

OHIO UNIVERSITY
(a component unit of the State of Ohio)

Financial Statements

June 30, 2002 and 2001

(With Independent Auditors' Report Thereon)



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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To the Board of Trustees of
Ohio University

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

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 30, 2002

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OHIO UNIVERSITY
(a component unit of the State of Ohio)

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OHIO UNIVERSITY

Management's Discussion and Analysis

The discussion and analysis of Ohio University's financial statements provides an overview of the University's financial activities for the year ended June 30, 2002 and June 30, 2001. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with University management.

USING THIS REPORT

In June of 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement requires a comprehensive look at the entity as a whole. In November 1999, GASB issued Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, which applies those standards to that group. Public colleges and universities no longer have a unique reporting format. The purpose of these statements is to enhance the understandability and usefulness of the general purpose external financial reports issued by public colleges and universities. The goal is to respond to the needs of the primary users of these statements, i.e., those to whom we are primarily accountable (the citizenry), those who directly represent the citizens (legislative and oversight bodies), and those who lend or who participate in the lending process (investors and creditors).

The major changes from the statements presented by the University in the past are as follows:

- Three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows.
- The Statement of Net Assets classifies assets and liabilities as current or noncurrent. Generally, current liabilities are those that will be paid within one year of the date of the Statement. Current assets are those that are available to satisfy current liabilities.
- The term "net assets" replaces "fund balance". There are three classes allowed: Unrestricted, Restricted (nonexpendable and expendable), and Invested in Capital Assets, net of related debt.
- The Statement of Revenues, Expenses and Changes in Net Assets differentiates between operating and nonoperating revenue. Charges for goods and services are recorded as operating revenues. Essentially all other types of revenue are nonoperating, or other revenue. Nonoperating revenues include State appropriations, gifts and investment income. The net income or loss from operations is presented and will typically result in a loss for State-supported public institutions since State appropriations are mandated as nonoperating revenue and play such a significant role in the funding.
- Tuition and fee revenues, and the corresponding scholarship and fellowship expenses, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the institution and the amount that is paid by students and/or third parties making payments on the student's behalf.
- Expenditures for capital assets are replaced by the recognition of depreciation expense.

This annual financial report includes the report of the independent auditors, this management's discussion and analysis, the three basic financial statements referenced above and notes to the financial statements. Though comparative data with the previous fiscal year is not required in the first year of implementation, we have gone beyond the minimum requirements and have included audited FY 2001 data in order to provide a more meaningful presentation.

FINANCIAL HIGHLIGHTS OF FY 2002

During the 2002 fiscal year, Ohio University continued to grow. The Enterprise Project, whose mission is to replace the University's legacy administrative systems with the financial and human resource systems from Oracle Corporation, went live with the human resource management and payroll system July 1, 2001. The financial modules will replace their legacy counterparts in the 2003 fiscal year. In addition, this Project is working to span the University with an electronic document management and imaging system as well as electronic, web-based time and attendance reporting.

Along with the issues of State support and endowment growth, quantitative and qualitative indicators of faculty and student body strength are predictors of the future financial health and well being of the University. Here are several measures of this strength:

Students

- 19,660 students enrolled at the Athens campus (20,265 including Continuing Education), 7,931 students enrolled at regional campuses for a total enrollment of 28,196, Fall 2001. For the Fall of 2000 the corresponding numbers were 19,327 (19,920 including Continuing Education), 8,195 students enrolled at regional campuses for a total enrollment of 28,115.
- 12,433 new first-year students applied for undergraduate admission to the Athens Campus in Fall 2001, with 9,747 admitted and 3,778 students who enrolled at the University. Corresponding numbers for Fall 2000 were 12,295 applied, 9,447 admitted and 3,661 enrolled.
- 3,935 graduate students applied in Fall 2001, with 2,317 admitted and 952 students who enrolled. 3,763 graduate students applied in Fall 2000, with 2,366 admitted and 981 students who enrolled.
- The first-year student retention rate for the Athens campus in FY 2002 was 85%. It was the same for the previous fiscal year.
- In Fall 2001, 70% of undergraduates enrolled at the Athens campus graduate within 6 years (the 2nd highest graduation rate in the State of Ohio), with an additional 22% of students who transferred to another institution. In Fall 2000, the corresponding numbers were 69% of undergraduates (which was the 2nd highest graduation rate) with an additional 21% of students who transferred to another institution.
- There were 293 undergraduate majors from which to choose in Fall 2001 and in Fall 2000.
- In Fall 2001 and Fall 2000, the mean ACT score of first-year undergraduate students was 24, which was higher than both the national and state averages; 18% of the first-year undergraduate students ranked in the top 10% of their high school class.

Faculty & Staff

- In FY 2002, Ohio University had 1,038 full-time faculty and 704 part-time faculty. The corresponding FY 2001 numbers were 1,047 full-time faculty and 661 part-time faculty.
- The student to faculty ratio at the Athens campus in Fall 2001 and Fall 2000 was 20:1.

CURRENT YEAR RESULTS

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about a University's finances is whether the University is better off as a result of the year's activities. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information on the University as a whole and on its activities in a way that helps answer this question. Over time, increases or decreases in the University's net assets are one indicator of whether its financial health is improving or deteriorating. Numerous other nonfinancial factors, such as the trend and quality of applicants, freshman class size and composition, student retention and graduation rates, strength of the faculty, condition of the campus infrastructure and the safety of the campus, must be considered when assessing the overall health of the University.

Included in the University's financial statements is The Ohio University Osteopathic Medical Center, Inc. (MCI), discretely presented as a component unit. While information related to MCI is incorporated in these statements, the information included in this discussion and analysis centers around the primary institution. Readers of these financial statements are also referred to financial statements separately issued for MCI for further information related to that entity.

Points of interest relative to the Statement of Net Assets are as follows:

- Restricted Cash and Cash Equivalents represents funds held by bond trustees.
- The decrease to Endowment Investments of 7.2% is reflective of market performance.
- Capital Assets are presented for the first time under our new reporting standards, net of their accumulated depreciation of \$319,363,171 for FY 2002, \$311,837,765 for FY 2001.
- Refundable Advances for Federal Student Loans are new to the statement of net asset presentation. They represent the Federal capital contribution (FCC) to Federal student loan programs, presented as a potential long-term liability.
- Our overall net asset position increased by 7.1%. All of the growth was attributable to the net asset category Invested in Capital Assets, Net of Related Debt.

Endowment

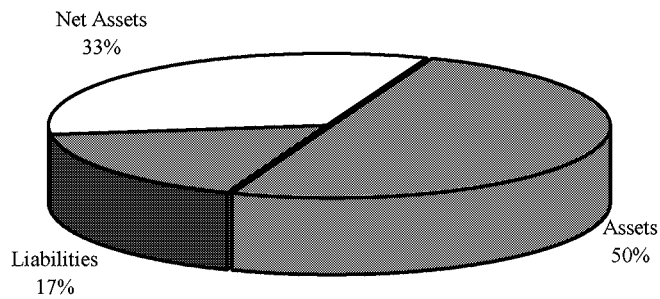
The University's endowment decreased by \$8.6 million, from \$45.5 million at June 30, 2001 to \$36.9 million at June 30, 2002. The endowment, which is heavily weighted (72%) in U.S. equities, earned a return on investments of -14.5%, compared with a return of -13.5% for the Standard & Poor's stock index.

Net Assets

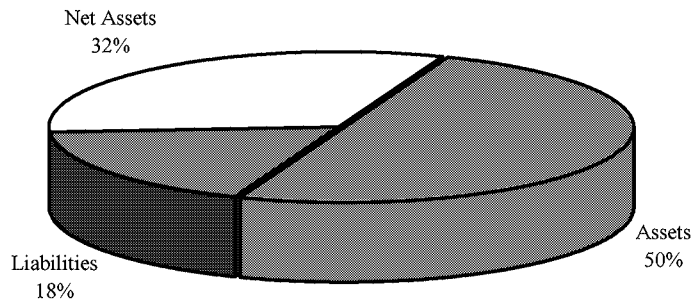
The following chart graphically depicts the breakdown of Assets, Liabilities and Net Assets for Ohio University for the years ended June 30, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Assets:	\$	
Capital assets, net	411,925,152	364,112,307
Other assets	199,123,491	222,137,464
	<u>\$ 611,048,643</u>	<u>586,249,771</u>
Liabilities:		
Current liabilities	\$ 75,178,808	72,978,544
Non-current liabilities	135,966,142	139,826,356
	<u>\$ 211,144,950</u>	<u>212,804,900</u>
Net assets	<u>\$ 399,903,693</u>	<u>373,444,871</u>

Fiscal Year 2002



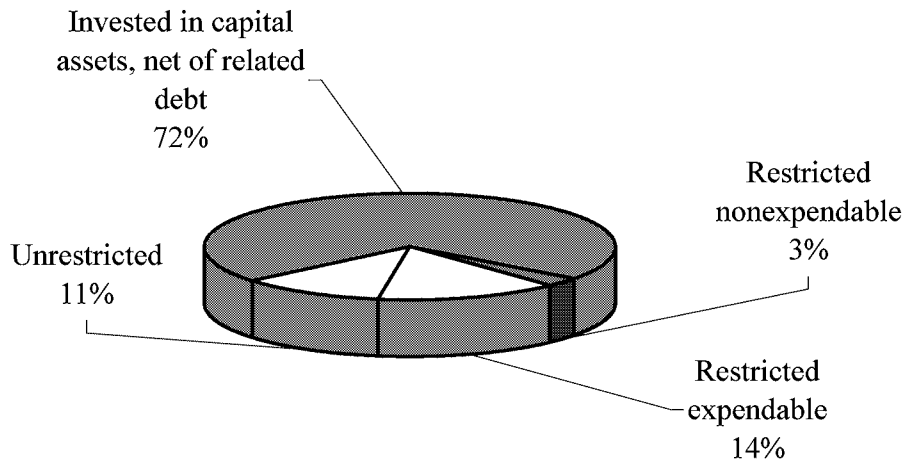
Fiscal Year 2001



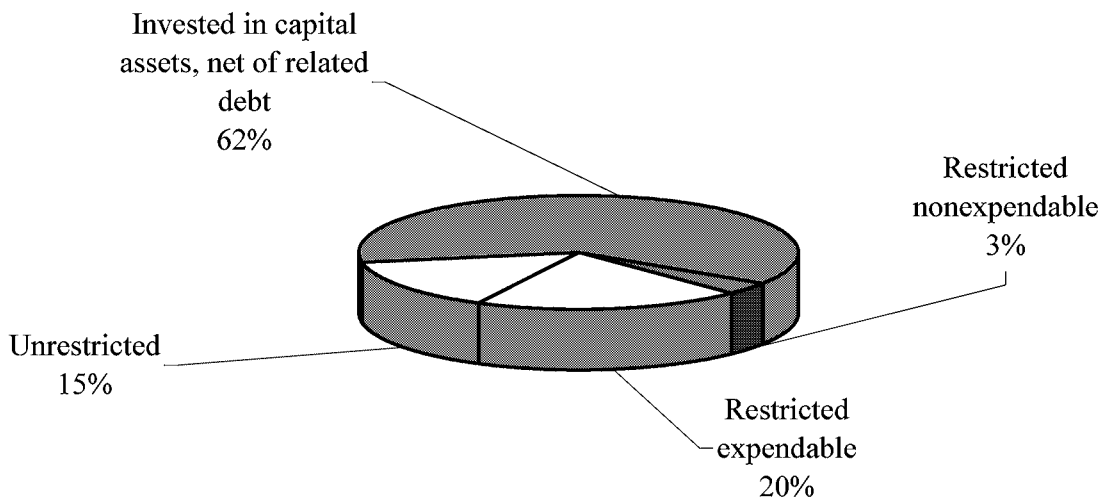
The Net Assets for fiscal years 2002 and 2001 are further displayed as follows:

	<u>2002</u>	<u>2001</u>
Invested in capital assets, net of related debt	\$ 285,269,795	231,797,967
Restricted nonexpendable	11,604,413	12,505,767
Restricted expendable	57,253,381	74,608,894
Unrestricted	45,776,104	54,532,243
Total	<u>\$ 399,903,693</u>	<u>373,444,871</u>

Net Assets 2002



Net Assets 2001



Points of interest relative to the Statement of Revenues, Expenses and Changes in Net Assets:

Operating Revenues

Operating revenues result from sales of goods and services and include tuition and fees, housing and the like. In addition, certain Federal, State, Local and private grants are considered operating revenue if they are not for capital purposes and are provided as a contract for services. Operating revenues increased due to an 8% increase in student tuition and fees and a 6% increase in room and board fees.

Nonoperating Revenues

Nonoperating revenues are revenue sources that are primarily nonexchange in nature. They would consist mainly of State appropriations and investment income (including realized and unrealized gains and losses), and grants and contracts that do not require any services to be performed for the benefit of the grantor.

Nonoperating revenues were impacted by the following factors:

- **State Share of Instruction**

Declining tax revenues forced the State of Ohio to reduce its budget in the fall of 2001 in order to meet its fiduciary and legal obligations. One of the actions taken was to reduce the State Share of Instruction to public universities. For Ohio University, this amounted to a reduction of \$9.4 million from the amount expected to be received and which had been budgeted for FY 2002. This reduction was a permanent decrease in the absolute level of State support. In FY 2002 the reduction was absorbed by reduced expenditures and the use of various University reserves. The ongoing reduction was managed in the budget planning for FY 2003 through a combination of expense reductions and a two-tier tuition strategy.

- **Investment Earnings**

The University's working capital of approximately \$100 million is invested in money market, fixed income and long-term equity strategies. In FY 2002 the investment performance was adversely impacted by defaults in corporate bonds in the fixed income portfolio and declining equity performance in the long-term investment strategy. On this total investment portfolio we experienced a realized loss of \$1.6 million and an unrealized loss of \$1.9 million, all of which was absorbed in year-end operating results.

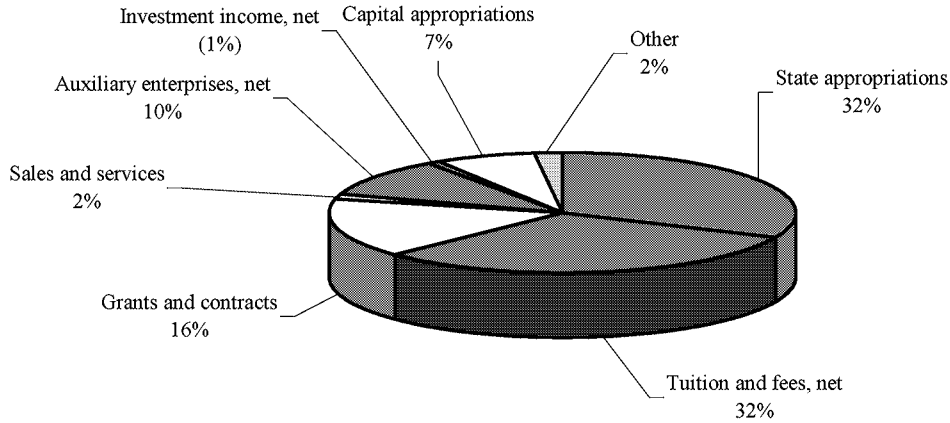
- **Other Revenues**

Other revenues include items such as capital appropriations from the State or Federal government, capital grants and contracts and additions to permanent endowment.

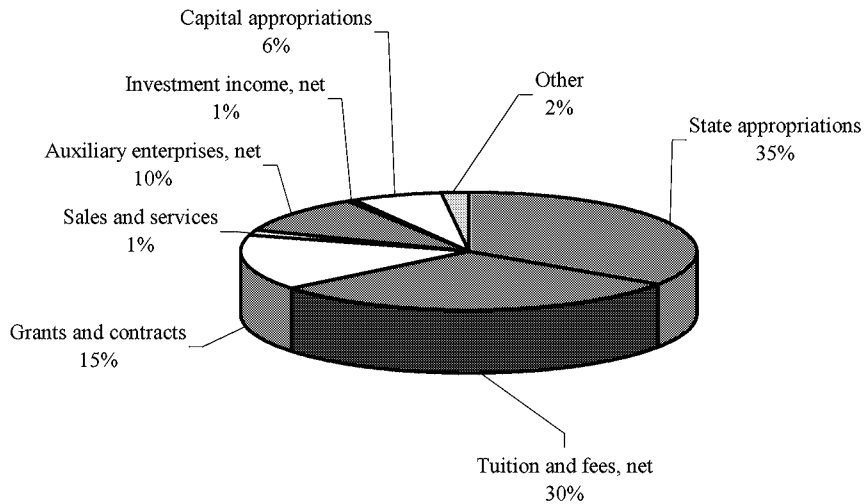
The following charts depict total revenue by source for the fiscal years 2002 and 2001, respectively:

<u>Revenues by source</u>	<u>2002</u>	<u>2001</u>
State appropriations	\$ 144,819,888	149,314,835
Tuition and fees, net	143,115,709	129,485,138
Grants and contracts	72,219,822	66,737,096
Sales and services	6,926,473	6,328,872
Auxiliary enterprises, net	46,812,756	44,211,681
Investment income, net	(3,930,184)	2,646,853
Capital appropriations	32,658,816	27,756,928
Other	8,399,900	8,443,073
Total	<u>\$ 451,023,180</u>	<u>434,924,476</u>

Revenues by Source 2002



Revenues by Source 2001



- **Operating Expenses**

Operating expenses are all costs necessary to perform and conduct the programs and primary endeavors of the University. Overall the University's operating units came in under budget and increased carryforward reserves by \$4,036,000. Operating expenses were most impacted by the results of Ohio University's employee health care program. Beginning July 1, 2001 the University changed employee health insurance

carriers, from Unicare to Medical Mutual of Ohio, resulting in claims and administrative experience of \$1,936,663 less than budget. In addition, based on a third party actuarial calculation, the University's Run Out Reserve decreased by \$1,939,000 to \$4,211,000, due to a reduction in the lag time to process claims by Medical Mutual of Ohio.

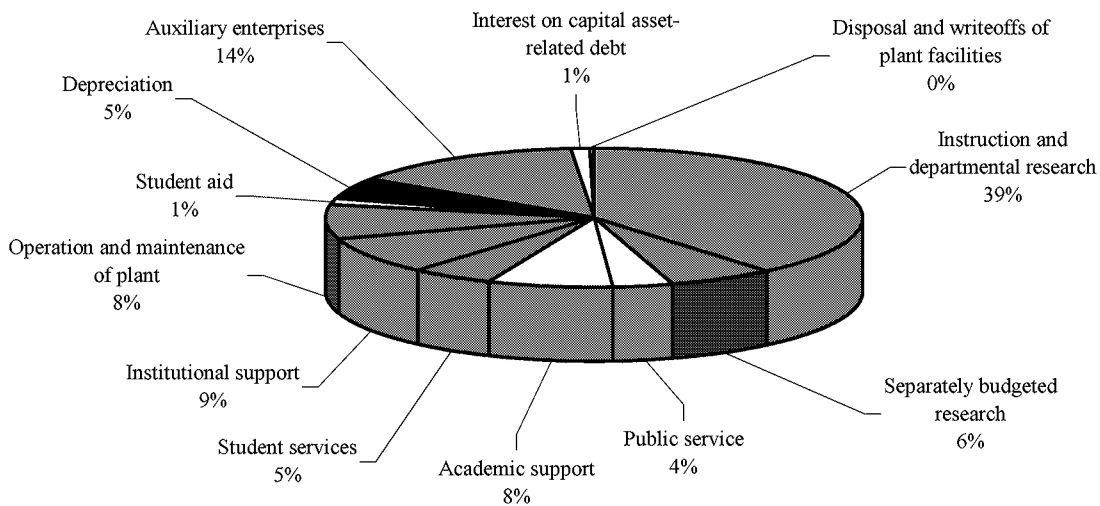
Scholarships and fellowships have been reduced by the amount of scholarship awards internally credited to tuition, fees, and room and board revenue. By the same token those revenues have been reduced. That amount was \$37,061,484 and \$32,459,056 for FY 2002 and FY 2001, respectively.

Depreciation expense makes its debut on our statements for the first time, as required by GASB 35.

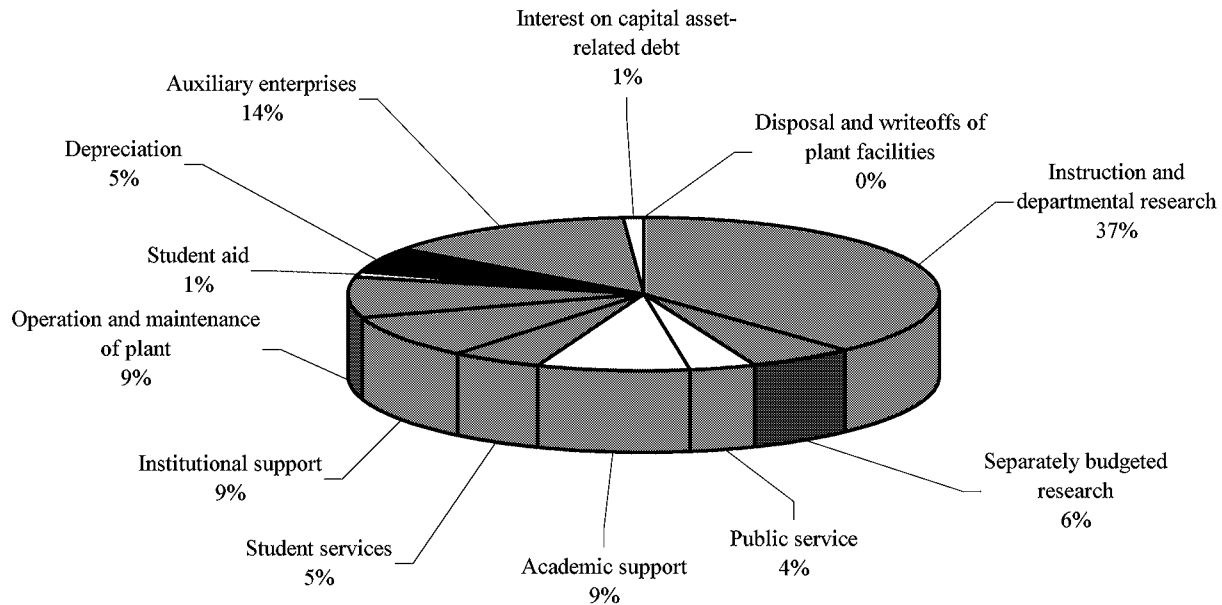
The following charts depict operating and nonoperating expenses by source:

Operating expenses by source	2002	2001
Instruction and departmental research	\$ 165,131,818	154,461,993
Separately budgeted research	27,255,898	22,976,629
Public service	14,879,215	14,644,381
Academic support	32,212,536	34,806,102
Student services	20,807,467	20,261,076
Institutional support	36,882,740	36,528,504
Operation and maintenance of plant	33,934,978	34,554,055
Student aid	5,706,074	5,243,479
Depreciation	21,979,684	20,892,020
Auxiliary enterprises	59,552,681	56,588,688
Interest on capital asset-related debt	5,453,686	4,176,204
Disposal and write-offs of plant facilities	767,581	373,017
Total	\$ 424,564,358	405,506,148

Operating Expenses 2002



Operating Expenses 2001



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Major capital additions completed during the fiscal year ended June 30, 2002 and the resources that funded their acquisition/construction included (in millions):

• Grover Center	\$24.3	State of Ohio Capital Appropriations
• Life Science Center	17.6	State of Ohio Capital Appropriations
• Pickerington Center	3.9	Internal Funds
• Peden Stadium	2.8	Sale of Bonds
• Athena Theater	2.4	Sale of Bonds
• Airport Terminal Facility	1.6	Sale of Bonds
• Bromley Hall	1.4	Sale of Bonds
• Shannon Hall (Belmont)	1.3	Sale of Bonds

Major capital additions completed in the fiscal year ended June 30, 2001 and the resources that funded their acquisition/construction included (in millions):

• Biochemistry Research Facility	\$ 6.2	Sale of Bonds
• Bromley Hall	5.2	Sale of Bonds
• Child Care Center	3.0	Sale of Bonds
• Track & Field Development	3.0	Sale of Bonds
• Bird Arena	1.2	Sale of Bonds
• Bennett Hall (Chillicothe)	1.2	Sale of Bonds
• Strength and Conditioning Center	1.1	Private Gifts

Cumulative costs associated with capital projects continuing after the fiscal year ended June 30, 2002 totaled approximately \$62.2 million. These projects include (in millions):

Cumulative costs associated with capital projects continuing after the fiscal year ended June 30, 2001 totaled approximately \$66.7 million. These projects include (in millions):

Debt

At year-end, the University had some \$125.9 million in debt obligations outstanding versus \$130.8 million the previous year, a decrease of 3.7%. The University's revenue bond rating of A+ has not changed from the prior year.

During the fiscal year ended June 30, 2002, the University entered into a fixed rate swap with J.P. Morgan Chase Bank for \$31 million over twenty-five years. The notional amount is hedged against the outstanding par value of the variable rate based Series 2001 bonds. In effect, the University will now pay a fixed rate of 4.039%. Historically, the 4.039% is a very low rate of interest to be paid by the University on its outstanding debt, but in the current rate environment is higher than that for the underlying variable rate debt.



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Cincinnati, OH 45202

Independent Auditors' Report

The Board of Trustees of
Ohio University
and
The Honorable James M. Petro,
Auditor of State:

We have audited the accompanying basic financial statements as listed in the accompanying table of contents of Ohio University (the University), a component unit of the State of Ohio, and its discretely presented component unit, as of and for the years ended June 30, 2002 and 2001. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and of its discretely presented component unit as of June 30, 2002 and 2001, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2002 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in note 1 to the financial statements, as of July 1, 2000, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, 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*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.



Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

October 11, 2002

OHIO UNIVERSITY
Statement of Net Assets
June 30, 2002

Assets	<u>Primary Institution</u>	<u>MCI</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 20,304,599	87,491	20,392,090
Investments	91,846,138	—	91,846,138
Accrued interest receivable	894,660	3,801	898,461
Accounts receivable, net	29,788,598	1,519,213	31,307,811
Inventories	1,600,907	—	1,600,907
Prepaid expenses and deferred charges	8,807,680	150,668	8,958,348
Notes receivable, net	1,776,643	—	1,776,643
Total current assets	<u>155,019,225</u>	<u>1,761,173</u>	<u>156,780,398</u>
Noncurrent assets:			
Restricted cash and cash equivalents	23,586,706	—	23,586,706
Investment in unconsolidated subsidiary	—	3,323	3,323
Endowment investments	11,604,413	—	11,604,413
Notes receivable, net	8,913,147	—	8,913,147
Capital assets, net	411,925,152	2,500	411,927,652
Total noncurrent assets	<u>456,029,418</u>	<u>5,823</u>	<u>456,035,241</u>
Total assets	<u>\$ 611,048,643</u>	<u>1,766,996</u>	<u>612,815,639</u>
Liabilities & Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 39,608,194	1,216,284	40,824,478
Deferred revenue	16,666,571	—	16,666,571
Refunds and other liabilities	1,961,686	—	1,961,686
Capital lease obligations	594,757	3,467	598,224
Bonds and notes payable	16,347,600	—	16,347,600
Total current liabilities	<u>75,178,808</u>	<u>1,219,751</u>	<u>76,398,559</u>
Noncurrent liabilities:			
Accounts payable and accrued liabilities	6,392,835	—	6,392,835
Capital lease obligations	198,899	—	198,899
Compensated absences	13,135,006	—	13,135,006
Bonds and notes payable	109,532,400	—	109,532,400
Refundable advances for federal student loans	6,707,002	—	6,707,002
Total noncurrent liabilities	<u>135,966,142</u>	<u>—</u>	<u>135,966,142</u>
Total liabilities	<u>211,144,950</u>	<u>1,219,751</u>	<u>212,364,701</u>
Net assets:			
Invested in capital assets, net of related debt	285,269,795	—	285,269,795
Restricted:			
Nonexpendable:			
Instructional department uses	3,141,184	—	3,141,184
Loans	177,511	—	177,511
Research	1,223,368	—	1,223,368
Scholarships and fellowships	7,062,350	—	7,062,350
Expendable:			
Capital projects	23,949,601	—	23,949,601
Debt service	355,030	—	355,030
Instructional department uses	9,913,633	—	9,913,633
Loans	6,587,061	—	6,587,061
Public service	2,895,408	—	2,895,408
Research	6,531,957	—	6,531,957
Scholarships and fellowships	7,020,691	—	7,020,691
Unrestricted	<u>45,776,104</u>	<u>547,245</u>	<u>46,323,349</u>
Total net assets	<u>399,903,693</u>	<u>547,245</u>	<u>400,450,938</u>
Total liabilities and net assets	<u>\$ 611,048,643</u>	<u>1,766,996</u>	<u>612,815,639</u>

See accompanying notes to financial statements.

OHIO UNIVERSITY
Statement of Net Assets
June 30, 2001

Assets	<u>Primary Institution</u>	<u>MCI</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 17,985,426	57,547	18,042,973
Investments	107,432,962	—	107,432,962
Accrued interest receivable	1,023,792	2,810	1,026,602
Accounts receivable, net	25,216,954	1,332,836	26,549,790
Inventories	1,796,315	—	1,796,315
Prepaid expenses and deferred charges	10,029,016	194,968	10,223,984
Notes receivable, net	1,663,409	—	1,663,409
Total current assets	<u>165,147,874</u>	<u>1,588,161</u>	<u>166,736,035</u>
Noncurrent assets:			
Restricted cash and cash equivalents	36,151,770	—	36,151,770
Investment in unconsolidated subsidiary	—	62,705	62,705
Endowment investments	12,498,767	—	12,498,767
Notes receivable, net	8,339,053	—	8,339,053
Capital assets, net	364,112,307	17,500	364,129,807
Total noncurrent assets	<u>421,101,897</u>	<u>80,205</u>	<u>421,182,102</u>
Total assets	<u>\$ 586,249,771</u>	<u>1,668,366</u>	<u>587,918,137</u>
Liabilities & Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 42,098,421	1,152,249	43,250,670
Deferred revenue	14,903,869	—	14,903,869
Refunds and other liabilities	1,881,854	—	1,881,854
Capital lease obligations	579,400	19,626	599,026
Bonds and notes payable	13,515,000	—	13,515,000
Total current liabilities	<u>72,978,544</u>	<u>1,171,875</u>	<u>74,150,419</u>
Noncurrent liabilities:			
Accounts payable and accrued liabilities	3,155,016	—	3,155,016
Capital lease obligations	624,939	3,467	628,406
Compensated absences	12,700,879	—	12,700,879
Bonds and notes payable	117,330,000	—	117,330,000
Refundable advances for federal student loans	6,015,522	—	6,015,522
Total noncurrent liabilities	<u>139,826,356</u>	<u>3,467</u>	<u>139,829,823</u>
Total liabilities	<u>212,804,900</u>	<u>1,175,342</u>	<u>213,980,242</u>
Net assets:			
Invested in capital assets, net of related debt	231,797,967	—	231,797,967
Restricted:			
Nonexpendable:			
Instructional department uses	3,141,184	—	3,141,184
Loans	177,511	—	177,511
Research	1,219,368	—	1,219,368
Scholarships and fellowships	7,967,704	—	7,967,704
Expendable:			
Capital projects	36,911,929	—	36,911,929
Debt service	524,141	—	524,141
Instructional department uses	13,547,128	—	13,547,128
Loans	6,497,549	—	6,497,549
Public service	2,721,252	—	2,721,252
Research	6,678,067	—	6,678,067
Scholarships and fellowships	7,728,828	—	7,728,828
Unrestricted	<u>54,532,243</u>	<u>493,024</u>	<u>55,025,267</u>
Total net assets	<u>373,444,871</u>	<u>493,024</u>	<u>373,937,895</u>
Total liabilities and net assets	<u>\$ 586,249,771</u>	<u>1,668,366</u>	<u>587,918,137</u>

See accompanying notes to financial statements.

OHIO UNIVERSITY
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2002

	<u>Primary Institution</u>	<u>MCI</u>	<u>Total</u>
Revenues:			
Operating revenues:			
Student tuition and fees, net of scholarship allowances	\$ 143,115,709	—	143,115,709
Federal grants and contracts	17,539,638	—	17,539,638
State grants and contracts	5,046,825	—	5,046,825
Local grants and contracts	664,578	—	664,578
Private grants and contracts	5,756,293	—	5,756,293
Sales and services	6,926,473	—	6,926,473
Auxiliary enterprises, net of scholarship allowances	46,812,756	—	46,812,756
Patient and professional services	—	10,177,138	10,177,138
Other sources	8,388,916	45,559	8,434,475
Total operating revenues	<u>234,251,188</u>	<u>10,222,697</u>	<u>244,473,885</u>
Expenses:			
Operating expenses:			
Educational and general			
Instruction and departmental research	165,131,818	—	165,131,818
Separately budgeted research	27,255,898	—	27,255,898
Public service	14,879,215	—	14,879,215
Academic support	32,212,536	—	32,212,536
Student services	20,807,467	—	20,807,467
Institutional support	36,882,740	—	36,882,740
Operation and maintenance of plant	33,934,978	—	33,934,978
Student aid	5,706,074	—	5,706,074
Depreciation	21,979,684	15,000	21,994,684
Auxiliary enterprises	59,552,681	—	59,552,681
Operating expenses - MCI	—	10,157,944	10,157,944
Total operating expenses	<u>418,343,091</u>	<u>10,172,944</u>	<u>428,516,035</u>
Operating income (loss)	<u>(184,091,903)</u>	<u>49,753</u>	<u>(184,042,150)</u>
Nonoperating revenues (expenses):			
State appropriations	144,819,888	—	144,819,888
Federal grants and contracts	22,436,903	—	22,436,903
State grants and contracts	6,030,584	—	6,030,584
Local grants and contracts	117,262	—	117,262
Private gifts, grants and contracts	8,198,045	—	8,198,045
Investment income, net of investment expenses	(3,930,184)	12,368	(3,917,816)
Income taxes	—	(7,900)	(7,900)
Interest on capital asset - related debt	(5,453,686)	—	(5,453,686)
Disposal and write-offs of plant facilities	(767,581)	—	(767,581)
Net nonoperating revenues	<u>171,451,231</u>	<u>4,468</u>	<u>171,455,699</u>
Income (loss) before other revenues, expenses, gains or losses	<u>(12,640,672)</u>	<u>54,221</u>	<u>(12,586,451)</u>
Capital appropriations	32,658,816	—	32,658,816
Capital grants and contracts	6,429,694	—	6,429,694
Additions to permanent endowments	10,984	—	10,984
Total other revenues	<u>39,099,494</u>	<u>—</u>	<u>39,099,494</u>
Increase in net assets	26,458,822	54,221	26,513,043
Net assets:			
Net assets, beginning of year	<u>373,444,871</u>	<u>493,024</u>	<u>373,937,895</u>
Net assets, end of year	<u>\$ 399,903,693</u>	<u>547,245</u>	<u>400,450,938</u>

See accompanying notes to financial statements.

OHIO UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended June 30, 2001

	<u>Primary Institution</u>	<u>MCI</u>	<u>Total</u>
Revenues:			
Operating revenues:			
Student tuition and fees, net of scholarship allowances	\$ 129,485,138	—	129,485,138
Federal grants and contracts	17,686,355	—	17,686,355
State grants and contracts	6,164,225	—	6,164,225
Local grants and contracts	345,656	—	345,656
Private grants and contracts	5,624,024	—	5,624,024
Sales and services	6,328,872	—	6,328,872
Auxiliary enterprises, net of scholarship allowances	44,211,681	—	44,211,681
Patient and professional services	—	9,581,317	9,581,317
Other sources	8,433,621	76,689	8,510,310
Total operating revenues	<u>218,279,572</u>	<u>9,658,006</u>	<u>227,937,578</u>
Expenses:			
Operating expenses			
Educational and general			
Instruction and departmental research	154,461,993	—	154,461,993
Separately budgeted research	22,976,629	—	22,976,629
Public service	14,644,381	—	14,644,381
Academic support	34,806,102	—	34,806,102
Student services	20,261,076	—	20,261,076
Institutional support	36,528,504	—	36,528,504
Operation and maintenance of plant	34,554,055	—	34,554,055
Student aid	5,243,479	—	5,243,479
Depreciation	20,892,020	15,000	20,907,020
Auxiliary enterprises	56,588,688	—	56,588,688
Operating expenses - MCI	—	10,004,854	10,004,854
Total operating expenses	<u>400,956,927</u>	<u>10,019,854</u>	<u>410,976,781</u>
Operating loss	<u>(182,677,355)</u>	<u>(361,848)</u>	<u>(183,039,203)</u>
Nonoperating revenues (expenses):			
State appropriations	149,314,835	—	149,314,835
Federal grants and contracts	19,207,762	—	19,207,762
State grants and contracts	5,541,968	—	5,541,968
Local grants and contracts	166,942	—	166,942
Private gifts, grants and contracts	7,421,960	—	7,421,960
Investment income, net of investment expenses	2,646,853	10,608	2,657,461
Interest on capital asset - related debt	(4,176,204)	—	(4,176,204)
Disposal and write-offs of plant facilities	(373,017)	—	(373,017)
Net nonoperating revenues	<u>179,751,099</u>	<u>10,608</u>	<u>179,761,707</u>
Loss before other revenues, expenses, gains or losses	<u>(2,926,256)</u>	<u>(351,240)</u>	<u>(3,277,496)</u>
Capital appropriations	27,756,928	—	27,756,928
Capital grants and contracts	4,578,204	—	4,578,204
Additions to permanent endowments	9,452	—	9,452
Total other revenues	<u>32,344,584</u>	<u>—</u>	<u>32,344,584</u>
Increase (decrease) in net assets	29,418,328	(351,240)	29,067,088
Net assets:			
Net assets, beginning of year	650,438,983	844,264	651,283,247
Cumulative effect of change in accounting principle	(306,412,440)	—	(306,412,440)
Adjusted net assets, beginning of year	<u>344,026,543</u>	<u>844,264</u>	<u>344,870,807</u>
Net assets, end of year	\$ <u>373,444,871</u>	<u>493,024</u>	<u>373,937,895</u>

See accompanying notes to financial statements.

OHIO UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2002

	<u>Primary Institution</u>	<u>MCI</u>	<u>Total</u>
Cash flows from operating activities:			
Tuition and fees	\$ 164,960,361	—	164,960,361
Grants and contracts	29,007,334	—	29,007,334
Payments to suppliers	(70,485,060)	(3,603,760)	(74,088,820)
Payments to employees	(228,106,155)	(5,451,492)	(233,557,647)
Payments for benefits	(58,296,350)	(1,006,031)	(59,302,381)
Payments for scholarships and fellowships	(58,106,721)	—	(58,106,721)
Loans issued to students	(2,688,078)	—	(2,688,078)
Collection of loans to students	2,063,755	—	2,063,755
Auxiliary enterprise sales	56,720,965	—	56,720,965
Sales and services of educational departments	6,833,075	—	6,833,075
Patient and other professional services	—	9,986,666	9,986,666
Other receipts	846,474	52,437	898,911
Net cash used in operating activities	<u>(157,250,400)</u>	<u>(22,180)</u>	<u>(157,272,580)</u>
Cash flows from noncapital financing activities:			
State appropriations	144,642,412	—	144,642,412
Gifts and grants for other than capital purposes	33,538,521	—	33,538,521
William D. Ford direct lending receipts	58,427,798	—	58,427,798
William D. Ford direct lending disbursements	(58,427,798)	—	(58,427,798)
PLUS loan receipts	23,611,286	—	23,611,286
PLUS loan disbursements	(23,611,286)	—	(23,611,286)
Student organization agency transactions	(710,981)	—	(710,981)
Net cash provided by noncapital financing activities	<u>177,469,952</u>	<u>—</u>	<u>177,469,952</u>
Cash flows from capital financing activities:			
Proceeds from capital debt	8,550,000	—	8,550,000
Capital appropriations	31,817,190	—	31,817,190
Capital grants and gifts received	6,429,694	—	6,429,694
Purchases of capital assets	(51,408,564)	—	(51,408,564)
Principal paid on capital debt and leases	(14,149,850)	(19,626)	(14,169,476)
Interest paid on capital debt and leases	(5,453,687)	—	(5,453,687)
Net cash used in capital financing activities	<u>(24,215,217)</u>	<u>(19,626)</u>	<u>(24,234,843)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	315,590,003	72,000	315,662,003
Interest on investments	7,022,081	—	7,022,081
Purchase of investments	(328,862,310)	(250)	(328,862,560)
Net cash provided by (used in) investing activities	<u>(6,250,226)</u>	<u>71,750</u>	<u>(6,178,476)</u>
Net increase (decrease) in cash	(10,245,891)	29,944	(10,215,947)
Cash and cash equivalents, beginning of year	54,137,196	57,547	54,194,743
Cash and cash equivalents, end of year	<u>\$ 43,891,305</u>	<u>87,491</u>	<u>43,978,796</u>
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	\$ (184,091,903)	49,753	(184,042,150)
Adjustments to reconcile operating income (loss) to net cash used in operating activities			
Depreciation expense	21,979,683	15,000	21,994,683
Changes in assets and liabilities:			
Accounts receivable, net	(7,229,885)	(186,377)	(7,416,262)
Interest receivable	—	(991)	(991)
Notes receivable	(687,328)	—	(687,328)
Deferred revenue	1,762,702	—	1,762,702
Prepaid expense and deferred charges	1,221,336	44,300	1,265,636
Inventories	195,408	—	195,408
Accounts payable	9,585,217	56,135	9,641,352
Refunds and other liabilities	14,370	—	14,370
Net cash used in operating activities	<u>\$ (157,250,400)</u>	<u>(22,180)</u>	<u>(157,272,580)</u>

See accompanying notes to financial statements.

OHIO UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2001

	<u>Primary Institution</u>	<u>MCI</u>	<u>Total</u>
Cash flows from operating activities:			
Tuition and fees	\$ 149,977,618	—	149,977,618
Grants and contracts	29,820,260	—	29,820,260
Payments to suppliers	(68,846,661)	(3,777,814)	(72,624,475)
Payments to employees	(218,160,999)	(5,320,240)	(223,481,239)
Payments for benefits	(58,469,844)	(1,155,175)	(59,625,019)
Payments for scholarships and fellowships	(51,048,979)	—	(51,048,979)
Loans issued to students	(2,956,479)	—	(2,956,479)
Collection of loans to students	1,724,344	—	1,724,344
Auxiliary enterprise sales	50,853,504	—	50,853,504
Sales and services of educational departments	7,109,161	—	7,109,161
Patient and other professional services	—	10,164,164	10,164,164
Other receipts	163,135	87,297	250,432
Net cash used in operating activities	<u>(159,834,940)</u>	<u>(1,768)</u>	<u>(159,836,708)</u>
Cash flows from noncapital financing activities:			
State appropriations	149,314,835	—	149,314,835
Gifts and grants for other than capital purposes	29,519,019	—	29,519,019
William D. Ford direct lending receipts	53,780,922	—	53,780,922
William D. Ford direct lending disbursements	(53,780,922)	—	(53,780,922)
PLUS loan receipts	19,984,161	—	19,984,161
PLUS loan disbursements	(19,984,161)	—	(19,984,161)
Student organization agency transactions	20,959	—	20,959
Net cash provided by noncapital financing activities	<u>178,854,813</u>	<u>—</u>	<u>178,854,813</u>
Cash flows from capital financing activities:			
Proceeds from capital debt	56,675,000	—	56,675,000
Capital appropriations	27,469,550	—	27,469,550
Capital grants and gifts received	4,578,203	—	4,578,203
Purchases of capital assets	(89,450,933)	—	(89,450,933)
Principal paid on capital debt and leases	(10,295,556)	(17,828)	(10,313,384)
Interest paid on capital debt and leases	(4,176,202)	—	(4,176,202)
Net cash used in capital financing activities	<u>(15,199,938)</u>	<u>(17,828)</u>	<u>(15,217,766)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	395,703,302	—	395,703,302
Interest on investments	9,132,637	—	9,132,637
Purchase of investments	(400,369,511)	—	(400,369,511)
Net cash provided by investing activities	<u>4,466,428</u>	<u>—</u>	<u>4,466,428</u>
Net increase (decrease) in cash and cash equivalents	8,286,363	(19,596)	8,266,767
Cash and cash equivalents, beginning of year	45,850,833	77,143	45,927,976
Cash and cash equivalents, end of year	<u>\$ 54,137,196</u>	<u>57,547</u>	<u>54,194,743</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (182,677,355)	(361,848)	(183,039,203)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation expense	20,892,020	15,000	20,907,020
Changes in assets and liabilities:			
Accounts receivable, net	(5,728,502)	532,985	(5,195,517)
Interest receivable	—	(2,810)	(2,810)
Notes receivable	(506,409)	—	(506,409)
Deferred revenue	913,392	—	913,392
Prepaid expense and deferred charges	(511,507)	(44,011)	(555,518)
Inventories	(42,184)	—	(42,184)
Accounts payable	7,057,998	(141,084)	6,916,914
Refunds and other liabilities	767,607	—	767,607
Net cash used in operating activities	<u>\$ (159,834,940)</u>	<u>(1,768)</u>	<u>(159,836,708)</u>

See accompanying notes to financial statements.

OHIO UNIVERSITY
(a component unit of the State of Ohio)

Notes to Financial Statements

June 30, 2002 and 2001

(1) Summary of Significant Accounting Principles

(a) Organization

Ohio University (University) is a public institution established by the State of Ohio in 1804 under Chapter 3337 of the Ohio Revised Code (ORC). As such it is a component unit of the State of Ohio. The University is the oldest of the 13 state-assisted universities in Ohio. It is defined by statute to be a body politic and corporate and an instrumentality of the State. The University is governed by a 9 member Board of Trustees that is granted authority under Ohio law to do all things necessary for the proper maintenance and continual successful operation of the University. The Governor, with the advice and consent of the State Senate, appoints Trustees for staggered 9-year nonrenewable terms. In addition, 2 non-voting student members are appointed to the Board of Trustees for staggered 2-year terms. The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all the organizations, activities, functions and component units for which the University is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the University's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the University.

The Ohio University Osteopathic Medical Center, Inc. (MCI) is included in the University's financial statements as a discretely presented component unit. MCI is a separate legal entity from the University, and certain members of MCI's Board of Directors are employees of the University.

The Ohio University Foundation (Foundation) is a legally separate nonprofit organization. It is exempt from federal income tax and was formed for the purpose of promoting educational and research activities for the benefit of the University. The Foundation maintains a self-appointing Board of Trustees. The Foundation's financial activity is not included in the University's financial statements. Amounts received by the University from the Foundation are included in private gifts, grants and contracts in the accompanying financial statements. The capital equipment utilized by the Foundation is included in the University's financial statements.

(b) MCI

The accompanying financial statements present MCI as a discretely presented component unit in the current year to comply with GASB Statement No. 14. MCI reports a fiscal year end of January 31, on a cash basis, which is converted to the accrual basis for presentation herein.

MCI is a professional association formed under Chapter 1785 of the ORC for the purpose of organizing licensed physicians and surgeons, who are faculty members of the Ohio University College of Osteopathic Medicine (College), into a multi-specialty faculty group practice. The sole purpose for the formation of this professional association is to render medical care, consultation, diagnosis and treatment through physicians and surgeons licensed to practice medicine in the State of Ohio.

For a significant portion of MCI's operations, MCI utilizes the College's services, tangible personal and real property, personnel, library, research facilities and records and the goodwill attendant to

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Notes to Financial Statements

June 30, 2002 and 2001

affiliation with the College. In accordance with the Clinical Practice Agreement, MCI has agreed to pay the University (designated for the College) for these benefits. The payment is to be made annually, based upon the formula specified in the Clinical Practice Agreement. For the years ended January 31, 2002 and 2001, MCI paid the University \$3,100,000 and \$3,135,527, respectively. MCI reports to the Internal Revenue Service on the modified cash basis of accounting. A separate report presented on the modified cash basis of accounting is available by contacting MCI at Ohio University Osteopathic Medical Center, Inc., 002 Grosvenor West, Athens, Ohio 45701 or (740) 593-1355.

(c) *Financial Statement Presentation*

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In November 1999, GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statement No. 37. In June 2001, GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*. The implementation of these Standards was applied on a retroactive basis, and resulted in a decrease of \$306,412,440 to the net asset balance as of July 1, 2000. The University is implementing these Statements as of and for the years ended June 30, 2002 and 2001. The financial statement presentation required by GASB No. 34 and 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses and changes in net assets and cash flows. It replaces fund-groups with net asset groups, and requires the direct method of cash flow presentation. The most significant change required by GASB 34 is the adoption of depreciation on capital assets. The financial statements for the fiscal year ended June 30, 2001, have also been restated for comparative purposes.

(d) *Basis of Accounting*

The University is a special-purpose government engaged only in business type activities. Accordingly, the financial statements are presented using an economic resources measurement focus and are presented on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded as incurred. All significant interfund transactions have been eliminated. The financial statements of MCI as contained herein are presented under the accrual basis of accounting.

In accordance with GASB Statement No. 20, the University is required to follow all applicable GASB pronouncements. In addition, the University should apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

(e) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) may require management to make estimates and assumptions that affect certain amounts reported in the financial statements. The estimates and

OHIO UNIVERSITY
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Notes to Financial Statements

June 30, 2002 and 2001

assumptions are based on currently available information and actual results could differ from those estimates.

(f) Investments

All investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in publicly traded securities are stated at fair value as established by major securities markets. Nonpublicly traded investments are valued based on independent appraisals and estimates considering market prices of similar investments. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses and Changes in Net Assets. As of June 30, 2002 and 2001, investment expenses were \$199,295 and \$184,403, respectively.

(g) Current Investments

Investments classified as current assets in the Statements of Net Assets include assets that can be withdrawn on demand.

(h) Restricted Cash and Cash Equivalents

Investments that are externally restricted for capital expenditures subject to bond and note agreements, are classified as noncurrent assets in the Statements of Net Assets.

(i) Accounts Receivable

Accounts receivable consists of amounts due for tuition and fees, and auxiliary enterprise services. Accounts receivable also include amounts due from the Federal government, State and local governments, or private sources, as reimbursement of certain expenditures made in accordance with the University's grants and contracts. Uncollectible amounts have been reserved.

(j) Inventories

Inventories are stated at lower of weighted-average cost or net realizable value.

(k) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of three months or less.

(l) Capital Assets

Capital assets are presented in the financial statements of the University. Effective July 1, 2000 with the advent of GASB 35, most of these items are also required to be depreciated over their estimated useful lives. If purchased or constructed, they are recorded at cost or estimated historical cost in the first year of implementation. If donated, they are recorded at their estimated fair value at the date of gift. Depreciation is computed using the straight-line method and for library books the composite method is also applied.

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Following are the capitalization levels and estimated useful lives of major asset classes:

<u>Asset class</u>	<u>Capitalize at</u>	<u>Estimated useful life</u>
Buildings and building improvements	Any amount	10-14 years
Equipment	\$2,500 or greater	5-25 years
Improvements other than buildings	Greater than \$100,000 -FY02 Greater than \$25,000 - FY01	10-50 years
Library books	Any amount	10 years
Vehicles	\$2,500 or greater	5-10 years

The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend its life are not capitalized. Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. Land, land improvements and collections of works of art and historical treasures are not depreciated.

Effective July 1, 2001, the University changed its capitalization policy for improvements other than buildings from a minimum capitalization amount of greater than \$25,000 to a minimum amount of greater than \$100,000. This change was implemented prospectively.

MCI has capital lease equipment stated at the lesser of the present value of future minimum lease payments or at fair market value. Depreciation is calculated on a straight-line basis over the lesser of the life of the lease or the useful life of the equipment. The estimated useful life of equipment is five years.

(m) *Deferred Revenue*

Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, related to the subsequent accounting period. The effect of not allocating the summer term between fiscal years does not have a significant impact on the financial statement presentation.

(n) *Compensated Absences*

University employees earn vacation and sick leave benefits based, in part, on length of service. Upon separation from service, employees are paid their accumulated vacation and sick pay based upon the nature of separation (termination, retirement or death). Certain limitations are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement or death. Unused hours exceeding their limitations are forfeited. The liability incurred is recorded at year end as a long-term liability in the Statements of Net Assets, and as a component of operating expense in the Statements of Revenues, Expenses, and Changes in Net Assets.

(o) *Net Assets*

The University's net assets are categorized as described below:

Invested in capital assets, net of related debt: This represents the University's investment in capital assets, net of debt obligations related to those capital assets.

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Restricted net assets-nonexpendable: Restricted nonexpendable net assets represent permanent endowments restricted or unrestricted as to income.

Restricted net assets-expendable: Restricted expendable net assets represent assets that are restricted by a third party either legally or contractually.

Unrestricted net assets: Unrestricted net assets are resources derived primarily from student tuition, fees, state appropriations, and auxiliary enterprises. These net assets are used for educational and general obligations of the University. They may be used at the discretion of the Board of Trustees for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to apply the expense at the discretion of University management.

(p) *Income Taxes*

The University is an organization described in Section 115 of the Internal Revenue Code of 1986 (the Code) and has further been classified as an organization that is not a private foundation in accordance with Sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code. However, certain revenues are considered unrelated business income and are taxable under Internal Revenue Code Sections 511 through 513. For MCI, there are no significant differences in revenues and expenses for financial and tax reporting purposes.

(q) *Classification of Revenues*

Revenues are classified as either operating or nonoperating according to the following:

Operating revenues: Operating revenues include revenues from activities that have characteristics similar to exchange transactions. These include student tuition and fees, net of scholarship discounts and allowances, sales and services of auxiliary enterprises, and certain Federal, State and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include revenues from activities that have the characteristics of nonexchange transactions, such as State appropriations, and certain Federal, State and local grants and contracts. Nonoperating revenues also include investment income.

(r) *Scholarship Discounts and Allowances*

Student tuition and fee revenues, and certain other revenues from students, are net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the charge for tuition and fees, and the amount paid by students or by third parties making the payments on the students' behalf. As of June 30, 2002 and June 30, 2001, scholarship discounts and allowances were \$37,061,484 and \$32,459,056, respectively.

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(s) Auxiliary Enterprises

Auxiliary revenues are derived primarily from revenues generated from residence halls, dining services, intercollegiate athletics, telephone operations, and various other activities.

(t) Eliminations

The University eliminates interfund assets and liabilities, and revenues and expenses related to internal activities.

(u) Change in Accounting Principle

As a result of the adoption of GASB 34 and 35, as of June 30, 2002, the University was required to record depreciation expense for capital assets of \$21,979,684, and increases to noncurrent liabilities for the Federal capital contribution (FCC) related to student loans (Perkins and nursing) and for the University's share of the State of Ohio workers' compensation liability in the amount of \$691,480 and \$3,119,590, respectively. For comparative purposes, for the year ended June 30, 2001, the University recorded depreciation expense of \$20,892,020, an increase to non-current liabilities for FCC related to student loans (Perkins and nursing) of \$178,426, and workers' compensation expense of (\$3,015,357). The cumulative effect of the change in accounting principle to the net asset balance as of July 1, 2000 is a decrease of \$306,412,440.

(v) Financial Statement Totals

Total columns are included on the accompanying financial statements for informational purposes only.

(2) Deposits with Financial Institutions, Cash and Cash Equivalents and Investments

The University makes investments in accordance with the Board of Trustees' policy that conforms to the authority granted by the Ohio Revised Code. The purchase of specific investment instruments is at the discretion of the University Treasurer within these policy guidelines.

(a) Deposits

At June 30, 2002, the carrying amount of the University's deposits, excluding cash on hand of \$97,972 was \$2,852,112 and the bank balance was \$5,595,615. At June 30, 2001, the amount of the University's deposits, excluding cash on hand of \$81,546 was \$2,569,496 and the bank balance was \$7,760,958. Of the bank balance:

- 1) \$847,110 and \$575,698 was covered by federal depository insurance or by collateral held by a qualified third party trustee in the name of the University as of June 30, 2002 and 2001, respectively.
- 2) \$4,748,505 and \$7,185,260 was covered by collateral held by third party trustees pursuant to Section 135.181 of the Ohio Revised Code in collateral pools securing all public funds on deposit with specific depository institutions, as of June 30, 2002 and 2001, respectively.

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(b) Cash and Cash Equivalents

The University's cash and cash equivalents consisted of cash on hand and highly-liquid investments with maturities of three months or less. As of June 30, 2002 and 2001, cash and cash equivalents for the University were \$20,304,599 and \$17,985,426, respectively. In addition, recorded as restricted cash and cash equivalents were bond proceeds held for distribution by bond trustees. Those amounts were \$23,586,706 and \$36,151,770 at June 30, 2002 and June 30, 2001, respectively.

STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002. At June 30, 2002 and 2001, investments held in STAR Ohio were \$5,532,753 and \$14,448,517, respectively. These are classified as cash equivalents on the Statements of Net Assets.

Investments in STAR Ohio are backed by the securities purchased by STAR Ohio. Historically, over 90% of the investments purchased by STAR Ohio are U.S. government obligations and all securities purchased are held in a third party custodial arrangement on behalf of STAR Ohio. Investments in cash and cash equivalents other than STAR Ohio and deposits are uninsured and unregistered.

MCI's cash and cash equivalents consisted of cash on hand and highly-liquid investments with maturities of three months or less. As of January 31, 2002 and 2001, cash and cash equivalents for MCI were \$87,491 and \$57,547, respectively.

(c) Investments

The University's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the University or its agent in the University's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty or its trust department in the University's name. Category 3 includes investments that are uninsured and unregistered with securities held by the counterparty or its trust department but not in the University's name. All long-term investments except for certain fixed income holdings reported in Category 2 are deposited in mutual funds with various managers. The investments are registered in each manager's name and the University's ownership is recorded in the managers' internal records. The investments in mutual funds and STAR Ohio are not required to be categorized due to their nature.

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	2002	2001
	Fair value	Fair value
Category 2:		
U.S. Treasury obligations	\$ 4,795,911	3,197,155
U.S. Agency obligations	17,109,089	11,218,087
U.S. Corporate obligations	35,491,932	51,939,954
Category 3:		
Money market funds	647,472	511,758
Mutual funds	45,406,147	53,064,775
Total	\$ 103,450,551	119,931,729

The fair value of investments is based on market values provided by a third party.

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and rate fluctuations embodied in forward, futures, commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of the counterparty to perform according to the terms of the contract. The University's risk of loss in the event of a counterparty default is typically limited to the amounts recognized in the Statement of Net Assets and is not represented by the contract or notional amounts of the instruments.

(3) Accounts Receivable

The composition of accounts receivable at June 30, 2002 and 2001, is summarized as follows:

	2002	2001
Student receivables for fees, room and board	\$ 7,272,865	5,024,358
Research and other sponsored programs	11,650,238	9,815,414
Other	13,594,329	12,436,247
	32,517,432	27,276,019
Less allowance for doubtful accounts	(2,728,834)	(2,059,065)
Net accounts receivable	\$ 29,788,598	25,216,954

As of June 30, 2002, MCI accounts receivable consisted of patient services revenue in the amount of \$1,323,949, other professional services revenue in the amount of \$182,481, and employee advances in the amount of \$12,783. As of June 30, 2001, patient services revenue receivable was \$1,229,630, other professional services revenue receivable was \$99,954, and employee advances receivable was \$3,252.

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(4) Notes Receivable

Notes receivable at June 30, 2002 and 2001, included allowances for uncollectible amounts of \$946,590 and \$962,318, respectively. Principal repayment and interest terms vary. Federal loan programs are funded primarily through Federal contributions under Perkins and various nursing programs.

The University distributed \$82,039,084 and \$73,765,083 for student loans through the U.S. Department of Education Federal Direct Lending program during the years ended June 30, 2002, and 2001, respectively. These distributions and the related funding sources are included as cash disbursements and cash receipts in the accompanying statements of cash flows.

(5) Capital Assets

The following tables present the changes in the various fixed asset class categories:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Retirements/ transfers from construction in progress</u>	<u>Balance June 30, 2002</u>
Capital assets not being depreciated:				
Land	\$ 13,948,184	2,301,340	—	16,249,524
Land improvements	3,026,340	—	—	3,026,340
Construction in progress	66,723,842	35,338,465	(39,851,950)	62,210,357
Collections of works of arts and historical treasures	6,125,757	—	—	6,125,757
Total capital assets not being depreciated	<u>89,824,123</u>	<u>37,639,805</u>	<u>(39,851,950)</u>	<u>87,611,978</u>
Capital assets being depreciated:				
Infrastructure	57,865,432	1,071,836	(4,863,790)	54,073,478
Buildings	371,504,426	58,267,475	(6,994)	429,764,907
Machinery and equipment	83,444,739	9,472,275	(9,998,820)	82,918,194
Library books and publications	60,234,020	3,691,948	—	63,925,968
Vehicles	13,077,332	821,311	(904,845)	12,993,798
Total capital assets being depreciated	<u>586,125,949</u>	<u>73,324,845</u>	<u>(15,774,449)</u>	<u>643,676,345</u>
Less accumulated depreciation:				
Infrastructure	23,181,918	2,079,261	(3,953,790)	21,307,389
Buildings	180,473,856	9,034,447	(5,595)	189,502,708
Machinery and equipment	57,293,555	6,717,715	(9,713,876)	54,297,394
Library books and publications	42,903,749	3,250,757	—	46,154,506
Vehicles	7,984,687	897,504	(781,017)	8,101,174
Total accumulated depreciation	<u>311,837,765</u>	<u>21,979,684</u>	<u>(14,454,278)</u>	<u>319,363,171</u>
Total capital assets being depreciated, net	274,288,184	51,345,161	(1,320,171)	324,313,174
Capital assets, net	<u>\$ 364,112,307</u>	<u>88,984,966</u>	<u>(41,172,121)</u>	<u>411,925,152</u>

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	Balance July 1, 2000	Additions	Retirements/ transfers from construction in progress	Balance June 30, 2001
Capital assets not being depreciated:				
Land	\$ 10,656,462	3,291,722	—	13,948,184
Land improvements	3,026,340	—	—	3,026,340
Construction in progress	30,229,399	45,084,279	(8,589,836)	66,723,842
Collections of works of arts and historical treasures	6,125,757	—	—	6,125,757
Total capital assets not being depreciated	50,037,958	48,376,001	(8,589,836)	89,824,123
Capital assets being depreciated:				
Infrastructure	52,097,332	6,013,507	(245,407)	57,865,432
Buildings	353,451,620	19,866,079	(1,813,273)	371,504,426
Machinery and equipment	75,954,223	9,276,803	(1,786,287)	83,444,739
Library books and publications	56,251,616	3,982,404	—	60,234,020
Vehicles	12,486,257	651,289	(60,214)	13,077,332
Total capital assets being depreciated	550,241,048	39,790,082	(3,905,181)	586,125,949
Less accumulated depreciation:				
Infrastructure	21,416,850	2,010,475	(245,407)	23,181,918
Buildings	173,109,624	8,107,365	(743,133)	180,473,856
Machinery and equipment	52,288,577	6,645,190	(1,640,212)	57,293,555
Library books and publications	39,738,459	3,165,290	—	42,903,749
Vehicles	7,076,470	963,700	(55,483)	7,984,687
Total accumulated depreciation	293,629,980	20,892,020	(2,684,235)	311,837,765
Total capital assets being depreciated, net	256,611,068	18,898,062	(1,220,946)	274,288,184
Capital assets, net	\$ 306,649,026	67,274,063	(9,810,782)	364,112,307

(6) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2002 and June 30, 2001, consisted of the following:

	2002	2001
Accounts payable	\$ 18,642,522	18,609,934
Accrued liabilities	27,358,507	26,643,503
Total	\$ 46,001,029	45,253,437

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(7) Bonds and Notes Payable

Bonds and notes payable at June 30, 2002 and 2001, are summarized as follows:

	<u>July 1, 2001</u>	<u>Borrowed</u>	<u>Retired</u>	<u>June 30, 2002</u>	<u>Current</u>
General receipts bond anticipation notes	\$ 8,650,000	8,550,000	8,650,000	8,550,000	8,550,000
Subordinated variable general receipt bonds, series 2001	48,025,000	—	1,715,000	46,310,000	4,522,600
General receipts bonds, series 1999	31,775,000	—	775,000	31,000,000	800,000
General receipts bonds, series 1993	42,395,000	—	2,375,000	40,020,000	2,475,000
Total bonds and notes payable	<u>\$ 130,845,000</u>	<u>8,550,000</u>	<u>13,515,000</u>	<u>125,880,000</u>	<u>16,347,600</u>
	<u>July 1, 2000</u>	<u>Borrowed</u>	<u>Retired</u>	<u>June 30, 2001</u>	<u>Current</u>
General receipts bond anticipation notes	\$ 6,800,000	8,650,000	6,800,000	8,650,000	8,650,000
Subordinated variable general receipt bonds, series 2001	—	48,025,000	—	48,025,000	1,715,000
General receipts bonds, series 1999	32,520,000	—	745,000	31,775,000	775,000
General receipts bonds, series 1993	44,665,000	—	2,270,000	42,395,000	2,375,000
Total bonds and notes payable	<u>\$ 83,985,000</u>	<u>56,675,000</u>	<u>9,815,000</u>	<u>130,845,000</u>	<u>13,515,000</u>

During the year ended June 30, 2002, the University issued a series of General Receipts Bond Anticipation Notes totaling \$8,550,000, the proceeds of which are being used to finance the replacement of the following major administrative systems: human resources, payroll, financial and the purchase of an imaging system. This issuance represents notes outstanding of \$8,550,000 at June 30, 2002, of which \$4,950,000 mature on January 24, 2003 and \$3,600,000 mature on March 27, 2003. The notes bear interest rates of 2.11% and 2.50%, respectively.

On May 3, 2001, the University issued \$48,025,000 in Subordinated Variable Rate General Receipts Bonds, Series 2001 the (Series 2001 Bonds). The proceeds were for capital equipment, and construction costs on various building projects.

On October 3, 2001, the University entered into a swap agreement with Morgan Guaranty Trust Company of New York to hedge a portion of the University's Series 2001 Bonds. The swap agreement converts the Series 2001 Bonds' variable interest rate to a fixed rate of 4.039%, settled on the first day of each month. The total amount paid related to the swap agreement for the year ended June 30, 2002, is \$485,357, and is included as an adjustment to interest on capital asset-related debt in the Statement of Revenues, Expenses and Changes in Net Assets.

On March 15, 1999, the University issued \$32,520,000 in General Receipts Bonds, Series 1999, with which to pay construction costs on various building projects.

On January 13, 1994, the University issued \$55,450,000 in General Receipts Bonds, Series 1993 which were issued for advance refunds of the Series 1972, Series 1977 and Series 1978 General Receipts Bonds. The remaining proceeds from this issue were used for the payment of construction costs on the student recreation center.

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The 1999 and 1993 issues (Superior Obligations) are bound by the provisions of the 1972 Trust Agreement (Prior Indenture) and its supplements as described below. The 1972 Trust Agreement and its supplement relates to the provisions of the General Receipts Bonds. These bonds are pledged on a gross pledge and first lien basis of the "General Receipts" of the University. The receipts include the full amount of every type and character of campus receipts, except for State appropriations and receipts previously pledged or otherwise restricted. The University has complied with all covenants of the Trust Agreement and its supplements.

The First Supplemental Trust Agreement binds the 2001 bond issue. While Superior Obligation bonds issued are outstanding, the pledge and lien on the General Receipts authorized and granted on the 2001 issue shall be subordinate to the pledge and lien on the General Receipts that secure the Superior Obligations. The variable rate of interest in effect at June 30, 2002 was 1.25%. The average variable rate of interest for the year ending June 30, 2002 was 1.73%.

Details of the series are as follows:

<u>Series</u>	<u>Interest Rate</u>	<u>Maturity fiscal year</u>	<u>Initial issue amount</u>	<u>Outstanding at June 30, 2002</u>
1993	4.25% - 5.00%	2003-2019	\$ 55,450,000	40,020,000
1999	3.60% - 5.25%	2003-2025	32,520,000	31,000,000
2001	Variable	2003-2027	48,025,000	46,310,000
				<u>\$ 117,330,000</u>

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2002 are summarized as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 7,797,600	5,081,743	12,879,343
2004	7,787,600	4,775,615	12,563,215
2005	7,661,600	4,466,907	12,128,507
2006	6,281,600	4,178,796	10,460,396
2007	6,896,600	3,895,399	10,791,999
2008-2012	32,460,000	15,052,081	47,512,081
2013-2017	25,450,000	8,571,652	34,021,652
2018-2022	14,135,000	3,587,852	17,722,852
2023-2027	8,860,000	738,962	9,598,962
	<u>\$ 117,330,000</u>	<u>50,349,007</u>	<u>167,679,007</u>

Bonds payable does not include \$80,000 of outstanding Ohio University Housing and Dining Revenue Bonds, Series G that were fully defeased on December 3, 1974. U. S. Treasury obligations are on deposit with Bank One of Columbus, Columbus, Ohio. The amount at maturity will be sufficient to pay the principal and interest on the defeased obligations.

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(8) Leases

The University has \$793,656 in capital lease obligations that have varying maturity dates through 2005 and carry implicit interest rates ranging from 4.72 % to 9.39 %. Lease arrangements are being used to provide partial financing for certain machinery and equipment.

Capital leases as of June 30, 2002 and 2001 are summarized as follows:

		<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
For the year ended:						
June 30, 2002	\$	1,204,339	452,198	(862,881)	793,656	594,757
June 30, 2001		118,403	1,566,491	(480,555)	1,204,339	579,400

The scheduled maturities of these leases as of June 30, 2002 are:

	<u>Minimum lease payments</u>
2003	\$ 632,320
2004	179,778
2005	27,888
Total minimum lease payments	839,986
Less amount representing interest	46,330
Net minimum capital lease payments	793,656
Less current portion	594,757
Noncurrent capital lease obligations	\$ 198,899

MCI Leases

MCI leases certain clinical facilities and equipment under operating and capital lease agreements. Facility leases are primarily month-to-month leases except for two leases that expired in May 2002 and June 2002 and had monthly lease payments of \$3,263 and \$2,500 respectively. The equipment lease was a capital lease that expired in April 2002. Lease payments for this lease were based on the number of patient studies performed each month. MCI paid \$50 per patient study plus taxes and if applicable, service fees and other charges. The minimum number of patient studies was 35 per month. Total lease expense was \$181,002 and \$164,986 for the years ended January 31, 2002 and 2001, respectively. The following annual minimum payments are listed in the aggregate and have initial terms of one year or more at January 31, 2002:

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	Capital lease	Operating lease
2003	\$ 3,500	\$ 25,500
Total minimum lease payments	3,500	\$ 25,500
Less amount representing interest	(33)	
Present value of minimum lease payments	3,467	
Less current portion of capital lease obligation	(3,467)	
Non-current portion of capital lease obligation	\$ —	

(9) Compensated Absences

Per University policy, salaried faculty and staff earn vacation at the rate of 22 days per year with a maximum accrual of 32 days. Upon termination they are entitled to a payout of their accumulated balance. Hourly classified employees earn vacation at rates per years of service, ranging from 10 to 25 days per year. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2002 and 2001 amounted to approximately \$8,697,000 and \$8,253,000, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro-rata monthly basis for salaried employees and on a pro-rata hourly basis for classified hourly employees). Salaried employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25% of unused days (maximum of 30 days). Hourly classified employees with 10 or more years of service are eligible for payout upon retirement of up to 50% of unused days (maximum of 60 days). The liability for accrued sick leave at June 30, 2002 and 2001 amounted to approximately \$4,438,000 and \$4,448,000, respectively.

A summary of compensated absences as of June 30, 2002 and 2001 follows:

	Beginning Balance	Additions	Reductions	Ending Balance
For the year ended:				
June 30, 2002	\$ 12,700,879	650,211	(216,084)	13,135,006
June 30, 2001	\$ 11,755,290	1,007,132	(61,543)	12,700,879

(10) Retirement Plans

All University employees are eligible to participate in contributory retirement plans that are administered by the Public Employees Retirement System of Ohio (PERS) and the State Teachers Retirement System of Ohio (STRS). Both PERS and STRS are cost sharing, multiple-employer defined benefit pension plans. The payroll for employees covered by PERS and STRS for the year ended June 30, 2002 was \$91,531,000 and \$73,060,000, respectively. The payroll for employees covered by PERS and STRS for the year ended

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June 30, 2001 was \$91,015,000 and \$72,158,000, respectively. For the years ended June 30, 2002 and 2001, the University's total payroll was \$228,106,000 and \$218,161,000, respectively.

PERS and STRS provide retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

Both PERS and STRS issue a stand-alone financial report. Interested parties may obtain a copy of the PERS report by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 and the STRS report by making a written request to 275 East Broad Street, Columbus, Ohio 43215-3771.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The 2002 employee contribution rates were 8.5% for PERS, 10.1% for law enforcement employees and 9.3% for STRS. The 2002 employer contribution rates for state employers were 13.31% of covered payroll for PERS, 16.7% of covered payroll for law enforcement, and 14.0% of covered payroll for STRS.

The University's contributions each year are equal to its required contributions.

University contributions for the current and two preceding years are summarized as follows:

		<u>Employer contribution</u>	
		<u>STRS</u>	<u>PERS</u>
2002	\$	10,228,000	12,183,000
2001		10,102,000	12,114,000
2000		9,996,000	11,314,000

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.02) became effective March 31, 1998. The Bill authorized an alternative retirement system for academic and administrative university employees of public institutions of higher education. These employees are currently covered by the State Teachers Retirement System or the Public Employees Retirement System. The Ohio University Board of Trustees adopted such a plan effective April 18, 1998. This plan is a defined contribution plan under IRS Section 401(a).

Eligible employees (those who are full-time and salaried) have 120 days from their date of hire to make an irrevocable election to participate in the alternative retirement plan. Under this plan, employees who would have otherwise been required to be in STRS or PERS and who elect to participate in the alternative retirement plan must contribute the employee's share of retirement contributions (9.3% STRS or 8.5% PERS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Board of Regents. That amount was 0% for PERS and 3.5% for STRS for the year ended June 30, 2002. The employer also contributes what would have been the employer's share of the appropriate retirement system, less the aforementioned percentages to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting. The payroll for employees covered by the alternative retirement system for the

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years ended June 30, 2002 and June 30, 2001 was \$35,847,000 and \$33,307,000, respectively. The number of employees participating in the alternative retirement system for the years ended June 30, 2002 and June 30, 2001 was 832 and 723, respectively.

MCI Deferred Profit Sharing Plan

Effective February 1, 1984, MCI established a deferred profit-sharing plan under Section 401(k) of the Internal Revenue Code covering substantially all employees. Eligibility requirements are one year of service defined as a 12-month period with more than 1,000 hours of service and a minimum age of 21 years. MCI's annual contribution is 50% of each eligible employee's elected contribution up to 3% of the employee's total salary. Total profit-sharing contribution was \$119,948 and \$121,766, respectively, for the fiscal year ended January 31, 2002 and 2001.

(11) Other Post-Employment Benefits

In addition to the pension benefits described in Note 10, Ohio Law provides that the University fund postretirement health care benefits through employer contributions to the Public Employees Retirement System of Ohio (PERS) and the State Teachers Retirement System of Ohio (STRS).

PERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2001 employer contribution rate for state employers was 13.31% of covered payroll; 4.30% was the portion used to fund health care for the year. The 2001 employer rate was 16.70% and 4.30% was the portion used to fund health care for both the law enforcement and public safety divisions.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

Contributions made by the University to fund post employment benefits under PERS for the 2002 and 2001 fiscal years were \$3,936,000 and \$3,914,000, respectively. The retirement board initiated significant policy changes during 2000. They enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study that indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons. They have also elected to return to an actuarially pre-funded type of disclosure.

The State Teachers Retirement System (STRS) of Ohio provides access to health care benefits for retirees and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients

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Notes to Financial Statements

June 30, 2002 and 2001

and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was approximately \$3.3 billion at June 30, 2001, the date of the most recent information available from STRS. The Health Care Reserve Fund allocation for the year ended June 30, 2002 and after will be 4.5% of covered payroll.

Contributions by the University to fund post employment benefits under STRS for the 2002 and 2001 fiscal years were \$3,288,000 and \$3,247,000, respectively.

For the year ended June 30, 2001, the date of the most recent information available from STRS, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

(12) Related Organization (unaudited)

The Ohio University Foundation is an independent corporation formed for the purpose of receiving funds to benefit the University. As of June 30, 2002 and 2001, investments of the Foundation totaled \$147,182,732 and \$172,470,917, respectively. Most of the Foundation's investments have been restricted by donors for a specific purpose. These investments are not recorded in the accompanying financial statements of the University. Expenditures in support of education programs to the University were \$13,291,639 and \$12,515,020, as of June 30, 2002 and 2001.

(13) Risk Management

During the normal course of operations, the University has become a defendant in various legal and administrative actions. In accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*, liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of legal counsel and University management, the disposition of all pending litigation would not have a material adverse effect on the financial condition of the University.

The University provides medical and dental coverage for its employees on a self-insurance basis. Expenses for claims are recorded on an accrual basis based on the date claims are incurred. The University applies GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

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Notes to Financial Statements

June 30, 2002 and 2001

A summary of changes in self-insurance claims liability for each of the periods in the three year period ending June 30, 2002 as follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Claims liability at beginning of year	\$ 6,150,000	5,159,000	3,909,000
Incurred claims, net of favorable settlements	20,450,000	24,700,000	21,709,000
Claims paid	<u>(22,389,000)</u>	<u>(23,709,000)</u>	<u>(20,459,000)</u>
Claims liability at end of year	<u>\$ 4,211,000</u>	<u>6,150,000</u>	<u>5,159,000</u>

Claims are accrued based upon estimates of the claims liabilities made by the University's third party actuary. These estimates are based on past experience and current claims outstanding. Actual claims experience may differ from the estimate. In addition, the University has the following commercial insurance policies.

<u>Type</u>	<u>Deductible</u>	<u>Coverage</u>
Property	\$ 100,000	1,165,000,000
Crime	25,000	2,500,000
General liability	250,000	1,000,000
Educators legal liability	100,000	5,000,000
Excess liability	—	95,000,000
Automobile	—	1,000,000
Aircraft and airport liability	—	5,000,000 to 50,000,000
Medical malpractice	250,000	5,000,000 each physician

The University participates in a plan that pays workers' compensation benefits to beneficiaries who have been injured on the job. The Ohio Bureau of Workers' Compensation calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from these participating state agencies and universities in that subsequent one-year period. As these already-injured workers' claims will be paid out over a period of time, the Bureau also actuarially calculates estimated amounts that will be paid in future periods. The University's pro-rata share of this estimated liability for such future payments has been calculated by the State of Ohio Office of Budget and Management on the basis of the University's share of actual cash payments paid to the Bureau in the preceding fiscal year divided by such payments made by all participating entities. In previous years, this liability was recorded in the State's General Long-Term Obligations Account Group. As a result of implementing GASB 34 in fiscal year 2002, the University accrued its share of the liability.

The cumulative pro-rata share of the University's liability of \$6,945,364 is reported as an adjustment to beginning net assets as of July 1, 2000. For the years ended June 30, 2002 and 2001, the University recognized expense in the amount of \$3,119,590 and (\$3,015,357), respectively, in the Statements of Revenues, Expenses, and Changes in Net Assets.

MCI

The healthcare industry is subject to numerous laws and regulations of Federal, State and Local governments. These laws and regulations include, but are not necessarily limited to matters such as

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Notes to Financial Statements

June 30, 2002 and 2001

licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse.

Recently government activity has increased with respect to investigation and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Specifically, the U.S. Department of Health and Human Services' PATH Initiative (Physicians At Teaching Hospitals) has undertaken a project to audit Medicare billings by teaching physicians. Currently, MCI has not been notified it will be subject to such an audit.

The Board of Directors of MCI has adopted a policy regarding compliance and integrity. Management believes that MCI is in compliance with laws and regulations related to fraud and abuse as well as other applicable government laws and regulations. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that the results of any regulatory actions, if any, will not be material to MCI's financial position.

All of the physicians employed by MCI are under contractual arrangements that include three basic types: 1) fixed annual salary 2) fixed rate per shift and 3) fixed rate per hour.

There are several lawsuits, pending claims and incidents that occurred in the past whereby claims have been made and may be asserted against MCI for which the ultimate liability, if any, has not been determined. MCI carries malpractice insurance on a claims made basis with annual coverage limits of \$5,000,000 per occurrence and \$5,000,000 in the aggregate per physician.

Management believes that the future costs relating to all pending malpractice claims and incidents are within the scope of MCI's insurance coverage and subject to reimbursement by the insurance carrier to the extent costs are within the coverage limitations. However management cannot currently predict the amount of future costs, if any, that may be outside the coverage limitations. Any such unreimbursed costs would be borne by MCI and recorded in the accompanying financial statements when paid.

(14) Grants and Contracts

The University receives grants and contracts from certain Federal, State, Local and nongovernmental agencies to fund research and other activities. Any direct or indirect costs that have been charged to the grant or contract are subject to examination and approval by the granting agency.

It is the opinion of the University administration that any disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

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June 30, 2002 and 2001

(15) Commitments

At June 30, 2002 the University is committed to future capital expenditures as follows:

Contractual commitments:	
To be paid by Ohio University	\$ 19,424,134
To be paid by the State of Ohio	12,596,382
Estimated costs of projects not yet committed	36,260,212
	\$ 68,280,728
These projects will be funded by:	
State appropriations	\$ 25,950,724
Local operating funds	30,042,488
Gifts, federal grants, etc.	12,287,516
	\$ 68,280,728

The University is a state-assisted institution of higher education that receives several sources of funding from the State of Ohio. The largest source of these funds is the “State Share of Instruction” that is determined by the University’s enrollment as well as the level and discipline of the students’ courses. The State of Ohio also provides funding based on the University’s performance (e.g. graduation rates for “at-risk” students and the number of students that graduate in four years). In addition the State provides funding that is restricted for specific activities.

In addition to the student subsidies, the State of Ohio provides funding for construction of major academic plant facilities except for Auxiliary Enterprises. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC).

University 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 established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State. As a result of the above-described financial assistance provided by the State of Ohio to the University, outstanding debt issued by OPFC is not included on the University's balance sheet. In addition, the appropriations by the General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by the University and the related debt service payments are not recorded in the University's accounts.

(16) Contingencies

The University is presently involved as defendant in various matters of litigation. In the opinion of management and in-house counsel, the effects, if any, of such litigation is not expected to be material to the University's financial position.

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Notes to Financial Statements

June 30, 2002 and 2001

(17) Refundable Advances for Federal Student Loans

Refundable advances for federal student loans are summarized as follows for the years ended June 30, 2002 and 2001, respectively:

	Beginning Balance	Additions	Reductions	Ending Balance
For the year ended:				
June 30, 2002	\$ 6,015,522	691,480	—	6,707,002
June 30, 2001	<u>5,837,096</u>	<u>178,426</u>	<u>—</u>	<u>6,015,522</u>

(18) Donor Restricted Endowments

Under the standard established by Section 1715.56 of the Ohio Revised Code, an institution may appropriate so much as is prudent of the realized and unrealized net appreciation of the fair value of the assets of the endowment fund over the historic dollar value of the fund for the uses and purposes for which an endowment fund is established

The University's endowment spending policy is based on the concept of total return and the spending rates range from 6% to 9%. For any particular year, the spending rate shall be 6%, except if the total return rate as of the date the spending rate is determined exceeds 6% plus an inflation adjuster. In that event the Board of Trustees may, but shall not be required to increase the spending rate up to the amount at which the excess is greater than 6%, but not to exceed 9%.

The amounts of net appreciation on investments of donor-restricted endowments that were available for authorization for expenditure by the Board, are \$13,975,000 and \$18,889,000 for June 30, 2002 and 2001, respectively. Those amounts are reported among the restricted expendable net asset categories, depending on the purposes for which the endowment funds are established.

(19) Internal Designation of Funds

The Statements of Net Assets show an amount of \$45,776,104 and \$54,532,243 for Unrestricted Net Assets as of June 30, 2002 and 2001, respectively. Internally those funds have been designated as follows:

	2002	2001
Quasi endowments	\$ 10,493,244	13,233,507
Open purchase orders	2,455,457	2,317,147
Auxiliary enterprises	4,280,454	3,317,437
Departmental/auxiliary set-aside for current capital needs	8,214,519	11,709,270
Departmental/auxiliary set-aside for future capital needs	5,412,234	4,196,079
Departmental carryforward	<u>14,920,196</u>	<u>19,758,803</u>
	<u>\$ 45,776,104</u>	<u>54,532,243</u>

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OHIO UNIVERSITY
(a component unit of the State of Ohio)

OMB Circular A-133 Single Audit Report

For the Year Ended June 30, 2002

(With Independent Auditors' Reports Thereon)

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OHIO UNIVERSITY

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The Ohio University audited financial statements as of and for the year ended June 30, 2002 are separately attached hereto.

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

The President and The Board of Trustees of
Ohio University

and

The Honorable James M. Petro
Auditor of State of Ohio:

We have audited the financial statements of Ohio University (the University), a component unit of the State of Ohio, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 11, 2002. As described in note 1 to the financial statements, as of July 1, 2000, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, 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*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees and management of the University, the Auditor of State of Ohio, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 11, 2002

**Independent Auditors' Report on Compliance With Requirements Applicable to
Each Major Program and Internal Control Over Compliance in Accordance
With OMB Circular A-133, and Schedule of Expenditures of Federal Awards**

The President and The Board of Trustees of
Ohio University
and

The Honorable James M. Petro
Auditor of State:

Compliance

We have audited the compliance of Ohio University (the University), a component unit of the State of Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002, except those requirements discussed in the third following paragraph. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002, other than those requirements discussed in the following paragraph.

We did not audit the University's compliance with requirements governing the student loan repayment functions of the Federal Perkins Loan Program. Those requirements govern functions that are performed by EFG Technologies, Inc. Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.

EFG Technologies, Inc.'s compliance with the requirements governing the functions that it performs for the University was examined by other accountants whose report has been furnished to us. The report of the other accountants indicates that compliance with those requirements was examined in accordance with the Department of Education's Audit Guide, *Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institutions Servicers*. Based on our review of the service organization accountants' report, we have determined that all of the compliance requirements included in the *Compliance Supplement* that are applicable to the major program in which the University participates are addressed in either our report or the report of the service organization accountants. Further, based on our review of the service organization accountants' report, we have determined that it does not contain any findings of noncompliance that would have a direct and material effect on the University's major program.

Internal Control Over Compliance

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

Requirements governing student loan repayments functions of the Federal Perkins Loan Program are performed by EFG Technologies, Inc. Internal control over compliance relating to such functions was reported on by other accountants in accordance with the Department of Education's Audit Guide, *Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institutions Servicers*. A copy of the service organization accountants' report has been furnished to us. However, the scope of our work did not extend to internal control maintained at EFG Technologies, Inc.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the University as of and for the years ended June 30, 2002 and have issued our report thereon dated October 11, 2002. As described in note 1 to the financial statements, as of July 1, 2000, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, 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*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34*, and

GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees and management of the University, the Auditor of State of Ohio, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 11, 2002

OHIO UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
STUDENT FINANCIAL AID CLUSTER:			
U.S. DEPARTMENT OF EDUCATION			
Supplemental Educational Opportunity Grants	84.007	E-P007A023342	\$ 1,137,723
College Work-Study Program (JLD)	84.033	E-P033A023342	44,554
College Work-Study Program	84.033	E-P033A023342	877,279
Perkins (Capital Contribution)	84.038	E-P038A023342	141,160
Federal Direct Student Loan	84.268	N/A	82,039,084
Pell Grant Program	84.063	E-P063P021330	13,573,217
Pell Grant Program (PR YR)	84.063	E-P063P011330	(89)
Total U.S. Department of Education			97,814,928
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Primary Care Loans	93.342	N/A	550,320
Total U.S. Department of Health & Human Services			550,320
TOTAL STUDENT FINANCIAL AID CLUSTER			
98,365,248			
RESEARCH & DEVELOPMENT CLUSTER:			
APPALACHIAN REGIONAL COMMISSION			
Pass-Through Programs From:	23,001	N/A	1,500
East Tennessee State University	23,011	N/A	53,000
Ohio Supercomputer Center			56,500
Total Appalachian Regional Commission			
U.S. DEPARTMENT OF STATE			
Direct Programs:	19,418	S-ECAAE-02-GR-114(OMA)	1,763
Educational Exchange Fulbright American Studies Institute	19,418	S-ECAAE-02-GR-114(OMA)	23,240
Educational Exchange Fulbright American Studies Institute			25,003
Pass-Through Programs From:	19,402	N/A	88
Institute for Int'l Education-International Visitor's Program-Fulbright Hayes			25,091
Total U.S. Department of State			
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Aviation Administration	20.XXX	DIFA0299F13440.AOS-240	19,190
Federal Aviation Administration	20.XXX	DIFA-02-D-97036	19,581
Federal Aviation Administration	20.XXX	DIFA-02-D-97036	11,185
Federal Aviation Administration	20.XXX	DIFA01-97-C-00078	64,791
Federal Aviation Administration	20.XXX	DIFA01-97-C-00078	113,331
Federal Aviation Administration	20.XXX	N/A	130,260
Federal Aviation Administration	20.XXX	DIFA01-01-C-00071	129,585
Federal Aviation Administration	20.XXX	DIFA01-01-C-00071	504,573
Federal Aviation Administration	20.XXX	DIFA01-01-C-00071	87,595
Federal Aviation Administration	20.XXX	DIFA01-01-C-00071	283,799
Federal Aviation Administration	20.XXX	DIFA01-01-C-00071	59,657
Federal Aviation Administration	20.XXX	DIFA01-01-C-00071	61,930
Federal Aviation Administration	20.XXX	DIFA01-01-C-00071	19,823

(Continued)

OHIO UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
Federal Aviation Administration	20.XXX	DIFA0299FI3440 AOS-240	\$ 7,633
Federal Aviation Administration	20.XXX	DIFA-02-97-097036	5,378
Navigation and Landing Aids Branch	20.XXX	DIFA01-01-C-00012	618,421
Navigation and Landing Aids Branch	20.XXX	DIFA01-95-C-00046	(12)
Navigation and Landing Aids Branch	20.XXX	DIFA01-96-C-00019	311,047
Navigation and Landing Aids Branch	20.XXX	DIFA01-96-C-00019	1,320
Navigation and Landing Aids Branch	20.XXX	DIFA01-96-C-00019	4,490
Navigation and Landing Aids Branch	20.XXX	DIFA01-96-C-00019	26,411
Navigation and Landing Aids Branch	20.XXX	DIFA01-96-C-00019	8,193
Navigation and Landing Aids Branch	20.XXX	DIFA01-96-C-00019	192,743
Navigation and Landing Aids Branch	20.XXX	DIFA01-96-C-00019	(1,751)
Navigation and Landing Aids Branch	20.XXX	DIFA01-96-C-00019	60,772
Navigation and Landing Aids Branch	20.XXX	DIFA01-96-C-00019	24,369
Navigation and Landing Aids Branch	20.XXX	DIFA01-96-C-00019	(2,559)
Navigation and Landing Aids Branch	20.XXX	DIFA01-96-C-00019	1,030
Navigation and Landing Aids Branch	20.XXX	DIFA01-97-C-00078	9,102
Navigation and Landing Aids Branch	20.XXX	DIFA-02-99FI3440	990
Navigation and Landing Aids Branch	20.XXX	DIFA-02-99FI3440	2,885
			<u>2,777,762</u>
Aviation Research Grants	20.108	95-G-014	107,569
Aviation Research Grants	20.108	98-G-002	1,311,932
Aviation Research Grants	20.108	DIFA-02-D-97036	17,013
			<u>1,436,514</u>
Federal Aviation Administration	20.109	DIFA01-01-C-00071	2,187
Highway Planning and Construction	20.205	DIFA61-00-P-00334	(248)
Highway Planning and Construction	20.205	N/A	1,569
			<u>1,321</u>
Subtotal Direct Programs			<u>4,217,784</u>
Pass-Through Programs From:			
Ohio Department of Transportation - Highway Planning & Construction	20.205	8446	10,020
Ohio Department of Transportation - Highway Planning & Construction	20.205	8490	76,524
Ohio Department of Transportation - Highway Planning & Construction	20.205	N/A	55
Ohio Department of Transportation - Highway Planning & Construction	20.205	8523	85
Ohio Department of Transportation - Highway Planning & Construction	20.205	8903	8,676
Ohio Department of Transportation - Highway Planning & Construction	20.205	AC SPR-(36)	110,683
Ohio Department of Transportation - Highway Planning & Construction	20.205	AC SPR-2(34)	40,255
Ohio Department of Transportation - Highway Planning & Construction	20.205	AC SPR-2(35)	43,932
Ohio Department of Transportation - Highway Planning & Construction	20.205	AC SPR-2(35)	32,450
Ohio Department of Transportation - Highway Planning & Construction	20.205	AC SPR-2(35)	23,977
Ohio Department of Transportation - Highway Planning & Construction	20.205	AC SPR-2(36)	107,448
Ohio Department of Transportation - Highway Planning & Construction	20.205	AC SPR-PL-(32)	(4,613)
Ohio Department of Transportation - Highway Planning & Construction	20.205	AC SPR-PL-1(33)	984
Ohio Department of Transportation - Highway Planning & Construction	20.205	AC SPR-PL-1(33)	39,219
Ohio Department of Transportation - Highway Planning & Construction	20.205	N/A	39,996
Ohio Department of Transportation - Highway Planning & Construction	20.205	N/A	8,926
Ohio Department of Transportation - Highway Planning & Construction	20.205	N/A	139,277
			<u>681,894</u>

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OHIO UNIVERSITY
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Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
Ohio State University Research Foundation - Aviation Research Grants	20.108	RF#868146	\$ 13,087
SENSIS Corp. - Visual Specification for Air	20.XXX	PO#010409	(1,845)
University of Cincinnati - Highway Planning and Construction	20.205	PC999B-02230	16,285
Subtotal Pass-Through Programs			709,421
Total U.S. Department of Transportation			4,927,205
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Ames Research Center:			
Distributed & Cooperative Problem Solving in the Nat'l Aviation System	43.XXX	NCC2-1130	15,000
Extreme Decision Making, Weather Related	43.XXX	NCC2-1258	60,395
George C. Marshall Space Flight Center:			75,395
Further Improvement of a Trajectory	43.XXX	NAG8-1789	8,540
RLV TASK 14641	43.XXX	NAS8-01105	69,544
RLV TASK 14642	43.XXX	NAS8-01105	68,037
RLV TASK 14643	43.XXX	NAS8-01105	66,493
RLV TASK 14644	43.XXX	NAS8-01105	37,245
RLV TASK 14645	43.XXX	NAS8-01105	22,520
RLV TASK 14646	43.XXX	NAS8-01105	32,590
RLV TASK 14647	43.XXX	NAS8-01105	24,369
RLV TASK 14648	43.XXX	NAS8-01105	132,046
RLV TASK 14649	43.XXX	NAS8-01105	38,875
RLV TASK 14631	43.XXX	NAS8-01105	68,183
RLV Cycle 1-Option1	43.XXX	NAS8-01105	118,601
Process Structure Property Relationship in Composite Integrated Guidance and Control	43.XXX	N/A	7,791
	43.XXX	NAS8-01105	78,540
			773,374
Glenn Research Center:			
Aviation Weather Datalink	43.XXX	NAG3-2578	17,583
Flight Demo of 3-D Cockpit Display of Traffic Info	43.XXX	NAG3-2612	14,183
Demonstrating the Value of SAT	43.XXX	NAG3-2410	(275)
Weather Datalink Research	43.XXX	NAG3-2385	14,781
			46,272
Goddard Space Flight Center:			
Reexamining Cooling Flows & Radio Galaxies in the Chandra Era	42.XXX	NAG5-11025	1,606
Management Of Distributed Comp.	43.XXX	NAS5-00185	164,174
Resource Mgmt For Real-Time Ad.	43.XXX	NAG5-10349	155,199
			320,979
Langley Research Center:			
Haptics - Augmented Science Ed.	43.XXX	NAG-1-01094	14,870
NASA Synthetic Vision	43.XXX	NCC-1-351	462,376
			477,246
Subtotal Direct Programs			1,693,266
Pass-Through Programs From:			
AXAF Science Center - In Search of the Central Eng.	43.XXX	G00-1152B	771
Ohio Aerospace Institute	43.XXX	R-300-100172-40104	53,790

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OHIO UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
George Mason University	43.XXX	5-26205-2	\$ 38,415
Ramoch Corporation - Nasa Flight Critical System	43.XXX	NASI-00108	131,801
Smithsonian Astrophysical Observatory - ACIS Imaging of Cluster Cooling Flows	43.XXX	G00-1078A	23,670
Smithsonian Astrophysical Observatory - Chandra Observations Cluster Cooling Flows	43.XXX	G01-2139X	13,571
Smithsonian Astrophysical Observatory - Survey Of Radio Quiet Z4Quasar	43.XXX	G00-1015B	11,077
			50,318
Smithsonian Institute - Young Elliptical Galaxies	43.XXX	G01-2094X	9,487
Space Telescope Science Institute - "Type 2" Liners Using UV	43.XXX	GO-07357-02-96A	926
Space Telescope Science Institute - Intrinsic UV & X-Ray Absorption	43.XXX	GO-07356.02-96A	1,473
Space Telescope Science Institute - Spectrophotometry of Nearby Seyfert 2 Nuclei	43.XXX	HST-GO-09143.02-A	23,900
Space Telescope Science Institute - Structural Properties of Brightest Cluster Galaxies in the GST Archive	43.XXX	HST-AR-07533.02-A	28,701
Space Telescope Science Institute - Census of Nuclear Star Clusters in Late-Type Galaxies	43.XXX	HST-GO-08599.03-A	5,016
			60,016
			344,598
			2,037,864
Subtotal Pass-Through Programs			256,220
Total National Aeronautics and Space Administration			256,220
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY Pass-Through Programs From:	11.612	70NANB9H026	256,220
Ohio Aerospace Institute/NIST - Advanced Technology Program			256,220
Total National Institute of Standards and Technology			256,220
NATIONAL OCEANIC & ATMOSPHERIC ADMINISTRATION Pass-Through Programs From:	11.XXX	NA06RG0101	7,145
Maryland Sea Grant College			7,145
Total National Oceanic and Atmospheric Administration			7,145
NATIONAL SCIENCE FOUNDATION Engineering Grants	47.041	ECS-0083412	56,089
Engineering Grants	47.041	BES-0090009	22,186
Engineering Grants	47.041	BES-0096303	2,000
Engineering Grants	47.041	EED-9817958	43,000
			123,275
Mathematical & Physical Sciences	47.049	AST-9703036	73,898
Mathematical & Physical Sciences	47.049	ATM-0071376	1,308
Mathematical & Physical Sciences	47.049	ATM-9905738	30,534
Mathematical & Physical Sciences	47.049	DBI-9904799	49,457
Mathematical & Physical Sciences	47.049	DMR-0081006	109,719
Mathematical & Physical Sciences	47.049	PHY-0072226	5,087
Mathematical & Physical Sciences	47.049	DMR-0103034	213,043
Mathematical & Physical Sciences	47.049	DMR-0094055	84,592
Mathematical & Physical Sciences	47.049	DMR-9983816	142,847
Mathematical & Physical Sciences	47.049	PHY-0072226	67,050
Mathematical & Physical Sciences	47.049	PHY-0072226	280,832
Mathematical & Physical Sciences	47.049	PHY-0074853	12,731
Mathematical & Physical Sciences	47.049	PHY-9722538	(4,046)
Mathematical & Physical Sciences	47.049	PHY-9722538	16,168
			1,083,220

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OHIO UNIVERSITY
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Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
Geosciences	47,050	EAR-0207432	\$ 249
Geosciences	47,050	OCE-0117132	252
Geosciences	47,050	EAR-0125479	12,107
Geosciences	47,050	OCE-0117132	33,579
Geosciences	47,050	EAR-0074647	(7,729)
			38,458
Computer and Information Science and Engineering	47,070	ANI-9981927	48,398
Computer and Information Science and Engineering	47,070	ANI-0086642	37,674
Computer and Information Science and Engineering	47,070	ANI-0113307	14,754
Computer and Information Science and Engineering	47,070	EIA-0120056	71,195
Computer and Information Science and Engineering	47,070	CCR-0000246	48,110
			220,131
Biological Sciences	47,074	BES-9733542	53,324
Biological Sciences	47,074	MCB-0121758	5,000
Biological Sciences	47,074	DEB-9907373	214
Biological Sciences	47,074	DEB-9973958	8,738
Biological Sciences	47,074	DEB-9973958	7,256
Biological Sciences	47,074	IBN-0078055	1,562
Biological Sciences	47,074	DEB-9973958	15,880
Biological Sciences	47,074	IBN-01100413	44,528
Biological Sciences	47,074	IBN-0131523	37,429
Biological Sciences	47,074	IBN-0090250	60,379
Biological Sciences	47,074	IBN-0090250	16,058
Biological Sciences	47,074	IBN-0076342	1,990
Biological Sciences	47,074	IBN-0076421	4,729
Biological Sciences	47,074	IBN-0078055	95,745
Biological Sciences	47,074	IBN-0080158	73,431
Biological Sciences	47,074	IBN-9723768	6,327
Biological Sciences	47,074	IBN-9724123-003	3,188
Biological Sciences	47,074	IBN-9727757	23,096
Biological Sciences	47,074	IBN-9807907	26,920
Biological Sciences	47,074	IBN-9904633	(17)
Biological Sciences	47,074	IBN-9904633	49,567
Biological Sciences	47,074	IBN-9983561	55,161
Biological Sciences	47,074	MCB-9733210	1,138
Biological Sciences	47,074	MCB-9733210-001	199
Biological Sciences	47,074	MCB-9733210-002	92,388
Biological Sciences	47,074	MCB-9874744	115,614
			799,844
			2,264,928
Subtotal Direct Programs			
Pass-Through Programs From:			
Applied Sciences, Inc. - Low Cost Carbon Nanofibers	47,041	DML-0110456	10,463
Applied Sciences, Inc. - Microstructure Modification	47,XXX	DML-9960480	(531)
			9,932
National Research Council Twinning Program	47,075	N/A	1,506
Southeastern Universities Research Assoc., Inc.	47,XXX	DE-AC05-84ER40150	6,300
Lehigh University - Mathematical and Physical Sciences	47,049	539023-8000	13,931

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OHIO UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
University of Connecticut - Annual Review of Senior Design Projects	47.XXX	BES-9813338	\$ 10,156
University of Connecticut - Biomedical Engineering	47.XXX	BES-9812042	2,534
			12,690
			44,359
			<u>2,509,287</u>
Subtotal Pass-Through Programs			
Total National Science Foundation			4,813
U.S. DEPARTMENT OF AGRICULTURE			26,003
Forest Service-NE Research Station	10.200	01-CA-11242343-042	
Grants for Agricultural Res-Competitive Res. Grants	10.206	99-35401-7870	
Forestry Research	10.652	N/A	40,906
Forest Service-Consequences of Fire Surrogate Treatment on Southern Flying Squirrels	10.652	01-CA-11242343-030	9,999
Forest Service-Fire Temperature	10.652	01-CA-11242343-029	17,485
Forest Service-NE Research Station	10.652	01-CA-11242343-85	5,755
			74,145
Fire & Fire Surrogate Research	10.653	1580	54,634
Subtotal Direct Programs			159,595
Pass-Through Programs From:			423
Rural Action	10.200	N/A	
Total U.S. Department of Agriculture			<u>160,018</u>
U.S. DEPARTMENT OF DEFENSE			17,514
Air Force:			(1)
Air Force Defense Research Sciences Program	12.800	F49620-01-1-0284	130,100
Air Force Office of Scientific Research - Air Force Defense Research Sciences Program	12.800	F33615-98-2-5155	224,964
Air Force Research Lab - Air Force Defense Research Sciences Program	12.800	F29601-00-C-0212	70,863
Air Force Research Lab - Air Force Defense Research Sciences Program	12.800	F29601-99-C-0176	173,316
Air Force Research Lab - Air Force Defense Research Sciences Program	12.800	N/A	24,740
Air Force Research Lab-Kirtland	12.800	F29601-00-C-0212 P0000	47,660
Air Force Research Lab-Kirtland	12.800	F29601-00-C-0212	689,156
Air Force Research Lab-HFKO Rome, NY	12.800	F30602-02-M-R010	
Department Of The Army:			100
US Army Robert Morris Acq Center	12.XXX	DAAD05-02-C-0035	106,341
US Army Robert Morris Acq Center	12.XXX	N/A	183,649
Dietary Energy Requirements in Physically Active Men & Women	12.XXX	DAMD17-95-1-5053	99,237
Signal Processing & Pattern	12.XXX	DAAD13-00-C-0038	49,654
Military Medical Research and Development	12.420	DAMD17-99-1-9339	44,652
US Army Research Office - Basic Scientific Research	12.431	DAAD19-01-1-0598	483,633
Office of the Chief of Naval Research:			10,000
Naval Postgraduate School	12.XXX	N/A	1,306
Basic and Applied Scientific Research	12.300	N00014-96-1-0782	4,291
Basic and Applied Scientific Research	12.300	N00014-97-1-0693	(379)
Basic and Applied Scientific Research	12.300	N00014-97-1-0740	76,316
Basic and Applied Scientific Research	12.300	N00014-99-1-0025	5,514
Basic and Applied Scientific Research	12.300	N00014-99-1-0975	97,048

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OHIO UNIVERSITY
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Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
Defense Advanced Research Projects Agency: Research and Technology Development-Space & Naval Warfare Systems Center Research and Technology Development-Space & Naval Warfare Systems Center Research and Technology Development	12.910 12.910 12.910	N66001-01-1-8972 N/A F33615-01-C-1834	\$ 93,863 20,000 352,405 <u>466,268</u> 1,738,105
Subtotal Direct Programs			1,738,105
Pass-Through Programs From:			
Austral Engineering & Software - Research and Technology Development	12.910	F33615-98-C-5114-S001	4,028
Sytronics, Inc. - Teleoperations for Remote Air Force Space Tasks	12.910	F33615-98-D-6000	19,967
Geo-Centers, Inc. - Basic Scientific Research	12.431	DAAM01-97-D-006-0	(3,178)
Universal Technology Corporation	12.XXX	F33614-97-D-5271	1,562
Innovative Scientific Solutions - Development Of Nitride Thin	12.XXX	F33615-00-C-2055	118,584
Technical Mgmt Concepts, Inc. - Air Force Defense Research Sciences Program	12.800	TMC-96-5835-0018-14	55,181
University of Texas at Arlington - Desiderata Project	12.XXX	N66001-97-C-8520	71,560
Subtotal Pass-Through Programs			<u>267,704</u>
Total U.S. Department of Defense			<u>2,005,809</u>
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Programs From:			
Lancaster Even Start	84.213	N/A	84
Community Action Commission of Belmont Co.	84.213	91 0900-2-1-501	605
Adhens City Schools	84.338	N/A	9,798
Logan-Hocking Local School District	84.338	N/A	6,066
Subtotal Pass-Through Programs			<u>15,864</u>
Total U.S. Department of Education			<u>16,553</u>
U.S. DEPARTMENT OF ENERGY			
Ambient Fine Particle Matter	81.XXX	DE-AE26-99-FI00762	27,778
Hadronic & Electromagnetic Reactions as Probes of Nuclear Dynamics	81.XXX	DE-FG02-93ER40756	11,525
Hadronic & Electromagnetic Reactions as Probes of Nuclear Dynamics	81.XXX	DE-FG02-93ER40756	131
Optical Response & Electronic Transport in Semiconductor Quantum Systems	81.XXX	DE-FG02-87ER45334	79,409
Novel Invest Of Im Cross Sec	81.XXX	DE-FG03-99SF21897	339,362
Subtotal U.S. Department of Energy			<u>458,205</u>
Office of Science Financial Assistance Program	81.049	DE-FG02-87ER40370A012	8,342
Office of Science Financial Assistance Program	81.049	DE-FG02-87ER45334	34,653
Office of Science Financial Assistance Program	81.049	DE-FG02-88ER40387A017	24,460
Office of Science Financial Assistance Program	81.049	DE-FG02-93ER40756A010	39,478
Office of Science Financial Assistance Program	81.049	DE-FG02-93ER40756-A008	(160)
Office of Science Financial Assistance Program	81.049	DE-FG02-93ER40756A009	31,597
Subtotal U.S. Department of Energy			<u>138,370</u>

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OHIO UNIVERSITY
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Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
Fossil Energy Research and Development	81.089	DE-FC26-00NT40932	\$ 333,531
University Nuclear Science and Reactor Support	81.114	DE-FC02-88ER40387	400,210
Subtotal Direct Programs			1,330,316
Pass-Through Programs From:			
Advanced Technology Systems-Ambient Fine Particulate Matter Research	81.XXX	P001-RORVP-005	16,076
Advanced Technology Systems - University Coal Research	81.057	PO99-UORVP-004	8,598
			24,674
Southeastern Universities Research Assoc	81.114	SURA-98PP3287 MOD0003	6,096
University of Nevada-Reno	81.118	N/A	28,599
Brookhaven National Laboratory	81.XXX	DE-AC02-98CH01886	3,342
Brookhaven National Laboratory	81.XXX	DE-AC02-98CH01886	4,000
			7,342
Battelle Memorial Institute - Pacific Northwest National Laboratory	81.XXX	N/A	7,174
Consol, Inc. - Characterization Of Pm2.5&Pm10	81.XXX	DE-FC26-00-NT40771	60,999
Fluor Daniel Fernald, Inc. - Invasive Plant Species	81.XXX	DE-AC24-920R21972	3,686
Lawrence Berkley Research Labs	81.049	F005182	91,391
Los Alamos National Laboratory	81.049	47735-001-23N	12,732
Lawrence Livermore National Laboratory - Neutron Imaging	81.XXX	B525096	1,638
Lawrence Livermore National Laboratory - Neutron Imaging	81.XXX	B520744	22,434
			24,072
Carnegie Mellon University	81.XXX	DE-FC26-01NT41017	13,020
Subtotal Pass-Through Programs			279,785
Total U.S. Department of Energy			1,610,101
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Research Related to Deafness and Communication Disorders	93.173	1R21DC05468-01	23,100
Research Related to Deafness and Communication Disorders	93.173	5-R01DC00618-08	96,380
Research Related to Deafness and Communication Disorders	93.173	1R15DC04816-01	12,330
Research Related to Deafness and Communication Disorders	93.173	1K08DC00153-02	80,688
			212,498
Allied Health Special Project	93.191	1D37HP00807-01	1,080
Mental Health Research Grants	93.242	7-R01MH59009-03	305,654
Mental Health Research Grants	93.242	5-R01MH57832-02	128,052
			433,706
Drug Abuse Research Programs	93.279	7-R03-DA12706-02	44,128
Drug Abuse Research Programs	93.279	1R01DA13939-01A1	80,669
			124,797

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Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
Mch Class I Molecule Retention	93.756	IR15AI45520-01	\$ 36,302
Cell Biology and Biophysics Research	93.821	IR01GM6104801A1	180,540
Cell Biology and Biophysics Research	93.821	3R156MG0969-01S1	13,988
			194,528
Heart and Vascular Diseases Research	93.837	IR01HL64794-01	4,820
Heart and Vascular Diseases Research	93.837	5R01HL64794-02	292,584
			297,404
Extramural Res. Prog. in the Neurosciences and Neurological Disorders	93.853	IR01NS38526-01	30,289
Extramural Res. Prog. in the Neurosciences and Neurological Disorders	93.853	3R01NS32374-06S1	73,245
Extramural Res. Prog. in the Neurosciences and Neurological Disorders	93.853	5R01NS32374-07	177,745
Extramural Res. Prog. in the Neurosciences and Neurological Disorders	93.853	5R01NS32374-07	116,797
Extramural Res. Prog. in the Neurosciences and Neurological Disorders	93.853	5R01NS32374-05	(545)
			397,531
National Institute of Neurological Disorders & Stroke	93.854	2R01NS32374-06	(19,671)
National Institute of Neurological Disorders & Stroke	93.854	7R01NS22979-17	93,380
			73,709
Microbiology and Infectious Diseases Research	93.856	IR15AI47165-01	92,664
Pharmacology, Physiology, and Biological Chemistry Research	93.859	IR15GM60969-01	28,644
Pharmacology, Physiology, and Biological Chemistry Research	93.859	IR15GM60969-01	99,335
Pharmacology, Physiology, and Biological Chemistry Research	93.859	2R01GM48858-08A2	101,225
Pharmacology, Physiology, and Biological Chemistry Research	93.859	7R15GM57640-02	43,881
			273,085
Aging Research	93.866	IR21AG20334-01	40,110
Aging Research	93.866	IR03AG17741-01	4,100
			44,210
Subtotal Direct Programs			2,181,514
Pass-Through Programs From:			
Washington Co. Children Services	93.645	N/A	4,887
Community Action Commission of Belmont County - Temporary Assistance for Needy Families	93.558	N/A	1,700
Ohio Department of Health - Health Services Research Project	93.XXX	A-98-07-001	(627)
Ohio Department of Health - Operation of Rural Health Offices	93.913	N/A	12,471
Belmont Co. Dept. of Jobs and Family Services	93.558	N/A	3,863
Washington Co. Family & Children First Council	93.590	N/A	3,267
Carroll County Family and Children Services	93.556	N/A	2,500
Carroll County Dept. of Jobs and Family Services	93.667	N/A	1,921
Trios Associates - Community Services Block Grant-Discretionary Awards	93.570	OU2001-001	18,808
Duke University Medical Center - Gender Coping/Arthritis Pain	93.XXX	303-609	54,400
Columbia University, NY	93.838	HL55397 PO 523576	31,956
University of California-Davis - Microbiology and Infectious Diseases Research	93.856	99RA2742-1	29,298
Columbia University, NY	93.857	N/A	55,133
University of Georgia - Preventing Sexual Assault	93.XXX	RR274-160/7607034	32,831
University of Rochester - Genetics and Developmental Biology Research and Research Training	93.862	IR01GM058405-03	(62)
Subtotal Pass-Through Programs			252,346
Total U.S. Department of Health & Human Services			2,433,860

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Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
U.S. DEPARTMENT OF INTERIOR			
Office of Surface Mining - Summer Intern	15.254	CT284-114	207
Total U.S. Department of Interior			207
U.S. DEPARTMENT OF JUSTICE			
National Institute of Justice, Research and Development Project Grants	16.560	2002-MU-MU-K002	79,786
Development of New Analytical Buffer System	16.XXX	1999-IJ-CX K014	50,242
Subtotal Direct Programs			130,028
Pass-Through Programs From:			
Jackson Police Department - School Violence Partnership	16.XXX	99SBWX0016	613
Subtotal Pass-Through Programs			613
Total U.S. Department of Justice			130,641
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Environmental Protection-Consolidated Research	66.500	R-82817101-0	114,544
Subtotal Direct Programs			114,544
Pass-Through Programs From:			
Center for Applied Bioassessment and Biocriteria, Inc.	66.XXX	N/A	38,556
Rural Action	66.460	N/A	1,991
Ohio EPA	66.460	01(H)EPA-08	4,899
Ohio EPA - Environmental Protection Consolidated Grants-Program Support	66.600	97(H)EPA-13	86,203
Northeast Ohio Areawide (NOACA)	66.606	N/A	8,578
Midwest BioUniversity Institute	66.606	N/A	107,420
Subtotal Pass-Through Programs			247,647
Total U.S. Environmental Protection Agency			362,191
U.S. GEOLOGICAL SURVEY			
U.S. Geological Survey-Research and Data Acquisition	15.808	00CRA6003	150,857
U.S. Geological Survey-Research and Data Acquisition	15.808	01CRAG0025	183,091
Subtotal Direct Programs			333,948
Total U.S. Geological Survey			333,948
TOTAL RESEARCH & DEVELOPMENT CLUSTER			16,672,640
OTHER PROGRAMS:			
APPALACHIAN REGIONAL COMMISSION			
Appalachian Regional Development	23.001	CO-13750	53,776
Appalachian Regional Development	23.001	CO-13801	20,000
Subtotal Direct Programs			73,776
Appalachian Area Development	23.002	CO-13981	46,400
App. State Research, Technical Assistance, and Demonstration Proj.	23.011	N/A	6,720
Subtotal Direct Programs			126,896

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Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
Pass-Through Programs From:			\$
Ohio Valley Regional Development Commission	23.011	N/A	5,000
Marietta College - App. State Research, Technical Assistance, and Demonstration Proj.	23.011	OH-1825-EL-302-00	6,071
Ohio Governor's Office of Appalachia - App. State Research, Technical Assistance, and Demonstration Proj.	23.011	CO-13802	17,349
Subtotal Pass-Through Programs			28,420
Total Appalachian Regional Commission			155,316
BUREAU OF JUSTICE			
Bulletproof Vest Partnership	16.XXX	N/A	233
Total Bureau of Justice			233
CORPORATION FOR NATIONAL & COMMUNITY SERVICE			
AmeriCorps	94.006	00ASF0H036	6,691
AmeriCorps	94.006	00ASF0H036	4,002
AmeriCorps	94.006	00ASF0H036-Y-F28	104,928
AmeriCorps	94.006	00ASF0H036-Y-F28	13,497
AmeriCorps	94.006	00ASF0H036-Y7-F03	63,397
AmeriCorps	94.006	00ASF0H036-Y7-F03	11,682
Learn and Serve America - School and Community Based Programs	94.004	N/A	1,654
Subtotal Direct Programs			203,851
Pass-Through Programs From:			
Governor's Community Service Commission - AmeriCorps	94.006	00ASF0H036-Y8-03	243,840
Governor's Community Service Commission - AmeriCorps	94.006	00ASF0H036-Y8-03	38,956
Governor's Community Service Commission - Learn and Serve America-Higher Education	94.005	94ASCOH036-Y6-F-03	133
			282,929
Ohio Campus Compact - Learn & Serve America-Higher Education Programs	94.005	N/A	1,988
Ohio Campus Compact - Learn & Serve America-Higher Education Programs	94.005	N/A	2,288
Ohio Campus Compact - Learn & Serve America-Higher Education Programs	94.005	N/A	2,000
			6,276
Ohio Department of Education - Learn and Serve America-School and Community Based Programs	94.004	063024SV-S6-2000	7,053
Subtotal Pass-Through Programs			296,258
Total Corporation for National and Community Service			502,109
DEPARTMENT OF STATE			
2001 Summer Institute For Engineering	19.XXX	AEMA-1129	69,447
2001 Summer Institute For Engineering	19.XXX	AEMA-1129	49,412
			118,859
College and University Affiliations Program	19.406	IA-ASLJ-G9190295	22,800
Educational Exchange-Fulbright American Studies Institutes	19.418	N/A	47,515
Educational Exchange-Fulbright American Studies Institutes	19.418	N/A	108,444
Educational Exchange-Fulbright American Studies Institutes	19.418	N/A	16,158
Subtotal Direct Programs			172,117
Total Department of State			313,776

(Continued)

OHIO UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
DEPARTMENT OF TRANSPORTATION			
Federal Aviation Administration-Airport Improvement Program	20.1106	3-39-0006-0701	\$ 591,762
Federal Aviation Administration-Airport Improvement Program	20.1106	3-39-0006-0600	279,205
Subtotal Direct Programs			870,967
Pass-Through Programs From:			
Office of Governor's Highway Safety Representative	20.601	N/A	31,381
Total Department of Transportation			902,348
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Pass-Through Programs From:			
National Endowment for the Humanities - Promotion of the Humanities-Challenge Grants	45.130	CW-20055-00	44,268
Ohio Humanities Council-National Endowment for the Humanities	45.XXX	N/A	10,000
Ohio Humanities Council-National Endowment for the Humanities	45.XXX	N/A	2,000
State Library of Ohio - Institute of Museum and Library Services	45.301	103.00	2,391
Total National Endowment for the Humanities			58,659
NATIONAL INSTITUTE OF HEALTH			
Direct Programs:			
Drug and Non Drug Treatment	93.XXX	N/A	109,909
Biomechanics of Vertebrate	93.XXX	N/A	354,121
Grad. Training/Fam. Med. Year 3	93.379	1D105SPEI0438-01	62,243
Cancer Research Manpower	93.398	7K01CA7974303	109,939
Subtotal Direct Programs			636,212
Pass-Through Programs From:			
Medical College of Ohio - Model State-Supported Area Health Education Centers	93.107	5U77HP03029-07 F200	53,437
Total National Institute of Health			689,649
NATIONAL SCIENCE FOUNDATION			
Direct Programs:			
Biological Sciences	47.074	IBN-0131077	92
Social, Behavioral, and Economic Sciences	47.075	INT-0086359	22,972
Mathematical & Physical Sciences	47.049	CHE-0096244	54,043
Subtotal Direct Programs			77,107
Pass-Through Programs From:			
Kentucky Science & Technology Council - Education and Human Resources	47.076	KSTC123-9554465	1,426
Kentucky Science & Technology Council - Education and Human Resources	47.076	KSTC123-9554465	(1,194)
Kentucky Science & Tech Council-ARSI - Education and Human Resources	47.076	KSTC123-ESR086188-01-02	18,648
Kentucky Science & Tech Council-ARSI - Education and Human Resources	47.076	ESI-0119679	202,246
			221,126
St. Xavier University - Enhancing The Freshmen Yr. Exp.	47.XXX	402570001D6	160
Subtotal Pass-Through Programs			221,286
Total National Science Foundation			298,393
PEACE CORPS			
Direct Programs:			
Peace Corps Strategy Agreement	08.XXX	PO#00-161-2050-000	12,983
Total Peace Corps			12,983

(Continued)

OHIO UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
SMALL BUSINESS ADMINISTRATION			
Direct Programs:			
Small Business Development Center	59.037	ECDD-00-051	\$ 100,416
Small Business Development Center	59.037	ECDD-01-054	7,589
Small Business Development Center	59.037	ECDD-01-055	82,566
Subtotal Direct Programs			190,571
Pass-Through Programs From:			
Jefferson County COC	59.037	ECDD-02-110	12,899
Total Small Business Administration			203,470
SOCIAL SECURITY ADMINISTRATION			
Direct Programs:			
Social Security-Disability Insurance	96.001	N/A	2,325
Social Security-Disability Insurance	96.001	N/A	842
Subtotal Direct Programs			3,167
Total Social Security Administration			3,167
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Child and Adult Care Food Program	10.558	N/A	3,862
Distance Learning and Telemedicine Loans and Grants	10.855	N/A	331,073
Distance Learning and Telemedicine Loans and Grants	10.855	99-38411-8030	8,578
Subtotal Direct Programs			343,513
Pass-Through Programs From:			
Ohio Valley Regional Development Commission	10.200	N/A	4,821
Total U.S. Department of Agriculture			348,334
U.S. DEPARTMENT OF COMMERCE			
Direct Programs:			
Grants for Public Works and Economic Development Facilities	11.300	05-79-03506	42,754
Grants for Public Works and Economic Development Facilities	11.300	06-01-04525	767
Public Telecommunications Facilities-Planning and Construction	11.550	39-02-99014	439,935
Subtotal Direct Programs			483,456
Pass-Through Programs From:			
Ballet Arts-Minnesota - Technology Opportunities	11.552	N/A	399
Bowling Green State University - Economic Development-Technical Assistance	11.303	06-66-04616	17,747
Bowling Green State University - Economic Development-Technical Assistance	11.303	06-66-04460	5,111
Subtotal Pass-Through Programs			22,858
Total U.S. Department of Commerce			506,713
U.S. DEPARTMENT OF DEFENSE			
Direct Programs:			
Basic and Applied Scientific Research	12.300	N00014-01-1-0709	7,000
Procurement Technical Assistance for Business Firms	12.002	N/A	7,032
National Guard Military Operations and Maintenance (O&M) Projects	12.401	N/A	22,605
Subtotal Direct Programs			36,637

(Continued)

OHIO UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
Total U.S. Department of Defense			\$ 36,637
U.S. DEPARTMENT OF EDUCATION			
Direct Programs:			
National Resource Centers & Fellowships Program for Language and Area or Language and International Studies	84.015	P015A000161-01	152,393
National Resource Centers & Fellowships Program for Language and Area or Language and International Studies	84.015	P015A000006	60,288
National Resource Centers & Fellowships Program for Language and Area or Language and International Studies	84.015	P015A970006-99A	18,961
			<u>231,642</u>
National Resource Centers & Fellowships Program for Language and Area or Language and International Studies	84.015A	P015A000161	43,411
National Resource Centers & Fellowships Program for Language and Area or Language and International Studies	84.015A	P015A000006-01	169,832
			<u>213,243</u>
National Resource Centers & Fellowships Program for Language and Area or Language and International Studies	84.015B	P015B000161-01	126,001
National Resource Centers & Fellowships Program for Language and Area or Language and International Studies	84.015B	P015B000006-01	73,740
			<u>199,741</u>
International Research and Studies	84.017A	P017A000011	102,286
TRIO-Student Support Services	84.042A	P042A970237-00	20,830
TRIO-Student Support Services	84.042A	P042A010213	211,250
TRIO-Student Support Services	84.042A	P042A010213A	4,991
TRIO-Student Support Services	84.042A	P042A010213B	31,120
			<u>268,191</u>
TRIO-Upward Bound	84.047	P047A990189	200,352
Fund for the Improvement of Postsecondary Education	84.116J	P116J70041-97	(138)
Fund for the Improvement of Postsecondary Education	84.116J	P116J970041-99-03	233
Fund for the Improvement of Postsecondary Education	84.116J	P116J990004	47,474
Fund for the Improvement of Postsecondary Education	84.116J	P116J970041-98A	(210)
			<u>47,359</u>
Special Education-Technology and Media Services for Individuals with Disabilities	84.327A	H327A990023	1,142
Childcare Access Means Parents in School	84.335A	P335A010099	6,372
Preparing Tomorrow's Teachers to Use Technology	84.342A	P342A000235	138,085
Subtotal Direct Programs			<u>1,408,413</u>
Pass-Through Programs From:			
Area Labor Management Coordinating Council	84.341	N/A	10,000
Columbus State Community College - Tech-Prep Education	84.243	42000-0-1006	50,625
Columbus State Community College - Tech-Prep Education	84.243	VEIP 2002-01-FB	102,251

(Continued)

OHIO UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
Columbus State Community College - Tech-Prep Education	84.243	VEIP 2002-01-TG	\$ 10,400 163,276
Community Action Commission of Belmont Co, Inc.	84.314	N/A	511
Corporation for Public Broadcasting - Ready to Learn Television	84.295A	N/A	9,300
Corporation for Public Broadcasting - Ready to Learn Television	84.295A	N/A	21,156 30,456
Miami University - Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	CG00309 16022-414	3,059
Miami University - Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	CG00309 160222-1415	5,540 8,599
Ohio Board of Regents - Eisenhower Professional Development State Grants	84.281	01-50	3,616
Ohio Board of Regents - Eisenhower Professional Development State Grants	84.281	01-48	576
Ohio Board of Regents - Eisenhower Professional Development State Grants	84.281	01-48	1,077
Ohio Board of Regents - Eisenhower Professional Development State Grants	84.281	N/A	7,722
Ohio Board of Regents - Eisenhower Professional Development State Grants	84.281	N/A	39,780
Ohio Board of Regents - Eisenhower Professional Development State Grants	84.281	N/A	44,018
Ohio Board of Regents - Eisenhower Professional Development State Grants	84.281	N/A	46,735 143,524
Ohio Board of Regents - Fund for the Improvement of Postsecondary Education	84.116	N/A	36,380
Ohio Board of Regents - Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	624,113
Ohio Department of Education - Adult Education-State Grant Program	84.002	0630024-AB-SL-2001	57,663
Ohio Department of Education - Adult Education-State Grant Program	84.002	063024-AB-SL-2002	311,273
Ohio Department of Education - Adult Education-State Grant Program	84.002	063024-AB-SL-2002	13,485
Ohio Department of Education - Adult Education-State Grant Program	84.002	063024-AB-SL-2001C	19,472
Ohio Department of Education - Adult Education-State Grant Program	84.002	063024-AB-SL-2000C	13,982
Ohio Department of Education - Adult Education-State Grant Program	84.002	N/A	143,464 559,339
Ohio Department of Education	84.XXX	N/A	11,339
Ohio Department of Education - Even Start-State Educational Agencies	84.213	N/A	2,169
Ohio Department of Education - Goals 2000-State and Local Education Systemic Improvement Grants	84.276	063024 G2-A2-2000	4,672
Ohio Department of Education - Goals 2000-State and Local Education Systemic Improvement Grants	84.276	N/A	20,642
Ohio Department of Education - Goals 2000-State and Local Education Systemic Improvement Grants	84.276	N/A	5,659 30,973
Ohio Department of Education - National Institute on Postsecondary Education, Libraries, and Lifelong Learning	84.309	2001-SS-007	434
Ohio Department of Education - Even Start-State Educational Agencies	84.314B	N/A	44,942
Ohio Department of Education - Even Start-State Educational Agencies	84.314B	N/A	24,745 69,687
Ohio Department of Education - Reading Excellence	84.338	N/A	17,081 (Continued)

OHIO UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
Ohio Department of Education - Special Education-State Program Improvement Grants for Children with Disabilities	84.323A	063024-ST-SI-00	\$ 378
Subtotal Pass-Through Programs			1,708,259
Total U.S. Department of Education			3,116,672
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Direct Programs:			
NIH-Biochem Research Infrastructure	93.389	1CO6RR14575-01	36,738
FADHPS Award	93.139	6084207-01	21,227
Centers of Excellence	93.157	5D34HP04027-08	93,704
Centers of Excellence	93.157	5D18HP02889-02	7,917
Centers of Excellence	93.157	2-D34MB04027-07	(83)
Centers of Excellence	93.157	5D34HP04027-08	46,627
Centers of Excellence	93.157	5D34HP04027-09	223,707
Centers of Excellence	93.157	5D34HP04027-09	90,914
			462,786
Medicare-Hospital Insurance	93.773	N/A	(16,377)
Scholarships for Students of Exceptional Financial Need	93.820	6084206-01	42,849
Health Careers Opportunity Program	93.822	5D18HP02889-03	190,773
Health Careers Opportunity Program	93.822	5D18HP02889-03	18,700
Health Careers Opportunity Program	93.822	5D18HP02889-02	74,414
			283,887
Scholarships for Health Prof. Students from Disadvantaged Backgrounds	93.925	6084209-01	217,483
Subtotal Direct Programs			1,048,593
Pass-Through Programs From:			
Corporation for Ohio Appalachian Development	93.XXX	N/A	10,000
National Youth Sports Program Fund	93.XXX	N/A	47,234
Southern Consortium for Children - Rural Health Outreach and Rural Network Development Program	93.XXX	N/A	1,500
Ross Co Dept. of Jobs and Family Services	93.XXX	N/A	4,100
			62,834
Area Agency on Aging District Seven	93.043	N/A	5,209
Area Agency on Aging District Seven	93.043	N/A	836
			6,045
Medical College of Ohio - Model State Supported Area Health Education Centers	93.107	5R77HP03029-08	35,275
Health Resources & Services Administration	93.192	1D36HP00009-01	32,912
Health Resources & Services Administration	93.192	5D36HP00009-02	78,868
			111,780
Ross Co. Health District	93.558	N/A	1,200
Vinton Co. Commissioners-Temporary Assistance for Needy Families	93.558	N/A	5,000
Athens County Board of Commissioners-Temporary Assistance for Needy Families	93.558	N/A	293,136
Athens County DHHS - Temporary Assistance for Needy Families	93.558	N/A	998
Athens County DHHS - Temporary Assistance for Needy Families	93.558	N/A	22,065
Athens County DHHS - Temporary Assistance for Needy Families	93.558	N/A	104,377
Athens County DHHS - Temporary Assistance for Needy Families	93.558	N/A	202,813

(Continue)

OHIO UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
Athens County DHHS - Temporary Assistance for Needy Families	93.558	N/A	\$ 15,625
Belmont County Jobs & Family Svcs - Temporary Assistance for Needy Families	93.558	N/A	545
Coshocton County Head Start - Temporary Assistance for Needy Families	93.558	N/A	5,572
Meigs County DHHS - Office of Economic Development - Temporary Assistance for Needy Families	93.558	N/A	29,020
Meigs County Dept of Jobs & Family Svcs - Temporary Assistance for Needy Families	93.558	N/A	2,768
Monroe County DHHS - Temporary Assistance for Needy Families	93.558	N/A	4,146
Noble County DHHS - Temporary Assistance for Needy Families	93.558	N/A	7,386
Ohio Department of Human Services - Temporary Assistance for Needy Families	93.558	C-00-04-485	(128,191)
Ohio Department of Human Services - Temporary Assistance for Needy Families	93.558	C-00-04-486	43,974
Ohio Department of Human Services - Temporary Assistance for Needy Families	93.558	C-00-04-487	45,544
Pickaway Co. Dept of Family Svcs - Temporary Assistance for Needy Families	93.558	N/A	557
Pickaway Co. Dept of Family Svcs - Temporary Assistance for Needy Families	93.558	N/A	7,852
Columbus State Community College - JOBS/Student Retention Program	93.561	N/A	664,387
Columbus State Community College - JOBS/Student Retention Program	93.561	N/A	285
Columbus State Community College - JOBS/Student Retention Program	93.561	N/A	(21,333)
Columbus State Community College - JOBS/Student Retention Program	93.561	N/A	(21,048)
Corporation for Ohio Appalachian Development	93.569	N/A	15,000
Corporation for Ohio Appalachian Development	93.569	N/A	54
Corporation for Ohio Appalachian Development	93.569	N/A	15,054
Washington County Children's Services - Welfare Reform Research, Evaluations and National Studies	93.595	N/A	84
Washington County Children's Services - Welfare Reform Research, Evaluations and National Studies	93.595	N/A	2,322
Washington County Children's Services - Welfare Reform Research, Evaluations and National Studies	93.595	N/A	2,406
Case Western Reserve University - Grants for Geriatric Education Centers	93.969	D31HP-70113	32,469
Rehabilitation Agency - Medicare Hospital Insurance	93.773	N/A	17,952
Healthy Adult Project - Rural Health Outreach and Rural Network Development Program	93.912A	IDJARH00002-01	53,591
Intradisciplinary Healthcare - Rural Health Outreach and Rural Network Development Program	93.912	ID36HP00009-01	7,159
Washington County Mental Health & Recovery Svcs - Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	60,750
Subtotal Pass-Through Programs			10,270
Total U.S. Department of Health & Human Services			998,174
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			2,046,767
CDBG-Economic Development Initiative	14.243	B-01-SP-OH-0485	368,000
Total U.S. Department of Housing and Urban Development			368,000

(Continued)

OHIO UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2002

Federal Agency/Pass-through Grantor	Federal Catalog Number	Federal/Pass-through Grant Number	Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Pass-Through Programs From:			
Northeast Ohio Area-wide Coordinating Agency - Surveys, Studies, Investigations and Special Purpose Grant	66.606	PO1683	\$ 5,179
Ohio Department of Natural Resources - Nonpoint Source Implementation Grants	66.460	N/A	47,659
Raccoon Creek Improvement Committee	66.460	N/A	1,702
Ohio EPA - Nonpoint Source Implementation Grants	66.460	C999500900-0	56,695
Rural Action - Nonpoint Source Implementation Grants	66.460	N/A	2,150
Rural Action - Nonpoint Source Implementation Grants	66.460	N/A	18,917
			<u>127,123</u>
Total U.S. Environmental Protection Agency			<u>132,302</u>
TOTAL OTHER PROGRAMS			<u>9,695,528</u>
TOTAL FEDERAL AWARDS			<u>\$ 124,733,416</u>

OHIO UNIVERSITY

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2002

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented using the cash basis of accounting in which expenditures are recognized when paid.

(2) Subrecipients

Of the federal expenditures presented in the Schedule, the University provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Expended</u>
11.300	Grants for Public Works and Economic Development Facilities	\$ 37,000
12.420	Military Medical Research and Development	20,846
12.800	Air Force Office of Scientific Research – Air Force Defense Research Sciences Program	54,444
15.808	U.S. Geological Survey – Research and Data Acquisition	258,609
20.108	Federal Aviation Administration: Aviation Research Grants	42,270
20.205	Ohio Department of Transportation – Highway Planning & Construction	55,251
23.002	Appalachian Regional Development	39,060
23.011	Marietta College – Appalachian State Research, Technical Assistance and Demonstration Projects	4,358
43.XXX	Aerospace Education Services Program	302,069
43.XXX	Distributed & Cooperative Problem Solving in the National Aviation System	15,000
43.XXX	NASA Synthetic Vision	3,870
47.041	Engineering Grants	8,000
47.049	Mathematical and Physical Sciences	23,909
47.074	Biological Sciences	6,014
59.037	Small Business Development Center	123,468
66.600	Ohio EPA – Environmental Protection Consolidated Grants – Program Support	86,104
66.606	Northeast Ohio Areawide Coordinated Agency – Surveys, Studies, Investigations and Special Purpose Grants	2,612
81.XXX	Novel Invest or Irr. Cross Sec.	252,137
81.XXX	Ambient Fine Particle Matter	15,000
81.089	Fossil Energy Research and Development	95,460
84.015	National Resource Centers & Fellowships Program for Language and Area or Language and International Studies	14,959

OHIO UNIVERSITY

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2002

<u>CFDA Number</u>	<u>Program Title</u>	<u>Expended</u>
84.116J	Fund for the Improvement of Post-Secondary Education	24,964
93.173	Research Related to Deafness and Communication Disorders	159,009
93.279	Drug Abuse Research Programs	81,220
93.837	Heart and Vascular Diseases Research	190,116
93.853	Extramural Res. Program in the Neurosciences and Neurological Disorders	85,420
93.854	National Institute of Neurological Disorders & Stroke	33,083
94.005	Governor's Community Service Commission – Learn and Serve America – Higher Education	1,120
94.006	Americorps	3,300
		\$ 2,038,672

(3) Federal Loan Programs

	CFDA Number	Oustanding balance at June 30, 2002
Federal Perkins Loan Program	84.038	\$ 8,462,172
Health Professional and Primary Care Loan Program	93.342	2,281,225
Total federal loan programs outstanding		\$ 10,743,397

OHIO UNIVERSITY

Schedule of Findings and Questioned Costs

June 30, 2002

(1) Summary of Auditors' Results

- a. The type of report issued on the financial statements: **Unqualified opinion**
- b. Reportable conditions in internal control were disclosed by the audit of the financial statements:
None Reported
Material weaknesses: **No**
- c. Noncompliance which is material to the financial statements: **No**
- d. Reportable conditions in internal control over major programs: **None Reported**
Material weaknesses: **No**
- e. The type of report issued on compliance for major programs: **Unqualified opinion**
- f. Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133: **No**
- g. Major programs: **Student Financial Aid Cluster and Research and Development Cluster**
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- i. Auditee qualified as a low-risk auditee under section .530 of OMB Circular A-133: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance With *Government Auditing Standards*:

None

(3) Findings and Questioned Costs Relating to Federal Awards:

None

OHIO UNIVERSITY
(A component unit of the State of Ohio)
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NATIONAL COLLEGIATE ATHLETIC ASSOCIATION

Independent Accountants' Report on Applying Agreed-Upon Procedures

Year ended June 30, 2002

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**OHIO UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
NATIONAL COLLEGIATE ATHLETIC ASSOCIATION**

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Dr. Robert Glidden, President
Ohio University:

We have performed the procedures enumerated below, which were agreed to by Dr. Robert Glidden, President, Ohio University, and the management of Ohio University (University) solely to assist the University in evaluating compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1, for the year ended June 30, 2002. University management is responsible for the University's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures Related to Statement of Revenues and Expenditures

- A. We obtained the accompanying Statement of Revenues and Expenditures (Statement) (Exhibit A), as prepared by management. We recalculated the addition of the amounts on the Statement and compared the amounts on each line on the Statement to the corresponding amounts in the University's general ledger.

We found such amounts to be in agreement.

- B. We compared the following actual amounts of revenues and expenditures per the Statement to the corresponding budgeted amounts per the Ohio University annual budget: total revenues, total football expenditures, total men's basketball expenditures, total women's basketball expenditures, and total other sports and non-program specific expenditures.

No budget as compared to actual amount variances greater than \$30,000 and 15% were identified.

- C. We compared the total dollar amount of restricted gifts revenue per the Statement to the corresponding total dollar amount in the general ledger of The Ohio University Foundation.

We found such amounts to be in agreement.

- D. We obtained the Event Audit and Recap for Events reports prepared by the Intercollegiate Athletics Department of Ohio University for all of the football, basketball, baseball and softball games for the year ended June 30, 2002 from the University's Athletics Department. We compared the total dollar amount of ticket sales from the Event Audit and Recap for Events reports to the Statement via an informal reconciliation with the assistance of the Athletics Department.

We found such amounts to be in agreement.

- E. We obtained monthly departmental College and University Financial System (CUFS) budget and actual reports from the Intercollegiate Athletics Department Business Manager for each month in fiscal year 2002 and noted if the respective Ohio University Intercollegiate Athletics Department manager's signature was present on the reports to indicate management review of the reports on a monthly basis.

We noted no management signature on the monthly departmental CUFS budget and actual reports. According to the University Athletics Department Business Manager, the monthly departmental CUFS budget and actual reports are reviewed monthly by the University Athletics Department Business Manager, Associate Athletics Director for Business and Personnel, and the department accountant.

- F. We obtained the annual Ohio University Budget Summary 2001-02 (Summary) from the Athletics Department Business Manager for the following Intercollegiate Athletics Departments:

Hall of Fame, Publications and Web, Athletic Training, Cheerleading, External Affairs, Academic Services, Baseball, Men's Basketball, Football, Men's Golf, Swimming and Diving, Track and Cross Country, Wrestling, Championships, Athletics Communications, Ticket Operations, Soccer, Field Hockey, Women's Golf, Women's Basketball, Volleyball, Softball, Lacrosse, Strength and Conditioning, Facility and Operations, Director of Athletics, Compliance, Equipment, Business and Personnel.

We noted whether the Athletics Director and Associate Athletics Director signed each Summary indicating approval of the budget for fiscal year 2002.

We found no exceptions to the Athletic Director and Associate Athletics Director's signatures on each of the Summaries.

- G. We compared the total amount of guarantee receipts and expenditures as listed in the Ohio University Guarantees for Fiscal Year Ending June 30, 2002 schedule obtained from the Athletics Department Business Manager to the Ohio University budgeted guarantee receipts and expenditures per the Ohio University budget. We obtained explanations from the Athletics Department Business Manager of variances between actual guarantee receipts and expenditures and budgeted guarantee receipts and expenditures.

Actual guarantees receipts exceeded budgeted guarantee receipts by \$61,500, and actual guarantee expenditures were less than budgeted guarantee expenditures by \$13,000. The explanation obtained from the Intercollegiate Athletics Department Business Manager was that the differences are due to the fact that the Athletics Department can not accurately budget basketball guarantees, as the amounts for basketball guarantees are not known at the time the budget is prepared.

- H. We obtained The Ohio University Foundation–Intercollegiate Athletics–FYE 6/30/02 report (the Report) from The Ohio University Foundation. The Report contained two contributions received directly by the University which constituted more than 10% of all contributions received for the Ohio University Intercollegiate Athletics Department per the Statement. For both contributions, we compared the name of the donor, the dollar amount (\$30,000 each) and date of the gift (both December 31, 2001) to the original donor letter. We then added all contributions made on December 31, 2001, per the Report and compared the total of contributions made on December 31, 2001 to the Ohio University validated deposit slip dated December 31, 2001.

We found such information to be in agreement.

- I. We obtained the dollar amount of NCAA revenue sharing for the NCAA men's basketball tournament per the Statement and compared the amount to the corresponding sum of amounts per copies of the Ohio University deposit form (#51743sd017) via an informal reconciliation with the assistance of the Intercollegiate Athletics Department.

We found such amounts to be in agreement.

Procedures Related to Outside Organizations

- J. We obtained from the management of Ohio University the following list of outside organizations and their related financial activities for the year ended June 30, 2002, as they relate to the intercollegiate athletics programs of the University:

	The Ohio University Foundation	Green and White Club	Totals
Beginning cash balance	\$ 929,718	515,198	1,444,916
Add: cash receipts	670,960	92,340	763,300
Other	64,980	(69,350)	(4,370)
	1,665,658	538,188	2,203,846
Less: contributions to or on behalf of program	974,270	21,183	995,453
Ending cash balance	\$ 691,388	517,005	1,208,393

These amounts are not recorded in the University's general ledger.

- K. We obtained a listing prepared by the University Intercollegiate Athletics Department of cash receipts received directly from the Green and White Club (the booster group) by Ohio University totaling \$21,183, and numerous other cash receipts, totaling \$106,399, from The Ohio University Foundation (the Foundation). We compared cash receipts received directly from the Green and White Club to the total of the following canceled checks maintained by the Foundation: check #2973, 2974, 3007-3011, and 3029. We compared other cash receipts from the Foundation to The Ohio University Foundation Intercollegiate Athletics FYE 6/30/02 report with the assistance of Foundation management.

We found such amounts to be in agreement.

Procedures Related to Internal Control Over Financial Reporting

- L. We obtained the computerized ticketing system Event Audit and Recap for Event reports prepared by the Intercollegiate Athletics Department and recalculated the gross revenue for each category of tickets sold on the Event Audit and Recap for Event reports. We compared the dollar amount of individual game ticket sales for five haphazardly selected football games and ten haphazardly selected men's basketball games for the corresponding date per the Ohio University Athletic Ticket Office Seller Sheet to the validated bank deposit slip via an informal reconciliation with the University Director of Ticketing Operations. The games selected and the corresponding dates were:

Football:

- Iowa State University (9/22/01)
- University of Toledo (10/6/01)
- Miami University (10/20/01)
- Kent State University (10/27/01)
- Bowling Green State University (11/10/01)

Men's basketball:

- Duquesne University(11/29/01)
- Oakland University (12/15/01)
- Western Michigan University (1/9/02)
- Miami University (1/19/02)
- University of Akron (1/30/02)
- Marshall University (2/2/02)
- Ball State University (2/9/02)
- Central Michigan University (2/13/02)
- Kent State University (2/23/02)
- University of Toledo (2/27/02)

We found such amounts to be in agreement.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement of Revenues and Expenditures of the Intercollegiate Athletics Department of Ohio University. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the President and management of Ohio University and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 11, 2002

OHIO UNIVERSITY
Intercollegiate Athletics Department
 Statement of Revenues and Expenditures
 Year ended June 30, 2002 (unaudited)

	Football	Men's Basketball	Women's Basketball	Other Sports	Nonprogram Specific
Revenues:					
Ticket sales	285,393	286,681	6,839	5,072	—
Guarantees	380,000	51,500	5,000	1,000	—
NCAA and tournament	—	—	—	—	538,841
Program sales	1,930	850	30	50	250,000
Parking	24,335	33,870	—	—	45,456
Workshops	—	—	—	—	2,786
Commissions	—	—	—	—	9,097
Support from University funds	—	—	—	—	8,658,047
Miscellaneous	10,896	2,935	42	28,828	212,701
Restricted gifts—Ohio University Foundation	40,912	11,950	6,872	46,665	23,222
Total revenues	743,466	387,786	18,783	81,615	9,740,150
Expenditures:					
Coaches' salaries	793,667	387,125	281,135	1,048,025	—
Other salaries	8,344	2,271	610	19,116	1,763,379
Films	—	—	6	31	2,942
Travel:					
Team	283,509	108,074	85,904	339,303	123,789
Recruiting	69,952	37,798	32,648	67,339	514
Financial aid	1,261,158	200,742	200,312	1,913,613	288,600
Maintenance and general administration	175,511	69,582	52,460	241,546	968,774
Equipment purchases	35,560	90	6,343	3,968	37,501
Publicity	20	—	—	1,370	122,689
Insurance	500	500	—	1,500	24,372
Telephone	21,585	10,359	5,641	11,012	91,258
Entertainment	1,228	207	303	6,646	9,413
Total expenditures	2,651,034	816,748	665,362	3,653,469	3,433,231
Transfers	—	—	—	—	388,871
Expenditures and transfers over revenues	\$ (1,907,568)	(428,962)	(646,579)	(3,571,854)	5,918,048

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OHIO UNIVERSITY
TELECOMMUNICATIONS CENTER
A Public Telecommunications Entity
(A Department of Ohio University)

Financial Statements

June 30, 2002

(With Independent Auditors' Report Thereon)

OHIO UNIVERSITY
TELECOMMUNICATIONS CENTER
A Public Telecommunications Entity
(A Department of Ohio University)

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**OHIO UNIVERSITY
TELECOMMUNICATIONS CENTER
A Public Telecommunications Entity
(A Department of Ohio University)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2002

This report is provided for your convenience and understanding of the Ohio University Telecommunications Center's (the Center) financial condition and operating activities for the year ended June 30, 2002. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. The overview presented below highlights the significant financial activities that occurred during the past year and describes changes in financial activity from the prior year. As required by the newly adopted accounting principles, the financial report consists of basic financial statements that provide information on the Center: *the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows*.

USING THIS REPORT

In June of 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement requires a comprehensive look at the entity as a whole. In November 1999, GASB issued Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, which applies those standards to that group. GASB has not yet developed accounting standards for presentation of auxiliary (or departmental) entities. The Center is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and 35. The Center's accounting policies and practices do, however, conform to those permitted or allowed by the Corporation for Public Broadcasting, which generally follow published Governmental Accounting Standards. The purpose of these GASB Statements is to enhance the understandability and usefulness of the external financial reports for the primary users of these reports. The financial statements for the fiscal year ended June 30, 2001 have not been restated and are not included for comparative purposes in the financial statements. Future years' statements will be comparative.

The financial statements of the Center include the following:

- Three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows.
- The Statement of Net Assets classifies assets and liabilities as current or noncurrent. Generally, current liabilities are those that will be paid within one year of the date of the Statement. Current assets are those that are available to satisfy current liabilities.
- There are three classes of net assets: Unrestricted, Restricted (nonexpendable and expendable), and Invested in Capital Assets.
- The Statement of Revenues, Expenses and Changes in Net Assets differentiates between operating and nonoperating revenue. Charges for goods and services are recorded as operating revenues. In addition, certain federal, state, local, and private grants are considered operating revenue if they are not for capital purposes and are provided as a contract for services. Essentially all other types of revenue are nonoperating, or other revenue. Nonoperating revenues are those that are primarily nonexchange in nature. They consist of support from the University, grants, and contracts that do not require any services to be performed for the benefit of the grantor, or grants and contracts that require services to be performed for the benefit of the grantor of a lesser value than the grant dollars received.
- Depreciation expense is included in operating expenses.

This annual financial report includes the report of the independent auditors, this management’s discussion and analysis, the three basic financial statements referenced above, and notes to the financial statements.

FINANCIAL HIGHLIGHTS OF FY 2002

Statement of Net Assets

The Statement of Net Assets presents the financial position of the Center as of the end of the fiscal year. The Center’s net assets decreased by \$8,996,936 as a result of the cumulative effect of a change in accounting principle brought about by the implementation of GASB 34/35. The beginning fund balance (net asset) was reduced by the amount of \$8,808,377 for accumulated depreciation. The decrease in net assets as a result of current period operations was \$128,526. Accounts receivable-related party represents amounts available in the cash account of the University for the benefit of the Center. All of the Center’s receipts and disbursements are recorded in this account.

The following depicts the breakdown of Assets, Liabilities and Net Assets:

Assets:	
Accounts receivable - related party	\$ 2,421,582
Capital assets, net	6,113,797
Deposit on capital assets	137,806
	<u>8,673,185</u>
Liabilities:	
Current liabilities	213,764
Noncurrent liabilities	273,842
	<u>487,606</u>
Net assets	<u>\$ 8,185,579</u>

The Net Assets are further displayed as follows:

Invested in capital assets	\$ 6,113,797
Restricted expendable	1,499,874
Unrestricted	<u>571,908</u>
Total	<u><u>\$ 8,185,579</u></u>

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the Center’s results of operations for the current fiscal year. The revenues and expenses are generally reported as either operating or nonoperating.

Operating Revenues

Operating revenues are generated, in part, by the sale of goods or services. Certain grants are also classified as operating revenues if the Center is required by the grant to provide goods or services to the grantor of equal value to the value of the services or dollars received. Total operating revenues are \$346,169.

Nonoperating Revenues

Nonoperating revenues include an annual Community Service Grant from the Corporation for Public Broadcasting and the State of Ohio, administered through an annual grant from the Ohio Educational Telecommunications Network Commission. Nonoperating revenues also include an appropriation, donated facilities, and administrative support from its licensee (Ohio University), membership revenue, and contributions from area businesses (program underwriting). Certain grants are also classified as nonoperating revenue if the Center is not required under the grant agreement to provide goods or services to the grantor of equal value to the services or dollars received. In-kind contributions of \$1,796,334 are also included in nonoperating revenues as Private Gifts, Grants, and Contracts revenue. Total nonoperating revenues are \$7,544,490.

Capital Grants and Gifts

This category includes \$806,968 in monies received from the US Department of Commerce for the WOUB TV transmitter replacement.

The following depicts total revenue by source:

Support from Ohio University	\$ 3,562,488
Grants and contracts	3,108,763
Sales and services	230,042
In-kind support	<u>1,796,334</u>
	<u><u>\$ 8,697,627</u></u>

Operating Expenses

Operating expenses have been incurred to vendors and employees for providing goods or services for the overall operations of the Center.

The following depicts operating expenses by function:

Operating expenses by function:	
Public service	\$ 8,009,002
Academic support	234,517
Student aid	250
Depreciation	582,384
Total operating expenses	<u>\$ 8,826,153</u>

Change in Net Assets

Total change in net assets is as follows:

Operating revenues	\$ 346,169
Nonoperating revenues	7,544,490
Capital grants and gifts	806,968
Operating expenses	<u>(8,826,153)</u>
Decrease in net assets	<u>(128,526)</u>
Beginning net assets	<u>8,314,105</u>
Ending net assets	<u>\$ 8,185,579</u>

CAPITAL ASSETS

Digital Conversion

The Station expects to begin digital signal broadcasting in the spring of 2003. The total capital costs associated with conversion to digital capability are expected to be approximately \$9.5 million for pass-through, master control, and editing; \$19.2 million for full High Definition/Multi-channel Television (HDTV), one channel equipped. Adding additional Standard Definition Television (SDTV) channels will vary widely in cost, depending upon the service provided. For example, if a pass-through satellite service is used on a selected channel, the cost would be minimal, in the range of \$10,000. If a distance learning channel(s) is added, the cost would be dependent upon the type of service provided and whether additional classrooms are needed. The cost could range from \$50,000 to \$300,000 per channel. Through June 30, 2002, the Center has expended \$6.4 million toward digital television conversion.

Major capital expenditures during the fiscal year ended June 30, 2002 include:

- Equipment \$60,748
- Construction in progress:
 - WOUB transmitter replacement &
 digital TV conversion \$1,748,897



1600 PNC Center
201 East Fifth Street
Cincinnati, OH 45202

Independent Auditors' Report

The President and the
Board of Trustees of
Ohio University
and
The Honorable Betty Montgomery,
Auditor of State of Ohio:

We have audited the accompanying basic financial statements as listed in the accompanying table of contents of the Ohio University Telecommunications Center (the Center), a public telecommunications entity (a department of Ohio University), as of and for the year ended June 30, 2002. These financial statements are the responsibility of Ohio University's (the University) management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements of the Center are intended to present the financial position and changes in financial position and cash flows of only that portion of the University that is attributable to the transactions of the Center. They do not purport to, and do not, present fairly the financial position of Ohio University as of June 30, 2002, and the changes in its financial position and its cash flows, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Center as of June 30, 2002, and the respective changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 1 to the financial statements, as of July 1, 2001, the Center adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, 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*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.





In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2002 on our consideration of Ohio University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

February 21, 2003

OHIO UNIVERSITY
TELECOMMUNICATIONS CENTER
A Public Telecommunications Entity
(A Department of Ohio University)

Statement of Net Assets

June 30, 2002

Assets

Current assets:	
Accounts receivable-related party	\$ <u>2,421,582</u>
Noncurrent assets:	
Capital assets, net	6,113,797
Deposit on capital assets	<u>137,806</u>
Total noncurrent assets	<u>6,251,603</u>
Total assets	\$ <u><u>8,673,185</u></u>

Liabilities & Net Assets

Current liabilities:	
Accounts payable and accrued liabilities	\$ <u>213,764</u>
Noncurrent liabilities:	
Accrued compensated absences	<u>273,842</u>
Total liabilities	<u>487,606</u>
Net assets:	
Invested in capital assets	6,113,797
Restricted:	
Expendable:	
Public service	1,499,874
Unrestricted	<u>571,908</u>
Total net assets	<u>8,185,579</u>
Total liabilities and net assets	\$ <u><u>8,673,185</u></u>

See accompanying notes to financial statements.

OHIO UNIVERSITY
TELECOMMUNICATIONS CENTER
A Public Telecommunications Entity
(A Department of Ohio University)

Statement of Revenues, Expenses, and Changes in Net Assets

For the year ended June 30, 2002

Operating revenues:	
Federal grants and contracts	\$ 25,000
State grants and contracts	91,127
Sales and services	230,042
Total operating revenues	346,169
Operating expenses:	
Public service	8,009,002
Academic support	234,517
Student aid	250
Depreciation	582,384
Total operating expenses	8,826,153
Operating loss	(8,479,984)
Nonoperating revenues:	
Support from Ohio University	3,562,488
Federal grants and contracts	20,310
Private gifts, grants and contracts	3,961,692
Net nonoperating revenues	7,544,490
Loss before other revenues	(935,494)
Capital grants and gifts	806,968
Decrease in net assets	(128,526)
Net assets:	
Net assets, beginning of year	8,314,105
Net assets, end of year	\$ 8,185,579

See accompanying notes to financial statements.

OHIO UNIVERSITY
TELECOMMUNICATIONS CENTER
A Public Telecommunications Entity
(A Department of Ohio University)

Statement of Cash Flows

For the year ended June 30, 2002

Cash flows from operating activities:	
Grants and contracts	\$ 116,127
Payments to suppliers	(2,922,695)
Payments to employees	(2,761,962)
Payments for benefits	(744,307)
Payments for scholarships and fellowships	(250)
Sales and services	<u>230,042</u>
Net cash used in operating activities	<u>(6,083,045)</u>
Cash flows from noncapital financing activities:	
Support from Ohio University	3,562,488
Gifts and grants for other than capital purposes	<u>2,185,669</u>
Net cash provided by noncapital financing activities	<u>5,748,157</u>
Cash flows from capital and related financing activities:	
Capital grants and gifts received	806,968
Purchases of capital assets	<u>(1,809,645)</u>
Net cash used in capital and related financing activities	<u>(1,002,677)</u>
Net change in cash	(1,337,565)
Cash equivalents, beginning of year	<u>3,759,147</u>
Cash equivalents, end of year	<u>\$ 2,421,582</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (8,479,984)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	582,384
In-kind expenses	1,796,334
Loss on disposal of capital assets	4,930
Changes in assets and liabilities:	
Deposit on capital assets	(137,806)
Accounts payable	141,091
Accrued liabilities	<u>10,006</u>
Net cash used in operating activities	<u>\$ (6,083,045)</u>

See accompanying notes to financial statements.

OHIO UNIVERSITY
TELECOMMUNICATIONS CENTER
A Public Telecommunications Entity
(A Department of Ohio University)

Notes to Financial Statements

June 30, 2002

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Ohio University Telecommunications Center (the Center) is owned and operated by Ohio University, Athens, Ohio (the University). The Center manages two non-commercial public television stations, WOUB-TV in Athens, Ohio and WOUC-TV in Cambridge, Ohio. The signal of WOUC-TV is repeated on transmitters in Millersburg and Loudonville, Ohio. The Center also manages six non-commercial public radio stations, WOUB-AM and WOUB-FM in Athens, Ohio; WOUC-FM in Cambridge, Ohio, WOUL-FM in Ironton, Ohio; WOUH-FM in Chillicothe, Ohio; and WOUZ-FM in Zanesville, Ohio. Among other services, the Center manages a Media Distribution Center for Ohio University, provides community outreach to 37 counties, programs WOUBII, Channel 25 on the Time Warner Cable system in Athens, and provides teleconferencing and engineering consulting services, along with audio and video production.

The Center is not a separate legal entity and operates as a department of Ohio University. The accompanying separate financial statements of the Center are prepared solely to meet the reporting requirements of the Corporation for Public Broadcasting, a major funding organization. These financial statements are included within the financial statements of the University. These financial statements include only the activities of the Center, and therefore they are not intended to present fairly the financial position, change in financial position, and cash flows of the University in conformity with accounting standards generally accepted in the United States of America.

(b) Financial Statement Presentation

Effective July 1, 2001, the Center adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities – an Amendment of GASB 34*, and Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*. These Statements establish new financial reporting requirements and significantly change the format and content of the Center’s financial statements. Effective July 1, 2001, the Center adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This Statement modifies, establishes, and rescinds certain financial statement note disclosures. These Statements require new information and restructure much of the information that the Center has presented in the past. The implementation of these statements was applied on a retroactive basis as of July 1, 2001. Therefore, opening net assets reflect the impact of recording \$8,996,936 for GASB 34 and 35 implementation, primarily related to accumulated depreciation.

OHIO UNIVERSITY
TELECOMMUNICATIONS CENTER
A Public Telecommunications Entity
(A Department of Ohio University)

Notes to Financial Statements

June 30, 2002

(c) Basis of Accounting

The University is a special-purpose government engaged only in business type activities. Accordingly, as a department of the University, the Center's financial statements are presented using an economic resources measurement focus and are presented on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded as incurred.

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect certain amounts reported in the financial statements. The estimates and assumptions are based on currently available information and actual results could differ from those estimates.

(e) Capital Assets

If purchased or constructed, capital assets are recorded at cost or estimated historical cost in the year of purchase or construction. If donated, they are recorded at their estimated fair value at the date of gift. Depreciation is computed on the straight-line method over the estimated useful life of the asset.

The following are capitalization levels and estimated useful lives of major asset classes:

<u>Asset class</u>	<u>Capitalize at</u>	<u>Estimated useful life</u>
Buildings and building improvements	Any amount	10-40 years
Equipment	\$2,500 or greater	5-25 years

The costs of normal maintenance and repairs that do not add value to the capital asset or materially extend its life are not capitalized. Land and land improvements are not depreciated.

(f) Compensated Absences

University employees earn vacation and sick leave benefits based, in part, on length of service. Upon separation from service, employees are paid their accumulated vacation and sick pay based upon the nature of separation (termination, retirement or death). Certain limitations are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement or death. Unused hours exceeding their limitations are forfeited. The liability incurred is recorded at year-end as a noncurrent liability in the Statement of Net Assets, and as a component of operating expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

OHIO UNIVERSITY
TELECOMMUNICATIONS CENTER
A Public Telecommunications Entity
(A Department of Ohio University)

Notes to Financial Statements

June 30, 2002

(g) Net Assets

The Center's net assets are categorized as described below:

Invested in capital assets: This represents the Center's investment in capital assets.

Restricted net assets – expendable: Restricted expendable net assets represent assets that are restricted by a third party either legally or contractually.

Unrestricted net assets: Unrestricted net assets are resources derived primarily from operating funds provided by the University, which are designated for use by the Center.

The Center has no restricted nonexpendable net assets as of June 30, 2002.

(h) Income Taxes

The University is an organization described in Section 115 of the Internal Revenue Code of 1986 (the Code) and has further been classified as an organization that is not a private foundation in accordance with Sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code. As such, the Center is exempt from income taxes other than taxes on certain revenues, which are considered unrelated business income.

(i) Classification of Revenues

Revenues are classified as either operating or nonoperating according to the following:

Operating revenues: Operating revenues include revenues from activities that have characteristics similar to exchange transactions. These include sales and services, and certain grants, which require that the Center provide goods or services to the grantor of equal value to the grant dollars received.

Nonoperating revenues: Nonoperating revenues include revenues from activities that have characteristics of nonexchange transactions such as support from the University and certain grants, which do not require the Center to provide goods or services to the grantor of equal value to the grant dollars received.

(j) Support from Ohio University

The University provides indirect support to the Center through its administration and physical plant support. Indirect support is recorded as revenue and expense as incurred in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

Administrative support is derived from the percentage of certain of the Center's operating expenditures (\$5,237,103) over Ohio University's total educational and general expenditures excluding separately budgeted research, public service, scholarships and fellowships (\$297,426,691), or 1.75%. This percentage is applied against the University's overall institutional support of \$16,199,558. Expenses are allocated to cost centers based on direct operating expenses.

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Physical plant support is determined by an assessment of the square footage assigned the Center and the cost per square foot of providing types of physical plant support. Expenses are allocated to cost centers according to estimated square footage.

(k) *In-kind Support*

In-kind support is provided by the Ohio Department of Education, the Educational Technology Services of Ohio, and the Ohio Educational Telecommunications Network Commission. These values are based upon statements provided by the respective agency. Expenses are allocated to cost centers based on the nature of the in-kind support provided. In-kind support is included in both revenues and expenses in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

(l) *Related Parties*

Contributions received by The Ohio University Foundation (the Foundation), which are restricted as to use for the Center, are managed by the Foundation. The Center records cash received from the Foundation as both revenue and expense when monies are received from the Foundation to pay expenses. As of June 30, 2002, the Foundation has recorded pledges receivable and endowment and scholarship funds in the amount of \$54,861, which are restricted as to use for the Center.

The Center does not maintain a separate cash account; therefore, all of the Center's receipts and disbursements are reflected in the accounts of the University. The Center's share of cash accounts is reflected on the Statement of Net Assets as accounts receivable – related party. For purposes of the Statement of Cash Flows, this account is considered a cash equivalent.

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June 30, 2002

(2) Capital Assets

Capital assets reported by the Center are assets of the State of Ohio, with the University having custodial responsibility. The building values have been prorated based upon the Center's percentage usage of the net assignable square footage applied to the actual cost plus improvements of the buildings. Equipment represents items listed on the University's general ledger as equipment for the Center as of June 30, 2002 with a unit value of at least \$2,500 and an estimated useful life of five years or more.

The following table represents changes in the various capital asset categories during the year ended June 30, 2002:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2002</u>
Capital assets not being depreciated:				
Land	\$ 69,235	—	—	69,235
Construction in progress	235,867	1,748,897	—	1,984,764
Total capital assets not being depreciated	<u>305,102</u>	<u>1,748,897</u>	<u>—</u>	<u>2,053,999</u>
Capital assets being depreciated:				
Infrastructure	3,468,741	—	—	3,468,741
Buildings	3,078,780	—	—	3,078,780
Equipment	6,847,220	60,748	(549,951)	6,358,017
Total capital assets being depreciated	<u>13,394,741</u>	<u>60,748</u>	<u>(549,951)</u>	<u>12,905,538</u>
Less accumulated depreciation:				
Infrastructure	1,435,497	79,664	—	1,515,161
Buildings	2,247,861	87,133	—	2,334,994
Equipment	5,125,019	415,587	(545,021)	4,995,585
Total accumulated depreciation	<u>8,808,377</u>	<u>582,384</u>	<u>(545,021)</u>	<u>8,845,740</u>
Total capital assets being depreciated, net	<u>4,586,364</u>	<u>(521,636)</u>	<u>(4,930)</u>	<u>4,059,798</u>
Capital assets, net	\$ <u>4,891,466</u>	<u>1,227,261</u>	<u>(4,930)</u>	<u>6,113,797</u>

(3) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2002 consist of the following:

Accounts payable	\$ 178,264
Accrued payroll	<u>35,500</u>
	<u>\$ 213,764</u>

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(4) Accrued Compensated Absences

Per University policy, salaried faculty and staff earn vacation at the rate of 22 days per year with a maximum accrual of 32 days. Upon termination they are entitled to a payout of their accumulated balances. Hourly classified employees earn vacation at rates per years of service, ranging from 10 to 25 days per year. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2002 amounted to \$215,340.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro-rata monthly basis for salaried employees and on a pro-rata hourly basis for classified hourly employees). Salaried employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25% of unused days (maximum of 30 days). Hourly classified employees with 10 or more years of service are eligible for payout upon retirement of up to 50% of unused days (maximum of 60 days). The liability for accrued sick leave at June 30, 2002 amounted to \$58,502.

A summary of accrued compensated absences is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
For the year ended June 30, 2002	\$ 299,336	—	25,494	273,842



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

The Board of Trustees of
Ohio University
and
The Honorable Betty Montgomery,
Auditor of State of Ohio:

We have audited the financial statements of Ohio University (the University), a component unit of the State of Ohio, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 11, 2002. As described in note 1 to the financial statements, as of July 1, 2000, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements – Management's Discussion and Analysis – For Public Colleges and Universities – an amendment of GASB Statement No. 34*, GASB Statement No. 37 *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments Omnibus – an amendment of GASB Statements No. 21 and 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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





Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees and management of the University, the Auditor of State of Ohio, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 11, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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OHIO UNIVERSITY

ATHENS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 9, 2003**