Transportation Research Center Inc.

Financial Statements
June 30, 2015 and 2014

Dave Yost • Auditor of State

Board of Directors
Transportation Research Center Inc.
2040 Blankenship Hall
Columbus, OH 43210-4016

We have reviewed the *Independent Auditor's Report* of the Transportation Research Center Inc., Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2014 through June 30, 2015. 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 Transportation Research Center Inc. is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

December 14, 2015

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Independent Auditor's Report

To the Board of Directors of
Transportation Research Center Inc.:

We have audited the financial statements of Transportation Research Center Inc. ("TRC"), a component unit of The Ohio State University, appearing on pages 11 to 27, which consist of the statements of net position as of June 30, 2015 and June 30, 2014, the related statements of revenues, expenses, and other changes in net position, and of cash flows for the years then ended which collectively comprise TRC's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TRC as of June 30, 2015 and June 30, 2014 and the changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 2 and 9 to the basic financial statements, in the year ended June 30, 2015, TRC adopted new accounting guidance related to the manner in which it accounts for pensions. As described within the notes to the financial statements, TRC adopted Governmental Accounting Standards Board ("GASB") Statement No. 68*, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

The accompanying management's discussion and analysis on pages 4 through 10 and the Supplementary Information on GASB 68 Pension Liabilities on page 28 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated October 29, 2015 on our consideration of TRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2015. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TRC's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

October 29, 2015

This Management Discussion and Analysis provides an overview of the financial position and activities of Transportation Research Center Inc. (TRC Inc.) for the fiscal year ended June 30, 2015, with comparative information for the fiscal years ended June 30, 2014 and June 30, 2013.

Introducing Transportation Research Center Inc.
TRC Inc. independently manages the Transportation Research Center, a transportation research and testing facility located on 4,500 acres near East Liberty, Ohio, and various other laboratories. TRC Inc. assists the needs of the mobility industry, government, and educational institutions worldwide by creating safer, improved products through vehicle research and testing services. Research and testing programs are designed to test for safety, energy, fuel economy, emissions, durability, and crash worthiness on passenger vehicles, trucks, buses, motorcycles, recreational vehicles and their associated components.

The Transportation Research Center facility was developed by the State of Ohio and began operations in 1974. In 1979, the State of Ohio entered into an agreement with The Ohio State University's College of Engineering to oversee the operations of the Transportation Research Center. In 1988, the State of Ohio sold the facility to Honda of America Manufacturing, Inc. (HAM) as an economic inducement to secure a second automobile manufacturing plant. After the sale, The Ohio State University created TRC Inc. TRC Inc. and Honda of America Manufacturing, Inc. entered into a management agreement that provides the foundation for TRC Inc. to manage the Transportation Research Center as a multi-user facility.

TRC Inc. is governed by a seven-member board chaired by the Dean of the College of Engineering at The Ohio State University. The Ex-Officio Directors on the TRC Inc. Board of Directors represent The Ohio State University and its interest within TRC Inc. The Ex-Officio Directors on the TRC Inc. Board of Directors are the persons who hold the following positions at The Ohio State University: the University Controller (currently R. Michael Gray); the Senior Vice President for Research of the University (currently Dr. Caroline C. Whitacre); the Dean of the College of Engineering of the University (currently Dr. David B. Williams); and the Director of Transportation Research Center Inc. (currently Mark-Tami Hotta). In April 2015, Mark-Tami Hotta was named President-Chief Executive Officer and Jeffrey Sprague was named Chief Operating Officer. TRC Inc. is a discretely presented component unit in the financial statements of The Ohio State University.

TRC Inc. is a tax-exempt organization as described in section 501(c)(3) and section 509(a)(3) of the Internal Revenue Code. TRC Inc.'s tax-exempt purpose is conducting and supporting humanistic, scientific and engineering research and development activities solely and exclusively to the conduct of, or providing assistance in connection with the conduct of, research in automotive, vehicular, and related forms of transportation, and for the development of improved highway facilities for vehicular traffic. TRC Inc. does perform work outside of this exempt purpose, and as a result, does pay unrelated business tax on that income.

Key Financial Highlights
Significant financial events during fiscal year 2015 were:

- Net income before other changes in net position, excluding the change the fair value of investments of $98,481, of $1,745,537;

- The transfer of TRC Inc.'s fiscal year 2014 net income before other changes in net position excluding change in fair value on investments of $1,530,007 in October 2014 to the College of Engineering at The Ohio State University entirely from its operating cash fund;

- An increase in Research and Testing Operating Revenues of $687,609, or 2%;
- A decrease in Owner's Maintenance and Repair Revenue of $1,180,115, due to the $1 million emissions bench project being completed in fiscal year 2014;
- A decrease in Direct Expenses of $822,804, or 4%, due to the $1 million emissions bench project being completed in fiscal year 2014;
- The decline in the fair value of investments of $98,481;
- The receipt of refunds from The Ohio Bureau of Workers Compensation of $606,506 in fiscal year 2015.

Financial Statement Overview

For a summary of TRC Inc.'s significant accounting policies, please see footnote number two attached to the financial statements.

Presented in the financial statements are the Statements of Net Position at June 30, 2015 and June 30, 2014; the Statements of Revenues, Expenses and Other Changes in Net Position for fiscal years ended June 30, 2015 and 2014; and the Statements of Cash Flows for fiscal years ended June 30, 2015 and 2014.

The Statements of Net Position reflect TRC Inc.'s assets, liabilities and net position.

The Statements of Revenues, Expenses and Other Changes in Net Position reflect information showing how net position changed during the fiscal year.

The Statements of Cash Flows reports changes in the cash and cash equivalent balances during the fiscal year.

Statements of Net Position

The major components of the Statement of Net Position at June 30, 2015 and June 30, 2014 and June 30, 2013 are reflected below:

	June 30, 2015	June 30, 2014	Changes	June 30, 2013
Assets				
Current assets	$ 12,967,954	$ 14,064,556	-7.8%	$ 11,657,252
Net property and equipment	515,777	429,034	20.2%	632,979
Deferred Outflow Related to Pension	39,949	-	100%	-
Total assets and deferred outflows	$ 13,523,680	$ 14,493,590	-6.7%	$ 12,290,231
Liabilities				
Current liabilities	$ 2,970,355	$ 4,095,352	-27.5%	$ 3,596,460
Net Pension Liability	295,980	-	100%	-
Long term debt	-	-	0.0%	-
Total liabilities	3,266,335	4,095,352	-20.2%	3,596,460
Deferred Inflow Related to Pension	5,200	-	100%	-
Net Position	10,252,145	10,398,238	-1.4%	8,693,771
Total liabilities and net position	$ 13,523,680	$ 14,493,590	-6.7%	$ 12,290,231

Current Assets

Current Assets decreased $1,096,602, or 8%, in fiscal year 2015 to $12,967,954. The significant changes in Current Assets were in Cash and Cash Equivalents, Restricted Cash, Investments, Trade Accounts Receivable, and Receivable from HAM.

Cash and Cash Equivalents decreased by $1,287,184, or 38%, in fiscal year 2015 to $2,136,439. The decrease in cash was due to the payment of the annual transfer to The Ohio State University of $1,530,007 in fiscal year 2015, which was made entirely from operating cash.

Investments increased by $54,270, or 1%, in fiscal year 2015 to $3,976,002. The increase resulted from:

- The market decline of TRC Inc.'s investments maintained and managed by The Ohio State University's Office of Investments; and
- The reinvestment of interest earned of $152,751 on TRC Inc.'s investments at The Ohio State University in fiscal year 2015.

TRC Inc. owns investments that are maintained and managed by The Ohio State University's Office of Investments.

As required by Governmental Accounting Standards Board Statement Number 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, TRC Inc. records the unrealized gain or loss on its investments each year with the Statement of Revenues, Expenses and Other Changes in Net Position.

The unrealized gain or loss in the fair value of investments for fiscal years 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Market value of endowment fund	$ 3,976,002	$ 3,921,732	$ 3,381,820
Book value of endowment fund	3,841,787	3,689,036	3,534,512
Net unrealized gain/(loss)	$ 134,215	$ 232,696	$ (152,692)
Change in unrealized gain/(loss)	$ (98,481)	$ 385,388	$ 177,335

Research and Testing Operating Revenue made on account increased by $687,609 in fiscal year 2015, Trade Accounts Receivable increased $143,773, or 3%, in fiscal year 2015 to $5,183,526. Average receivables were outstanding for 58 days in fiscal year 2015, as compared to 58 days in fiscal year 2014. The valuation of allowance for doubtful accounts fell by $79,000 in fiscal year 2015 to $89,000 at June 30, 2015.

Receivables from HAM declined by $769,015, or 51%, in fiscal year 2015 to $750,087. This receivable represents the balance due from the owner of Transportation Research Center for maintenance and capital improvements made to the facility by TRC Inc. The decrease was due to the invoicing of several large capital improvement projects in June 2014, with the two biggest being $626,100 for pavement done around the proving ground and $317,803 for fencing projects around the facility. These large projects were not repeated in June 2015.

Net Property and Equipment

Net Property and Equipment increased $86,743, or 20%, in fiscal year 2015 to $515,777. The increase was due to capital additions for vehicles, trucks, and a dyno control system.

During fiscal year 2014, TRC Inc. made no capital acquisitions. However, TRC Inc. did accept a gift of 15 vehicles valued at $151,245 received from a customer. TRC Inc. capitalized this gift.

During fiscal year 2013, TRC Inc. expended $260,568 on five capital items. The largest acquisition was $128,789 for a snow plow truck used for snow removal at the facility.

The asset with the largest net book value at June 30, 2015 is a dump truck/snow plow, totaling $77,606, or 15%, of the total net book value. The remaining book values of each of the individual remaining 221 capital assets are less than $75,000 individually and generally are assets used to maintain and secure the 4,500-acre facility, assist in the driver training program, or are vehicles used for travel purposes. Of the 222 capital assets at TRC Inc., 165 are fully depreciated.

Current Liabilities

Current Liabilities decreased $1,124,997, or 27%, in fiscal year 2015 to $2,970,355. The significant changes in Current Liabilities were in Trade Accounts Payable and Accounts Payable-HAM.

Trade Accounts Payable reflects obligations due to suppliers of TRC Inc. Trade Accounts Payable decreased $889,849, or 48%, in fiscal year 2015 to $947,816. The decrease was due to the incurrence of obligations for several large capital improvement projects entered into in June 2014 with the two biggest being $626,100 for pavement done around the proving ground and $317,803 for fencing projects around the facility. These obligations were settled in FY 2015.

Accounts Payable to HAM is composed of obligations to Honda of America Manufacturing for the use of their assets in conducting testing for TRC Inc. customers. Accounts Payable - HAM decreased $309,532 or 33%, in fiscal year 2015 to $615,590. The decrease was due to the fact that in FY 2015 the only activity remaining in the payable account was from June 2015. In FY 2014 the account represented activity for May and June 2014.

Advance payments for goods and services reflect prepayments received from TRC Inc. customers in advance of testing. Advance payments for goods and services decreased $117,490 or 36%, in fiscal year 2015 to $209,650. Some customers want to prepay TRC Inc. for cash flow purposes. TRC Inc. also requires payment before testing for brand new customers. The decrease in advance payments for goods and services is due to the decrease of customers wanting to prepay TRC Inc. and in new customers testing with TRC Inc. for the first time.

Accrued Payroll and Related Expenses increased by 19% to $1,197,299. The main reason behind the increase was the accrual of $364,412 for a performance bonus. To achieve a performance bonus TRC Inc. needs to meet three criteria: exceed $1.3 million in net income, exceed $2.5 million in cash flow to Honda, and exceed 3.5 on customer surveys.

Noncurrent Liabilities

On July 1, 2014, TRC implemented GASB Statement No.68*, Accounting and Financial Reporting for Pensions*. The adoption of the new standard – which requires employers participating in cost-sharing multi-employer retirement plans to recognize a share of the retirement plans' unfunded pension liabilities – resulted in a $263,142 reduction in TRC's opening unrestricted net position. The net pension liability recognized by TRC at June 30, 2015 was $295,980.

Statements of Revenues, Expenses and Other Changes in Net Assets

The major components of the Statements of Revenue, Expenses and Changes in Net Position for fiscal years ended June 30, 2015, 2014 and 2013 are reflected below:

	FY 2015	FY 2014	Changes	FY 2013
Operating revenues	$ 37,350,764	$ 37,843,270	-1.3%	$ 50,600,388
Operating expenses	35,741,382	36,445,986	-1.9%	50,523,201
Operating income	1,609,382	1,397,284	15.2%	77,187
Net nonoperating revenue	136,155	132,723	2.6%	133,742
Net change in fair value on investments	(98,481)	385,388	-125.6%	177,335
Net income before other changes in net position	1,647,056	1,915,395	-14.0%	388,264
Transfer to Transportation Research Fund	(1,530,007)	(210,928)	625.4%	(1,752,874)
Change in net position	117,049	1,704,467	-93.1%	(1,364,610)
Beginning net position	10,398,238	8,693,771	19.6%	10,058,381
Cumulative Effect of Change in Accounting Principle	(263,142)	-	-100.0%	-
Ending net position	$ 10,252,145	$ 10,398,238	-1.4%	$ 8,693,771

Operating Revenues

The two sources of revenue that TRC Inc. earns are Research and Testing Agreement Revenue and Owner's Maintenance and Repair Revenue.

Research and Testing Agreement Revenue is revenue TRC Inc. earns from its customers for conducting durability, dynamic, emissions, impact and sled research and testing. It also includes revenues for supplying dedicated personnel to customers to operate their research and testing laboratories.

Owner's Maintenance and Repair Revenue is revenue TRC Inc. earns for maintaining and improving the owner's facility as a result of the Management Agreement between TRC Inc. and the facility owner.

Revenue summary for fiscal years 2015, 2014 and 2013 were:

	FY 2015	FY 2014	Changes	FY 2013
Research and testing agreement revenue	$ 32,675,611	$ 31,988,002	2.1%	$ 29,968,489
Owner's maintenance and repair revenue	4,675,153	5,855,268	-20.2%	20,631,899
Total operating revenue	$ 37,350,764	$ 37,843,270	-1.3%	$ 50,600,388

Research and Testing Revenue increased by $687,609, or 2%, in fiscal year 2015 to $32,675,611.

The composition of the top five customers at TRC Inc. in fiscal year 2015 included an automobile manufacturer, three component manufacturers, and the federal government. One customer was new to the top five. The top five customers contributed 83% of the Research and Testing Operating Revenue.

TRC Inc. foresees Research and Testing Agreement Operating Revenues in fiscal year 2016 to be about $33 million.

Owner's Maintenance and Repair Revenue decreased by $1,180,115, or 20%, in fiscal year 2015 to $4,675,153. The major components of this revenue are maintenance and capital improvements made to the facility that the facility owner funds each year. The owner spent $15 million to repave the 7.5 mile test track in fiscal year 2013. Since most of the capital improvements and maintenance items are sold to the facility owner at TRC Inc. cost, increases or decreases in revenue on this line item does not have a major impact upon Excess Revenues over Expenses.

Operating Expenses
Major components of operating expense in fiscal years 2015, 2014 and 2013 were:

	FY 2015	FY 2014	Changes	FY 2013
Direct expense	$ 21,710,775	$ 22,533,579	-3.7%	$ 35,783,635
General and administrative expense	13,787,619	13,557,217	1.7%	14,320,455
Depreciation expense	242,988	355,190	-31.6%	419,111
Total operating expense	$ 35,741,382	$ 36,445,986	-1.9%	$ 50,523,201

Total Operating Expense decreased by $704,604, or 2%, in fiscal year 2015 to $35,741,382. The 2% decrease in Total Operating Expense in fiscal 2015 was due to the $1 million expense for the new emissions bench completed in fiscal year 2014.

TRC Inc.'s largest operating expense is salaries and benefits. In fiscal year 2015, salaries and benefits were $18,808,399, or 53%, of total operating expense. In fiscal year 2014, salaries and benefits were $18,886,792, or 52%, of total operating expense. In fiscal year 2013, salaries and benefits were $19,296,258, or 38%, of total operating expense. Salaries and benefits stayed flat in fiscal year 2015, decreased 2% in fiscal year 2014, and decreased 5% in fiscal year 2013. TRC Inc. received refunds from The Ohio Bureau of Workers Compensation of $606,506 in fiscal year 2015, mostly due to a one-time rebate from The Ohio Bureau of Workers Compensation.

Nonoperating Revenues and Expenses
Interest income reflects the interest earned from TRC Inc.'s operating cash account and the interest earned from investments TRC Inc. owns in the endowment fund at The Ohio State University. Interest income was up 1% in fiscal year 2015 due to an increase in the book value of the endowment fund at The Ohio State University.

Net Change in Fair Value of Investments
TRC Inc. owns investments that are maintained and managed by The Ohio State University's Office of Investments. These investments are invested as part of The Ohio State University investment pool. See further discussion under Current Assets.

Net Income Before Other Changes in Net Position
Net income before other changes in net position excluding the change in the fair value of investments and before the transfer to the Transportation Research Fund increased by $215,530, or 14%, in fiscal year 2015 to $1,745,537.

Statements of Cash Flows

TRC cash and cash equivalents decreased $1,287,184 in 2015. Net cash flows provided by operating activities decreased $2,689,966, primarily due to increases in cash paid to suppliers and decreases in cash received from customers. Net cash flows used in noncapital financing activities increased $1,317,014, reflecting the larger transfer to the Transportation Research Fund during fiscal year 2015. Net cash flows used in capital and related financing activities increased $133,423, primarily due to additions of fixed assets in fiscal year 2015 as compared to the payment of long term debt and the related release of restricted cash in fiscal year 2014. Total cash used by investing activities was largely unchanged year over year.

Cash Flows for fiscal years 2015, 2014, and 2013 were follows:

	2015	2014	2013
Cash flows from operating activities	$ 589,151	$ 3,279,117	$ 730,714
Cash flows from noncapital financing activities	(1,530,007)	(212,993)	(1,763,077)
Cash flows from capital and related financing activities	(329,732)	(196,309)	(561,019)
Cash flows from investing activities	(16,596)	(16,156)	(16,948)
Net increase (decrease) in cash	$ (1,287,184)	$ 2,853,659	$ (1,610,330)

Transportation Research Center Inc.
Statements of Net Position
June 30, 2015 and 2014

	2015	2014
Assets and Deferred Outflows		
Current assets		
Cash and cash equivalents	$ 2,136,439	$ 3,423,623
Investments	3,976,002	3,921,732
Trade accounts receivable, net of allowance for doubtful accounts of $89,000 for 2015 and $168,000 for 2014	5,183,526	5,039,753
Receivable from HAM	750,087	1,519,102
Supplies and prepaid expenses	921,900	160,346
Total current assets	12,967,954	14,064,556
Noncurrent assets		
Property and equipment	7,742,777	7,446,606
Less accumulated depreciation	(7,227,000)	(7,017,572)
Property and equipment, net	515,777	429,034
Deferred Outflows Related to Pension	39,949	-
Total Assets and Deferred Outflows	$ 13,523,680	$ 14,493,590
Liabilities, Deferred Inflows and Net Position		
Current liabilities		
Trade accounts payable	$ 947,816	$ 1,837,665
Accounts payable HAM	615,590	925,122
Accrued payroll and related expenses	1,197,299	1,005,425
Advance payments for goods and services	209,650	327,140
Total current liabilities	2,970,355	4,095,352
Long-term liabilities		
Net Pension Liability	295,980	-
Total liabilities	3,266,335	4,095,352
Deferred Inflows Related to Pension	5,200	-
Net Position		
Net investment in capital assets	515,777	429,034
Unrestricted net position	9,736,368	9,969,204
Total net position	10,252,145	10,398,238
Total Liabilities, Deferred Inflows and Net Position	$ 13,523,680	$ 14,493,590

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

Transportation Research Center Inc.
Statements of Revenues, Expenses and Other Changes in Net Position
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Research and testing	$ 32,675,611	$ 31,988,002
Owner's maintenance and repair	4,675,153	5,855,268
Total operating revenue	37,350,764	37,843,270
Operating Expenses		
Direct	21,710,775	22,533,579
General and administrative	13,787,619	13,557,217
Depreciation	242,988	355,190
Total operating expenses	35,741,382	36,445,986
Total net operating income	1,609,382	1,397,284
Nonoperating Revenue (Expense)		
Net change in fair value of investments	(98,481)	385,388
Interest expense	-	(2,065)
Interest income	136,155	134,788
Net non-operating revenue	37,674	518,111
Net income before other changes in net position	$ 1,647,056	$ 1,915,395
Other Transfers and Changes		
Transfer to Transportation Research Fund	$ 1,530,007	$ 210,928
Change in net position	117,049	1,704,467
Net position, beginning of year	10,398,238	8,693,771
Cumulative Effect of Change in Accounting Principle	(263,142)	-
Net position, end of year	$ 10,252,145	$ 10,398,238

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

Transportation Research Center Inc.
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

		2015		2014
Cash Flows from Operating Activities				
Cash received from customers	$	16,388,496	$	17,300,845
Cash received from affiliates		21,518,057		21,700,285
Cash paid to suppliers		(8,048,333)		(6,149,587)
Cash paid for taxes		(600,000)		(577,622)
Cash paid to affiliates		(9,968,991)		(10,084,270)
Cash paid to employees		(14,172,476)		(13,989,980)
Cash paid for fringe benefits and payroll taxes		(4,527,602)		(4,920,554)
Net cash provided by operating activities		589,151		3,279,117
Cash Flows from Noncapital Financing Activities				
Transfer to Transportation Research Fund		(1,530,007)		(210,928)
Noncapital financing interest expense		-		(2,065)
Cash used in noncapital financing activities		(1,530,007)		(212,993)
Cash Flows from Capital and Related Financing Activities				
Payment of long term debt		-		(332,000)
Additions to property and equipment		(329,732)		-
Restricted cash		-		135,691
Net cash used in capital and related financing activities		(329,732)		(196,309)
Cash Flows from Investing Activities				
Interest income		136,155		138,368
Purchase of investments		(152,751)		(154,524)
Net cash used in investing activities		(16,596)		(16,156)
Change in cash and cash equivalents		(1,287,184)		2,853,659
Cash and cash equivalents, beginning of year		3,423,623		569,964
Cash and cash equivalents, end of year	$	2,136,439	$	3,423,623
Reconciliation of Operating Income to Net Cash (Used) Provided By Operating Activities				
Operating income	$	1,609,382	$	1,397,284
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation		242,988		355,190
Provision for bad debt expense		(48,035)		(324,725)
Donation of assets recorded as revenue		-		(151,245)
Changes in assets and liabilities				
Trade accounts receivable		(95,738)		1,561,798
Receivable from HAM		769,015		(352,696)
Supplies and prepaid expenses		(761,554)		(37,381)
Deferred outflows - pension		(13,796)		-
Payable to HAM		(309,532)		117,736
Trade accounts payable		(889,849)		553,099
Accrued payroll and related expenses		191,874		60,054
Advance payments for goods and services		(117,490)		100,003
Net pension liability		6,686		-
Deferred inflows - pension		5,200		-
Net cash used by operating activities		(1,020,231)		1,881,833
Net cash provided by operating activities	$	589,151	$	3,279,117
Supplemental Cash Flow Information				
Net change in fair value of investments	$	(98,481)	$	385,388

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

1. Description of the Business

The Transportation Research Center of Ohio (the “Center”) was created by the General Assembly of the State of Ohio in October 1972. On January 26, 1988, substantially all of the assets of the Center were sold to Honda of America Manufacturing (“HAM”).

In conjunction with the sale, the legislation which initially established the Transportation Research Board was repealed. The Center was reincorporated as a not-for-profit organization, Transportation Research Center Inc. (“TRC”), with The Ohio State University Affiliates, Inc. (“OSU”) as the sole member of TRC. TRC is organized exclusively for educational, charitable, and scientific purposes within the meaning of Section 501(c)(3) and Section 509(a)(3) of the Internal Revenue Code by conducting and supporting humanistic, scientific and engineering research and development activities solely and exclusively to the conduct of, or providing assistance in connection with the conduct of, research in automotive, vehicular and related forms of transportation, and for the development of improved highway facilities for vehicular traffic. TRC is considered a component unit of OSU. Therefore, TRC’s financial statements are consolidated with OSU’s for purposes for complying with OSU’s reporting requirements.

Basis of Presentation
TRC complies with generally accepted accounting principles (“GAAP”). GAAP includes all relevant Governmental Accounting Standards Board (“GASB”) pronouncements. TRC reports as a special purpose government engaged solely in “business type activities” under GASB Statements No. 34. Business type activities are those that are financed in whole or in part by fees charged to external parties for good and services. In accordance with BTA reporting, TRC presents Management’s Discussion and Analysis, a Statement of Net Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the financial statements.

GASB Statement No. 34 requires that resources be classified for accounting and reporting purposes into the following net position categories:

Net Investment in Capital Assets
Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted
Nonexpendable
Amounts subject to externally imposed stipulations that they be maintained permanently by TRC and invested for the purpose of generating present and future income, which may either be expended or added to the principal.

Expendable
Amounts whose use by TRC is subject to externally imposed stipulations that can be fulfilled by actions of TRC pursuant to those stipulations or that expire by the passage of time.

Unrestricted
Amounts whose use by TRC is not subject to externally imposed stipulations. Unrestricted amounts may be designated for specific purposes by action of management of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

It is TRC's policy to apply restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. TRC did not have a restricted net position at either June 30, 2015 or June 30, 2014.

2. Summary of Significant Accounting Policies

A summary of TRC's significant accounting policies applied in preparation of the financial statements is as follows:

Basis of Accounting
The financial statements of TRC have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Certain prior period amounts have been reclassified to conform with current year presentation.

Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant Customers
TRC derives a substantial portion of total revenues from a limited number of commercial enterprises and government agencies. For the year ended June 30, 2015 and 2014, the revenue from the four highest volume commercial enterprises and one government agency was $27,036,091 and $26,312,220, respectively. The above amounts are exclusive of revenues related to the HAM management agreement.

Revenue Recognition
TRC derives revenue from facility usage, personnel charges, cost reimbursement and management of the facility. Revenues for facility usage are remitted to HAM as described in Note 6 and the related expenses are included in direct expenses. TRC evaluates the credit of customers and establishes its allowance for doubtful accounts based on its evaluation of credit risk related to individual customers. TRC does not require collateral with its receivables.

Included in accounts receivables are $288,064 and $218,288 of unbilled accounts receivable for fiscal years 2015 and 2014, respectively. Unbilled accounts receivable represent revenue earned in excess of amounts billed.

Cash and Cash Equivalents
TRC considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash is held in one bank at June 30, 2015 and 2014.

Investment Policy

All investments consist of amounts invested in The Ohio State University Long Term Investment Pool and are recorded at fair value. The university's Office of Financial Services commingles the funds with other university-related organizations. Earned investment income is allocated to each organization based on its share of the total funds invested at the beginning of each year. Investments are carried at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The net change in the value of investments during the years ended June 30, 2015 and 2014 is a decrease of $98,481 and increase of $385,388, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during each respective year.

The calculation of realized gain or loss is independent of the calculation of the net increase in fair value of investments. As of June 30, 2015, there is a cumulative unrealized gain on investments of $134,215. As of June 30, 2014, there is a cumulative unrealized gain on investments of $232,696. Investment income from endowment investments is unrestricted by the donors, and as such becomes a part of unrestricted net position.

Implementation of GASB Statement No. 68

In FY2015, TRC implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 requires employers participating in cost-sharing multiple-employer pension plans to recognize a proportionate share of the net pension liabilities of the plans. TRC participates in the Public Employees Retirement System of Ohio. A proportionate share of the net pension liabilities of the retirement system has been allocated to TRC, based on retirement plan contributions for TRC employees. The cumulative effect of adopting GASB 68 was a $263,142 reduction in TRCs unrestricted net position as of July 1, 2014. Balances reported for the year ended June 30, 2014 have not been restated due to limitations on the information available from the retirement system. Additional information regarding net pension liabilities, related deferrals and pension expense is provided in Note 9.

Newly Issued Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. Statement 72 expands the guidance on valuation of university investments, particularly alternative investments. It closely follows FASB's valuation approach and disclosure requirements, including the categorization of investment fair value measurements into Levels 1, 2 and 3. Statement 72 will require additional disclosures, including a schedule of investments by type and level and additional details on investments that calculate Net Asset Value (NAV) per share. It is effective for periods beginning after June 15, 2015 (FY2016).

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 (FY2016)--except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016 (FY2017).

In June 2015, the GASB issued Statements No.74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statements 74 and 75 establish new accounting and reporting standards for other postemployment benefits (OPEB), such as health insurance provided to retirees. Under the new standards, governments that participate in OPEB plans will be required to report in their statement of net position a net OPEB liability, which is the difference between the total OPEB liability and the assets set aside to pay OPEB. Statement 74, which applies to plans (such as OPERS and STRS-Ohio), is effective for periods beginning after June 15, 2016 (FY2017). Statement 75, which applies to plan participants (including TRC), is effective for periods beginning after June 15, 2017(FY2018).

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 reduces the GAAP hierarchy for state and local governments to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category consists of GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is specifically cleared by the GASB. The new standard is effective for periods beginning after June 15, 2015 (FY2016).

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

Property and Equipment
Property and equipment is recorded at cost. Assets purchased by TRC costing more than $5,000 and having an estimated useful life of two or more years will be capitalized and depreciated. Depreciation is provided for in amounts sufficient to allocate the cost of depreciable assets to operations over their estimated service lives, which range from 3 to 15 years, on the straight-line method. TRC removes the asset cost and related accumulated depreciation from the appropriate accounts and reflects any gain or loss in current operations upon sale or retirements.

Compensated Absences
Employees are granted paid time off in amounts which vary by length of service. The policy prohibits employees from accumulating unused compensated absences.

Prior Period Reclassifications
Certain prior period balances have been reclassified to conform with current year presentation.

3. Income Taxes

In July 1989, TRC received Internal Revenue Service ("IRS") approval of its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. In addition, because of its relationship as a supporting organization of OSU, TRC has received qualification from the IRS as a public charity and, therefore, is not subject to various taxes and restrictions applicable to other organizations, such as private foundations.

TRC is subject to unrelated business tax for the leasing of certain TRC employees. Unrelated income tax expense in 2015 is estimated to be approximately $524,761 and was $580,494 for 2014.

4. Cash, Cash Equivalents and Investments

Cash, cash equivalents, and investments at June 30, 2015 and 2014 were as follows:

	2015	2014
Cash on hand	$ 600	$ 600
Cash in bank	2,135,839	3,423,023
Investment in OSU's long term investment pool	3,976,002	3,921,732
Total	$ 6,112,441	$ 7,345,355

At June 30, 2015 and 2014, the bank statement balances of cash in banks were $3,086,899 and $3,498,516, respectively. Of the bank statement balances, $3,086,899 and $3,498,516, respectively, represented overnight sweep investments which are generally not covered by FDIC. The remaining bank balances were covered by FDIC insurance, which covers up to $250,000 per financial institution.

TRC's investments are maintained in the university's investment pool and as such, all collateralization is held by the university. The pool consists of more than 5,000 named funds. Each named fund is assigned a number of shares, based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. The pool is invested in a diversified portfolio of equities and fixed income securities, as well as a number of alternative investment funds, such as real estate limited partnerships, hedge funds, private equity funds, venture capital funds and natural resources funds. The pool is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support TRC's mission.

Annual distributions to named funds in the university investment pool are computed using the share method of accounting for pooled investments. Annual distribution per share is 4.25% of the average market value per share of the Long Term Investment Pool over the most recent seven year period.

TRC Inc. held 649.2046 and 624.5327 shares in the university's investment pool at June 30, 2015 and 2014, respectively. The market values of these investments were $3,976,002 and $3,921,732 at June 30, 2015 and 2014, respectively. Total net realized and net unrealized gains/ (losses) for the year ended June 30, 2015 were $0 and $(98,481) and at June 30, 2014 were $0 and $385,388. TRC may redeem its shares in the university investment pool at its discretion.

The university holds certain types of alternative investments funds which are carried at the net assets value provided by the management of these funds, which represents estimated fair value. The purpose of this alternative investment fund class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes.

Management of the alternative investment funds, namely the general partner, use methods, such as discounted cash flows, recent transactions and other model-based calculations, to estimate the fair value of the investments held by the fund.

5. Property and Equipment

The property and equipment balance at June 30, 2015 consists of the following:

	Balance 30-Jun-14	Additions	Disposals/ Transfers	Balance 30-Jun-15
Capital Assets				
Building/leasehold improvements	$ 3,020,574	$ 75,029	$ -	$ 3,095,603
Equipment	4,339,900	254,702	33,560	4,561,042
Other	86,132	-	-	86,132
Total capital assets	7,446,606	329,731	33,560	7,742,777
Less accumulated depreciation				
Building/leasehold improvements	2,973,181	47,394	-	3,020,575
Equipment	3,958,259	195,594	33,560	4,120,293
Other	86,132	-	-	86,132
Total accumulated depreciation	7,017,572	242,988	33,560	7,227,000
Property and equipment, net	$ 429,034	$ 86,743	$ -	$ 515,777

The property balance at June 30, 2014 consists of the following:

	Balance 30-Jun-13	Additions	Disposals/ Transfers	Balance 30-Jun-14
Capital Assets				
Building/leasehold improvements	$ 3,020,574	$ -	$ -	$ 3,020,574
Equipment	4,250,455	151,245	61,800	4,339,900
Other	86,132	-	-	86,132
Total capital assets	7,357,161	151,245	61,800	7,446,606
Less accumulated depreciation				
Building/leasehold improvements	2,831,000	142,181	-	2,973,181
Equipment	3,807,050	213,009	61,800	3,958,259
Other	86,132	-	-	86,132
Total accumulated depreciation	6,724,182	355,190	61,800	7,017,572
Property and equipment, net	$ 632,979	$ (203,945)	$ -	$ 429,034

6. Management Agreement

Under the terms of the Management Agreement with HAM, the owner of the Transportation Research Center of Ohio (facility) retains TRC as the sole and exclusive manager and agent to control, manage, supervise and direct the operations of the facility. The term of the Agreement commenced on January 28, 1988 and is automatically renewed for successive two year terms. The Agreement may be terminated by either party at the end of any term, by giving at least 180 days prior written notice thereof to the other party. Under the Management Agreement, TRC remits to HAM certain revenues for use of the facilities (owner revenues). Additionally, expenses for repairs and capital improvements made by TRC are reimbursed by HAM (owner expenses).

For the years ended June 30, 2015 and 2014 the amounts of transactions with HAM are as follows:

		2015		2014
Owner revenues	$	6,455,620	$	5,783,033
Owner expenses		4,675,153		5,855,268

At June 30, 2015 and 2014, there was a receivable from HAM for owner expenses of $750,087 and $1,519,102, respectively. In addition, at June 30, 2015 and 2014, there was a payable to HAM for owner revenues earned of $615,590 and $925,122, respectively.

TRC also earns operational revenues from Honda of America Manufacturing and affiliated entities outside of the Management Agreement. These revenues were $16,506,303 and $15,186,423 for the years ended June 30, 2015 and 2014, respectively. Trade accounts receivable at June 30, 2015 and 2014 included $3,066,554 and $2,634,139, respectively, related to these operational revenues.

7. Deferred Compensation Plan

TRC's employees are able to participate in a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with these amounts and all income attributable to those amounts, property or rights (until paid or made available to the employee or other beneficiary) are solely the property and rights of the Ohio Public Employees Deferred Compensation Program ("OPEDC"). In accordance with GASB Statement No. 32, TRC has not recorded any deferred compensation assets or liabilities in the financial statements.

8. Net Position

TRC's Code of Regulations specify that TRC shall, within 120 days of the end of TRC's fiscal year, transfer any accumulated surplus in excess of its January 27, 1988 fund balance, less $911,466, or $6,677,225, or such lesser amount authorized by the Board, to the endowment portfolio of The Ohio State University to form a fund, the income from which is to be used as determined by the Board of Trustees of The Ohio State University for the support and encouragement of research in automotive, vehicular and related forms of transportation, and for the development of improved highway facilities for vehicular traffic. Upon such transfer, those funds shall no longer be available to pay for any of TRC's obligations. If net assets funds fall below $6,677,225, no transfer may take place.

The TRC Board typically authorizes an amount to be transferred equating to the fiscal year's excess of revenues over expenses less any unrealized change in the fair value of investments.

TRC's Articles of Incorporation stipulate that upon the ultimate dissolution of TRC, any remaining funds shall be paid to The Ohio State University and be devoted exclusively to public purposes and/or other purposes permissible under Code Section 501(c)(3), with any cash, marketable securities, investments and accounts receivable being transferred to the endowment portfolio of The Ohio State University to form a fund, the income from which is to be used as determined by the Board of Trustees of The Ohio State University for the support and encouragement of research in automotive, vehicular and related forms of transportation, and for the development of improved highway facilities for vehicular traffic. However, if at the time of dissolution of TRC, The Ohio State University is not an organization described in Code Section 170(c)(1), TRC's remaining assets shall be paid over to such organization or organizations as shall be selected by the affirmative vote of a majority of the Board of Directors, provided, however, that such organization or organizations shall be exempt from federal income taxation and described in either Section 170(c)(1) or Code Section 501(c)(3) with such remaining assets to be devoted exclusively to public purposes and/or other purposes permissible under Code Section 501(c)(3).

At June 30, 2015 and 2014, the net position was comprised of the following:

	2015	2014
Net investment in capital assets	$ 515,777	$ 429,034
Unrestricted net position	9,736,368	9,969,204
Total net position	$ 10,252,145	$ 10,398,238

Unrestricted net position includes a cumulative unrealized gain/ (loss) in investments at June 30, 2015 and 2014 of $134,215 and $232,696, respectively.

9. Defined Benefit Pension Plan and Post-Employment Benefits

As part of the formation of TRC on January 27, 1988, existing employees were given the option to continue participation in the Ohio Public Employees Retirement System ("OPERS"), a cost sharing, multiple employer defined benefit pension plan. The following disclosure reflects the portion of TRC employees who opted to continue to participate in OPERS. Since the time of formation, new employees of TRC are not eligible to participate in this plan.

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

Defined Benefit Plans

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

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

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

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

	OPERS
Net pension liability - all employers	$ 12,022,615,276
Proportion of the net pension liability - TRC	0.002 %
Proportion share of net pension liability	295,980

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

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 15,793
Employer contributions subsequent to the measurement date	24,156
Total	$ 39,949

		OPERS
Deferred Inflows of Resources		
Differences between expected and actual experience	$	5,200
Net difference between projected and actual earnings on pension plan investments		-
Total	$	5,200

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

		OPERS
2016	$	25,705
2017		1,549
2018		3,547
2019		3,948
2020		-
2021 and Thereafter		-
	$	34,749

Summary of Employer Pension Expense

Total pension expense recognized for the year ended June 30, 2015 including employer contributions and accruals associated with recognition of net pension liability and related deferrals is presented below:

		OPERS
Employer contributions	$	43,840
GASB 68 accruals		(1,911)
Total pension expense	$	41,929

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

	OPERS
Statutory Authority	Ohio Revised Code Chapter 145
Benefit Formula	Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25years of service or at age 62 with 5years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.
Cost-of-Living Adjustments	Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit.
Contribution Rates	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2014, employer rates for the State and Local Divisions were 14% of covered payroll (and 18.1% for the Law Enforcement and Public Safety Divisions). Member rates for the State and Local Divisions were 10% of covered payroll (13% for Law Enforcement and 12% for Public Safety).
Measurement Date	December 31,2014
Actuarial Assumptions	**Valuation Date:** December 31, 2014 **Actuarial Cost Method:** Individual entry age **Investment Rate of Return:** 8.00% **Inflation:** 3.75% **Projected Salary Increases:** 4.25% - 10.05% **Cost-of-Living Adjustments:** 3.00% Simple
Mortality Rates	RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

	OPERS
Date of Last Experience Study	December 31, 2010
Investment Return Assumptions	The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board approved asset allocation policy for 2014 and the long-term expected real rates of return:
Discount Rate	The discount rate used to measure the total pension liability was 8.0% for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.
Sensitivity of Net Pension Liability to Changes in Discount Rate	See table below

Asset Class	Target Allocation	Long Term Expected Return *
Fixed income	23.0 %	2.31 %
Domestic Equity	19.9	5.84 %
Real Estate	10.0	4.25 %
Private Equity	10.0	9.25 %
International Equity	19.1	7.40 %
Other Investments	18.0	4.59 %
Total	100.0 %	

* Returns presented as arithmetic means

1 % Decrease (7.00 %)	Current Rate (8.00 %)	1% Increase (9.00 %)
$ 546,367	$ 295,980	$ 85,128

Defined Contribution Plans

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

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

Post-Retirement Health Care Benefits
OPERS currently provide post-employment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2013, OPERS allocated 1.0% of the employer contribution rate to fund the health care program for retirees, and this rate was increased to 2.0% for calendar year 2014 as recommended by the OPERS actuary.

Funding Policy
ORC provides OPERS statutory authority to set employee and employer contributions. The required contribution rates (as a percentage of covered payroll) for plan members and TRC are 10% and 14%, respectively.

TRC's contributions, which represent 100% of required employer contributions, for the year ended June 30, 2015 and for each of the two preceding years were $43,840, $41,129 and $58,027, respectively.

10. Leases

As an agent for HAM, TRC leases various buildings to TRC's customers. Lease terms range from one to four years with various renewal option features. The leases are accounted for as operating leases. At June 30, 2015, future minimum lease receipts are due as follows:

2016	$ 888,724
2017	819,407
2018	812,753
2019	190,385
Total	$ 2,711,269

TRC leases office space from HAM under agreements with terms expiring through July 31, 2024. These operating leases contain renewal options with an indefinite term. The lease amount is subject to annual adjustment based on the consumer price index. As of June 30, 2015, future minimum rental payments under operating leases with initial terms in excess of one year are summarized as follows:

2016	$ 1,031,386
2017	1,031,386
2018	1,031,386
2019	1,031,386
2020	1,031,386
2021-2024	4,125,544
Total	$ 9,282,474

Rental expense charged to operations was $950,695 and $948,931 during 2015 and 2014, respectively.

11. Risk Management

During the course of the year TRC is subjected to certain types of risks in the performance of its normal functions. These risks include risks that TRC might be subjected to by its employees in the performance of their normal duties. TRC manages these types of risks through commercial insurance.

12. Employees' Retirement Savings Plan And Trust

TRC maintains the Employees' Retirement Savings Plan and Trust (the "Plan"). The Plan is intended to comply with Section 401(a) of the Internal Revenue Code. All employees are eligible to participate in the Plan. Employer contributions to the Plan are determined solely at the discretion of TRC's board of directors. For the years ended June 30, 2015 and 2014, TRC expended $409,782 and $372,068, respectively, for contributions to the Plan.

Transportation Research Center Inc.
Required Supplementary Information on GASB 68 Pension Liabilities (Unaudited)
For Fiscal Year Ended June 30, 2015

Schedule of TRC's Proportionate Share of OPERS Net Pension Liability:

		2015
TRC's proportion of the net pension liability		0.002 %
TRC's proportionate share of the net pension liability	$	295,980
TRC's covered-employee payroll	$	326,793
TRC's proportionate share of the net pension liability as a percentage of its covered-employee payroll		90.6 %
Plan fiduciary net position as a percentage of the total pension liability		86.5 %

Schedule of TRC's Contributions to OPERS:

		2015
Contractually required contribution	$	45,571
Contribution in relation to the contractually required contribution		45,571
Contribution deficiency (excess)	$	-
TRC's covered-employee payroll	$	326,793
Contribution as a percentage of covered-employee payroll		13.9 %

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

To the Board of Directors of
Transportation Research Center Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Transportation Research Center Inc. ("TRC"), a component unit of The Ohio State University, appearing on pages 11 to 27, which consist of the statement of net position as of June 30, 2015, and the related statements of revenue, expenses, and other changes in net position and of cash flows for the year then ended, which collectively comprise TRC's basic financial statements, and have issued our report thereon dated October 29, 2015, which included a matter of emphasis paragraph concerning TRC's adoption of new accounting guidance related to the manner in which it accounts for pensions.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PricewaterhouseCoopers LLP

October 29, 2015

Dave Yost • Auditor of State

THE OHIO STATE UNIVERSITY TRANSPORTATION RESEARCH CENTER, INC.

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 24, 2015