campus in various ways

AUDIT AND COMPLIANCE COMMITTEE	2015-16	2016-17	2017-18	2018-19	Current Status
A. Strategic Risk Mitigation Effectiveness					
1. Education (risks related to decrease in academic standing; harm in ability to attract faculty/students)	↔	↑	↔	↔	↔
2. Scholarship (challenges to ability to perform significant academic or scientific research)	↓	↑	↔	↔	↓
3. Information Technology (inability to store, develop, transmit, or protect data)	↔	↔	↑	↔	↔
4. Student Life (inability to maintain an environment conducive to student life)	↔	↔	↔	↔	↔
5. Athletics (risk of disruption to Athletics operations, including significant NCAA violation)	↔	↔	↑	↔	↔
6. Medical (significant reduction in performance of the health system and related colleges)	↑	↔	↑	↔	↔
7. Financial (inability to reach capital, revenue, or cost containment objectives)	↔	↔	↔	↔	↔
8. Physical Environment (loss of infrastructure; major event impacting ongoing operations, including campus safety)	↔	↔	↑	↑	↑
9. Government, Community and Affiliates (failure to monitor and develop government, community, or affiliate relationships)	↓	↑	↓	↔	↔
10. Talent and Culture (failure to attract, develop, or retain talent)	↔	↔	↔	↔	↔
11. Advancement (events impacting Ohio State brand, alumni relationships, or advancement objectives)	↓	↔	↑	↓	↔
12. Compliance (failure to meet regulatory, legal, or policy requirements not captured in above categories)	↔	↑	↑	↔	↓

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
B. Public Records[1]						
1. Number of records requests closed (3-year average: 1,081)	769	842	964	890	1394	243
2. Average days to fill all records requests	21	15	16.0	20.7	31.5	13.2
C. Internal Investigations (rated 4 or 5)						
1. Number of investigations opened in the fiscal year	20	17	17	26	10	3
2. Number of investigations closed in the fiscal year	16	19	15	21	13	3
3. Percent of closed investigations with findings	31%	52%	27%	21%	21%	0%
D. Regulatory Actions[2] (rated 4 or 5)						
1. Number of current regulatory actions	7	10	12	11	14	26
E. Internal Audit						
1. Number of audits cleared at second follow-up during the fiscal year		10	10	10	9	4
2. Number of audits open after second follow-up or cleared at third follow-up or later during the fiscal year		2	4	9	12	5

COMMENTS & FOOTNOTES

[1]Processed by Public Records Office only

[2]Includes audits, fines, probations, sanctions, warnings, or other similar actions

Mitigation Effectiveness Rating
- Meets or Exceeds Goal
- Caution
- Below Goal - Action Needed

Trend
- ↑ Environment/Performance Improving
- ↔ No Significant Change/On Track
- ↓ Environment/Performance Worsening

THE OHIO STATE UNIVERSITY

Compliance and Integrity Report

Board of Trustees
Audit, Compliance, and Finance Committee

Office of Legal Affairs
and
Office of University Compliance and Integrity

November 21, 2019

THE OHIO STATE UNIVERSITY

Executive Summary

Committee Action: *For information and discussion. No vote is required.*

1. **Shared Values Initiative**
   - Overview of university-wide initiative to strengthen integrity culture for faculty, staff, and students
   - Description of key next steps and future plans

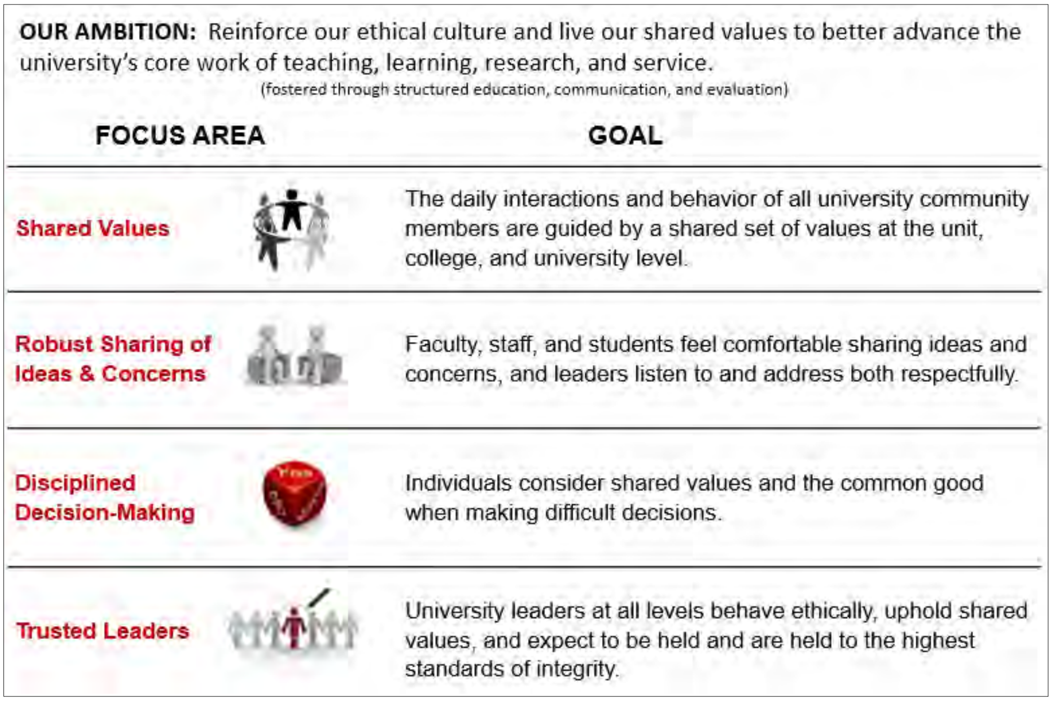
2. **Clery Act Compliance**
   - The university timely completed its Annual Security Report (ASR)
   - Additional key steps have been taken to improve crime reporting

3. **Resolution Agreement with Office for Civil Rights (OCR) [Title IX]**
   - The university has made no submission to OCR since the last Board meeting.
   - Informed the Office for Civil Rights on July 24, 2019 of developments with the Office of Institutional Equity; no additional information has been requested.

COMPLIANCE AND INTEGRITY PROGRAM

1. SHARED VALUES INITIATIVE

As presented previously, we are engaged in a proactive university-wide initiative to reinforce our ethical culture and live our shared values to better advance the university's core work of teaching, learning, research, and service. The four key focus areas of this initiative are shared values, robust sharing of ideas and concerns, disciplined decision-making, and trusted leaders (see figure 1 below). The initiative is co-sponsored by Provost and Executive Vice President Bruce McPheron, Senior Vice President Susan Basso, and Chief Compliance Officer Gates Garrity-Rokous.



OUR AMBITION: Reinforce our ethical culture and live our shared values to better advance the university's core work of teaching, learning, research, and service.

(fostered through structured education, communication, and evaluation)

FOCUS AREA	GOAL
Shared Values	The daily interactions and behavior of all university community members are guided by a shared set of values at the unit, college, and university level.
Robust Sharing of Ideas & Concerns	Faculty, staff, and students feel comfortable sharing ideas and concerns, and leaders listen to and address both respectfully.
Disciplined Decision-Making	Individuals consider shared values and the common good when making difficult decisions.
Trusted Leaders	University leaders at all levels behave ethically, uphold shared values, and expect to be held and are held to the highest standards of integrity.

Figure 1

Survey: The initiative includes a values and ethics survey of all faculty, staff, and students on all campuses and at the Wexner Medical Center, which launched in September and closed on October 29. The survey was developed in consultation with Ethics & Compliance Initiative (ECI), an independent nonprofit organization, which conducted the survey and will enable the university to benchmark results against higher education peers and other organizations. Survey results, which will be shared in an aggregate format to protect respondents' identity, will inform the ongoing values, ethics, and leadership efforts already underway at the university and help identify which of those efforts should be elevated as best practices. The results may also suggest new areas for engagement on ethics and values.

Reporting: ECI's standard report format covers all areas of the survey. The initiative team is developing a report format for college and unit leaders that presents their area's data in a manner that best enables action on a local level.

Inventory of Best Practices and Programs: The team has been inventorying existing efforts across campus to advance a culture of integrity and ethical leadership. The goal is to identify potential best practices and programs that might be determined to correlate to strong performance of a given college or unit, which could then be recommended to other colleges or units based on findings on key survey questions. To date, the team has collected over 300 best practices from colleges and units.

Communications and Oversight: Extensive, coordinated communications are ongoing to support the initiative and maximize awareness. The effort is guided by a Steering Committee, which is ensuring progress.

Next Steps: ECI is expected to deliver initial survey data in December. We anticipate issuing a university-wide report and college/unit level summary reports during the Spring of 2020.

2. Clery Act Compliance

Applicable regulations and relevant enforcement actions

The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) is a federal statute requiring universities participating in federal financial aid programs to maintain and disclose campus crime statistics and security information. The U.S. Department of Education provides extensive guidance interpreting Clery Act requirements, which essentially fall into four categories:

- Collection and classification of crime reports and statistics from law enforcement and Campus Security Authorities (CSAs);
- Publication of an Annual Security Report (ASR), and distribution of the ASR to the campus community by October 1 each year;
- Issuance of timely crime warnings (Public Safety Notices) and emergency alerts (BuckeyeAlerts), as appropriate to inform the campus community of safety risks; and
- Maintenance of appropriate records of security events through a Daily Crime Log and a Fire Log.

Last year, fines under the Clery Act increased to $55,907 per violation, which can be assessed for each instance of a misreported crime. The Department of Education may initiate an enforcement review upon receipt of a complaint, based on media concerns, from a university's self-report, or through its routine audits. The Department's $4.5 million fine of Michigan State University, following the Nassar case, is the largest sanction to date, surpassing its $2.4 million fine of Pennsylvania State University for the Sandusky case. (Under the new fine structure, Penn State's fine would be over $5 million.)

The Department's published reports and audits provide substantial information regarding its enforcement priorities. Recent notable findings include sanctions on universities for failing to properly identify non-campus property (i.e., university-controlled locations off campus), and for failure to request crime statistics from external law enforcement agencies. The Department has also issued significant recent fines for a university's failure to consider a crime for a possible Timely Warning, failure to issue a Timely Warning in accordance with regulations, and failure to follow its stated policy regarding such consideration and issuance. Additionally, there has been scrutiny surrounding identification and training of CSAs, and the mechanisms for them to report.

The university has made substantial improvements in training CSAs on their reporting obligations. In 2019, the university created a new CSA training video, which was sent to approximately 7,500 university students and employees identified as CSAs, and 1,000 third party affiliates who provide security services on campus. This step, combined with a higher level of scrutiny at the position level through the partnership with OHR, continue to improve the rigor of our CSA reporting controls.

The university released its **Annual Security Report** on October 1, 2019. The Report is available on the university's Public Safety website. This year the university consolidated the Annual Security Reports from all six of Ohio State's campuses into a single document. The Columbus Campus data appears in **Appendix A** below.

3. Resolution Agreement with Office for Civil Rights (OCR) [Title IX]

All requirements of the Resolution Agreement have been met, and OCR confirmed orally that Ohio State has no outstanding items under our Resolution Agreement; the university awaits final written confirmation.

Activity	Steps	Status				
		2014-15	2015-16	2016-17	2017-18	
Title IX Coordinator	✓ Published detailed statement outlining the roles and responsibilities of Ohio State's Title IX Coordinator (11/15/14)	Complete	Complete	Complete	Complete	• All requirements met.
Document Maintenance	✓ Created a coordinated document management process for all Title IX complaints (12/15/14)	Complete	Complete	Complete	Complete	• All requirements met.
Policies	✓ Revised Notice of Nondiscrimination and post online as appropriate (10/15/14) ✓ Revised "Reporting Sexual Assault" link on Campus Police website (10/15/14) ✓ Reviewed and revised all sexual harassment policies for consistency (10/15/14) ✓ Sexual Misconduct policy taken from interim to final status (effective 8/23/16 per President's Cabinet). Revised the Code of Student Conduct consistent with the revised Sexual Misconduct policy, BOT approved 4/8/16 ✓ Submitted evidence of policy communications in nineteenth progress report (10/15/16) ✓ Submitted annual information on complaints during academic year to OCR (6/10/16) ✓ Submitted annual information on complaints during academic year to OCR (6/15/17)	Complete	Complete	On Track	On Track	• Submitted revised Code of Student Conduct and final Sexual Misconduct policy to OCR in 8/5/16 status report. Submitted proof of how updated policy was communicated to Ohio State community in 10/15/16 status report. • Submitted information on AY 2015-2016 complaints to OCR in 6/10/16 status report; appropriately implemented per OCR 12/19/18. • Submitted information on AY 2016-2017 complaints to OCR in 6/15/17 status report; **awaiting OCR feedback.**
Training	✓ Reviewed Student Wellness Center programming to ensure consistency with Resolution Agreement standards (12/15/14) ✓ Developed Title IX Coordinator and investigator training (12/15/14) ✓ Identified Title IX training module for employees (12/15/14) ✓ Reviewed and revised orientation program and materials for incoming students (12/15/14) ✓ Verified annual Title IX training conducted during previous calendar year (6/10/16) ✓ Provide training to specific groups identified in climate survey (annual)	Complete	Complete	Complete	Complete	• Training for 2016-17 and 2017-18 submitted and approved by OCR in 12/19/18 response. • Notified OCR of online training for AY 2018-19

Activity	Steps	Status				
		2014-15	2015-16	2016-17	2017-18	
Climate Assessment and Response	✓ Added OHR representative to Sexual Violence Consultation Team (1/15/15) ✓ Established campus working group on Title IX and climate survey (9/30/14) ✓ Reviewed last 2 years of sexual harassment complaints (12/15/14) ✓ Developed recommended actions as appropriate based on review (12/15/14) ✓ Developed and conducted annual climate survey (3/23-4/22/16) ✓ Developed and conducted annual climate survey (2/5-3/10/17) ✓ Analyze survey results to identify need for additional actions and training as appropriate (annual)	Complete	Complete	Complete	Complete	• Submitted results of AY15-16 climate survey and written recommendations based on results in 1/15/17 status report. • Developed/disseminated AY16-17 climate survey. As noted in 1/15/17 report, written recommendations submitted before January 2018. • Submitted proof of AY16-17 climate survey dissemination in 6/15/2017 status report. • Results of the AY16-17 climate survey and recommendations sent to OCR in 1/31/18 status report.
Student-Focused Remedies	✓ Reviewed last 3 years of sexual harassment complaints for prompt and equitable investigation (1/15/15) ✓ Take appropriate action to address identified problems (within 30 days of OCR approval)	Complete	Complete	N/A	N/A	• Reported findings to OCR in 2/27/15 status report and 9/15/15 addendum; submitted documentation of identified "process improvements" to address issues in the addendum in 8/5/16 status report. Approved by OCR in their response on 4/14/17.
Marching Band Investigation	✓ Developed timetable for corrective actions (11/1/14) ✓ Submit quarterly progress report to OCR (beginning 10/15/14)	Complete	Complete	Complete	On Track	• Continuing implementation. • 6/15/2017 status report included documentation addressing ongoing climate surveys with respect to the marching band; appropriately implemented to date per OCR 12/19/18

Appendix A
2019 Annual Security Report
(Crime Statistics Section only)

COLUMBUS Crime Reported	Year	Campus Crime Reported (not including residence facilities)	Campus (residence facilities only)	CAMPUS TOTAL	Noncampus [e,f]	Public Property [e,g]
ARRESTS						
Alcohol Law Violations	2018	57	6	63	1	3
	2017	113	17	130	2	7
	2016	84	19	103	1	17
Drug Law Violations	2018	35	3	38	18	1
	2017	36	5	41	9	1
	2016	27	4	31	5	7
Weapons Law Violations	2018	4	0	4	1	0
	2017	7	1	8	2	0
	2016	4	0	4	0	0
DISCIPLINARY REFERRALS						
Alcohol Law Violations	2018	52	1,294	1,346	9	1
	2017	23	1,821	1,844	20	1
	2016	41	1,890	1,931	1	2
Drug Law Violations	2018	58	286	344	8	0
	2017	88	225	313	7	0
	2016	45	214	259	1	0
Weapons Law Violations	2018	1	10	11	0	0
	2017	0	0	0	0	0
	2016	0	0	0	0	0
CRIME STATISTICS						
Aggravated Assault	2018	4	4	8	4	0
	2017	2	6	8	13	0
	2016	15	2	17	1	5
Arson	2018	2	4	6	0	0
	2017	1	2	3	1	0
	2016	1	1	2	0	0
Burglary	2018	48	47	95	16	0
	2017	14	35	49	14	0
	2016	13	6	19	3	0
Manslaughter by Negligence	2018	0	0	0	0	0
	2017	0	0	0	0	0
	2016	0	0	0	0	0
Murder and Non-Negligent Manslaughter	2018	0	0	0	0	0
	2017	0	0	0	0	0
	2016	0	0	0	0	0
Motor Vehicle Theft	2018	11	0	11	2	0

COLUMBUS Crime Reported	Year	Campus Crime Reported (not including residence facilities)	Campus (residence facilities only)	CAMPUS TOTAL	Noncampus [e,f]	Public Property [e,g]
	2017	5	1	6	12	0
	2016	12	0	12	5	3
Robbery	2018	3	1	4	1	1
	2017	5	2	7	4	0
	2016	7	0	7	2	5
Rape	2018	13	80	93	18	0
	2018 Strauss [a,b,c]	30	0	30	0	0
	2018 Total	43	80	123	18	0
	2017 [d]	15	57	72	15	0
	2016	10	46	56	5	0
Fondling	2018	26	22	48	2	5
	2018 Strauss [a,b,c]	992	0	992	0	0
	2018 Total	1,018	22	1,040	2	5
	2017	14	16	30	14	1
	2016	14	8	22	2	0
Incest	2018	0	0	0	0	0
	2017	0	0	0	0	0
	2016	0	0	0	0	0
Statutory Rape	2018	0	0	0	0	0
	2017	0	0	0	0	0
	2016	0	0	0	0	0
Domestic Violence	2018	24	4	28	9	0
	2017	19	2	21	5	0
	2016	7	3	10	2	0
Dating Violence	2018	9	26	35	1	0
	2017	9	35	44	4	3
	2016	6	11	17	3	0
Stalking	2018	31	26	57	2	0
	2017	37	21	58	1	0
	2016	39	9	48	1	0

Notes

To the extent any of the crime statistics differ from previous reports, the figures in this year's report reflect the most current data provided to the university.

Statistics include reports that have been made to campus security authorities other than the University Police or municipal or county law enforcement agencies, including but not limited to Student Conduct and University Housing. Although these reports are not always reported to or independently investigated and verified by university, municipal, or county law enforcement agencies as having occurred, lack of verification does not necessarily reflect on the report's veracity.

Reported crimes may involve individuals not associated with The Ohio State University.

The Annual Security Report and the Annual Fire Safety Report comply with the Jeanne Clery Disclosure of Campus Security Policy and Crime Statistics Act, and, in accordance with federal law, counts incidents in the year that they were reported rather than the year in which they occurred.

As such, any reports made in 2018 of acts committed by Richard Strauss in the specified locations during his 20-year employment as a physician at Ohio State, from 1978 to 1998, are included in the statistics. Strauss' abuse was the subject of a year-long, independent investigation by law firm Perkins Coie, which was commissioned by the university. The findings were released publicly in May 2019. Additionally:

- Per federal law, statistics reflect total incidents reported rather than total number of victims. One individual could report multiple crimes or multiple occurrences of a single crime, for example, and all of those reports would be counted. As evident in the findings of Perkins Coie's Strauss investigation, several survivors reported recurring abuse.
- To help ensure an accurate accounting for Strauss' abuse, all reports of incidents have been included. In some instances, former student-athletes indicated that, along with themselves, their teammates had been abused by Strauss decades ago. If no further details were available, a determination was made based on the characterization of the reporting party.

These determinations were made by Perkins Coie using Clery Act definitions, based on reports received during its independent investigation and from guidance sought by the university from the U.S. Department of Education. Perkins Coie provided the majority of Strauss-related data for Ohio State's 2018 security report.

b. During the course of the independent investigation, the university learned that 1 fondling was reported to the university previously, in 1995, and 3 incidents of fondling were reported to the university previously, in 1996. Because we are unable to find evidence that these reports appeared in the statistics in the Annual Security Report in the year originally reported, we are disclosing them in the university's 2018 statistics in the interest of transparency.

c. The figures in this year's report reflect the most current data provided to the university. It is possible that the university may learn new information through various means, including but not limited to additional reports or litigation that could cause these figures to increase, decrease, or be reclassified in accordance with federal law. Should such modifications occur, the university will publish updated statistics to keep the campus community informed.

d One incident of rape that was received in 2017 is represented in the 2017 statistics. The survivor later supplemented their initial 2017 report with additional information in May 2019, linking the incident for the first time to the Strauss matter.

e. "Public Property" statistics include but are not limited to police reports taken from suburban municipalities, county law enforcement, and Columbus Division of Police. Every effort has been made to comply with the definitions contained in the "Handbook for Campus Safety and Security Reporting," but public property statistics provided by outside agencies are not verified independently by the university and may include reports of crimes that occurred in private residences or businesses or in other noncampus locations.

f. Noncampus statistics include but are not limited to police reports taken from suburban municipalities, county law enforcement, and Columbus Division of Police. Every effort has been made to comply with the definitions contained in the "Handbook for Campus Safety and Security Reporting," but noncampus statistics provided by outside agencies are not independently verified by the university and may include reports of crimes that occurred in private residences or businesses or in other noncampus locations. Noncampus statistics may include statistics from foreign law enforcement agencies for properties used during study abroad trips or other foreign activities involving students or for Ohio State's county extension offices. Statistics reported by foreign law enforcement agencies are not independently verified by the university.

g. Municipal and county law enforcement agencies provide statistics according to F.B.I. Uniform Crime Reporting (U.C.R.) requirements. Requested statistics that were not provided in a useable format have not been included.

h. A hate crime is a criminal offense that manifests evidence that the victim was intentionally selected because of the victim's actual or perceived race, religion, sexual orientation, gender, gender identity, ethnicity, national origin, or disability. Reportable hate crimes include the offenses of Murder and Non-negligent Manslaughter, Manslaughter by Negligence, Sexual Assault (Rape, Fondling, Incest, Statutory Rape), Robbery, Aggravated Assault, Burglary, Motor Vehicle Theft, Arson, Larceny-Theft, Simple Assault, Intimidation, and Destruction-Damage-Vandalism of Property.

i. "Unfounded" crimes are reported crimes investigated by law enforcement authorities and found to be false or baseless. Only sworn or commissioned law enforcement personnel may "unfound" a crime. When a crime statistic has been disclosed and is "unfounded" in a subsequent year, the crime statistics will be revised and a notation will be made to explain the revision.

Columbus Division of Police statistics are available at columbus.gov/police.

Hate Crimes [h]

2018: There were three (3) reportable hate crimes.

One (1) Campus (not including residence facility) Intimidation characterized by Sexual Orientation

One (1) Campus (not including residence facility) Intimidation characterized by Gender

One (1) Public Property Simple Assault characterized by Sexual Orientation

2017: There were ten (10) reportable hate crimes.

One (1) Campus (residence facility) Destruction/Damage/Vandalism characterized by gender
One (1) Campus (residence facility) Simple Assault characterized by gender
Two (2) Campus (not including residence facility) Destruction/Damage/Vandalism characterized by race
Three (3) Noncampus Intimidation characterized by race
One (1) Campus (residence facility) Intimidation characterized by race
One (1) Noncampus Aggravated Assault characterized by Religion
One (1) Campus (residence facility) Destruction/Damage/Vandalism characterized by religion

2016: There were thirty-two (32) reportable hate crimes.

Fourteen (14) Campus (not including residence facility) Aggravated Assaults characterized by National Origin
One (1) Public Property Aggravated Assault characterized by Race Bias
One (1) Campus (not including residence facility) Simple Assault characterized by Gender
One (1) Campus (not including residence facility) Simple Assault characterized by Race
One (1) Campus (not including residence facility) Simple assault characterized by Religion
One (1) Campus (not including residence facility) Intimidation characterized by Religion
Five (5) Campus (residence facility) Simple Assaults characterized by Gender
One (1) Campus (residence facility) Intimidation characterized by Sexual Orientation
One (1) Campus (residence facility) Larceny-Theft characterized by Religion
One (1) Campus (residence facility) Destruction/Damage/Vandalism characterized by National Origin
One (1) Campus (residence facility) Destruction/Damage/Vandalism characterized by Race
One (1) Campus (residence facility) Destruction/Damage/Vandalism characterized by Religion
Three (3) Noncampus Simple Assault characterized by Sexual Orientation

Unfounded Crimes [i]

2018: There were Five (5) unfounded crimes.
2017: There were Six (6) unfounded crimes.
2016: There were Four (4) unfounded crimes.

THE OHIO STATE UNIVERSITY

Major Project Updates

Projects Over $20M

November 2019

PROJECT STATUS REPORT
CURRENT PROJECTS OVER $20M

PROJECT	COMPLETION DATE	APPROVALS Des	APPROVALS Con	BUDGET	ON TIME	ON BUDGET
OSU East – West Wing Expansion/Renovation	**3/2020**	✓	✓	$26.0M		
Cannon Drive Relocation – Phase 1	**5/2020**	✓	✓	$52.1M		
Postle Partial Replacement	**7/2020**	✓	✓	$95.0M		
Mars G. Fontana Laboratories (BMEC)	**7/2020**	✓	✓	$59.1M		
Health Sciences Faculty Office and Optometry Clinic	**8/2020**	✓	✓	$35.9M		
Wooster – New Laboratory Building	**8/2020**	✓	✓	$33.5M		
WMC Inpatient Hospital – Central Sterile Supply	**11/2020**	✓	✓	$44.2M		
Ty Tucker Tennis Center	**12/2020**	✓	✓	$22.8M		
Newark – John & Mary Alford Ctr for Sci and Technology	**12/2020**	✓	✓	$32.0M		
WMC Inpatient Hosp Garage, Infr & Road Work	**3/2021**	✓	✓	$102.1M		
WMC Regional Ambulatory Facilities-Hamilton Rd	**5/2021**	✓	✓	$137.9M		
Controlled Env Food Production Research Complex	**7/2021**	✓		$35.0M		
Newton Hall – Renovation and Addition	**10/2021**	✓	✓	$24.5M		
Lacrosse Stadium	**11/2021**	✓		$20.0M		
Dodd – Parking Garage	**2/2022**	✓	✓	$33.3M		
Arts District	**6/2022**	✓	✓	$161.6M		
Celeste Lab Renovation	**8/2022**	✓		$29.0M		
Interdisciplinary Health Sciences Center	**7/2023**	✓	✓	$155.9M		
Instructional Science Buildings Deferred Maintenance	**TBD**	✓		$25.0M		

Key: On track   Watching closely – actions are being taken to keep on track   Not on track

POSTLE PARTIAL REPLACEMENT

Replace the southern portion of the east wing and renovate/upgrade portions of the west wing.

PROJECT FUNDING

fundraising; state appropriations; department funds; university debt

CURRENT PROJECT BUDGET

construction w/cont	$85.4M
total project	$95.0M

CONSULTANTS

architect of record	Design Group
des architect	Robert AM Stern Arch
CM at Risk	Gilbane

PROJECT SCHEDULE

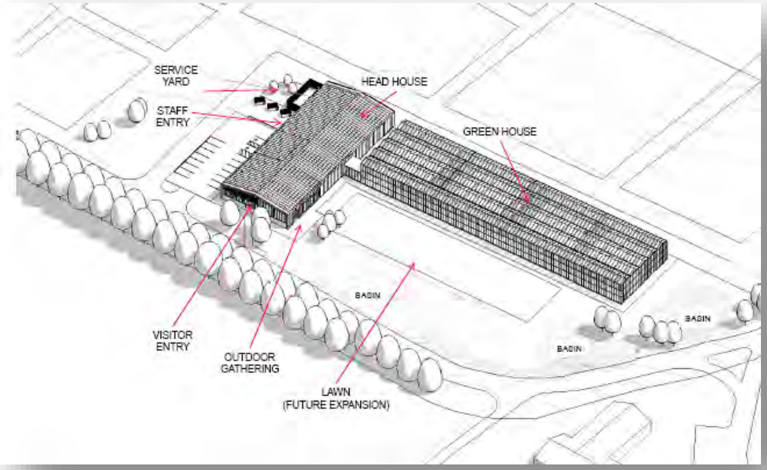
BoT approval	9/16
construction	6/18-7/20
facility opening	8/20

PROJECT UPDATE

Exterior framing has begun. The concrete slab placements continue. Plumbing and electrical work has begun.

On Time   On Budget

CONTROLLED ENVIRONMENT FOOD PRODUCTION RESEARCH COMPLEX



Construct a new facility to house research and support learning in several approaches to food (plant and fish) production; research on greenhouse engineering, pest and pathogen management, and plant breeding.

PROJECT FUNDING

fundraising

CURRENT PROJECT BUDGET	
construction w/cont	$31.8M
total project	$35.0M

CONSULTANTS	
architect of record	Erdy McHenry
CM at Risk	Corna/Kokosing

PROJECT SCHEDULE

BoT approval	6/17
construction	2/20 – 5/21
facility opening	7/21

PROJECT UPDATE

Project design continues with construction beginning in the spring.

On Time

On Budget

ARTS DISTRICT

Renovate and expand the School of Music building and construct a new Department of Theatre building.

The project will also extend Annie and John Glenn Avenue from College Road to High Street and make modifications to College Road and adjacent pedestrian spaces. The School of Music project will be available for occupancy 3/2022 and the Department of Theatre facility will open 8/2022.

PROJECT FUNDING

university funds

CURRENT PROJECT BUDGET

construction w/cont	$144.0M
total project	$161.6M

CONSULTANTS

architect of record	DLR Group
CM at Risk	Holder Construction

PROJECT SCHEDULE

BoT approval	8/15
construction	6/19-6/22
facility opening	8/22

PROJECT UPDATE

Site work is underway.

On Time

On Budget