

The Ohio State University Department of Athletics

(A Department of The Ohio State University)

Financial Statements

**As of and for the Years Ended June 30, 2018 and 2017
And Report of Independent Auditors**



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of The Ohio State University Department of Athletics, Franklin County, prepared by Pricewaterhouse Coopers LLP, for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 24, 2018

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The Ohio State University Department of Athletics

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Report of Independent Auditors

To the Board of Trustees of
The Ohio State University

We have audited the accompanying financial statements of The Ohio State University Department of Athletics (“Athletics”), a department of The Ohio State University, appearing on pages 10 to 38, which comprise the statements of net position as of June 30, 2018 and June 30, 2017, and the related statements of revenues, expenses, and other changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Athletics’ basic financial statements.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Athletics as of June 30, 2018 and June 30, 2017, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matters

As discussed in Note 2 to the basic financial statements, Athletics changed the manner in which it accounts for postemployment benefits other than pensions in 2018. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of Athletics are intended to present the net financial position, the changes in net financial position and, where applicable, cash flows of only that portion of The Ohio State University that is attributable to the transactions of Athletics. They do not purport to, and do not, present fairly the net financial position of The Ohio State University as of June 30, 2018 or June 30, 2017, the changes in its net financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 9, the Required Supplementary Information on GASB 68 Pension Liabilities on page 40 and the Required Supplementary Information on GASB 75 Other Post Employment Benefit Liabilities on page 41 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 on our consideration of Athletics' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2018. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Athletics' internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

December 14, 2018

The Ohio State University Department of Athletics Management's Discussion and Analysis (Unaudited) For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University Department of Athletics ("Athletics") for the year ended June 30, 2018, with comparative information for the years ended June 30, 2017 and June 30, 2016. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About the Department of Athletics:

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

About the Financial Statements:

Athletics presents its financial statements in a "business type activity" format, in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* and GASB Statement No. 35, *Basic - and Management's Discussion and Analysis - for Public Colleges and Universities - an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial report includes a Statement of Net Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements as of and for the years ended June 30, 2018 and June 30, 2017.

Financial Highlights:

Athletics net position increased \$4 million, to \$219 million at June 30, 2018. Net investment in capital assets increased \$12 million as existing construction projects including the Schumaker Student-Athlete Development Center and the Covelli-Jennings Center progressed throughout the year. Expendable net position, which includes unrestricted and restricted-expendable net position decreased \$13 million, primarily due to the implementation of a new accounting standard. GASB Statement No. 75 required Athletics to recognize a liability for other post-employment benefits. The cumulative effect of adopting GASB 75 was a \$16 million reduction in Athletics unrestricted net position as of July 1, 2017.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2018 and June 30, 2017**

(In thousands)

Summary Statement of Net Position

	2018	2017	2016
Cash and cash equivalents	\$ 79,865	\$ 89,205	\$ 87,384
Other current assets	32,088	33,828	29,461
Total current assets	111,953	123,033	116,845
Endowment Investments	100,889	91,952	79,055
Capital assets, net of accumulated depreciation	290,012	239,607	239,253
Other noncurrent assets	48,530	41,088	31,755
Total noncurrent assets	439,431	372,647	350,063
Total assets	551,384	495,680	466,908
Deferred outflows	6,357	11,964	8,737
Total Assets and Deferred Outflows	\$ 557,741	\$ 507,644	\$ 475,645
Unearned revenue for advance sales of game tickets	\$ 44,608	\$ 45,324	\$ 41,296
Current portion of notes payable to university	8,725	6,817	5,049
Other current liabilities	26,352	23,165	12,122
Total current liabilities	79,685	75,306	58,467
Notes payable to university	195,920	170,955	173,512
Accrued compensated absences	3,430	3,068	3,017
Other unearned revenue and deposits	7,083	9,965	6,996
Net pension liability	26,209	33,496	24,782
Net other post employment benefits liability	18,852	-	-
Total noncurrent liabilities	251,494	217,484	208,307
Total liabilities	331,179	292,790	266,774
Deferred inflows	7,967	266	539
Total liabilities and deferred inflows	339,146	293,056	267,313
Net investment in capital assets	\$ 71,046	\$ 58,534	\$ 59,625
Restricted - nonexpendable	77,200	72,425	64,683
Restricted - expendable	109,312	107,209	68,858
Unrestricted	(38,963)	(23,580)	15,166
Total net position	218,595	214,588	208,332
Total Liabilities, Deferred Inflows and Net Position	\$ 557,741	\$ 507,644	\$ 475,645

Cash and cash equivalents decreased \$9 million, to \$80 million at June 30, 2018, primarily due to payments for purchase or construction of capital assets. The Statement of Cash Flows provides additional details on sources and uses of Athletics cash.

Endowment Investments in the university's long-term investment pool increased \$9 million, to \$101 million at June 30, 2018 reflecting new endowment gifts and growth due to favorable market conditions. The long-term investment pool is invested in a diversified portfolio of equities, fixed

The Ohio State University Department of Athletics

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

income, real estate, hedge funds, private equity, venture capital and natural resources that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support the university's mission.

Capital assets increased \$50 million, to \$290 million, reflecting additional construction costs of new buildings. Capital assets reported on Athletics' Statement of Net Position include Ohio Stadium, Woody Hayes Athletic Center, McCorkle Aquatic Pavilion, Jesse Owens Memorial Stadium, Buckeye Field (Women's Softball), Bill Davis Baseball Stadium, St. John Arena and other facilities to support its 36 sports programs. Also reported are various land and land improvement assets, including the Scarlet and Gray golf courses, capitalized equipment and construction in progress. With the exception of the new basketball practice facility, which was funded by Athletics and completed in summer 2013, the Schottenstein Center is not reported as a capital asset of the department because it is used for a wide range of university purposes. In exchange for the use of the facility, Athletics provides marketing, ticket sales and information technology services and an annual payment to the university.

Several major construction projects are currently underway, including:

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

Schumaker Student-Athlete Development Center – The \$43 million project will construct a state-of-the-art athletic training center with new training and cardio conditioning for use by most of the university's sports programs. The project is in the construction phase and slated for completion and occupancy in the fall of 2018.

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

Current liabilities increased \$5 million to \$80 million as of June 30, 2018, primarily due to an increase in accounts payable for goods and services.

GASB Statement No. 68 requires governmental employers participating in defined benefit pension plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. These liabilities are referred to as net pension liabilities. In FY2018, the university implemented a related accounting standard, GASB Statement No. 75, which requires employers participating in other post-employment benefit (OPEB) plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. OPEB benefits consist primarily of post-retirement healthcare. The university participates in two multiemployer cost-sharing retirement systems, OPERS and STRS-Ohio, and is required to record a liability for its proportionate share of the net pension and OPEB liabilities of the retirement systems.

Athletics' share of these **net pension liabilities** was \$26 million and \$33 million at June 30, 2018 and 2017, respectively. The decrease in net pension liability in 2018 is primarily due to an increase in OPERS' net position due to a 16.62% return in the OPERS defined benefit investment portfolio during calendar year 2017.

Although most year-to-year changes in net pension liabilities are charged directly to pension

The Ohio State University Department of Athletics

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

expense, certain types of changes are deferred and recognized as pension expense in future periods. Pension-related deferred outflows at June 30, 2018 and 2017 totaled \$5 million and \$12 million, respectively. Pension related to deferred inflows at June 30, 2018 and 2017 totaled \$7 million and \$266,000, respectively. Athletics recognized total pension expense of \$11 million in 2018. Total pension expense includes \$5 million of employer contributions and \$6 million in GASB 68 accruals.

Athletics' share of the **net OPEB liabilities** was \$19 million at June 30, 2018. OPEB-related deferred outflows at June 30, 2018 totaled \$1 million. OPEB related deferred inflows at June 30, 2018 totaled \$1 million. Athletics recognized total OPEB expense of \$3 million in 2018. Total OPEB expense includes \$0 of employer contributions and \$3 million in GASB 75 accruals.

It should be noted that, in Ohio, employer contributions to the state's cost-sharing multi-employer retirement systems are established by statute. These contributions, which are payable to the retirement systems one month in arrears, constitute the full legal claim on Athletics for pension and OPEB funding. Although the liabilities recognized under GASB Statement Nos. 68 and 75 meet the GASB's definition of a liability in its conceptual framework for accounting standards, they do not represent legal claims on Athletics' resources, and there are no cash flows associated with the recognition of net pension and OPEB liabilities, deferrals and expense.

Athletics enters into internal loan agreements with the university to finance the construction and renovation of athletic facilities. In 2018, receipts from new loans totaled \$35 million. The loans have maturities ranging from 2018 to 2046 and bear interest rates ranging from 2.25% to 5.25%. These **notes payable to the university** totaled \$205 million at June 30, 2018. Internal transfers for debt service totaled \$17 million and \$13 million in 2018 and 2017, respectively.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2018 and June 30, 2017**

(In thousands)

Statement of Revenues, Expenses, and Other Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues:			
Ticket sales	\$ 65,975	\$ 59,354	\$ 59,100
Television, broadcast rights and sponsorships	51,689	34,728	33,801
Royalty and affinity revenue	4,727	5,059	4,343
Bowl and NCAA tournament distributions	17,331	17,520	15,807
Sports camp entry fee	2,236	2,475	2,705
Golf course revenues	4,420	4,417	4,184
Other operating revenues	12,184	13,997	11,207
Total operating revenues	158,562	137,550	131,147
Operating Expenses			
Salaries and wages	55,664	65,438	47,078
Employee benefits	24,877	19,991	15,852
Supplies and services	76,998	71,930	67,021
Scholarships	25,101	23,456	21,189
Depreciation	15,853	15,993	15,465
Total operating expense	198,493	196,808	166,605
Net operating loss	(39,931)	(59,258)	(35,458)
Nonoperating Revenues (Expenses)			
Current-use gifts	33,530	37,613	32,313
University distribution	7,289	5,633	6,587
Interest expense	(7,708)	(7,938)	(8,266)
Net investment income	7,055	10,399	(1,955)
Contributions related to capital assets	73	120	834
Net non operating revenue	40,239	45,827	29,513
Income (loss) before other changes in net position	308	(13,431)	(5,945)
Capital gifts	16,747	16,364	7,586
Additions to permanent endowments	4,197	6,097	5,913
Equity transfers to the university	(1,243)	(2,774)	(4,414)
Increase (decrease) in Net Position	20,009	6,256	3,140
Net Position - Beginning of Year			
Beginning of the year previously recorded	214,588	208,332	205,192
Cumulative effect of accounting changes	(16,002)	-	-
Net Position - End of Year	<u>\$ 218,595</u>	<u>\$ 214,588</u>	<u>\$ 208,332</u>

Athletics had a \$20 million increase in net position in 2018 (excluding the cumulative effect of the adoption of GASB 75). Current operating revenues increased \$21 million primarily due to increases in ticket sales and television revenue. A new television /media rights agreement was finalized in 2017 which made a significant impact beginning in 2018. Current operating expenses increased \$1 million primarily due to increases in supplies and services and student-athlete scholarships. Investment income decreased \$3 million to \$7 million, reflecting lower 2018 returns from Athletics endowment investments.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2018 and June 30, 2017**

(In thousands)

Gifts to Athletics represent a key source of financial support for the department's operating and capital needs. **Current use gifts** decreased \$4 million to \$34 million, at June 30, 2018. These gifts are used primarily to fund scholarships for student-athletes. **Capital gifts** increased \$1 million to \$17 million, partially in support of the Covelli-Jennings Center and the Schumaker Student Athlete Development Center which broke ground in 2017. **Additions to permanent endowments** decreased \$2 million to \$4 million.

Statement of Cash Flows

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net cash flows used in operating activities	\$ (24,872)	\$ (25,304)	\$ (12,665)
Net cash flows from noncapital financing activities	42,127	44,652	42,221
Payments for purchase or construction of capital assets	(53,673)	(13,951)	(6,975)
Principal and interest payments on notes payable to the university	(17,112)	(13,264)	(14,460)
Other cash flows from capital financing activities	44,336	11,951	6,155
Net cash flows provided (used) by investing activities	<u>(146)</u>	<u>(2,263)</u>	<u>(9,143)</u>
Net increase (decrease) in cash	<u>\$ (9,340)</u>	<u>\$ 1,821</u>	<u>\$ 5,133</u>

Total Athletics cash decreased \$9 million, to \$80 million at June 30, 2018. Net cash flows used in operating activities remained stable at \$25 million in 2018. Total cash provided by current-use gifts, additions to permanent endowments and other non-capital financing activities decreased to \$42 million reflecting a decrease in gifts and endowments. Total cash used by capital financing activities increased \$11 million to \$26 million reflecting capital expenditures and payments for debt service. Total cash used by investing activities decreased \$2 million, reflecting net purchases of temporary investments.

The Ohio State University Department of Athletics Management's Discussion and Analysis (Unaudited) For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

Economic Factors That Will Affect the Future:

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

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

In 2018 the Athletics Strategic plan was updated to incorporate and align with the vision and principles of the university's new strategic plan titled *Time and Change*.

Our mission remains the same: The People. The Tradition. The Excellence. The Department of Athletics is dedicated to the people we serve, whether it is student-athletes, fellow employees, or Buckeye Nation. We will represent the university's proud heritage, and strive to achieve excellence in all we do.

Our values include: Integrity; education; people; excellence; respect; innovation; community; tradition.

Built into our strategic plan are the five pillars outlined in the University's Strategic Plan which include:

1. Teaching and Learning
2. Access, Affordability and Excellence
3. Research and Creative Expression
4. Athletic Healthcare
5. Operational Excellence and Resource Stewardship

Athletics' continued commitment to excellence results in new ways to improve the experience for the student athletes as well as the fans. The Ty Tucker Tennis Center is a \$21.9 million project that will be located in the Athletics District. It has six indoor tennis courts, seating for approximately one thousand spectators, locker rooms, and offices for both the men's and women's tennis teams. This facility will replace an off campus facility the department currently leases. In conjunction with The University, the Athletic department has undertaken a project to install WIFI capability in Ohio Stadium and the Jerome Schottenstein Center. This \$9.5 million project is part of an \$18.9 million university-wide WIFI initiative.

The University-wide Pouring Rights and Sponsorship Agreement with Coca-Cola was renewed with an effective date of July 1st, 2018 and ending June 30, 2033. Including the upfront royalties, this agreement will provide Athletics with an effective annual revenue of \$2.17 million.

The department is confident it will be able to maintain its sound financial position

The Ohio State University Department of Athletics
Statements of Net Position
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

Assets and Deferred outflows	2018	2017
Current assets		
Cash and cash equivalents	\$ 79,865	\$ 89,205
Accounts receivable, net	5,951	7,567
Inventories	234	232
Contributions receivable	10,891	10,321
Current portion of pledges receivable, net	11,904	12,602
Current portion of prepaid expenses	3,108	3,106
Total current assets	<u>111,953</u>	<u>123,033</u>
Noncurrent assets		
Assets Whose Use Is Limited	53	99
Endowment investments	100,889	91,952
Pledges receivable, net	44,174	36,942
Prepaid expenses	4,303	4,047
Capital assets, net	290,012	239,607
Total noncurrent assets	<u>439,431</u>	<u>372,647</u>
Total assets	<u>551,384</u>	<u>495,680</u>
Deferred outflows-pension	4,970	11,964
Deferred outflows-other post employment benefits	1,387	-
Total deferred outflows	<u>6,357</u>	<u>11,964</u>
Total assets and deferred outflows	<u>\$ 557,741</u>	<u>\$ 507,644</u>
Liabilities, Deferred inflows and Net Position		
Current liabilities		
Accounts payable and accrued expenses	\$ 4,883	\$ 10,606
Accounts payable related to capital assets	14,374	3,399
Current portion of accrued compensated absences	434	570
Unearned revenue for advance sales of game tickets	44,608	45,324
Current portion of other unearned revenues and deposits	6,661	8,590
Current portion of notes payable to the university	8,725	6,817
Total current liabilities	<u>79,685</u>	<u>75,306</u>
Noncurrent liabilities		
Notes payable to the university	195,920	170,955
Accrued compensated absences	3,430	3,068
Other unearned revenues and deposits	7,083	9,965
Net pension liability	26,209	33,496
Net other post employment benefits liability	18,852	-
Total noncurrent liabilities	<u>251,494</u>	<u>217,484</u>
Total Liabilities	<u>331,179</u>	<u>292,790</u>
Deferred inflows-pension	6,563	266
Deferred inflows-other post employment benefits	1,404	-
Total deferred inflows	<u>7,967</u>	<u>266</u>
Total liabilities and deferred inflows	<u>339,146</u>	<u>293,056</u>
Net Position		
Net investment in capital assets	71,046	58,534
Restricted		
Nonexpendable	77,200	72,425
Expendable	109,312	107,209
Unrestricted	(38,963)	(23,580)
Total net position	<u>218,595</u>	<u>214,588</u>
Total liabilities, deferred inflows and net position	<u>\$ 557,741</u>	<u>\$ 507,644</u>

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Revenues, Expenses and Other Changes in Net Position
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

	2018	2017
Operating Revenues		
Ticket sales	\$ 65,975	\$ 59,354
Television, broadcast rights and sponsorships	51,689	34,728
Royalty and affinity revenue	4,727	5,059
Bowl and NCAA tournament distributions	17,331	17,520
Parking	2,256	2,280
Sports camp entry fees	2,236	2,475
Golf course revenues	4,420	4,417
Private grants and contracts	44	855
In-kind revenues	3,360	3,209
Other operating revenues	6,524	7,653
	<u>158,562</u>	<u>137,550</u>
Total Operating Revenue		
Operating Expenses		
Salaries and wages	55,664	65,438
Employee benefits	24,877	19,991
Supplies and services	74,062	69,145
Scholarships	25,101	23,456
In-kind supplies and services	2,936	2,785
Depreciation	15,853	15,993
	<u>198,493</u>	<u>196,808</u>
Total Operating Expense		
Operating Loss	(39,931)	(59,258)
Non-operating Revenues (Expense)		
Current-use gifts	33,530	37,613
University distribution	7,289	5,633
Contributions related to capital assets	73	120
Investment income	4,150	3,711
Net unrealized gain on investments	2,905	6,688
Interest expense on plant debt	(7,708)	(7,938)
	<u>40,239</u>	<u>45,827</u>
Net Non-operating Revenue		
Loss before Other Revenues and Transfers	308	(13,431)
Other Revenues		
Capital gifts	16,747	16,364
Additions to permanent endowments	4,197	6,097
	<u>21,252</u>	<u>9,030</u>
Net Income before Transfers		
Equity transfers to the university	(1,243)	(2,774)
	<u>20,009</u>	<u>6,256</u>
Increase in Net Position		
Net Position, Beginning of Year	214,588	208,332
Cumulative effect of accounting changes	(16,002)	-
Net Position, End of Year	<u>\$ 218,595</u>	<u>\$ 214,588</u>

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Cash Flows
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

Cash Flows from Operating Activities	2018	2017
Ticket sales	\$ 67,251	\$ 60,853
Television, broadcast rights and sponsorships	43,809	32,806
Royalty and affinity revenue	4,427	5,407
Bowl and NCAA tournament distributions	20,615	17,423
Parking	2,256	2,280
Sports camp entry fees	2,100	2,271
Golf course revenues	4,407	4,351
Private grants and contracts	44	855
Payments to or on behalf of employees	(55,438)	(51,229)
University employee benefit payments	(16,007)	(14,777)
Payments to vendors for supplies and services	(79,957)	(68,463)
Payments for student financial aid	(25,186)	(24,450)
Other receipts	6,807	7,369
Net cash used by operating activities	(24,872)	(25,304)
Cash Flows from Noncapital Financing Activities		
Current-use gifts	33,575	35,696
Additions to permanent endowments	4,197	6,097
Equity transfers to the University	(2,933)	(2,774)
University distribution	7,288	5,633
Net cash provided by noncapital financing activities	42,127	44,652
Cash Flows from Capital Financing Activities		
Proceeds from capital debt	34,738	4,260
Capital gifts	9,598	7,691
Payments for purchase or construction of capital assets	(53,673)	(13,951)
Principal payments on capital debt and leases	(7,865)	(5,049)
Interest payments on capital debt and leases	(9,247)	(8,215)
Net cash used by capital financing activities	(26,449)	(15,264)
Cash Flows from Investing Activities		
Investment income	4,150	3,711
Purchases of Investments	(6,032)	(6,209)
Transfers from University for endowments	1,690	-
Assets whose use is limited	46	235
Net cash used by investing activities	(146)	(2,263)
Net increase (decrease) in cash	(9,340)	1,821
Cash and cash equivalents - Beginning of Year	89,205	87,384
Cash and cash equivalents - End of Year	\$ 79,865	\$ 89,205

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Cash Flows - continued
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities	2018	2017
Operating loss	\$ (39,931)	\$ (59,258)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:		
Depreciation expense	15,853	15,993
Non cash activity related to unearned revenues:		
Net in kind revenue related to capital assets	(424)	(424)
Changes in assets and liabilities:		
Accounts receivable, net	1,616	(2,636)
Inventories and Prepaid Expenses	(260)	(709)
Accounts payable and accrued liabilities	(5,723)	8,319
Current portion of other unearned revenues and deposits.	(2,218)	4,939
Other long term liabilities	(2,882)	2,969
Compensated absences	226	289
Net pension liability	(7,287)	8,714
Net other post employment benefits liability	2,850	-
Deferred outflows-pensions	6,994	(3,228)
Deferred outflows-other post employment benefits	(1,387)	-
Deferred inflows-pensions	6,297	(273)
Deferred inflows-other post employment benefits	1,404	-
Net cash used by operating activities	<u>\$ (24,872)</u>	<u>\$ (25,304)</u>
Non cash activity and other supplementary disclosure:		
Capitalized Interest	\$ 1,539	\$ 277
Increase in accounts payable related to construction	10,975	1,998
Unrealized gain on investments	2,905	6,688
Assets financed by seller	424	424
Contributions related to capital assets	73	120

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

1. ORGANIZATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

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

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

Basis of Accounting

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

Cash and Cash Equivalents

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

Contributions Receivable

Contributions receivable of \$10,891 and \$10,321 as of June 30, 2018 and 2017, respectively, consist of gifts received by the university's Office of Advancement but not transferred to the operating accounts of Athletics. Amounts are deemed fully collectible.

Pledges Receivable

Athletics receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. Athletics reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges based on management's judgement of potential uncollectible amounts and includes such factors as prior collection history and type of gift. For the years ended June 30, 2018 and 2017, Athletics recorded allowances against pledges receivable of \$1,834 and \$1,489 respectively.

Prepaid Expenses

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

Endowment Investments

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

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

The net increases in the value of investments during the years ended June 30, 2018 and 2017 are \$8,937 and \$12,897 respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during each respective year. The calculation of unrealized gain or loss is independent of the calculation of the net increase in fair value of investments. As of June 30, 2018, there is a cumulative unrealized gain on investments of \$7,358.

As of June 30, 2017, there was a cumulative unrealized gain on investments of \$4,453. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the Long Term Investment Pool. The associated net position is classified as restricted-expendable, unless otherwise restricted by the donor.

At June 30, 2018, the fair value of Athletics gifted endowments is \$85,073 which is \$5,735 above the historical dollar value of \$79,338. Although the fair value of certain gifted endowments exceeded the historical cost at June 30, 2018, there were 119 named funds that were underwater. The fair value of these underwater funds at June 30, 2018 is \$17,827, which is \$1,987 below the historical dollar value of \$19,814.

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

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

Assets Whose Use is Limited

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

Capital Assets

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

Unearned Revenues

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

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

Operating and Non-Operating Activities

Athletics defines operating activities, for purposes of reporting on the Statement of Revenues, Expenses, and Other Changes in Net Position, as those activities that generally result from exchange transactions, such as payments received for providing services and payments made for goods or services received. With the exception of interest expense on long-term indebtedness, substantially all Athletics expenses are considered to be operating expenses. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including university distributions to support operations, current-use gifts, and net investment income.

Equity transfers to the university

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

Sponsorship Agreement

Athletics has various sponsorship agreements that provide for in-kind contributions of apparel, footwear, sports equipment, and the use of certain athletic related equipment. For the years ended June 30, 2018 and 2017, in-kind revenues were \$3,360 and \$3,209 respectively. Athletics recognizes expense for the use of contributed apparel, footwear and equipment as it is incurred as in-kind supplies and services.

Management Estimates

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

Implementation of GASB Statement No. 75

In fiscal year 2018, the university implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires employers in cost-sharing, multi-employer plans to recognize a proportionate share of the net other post-employment benefit (OPEB) liabilities of the plans. The university participates in two cost-sharing multiple-employer pension plans, the State Teachers Retirement System of Ohio and the Ohio Public Employees Retirement System, which provide post-retirement healthcare benefits. A proportionate share of the net OPEB liabilities of the retirement systems has been allocated to the university, based on retirement plan contributions for university employees. The cumulative effect of adopting GASB Statement No. 75 was a \$16,002 reduction in Athletics' net position as of July 1, 2017. Additional information regarding net OPEB liabilities, related deferrals and OPEB expense is provided in Note 9.

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

Newly Issued Accounting Pronouncements

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

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

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

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

University management is currently assessing the impact that implementation of GASB Statements No. 83, 84, 87 and 89 will have on the university's financial statements.

Other

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

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

Reclassification

To conform with the current year presentation, certain prior-year balances related to cash and cash equivalents designated for capital projects, totaling \$21,153 have been reclassified from unrestricted net position to restricted – expendable net position. The total net position has not changed from amounts previously reported.

3. INVESTMENTS

Athletics endowments are invested in the University Long-Term Investment Pool, and as such, all endowment investments are held by the university. The pool consists of more than 5,626 authorized funds and 285 pending funds. Each named fund in the University Long-Term Investment Pool is assigned a number of shares, based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Ohio, permits the University's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the Board deems prudent. The UPMIFA, as adopted in Ohio, establishes a 5% safe harbor of prudence for funds appropriated for expenditure. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the University Long-Term Investment Pool, and the associated net position is classified as restricted-expendable, unless otherwise restricted by the donor. The pool is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support Athletics' mission.

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

Annual distributions to named funds in the University Long-Term Investment Pool are computed using the share method of accounting for pooled investments. For the year ended June 30, 2018, the annual distribution per share was 4.5% of the average fair value per share of the University Long-Term Investment Pool over the most recent seven-year period. For the year ended June 30, 2017, the annual distribution per share was 4.5% of the average fair value per share of the University Long-Term Investment Pool over the most recent seven-year period. These distributions, which were transferred from the University Long-Term Investment Pool to current restricted endowment distribution funds, totaled \$4,150 and \$3,711 in fiscal years 2018 and 2017, respectively.

At June 30, 2018, the original cost and fair value of Athletics' endowment investments were \$93,531 and \$100,889 respectively. At June 30, 2017, the original cost and fair value of Athletics' endowment investments were \$87,499 and \$91,952 respectively.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Improvements	\$ 45,524	\$ 1	\$ -	\$ 45,525
Buildings	378,452	948	-	379,400
Moveable equipment	10,164	920	(548)	10,536
Construction in progress	15,580	65,410	(1,021)	79,969
	<u>449,720</u>	<u>67,279</u>	<u>(1,569)</u>	<u>515,430</u>
Less: accumulated depreciation				
Improvements	23,615	2,330	-	25,945
Buildings	181,223	12,643	-	193,866
Moveable equipment	5,275	880	(548)	5,607
	<u>210,113</u>	<u>15,853</u>	<u>(548)</u>	<u>225,418</u>
Capital assets, net	<u>\$ 239,607</u>	<u>\$ 51,426</u>	<u>\$ (1,021)</u>	<u>\$ 290,012</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance
Improvements	\$ 45,498	\$ 26	\$ -	\$ 45,524
Buildings	377,876	1,426	(850)	378,452
Moveable equipment	9,888	1,082	(806)	10,164
Construction in progress	1,147	15,884	(1,451)	15,580
	<u>434,409</u>	<u>18,418</u>	<u>(3,107)</u>	<u>449,720</u>
Less: accumulated depreciation				
Improvements	21,275	2,340	-	23,615
Buildings	168,772	12,662	(211)	181,223
Moveable equipment	5,109	991	(825)	5,275
	<u>195,156</u>	<u>15,993</u>	<u>(1,036)</u>	<u>210,113</u>
Capital assets, net	<u>\$ 239,253</u>	<u>\$ 2,425</u>	<u>\$ (2,071)</u>	<u>\$ 239,607</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

5. LONG-TERM DEBT

University Notes Payable

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

Long-term debt activity for the year ended June 30, 2018 is summarized as follows:

	Beginning			Ending	Current
	Balance	Additions	Reductions	Balance	Portion
Notes payable to the university					
2002, 4.74% through 2032	\$ 4,938	\$ -	\$ 242	\$ 4,696	\$ 254
2002, 4.74% through 2047	108,516	-	1,674	106,842	1,756
2006, 4.14% through 2031	11,567	-	675	10,892	703
2014, 4.50% through 2024	2,841	-	403	2,438	421
2014, 2.25% through 2019	59	-	30	29	29
2015, 2.25% through 2020	46	-	18	28	18
2014, 4.00% through 2019	889	-	526	363	363
2014, 4.50% through 2021	2,013	-	517	1,496	540
2014, 4.50% through 2024	6,277	-	855	5,422	894
2014, 4.50% through 2024	8,224	-	1,082	7,142	1,132
2015, 4.50% through 2025	3,606	-	393	3,213	411
2017, 4.75% through 2046	24,536	-	403	24,133	423
2016, 4.75% through 2046	4,260	12,954	-	17,214	574
2018, 2.75% through 2023	-	184	-	184	36
2018, 5.25% through 2028	-	5,210	387	4,823	411
2018, 4.75% through 2033	-	16,390	660	15,730	760
	<u>\$ 177,772</u>	<u>\$ 34,738</u>	<u>\$ 7,865</u>	<u>\$ 204,645</u>	<u>\$ 8,725</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable to the university					
2002, 4.74% through 2032	\$ 5,168	\$ -	\$ 231	\$ 4,938	\$ 243
2002, 4.74% through 2032	108,516	-	-	108,516	1,674
2006, 4.14% through 2031	12,215	-	648	11,567	675
2012, 4.25% through 2017	128	-	128	-	-
2014, 2.25% through 2019	87	-	28	59	29
2014, 4.00% through 2019	1,395	-	506	889	527
2014, 4.50% through 2021	2,507	-	494	2,013	516
2014, 4.50% through 2024	3,226	-	385	2,841	403
2014, 4.50% through 2024	9,259	-	1,035	8,224	1,082
2014, 4.50% through 2024	7,094	-	817	6,277	854
2015, 2.25% through 2020	63	-	17	46	18
2015, 4.50% through 2025	3,982	-	376	3,606	393
2016, 4.75% through 2046	-	4,260	-	4,260	-
2017, 4.75% through 2046	24,921	-	385	24,536	403
	<u>\$ 178,561</u>	<u>\$ 4,260</u>	<u>\$ 5,049</u>	<u>\$ 177,772</u>	<u>\$ 6,817</u>

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

	Principal	Interest	Total
Year Ending June 30, 2018			
2019	\$ 8,725	\$ 8,659	\$ 17,384
2020	8,688	8,289	16,977
2021	8,860	7,909	16,769
2022	8,840	7,531	16,371
2023	9,230	7,141	16,371
FY 2024-FY 2028	34,959	30,788	65,747
FY 2029-FY 2033	32,261	23,590	55,851
FY 2034-FY 2038	27,310	17,460	44,770
FY 2039-FY 2043	33,847	10,922	44,769
FY 2043 and Thereafter	31,925	2,932	34,857
	<u>\$ 204,645</u>	<u>\$ 125,221</u>	<u>\$ 329,866</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

6. OPERATING LEASES

Athletics leases various buildings and office space under operating lease agreements. These facilities are not recorded as assets on the Statements of Net Position. The total rental expense under these agreements for the years ended June 30, 2018 and 2017 were \$4,852 and \$4,725, respectively. Total rental expense is reported in supplies and services on the Statements of Revenues, Expenses and Other Changes in Net Position.

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

Year ending June 30, 2018

2019	\$	4,941
2020		5,057
2021		3,211
2022		3,278
2023		172
Total	\$	<u>16,659</u>

7. COMPENSATED ABSENCES

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

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

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

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

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

The following schedule summarizes compensated absence activity for the year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 3,638	\$ 660	\$ 434	\$ 3,864
Less: current portion	<u>570</u>			<u>434</u>
	<u>\$ 3,068</u>			<u>\$ 3,430</u>

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

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

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

8. RELATED PARTY TRANSACTIONS

The university charges Athletics for allocated overhead costs related to financial, student and development department costs and certain other expenses incurred by the university on behalf of Athletics. Overhead charged to supplies and services expense for the years ended June 30, 2018 and 2017 was \$7,389 and \$6,617 respectively.

Athletics rents office space from the university in the Fawcett Center for Tomorrow located on Olentangy River Road. Lease payments reported in supplies and services for the years ended June 30, 2018 and 2017 were \$1,198 and \$1,145 respectively.

The Jerome Schottenstein Center is a 770,000 square foot multipurpose venue opened in 1998. The capital asset is not included on Athletics' financial statement as the facility is used for a wide range of university purposes. In exchange for the use of the Value City Arena, practice gyms, and office space, Athletics provides services in the areas of marketing, ticket sales, and information technology. Athletics also makes an annual rental payment under the agreement to the university which is reported in supplies and services. The amounts paid under this agreement for the years ended June 30, 2018 and 2017 were \$2,523 and \$2,471 respectively. In addition, Athletics has an agreement to transfer a portion of the revenue received from a Sponsorship Rights contract with IMG to The Jerome Schottenstein Center. The amounts paid for the years ended June 30, 2018 and 2017 were \$3,414 and \$3,371 respectively and reduced television, broadcast rights, and sponsorship revenues.

The Younkin Success center is a university wide collaboration to provide a variety of services supporting student success to faculty, staff and students. The Student-Athlete Support Services Office (SASSO) within Younkin provides access to service and programs that promote academic, personal and career development and facilitate graduation for over 1,000 student athletes. Athletics payments in support of SASSO for the years ended June 30, 2018 and 2017 were \$3,632 and \$3,526 respectively. The payments are reported in supplies and services.

Recognizing that the national reputation of the Athletics department brings exposure to the university and helps drive the market for licensed products, the university includes Athletics in the distribution of licensing revenue each year based on a formula driven allocation of net proceeds. For the years ended June 30, 2018 and 2017 the allocations to Athletics were \$7,288 and \$5,632, respectively. Athletics records this revenue related to the university's royalty and affinity revenue in University distribution on the Statements of Revenues, Expenses and Other Changes in Net Position.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

9. RETIREMENT PLANS

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

STRS Ohio and OPERS offer statewide cost-sharing multiple-employer defined benefit pension plans. STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. In addition, the retirement systems provide other post-employment benefits (OPEB), consisting primarily of healthcare. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors.

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

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

	<u>STRS-Ohio</u>		<u>OPERS</u>		<u>Total</u>
Net pension liability - all employers	\$ 23,755,214	\$	15,548,439		
Proportion of the net pension liability	0.000%		0.169%		
Proportionate share of net pension liability	\$ -	\$	26,208	\$	26,208

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

	<u>STRS-Ohio</u>		<u>OPERS</u>		<u>Total</u>
Net OPEB liability - all employers	\$ 3,901,631	\$	10,859,263		
Proportion of the net OPEB liability	0.000%		0.174%		
Proportionate share of net OPEB liability	\$ -	\$	18,852	\$	18,852

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

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

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

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

	<u>STRS-Ohio</u>		<u>OPERS</u>		<u>Total</u>
Deferred Outflows of Resources:					
Differences between expected and actual experience	\$ -	\$	40	\$	40
Changes in assumptions	-		3,072		3,072
Net difference between projected and actual earnings on pension plan investments	-		-		-
Changes in proportion of university contributions	-		73		73
Employer contributions subsequent to the measurement date	-		1,785		1,785
Total	\$ -	\$	4,970	\$	4,970
Deferred Inflows of Resources:					
Differences between expected and actual experience	\$ -	\$	624	\$	624
Net difference between projected and actual earnings on pension plan investments	-		5,938		5,938
Changes in proportion of university contributions	-		1		1
Total	\$ -	\$	6,563	\$	6,563

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

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

	STRS-Ohio		OPERS		Total
Deferred Outflows of Resources:					
Differences between expected and actual experience	\$ -		\$ 14		\$ 14
Changes in assumptions	-		1,373		1,373
Net difference between projected and actual earnings on OPEB plan investments	-		-		-
Changes in proportion of university contributions	-		-		-
Employer contributions subsequent to the measurement date	-		-		-
Total	\$ -		\$ 1,387		\$ 1,387

Deferred Inflows of Resources:					
Differences between expected and actual experience	\$ -		\$ -		\$ -
Net difference between projected and actual earnings on OPEB plan investments	-		1,404		1,404
Changes in proportion of university contributions	-		-		-
Total	\$ -		\$ 1,404		\$ 1,404

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

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

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

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

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

	<u>STRS-Ohio</u>	<u>OPERS</u>	<u>Total</u>
2019	-	3,963	3,963
2020	-	(629)	(629)
2021	-	(2,533)	(2,533)
2022	-	(2,371)	(2,371)
2023	-	(9)	(9)
2024 and Thereafter	-	(14)	(14)
Total	\$ -	\$ (1,593)	\$ (1,593)

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

	<u>STRS-Ohio</u>	<u>OPERS</u>	<u>Total</u>
2019	-	312	312
2020	-	312	312
2021	-	(290)	(290)
2022	-	(351)	(351)
2023	-	-	-
2024 and Thereafter	-	-	-
Total	\$ -	\$ (17)	\$ (17)

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

	STRS-Ohio	OPERS
Statutory Authority	Ohio Revised Code Chapter 3307	Ohio Revised Code Chapter 145

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

Benefit Formula	<p>Pensions -- The annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.</p> <p>OPEB – STRS Ohio provides access to health care coverage for eligible retirees who participated in the Defined Benefit or Combined Plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees and prescription drugs and reimbursement of a portion of the monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2019. Pursuant to the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by the plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Benefit recipients contributed \$339.1 million or 60% of the total health care costs in fiscal 2017 (excluding deductibles, coinsurance and copayments).</p> <p>Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage. For the year ended June 30,</p>	<p>Pensions -- Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.</p> <p>OPEB – The Ohio Revised Code permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical</p>
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The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

	STRS-Ohio	OPERS
	2017, STRS Ohio received \$79.4 million in Medicare Part D reimbursements.	<p>expenses and prescription drugs. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, case management, and other programs. Additional details on health care coverage can be found in the Plan Statement in the OPERS 2017 CAFR.</p> <p>OPERS no longer participates in the Medicare Part D program as of December 31, 2016. OPERS will receive the final distribution of funds from the Medicare Part D program for calendar year 2016 in 2018. Total federal subsidies received for the year ended December 31, 2017 were \$812,170.</p>
Cost-of-Living Adjustments	Effective July 1, 2017, the COLA was reduced to 0%.	Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, current law provides for an annual COLA. The COLA is calculated on the member's base pension benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a COLA on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

	STRS-Ohio	OPERS
Contribution Rates	Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. Under Ohio law, funds to pay health care costs may be deducted from employer contributions. For the year ended June 30, 2017, no employer allocation was made to the health care fund.	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2016, employer rates for the State and Local Divisions were 14% of covered payroll (and 18.1% for the Law Enforcement and Public Safety Divisions). Member rates for the State and Local Divisions were 10% of covered payroll (13% for Law Enforcement and 12% for Public Safety).
Measurement Date	June 30, 2017	December 31, 2017 (OPEB is rolled forward from December 31, 2016 actuarial valuation date)
Actuarial Assumptions	<p>Valuation Date: July 1, 2017 for pensions; June 30, 2017 for OPEB</p> <p>Actuarial Cost Method: Individual entry age</p> <p>Investment Rate of Return: 7.45%</p> <p>Inflation: 2.50%</p> <p>Projected Salary Increases: 12.50% at age 20 to 2.50% at age 65</p> <p>Cost-of-Living Adjustments: 0% effective July 1, 2017</p> <p>Payroll Increases: 3.00%</p> <p>Health Care Cost Trends: 6%-11% initial; 4.50% ultimate</p>	<p>Valuation Date: December 31, 2017 for pensions; December 31, 2016 for OPEB</p> <p>Actuarial Cost Method: Individual entry age</p> <p>Investment Rate of Return: 7.5% for pensions; 6.5% for OPEB</p> <p>Inflation: 3.25%</p> <p>Projected Salary Increases: 3.25% - 10.75%</p> <p>Cost-of-Living Adjustments: 3.00% Simple – for those retiring after January 7, 2013, 3.00% Simple through 2018, then 2.15% Simple.</p> <p>Health Care Cost Trends: 7.5% initial; 3.25% ultimate</p>

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

<p>Mortality Rates</p>	<p>Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.</p>	<p>Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.</p>
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	STRS-Ohio	OPERS
<p>Date of Last Experience Study</p>	<p>June 30, 2016</p>	<p>December 31, 2015</p>

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

<p>Discount Rate</p>	<p>Pensions -- The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.</p> <p>OPEB -- The discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, a blended discount rate of 4.13%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.</p>	<p>Pensions -- The discount rate used to measure the total pension liability was 7.5% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.</p> <p>OPEB -- A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a</p>
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The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

		<p>result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.</p>
<p>Changes in Assumptions Since the Prior Measurement Date</p>	<p>Pensions -- The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.</p> <p>OPEB -- The discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)</i> and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.</p>	<p>There has been no change in assumptions compared to prior year.</p>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

Benefit Term Changes Since the Prior Measurement Date	<p>Pensions – Effective July 1, 2017, the COLA was reduced to 0%.</p> <p>OPEB -- The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.</p>	<p>Pensions -- For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.</p>												
Sensitivity of Net Pension Liability to Changes in Discount Rate	<table border="1"> <thead> <tr> <th>1% Decrease (6.45%)</th> <th>Current Rate (7.45%)</th> <th>1% Increase (8.45%)</th> </tr> </thead> <tbody> <tr> <td>\$ -</td> <td>\$ -</td> <td>\$ -</td> </tr> </tbody> </table>	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)	\$ -	\$ -	\$ -	<table border="1"> <thead> <tr> <th>1% Decrease (6.5%)</th> <th>Current Rate (7.5%)</th> <th>1% Increase (8.5%)</th> </tr> </thead> <tbody> <tr> <td>\$ 46,829</td> <td>\$ 26,208</td> <td>\$ 9,031</td> </tr> </tbody> </table>	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)	\$ 46,829	\$ 26,208	\$ 9,031
1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)												
\$ -	\$ -	\$ -												
1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)												
\$ 46,829	\$ 26,208	\$ 9,031												
Sensitivity of Net OPEB Liability to Changes in Discount Rate	<table border="1"> <thead> <tr> <th>1% Decrease (3.13%)</th> <th>Current Rate (4.13%)</th> <th>1% Increase (5.13%)</th> </tr> </thead> <tbody> <tr> <td>\$ -</td> <td>\$ -</td> <td>\$ -</td> </tr> </tbody> </table>	1% Decrease (3.13%)	Current Rate (4.13%)	1% Increase (5.13%)	\$ -	\$ -	\$ -	<table border="1"> <thead> <tr> <th>1% Decrease (2.85%)</th> <th>Current Rate (3.85%)</th> <th>1% Increase (4.85%)</th> </tr> </thead> <tbody> <tr> <td>\$ 25,047</td> <td>\$ 18,852</td> <td>\$ 13,842</td> </tr> </tbody> </table>	1% Decrease (2.85%)	Current Rate (3.85%)	1% Increase (4.85%)	\$ 25,047	\$ 18,852	\$ 13,842
1% Decrease (3.13%)	Current Rate (4.13%)	1% Increase (5.13%)												
\$ -	\$ -	\$ -												
1% Decrease (2.85%)	Current Rate (3.85%)	1% Increase (4.85%)												
\$ 25,047	\$ 18,852	\$ 13,842												
Sensitivity of Net OPEB Liability to Changes in Medical Trend Rate	<table border="1"> <thead> <tr> <th>1% Decrease in Trend Rate</th> <th>Current Trend Rate</th> <th>1% Increase in Trend Rate</th> </tr> </thead> <tbody> <tr> <td>\$ -</td> <td>\$ -</td> <td>\$ -</td> </tr> </tbody> </table>	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate	\$ -	\$ -	\$ -	<table border="1"> <thead> <tr> <th>1% Decrease in Trend Rate</th> <th>Current Trend Rate</th> <th>1% Increase in Trend Rate</th> </tr> </thead> <tbody> <tr> <td>\$ 18,038</td> <td>\$ 18,852</td> <td>\$ 19,694</td> </tr> </tbody> </table>	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate	\$ 18,038	\$ 18,852	\$ 19,694
1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate												
\$ -	\$ -	\$ -												
1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate												
\$ 18,038	\$ 18,852	\$ 19,694												

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

Defined Contribution Plans

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

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

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

Combined Plans

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

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

Summary of Employer Pension Expense

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

	STRS-Ohio	OPERS	ARP	Total
Employer Contributions	\$ -	\$ 3,662	\$ 1,477	\$ 5,139
GASB 68 Pension Accruals	-	6,002	-	6,002
GASB 75 OPEB Accruals	-	2,868	-	2,868
Total Pension and OPEB Expense	\$ -	\$ 12,532	\$ 1,477	\$ 14,009

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2018 and June 30, 2017

(In thousands)

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

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

Pension and OPEB expenses are included in employee benefits on the Statement of Revenues, Expenses and Other Changes in Net Position.

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

STRS Ohio

275 East Broad Street
 Columbus, OH 43215-3371

(614) 227-4090

(888) 227-7877

www.strsoh.org

OPERS

277 East Town Street
 Columbus, OH 43215-4642

(614) 222-5601

(800) 222-7377

www.opers.org/investments/cafr.shtml

10. CONTINGENCIES AND RISK MANAGEMENT

The university is a party in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on the Athletics' financial position.

REQUIRED SUPPLEMENTARY INFORMATION

**The Ohio State University Department of Athletics
Required Supplementary Information on GASB 68 Pension Liabilities
For the Year Ended June 30, 2018 (Unaudited)**

(In Thousands)

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

	2018		2017		2016	
	STRS-Ohio	OPERS	STRS-Ohio	OPERS	STRS-Ohio	OPERS
Schedule of Proportionate Share of the Net Pension Liability						
Athletics proportion of the collective net pension liability	0.000%	0.169%	0.000%	0.148%	0.001%	0.142%
Athletics proportionate share of the net pension liability	\$ -	\$ 26,208	\$ -	\$ 33,496	\$ 172	\$ 24,610
Athletics covered payroll	\$ -	\$ 24,703	\$ -	\$ 21,046	\$ 54	\$ 19,585
Athletics proportionate share of the net pension liability as a percentage of its covered payroll	N/A	106%	N/A	159%	319%	126%
Plan fiduciary net position as a percentage of the total pension liability	75.3%	84.9%	66.8%	77.4%	72.1%	81.1%
Schedule of University Contributions						
Contractually required contribution	\$ -	\$ 3,662	\$ -	\$ 3,346	\$ -	\$ 2,883
Contributions in relation to the contractually required contribution	\$ -	\$ 3,662	\$ -	\$ 3,346	\$ -	\$ 2,883
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Athletics covered payroll	\$ -	\$ 25,542	\$ -	\$ 23,344	\$ -	\$ 20,055
Contributions as a percentage of covered payroll	N/A	14.3%	N/A	14.3%	N/A	14.4%

The Ohio State University Department of Athletics
Required Supplementary Information on GASB 75 Other Post
Employment Benefit Liabilities For the Year Ended June 30, 2018 (Unaudited)

(In Thousands)

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

	2018	
	STRS-Ohio	OPERS
Schedule of Proportionate Share of the Net OPEB Liability		
Athletics proportion of the collective net OPEB liability	0.000%	0.174%
Athletics proportionate share of the net OPEB liability	\$ -	\$ 18,852
Athletics covered payroll	\$ -	\$ 24,703
Athletics proportionate share of the net OPEB liability as a percentage of its covered payroll	N/A	76%
Plan fiduciary net position as a percentage of the total OPEB liability	47.1%	54.1%



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

To the Board of Trustees of
The Ohio State University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Ohio State University Department of Athletics (“Athletics”), a department of The Ohio State University, as of and for the year ended June 30, 2018, appearing on pages 10 to 38, which comprise the statement of net position, and the related statements of revenues, expenses and other changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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



Purpose of this Report

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

PricewaterhouseCoopers LLP

December 14, 2018

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Dave Yost • Auditor of State

THE OHIO STATE UNIVERSITY DEPARTMENT OF ATHLETICS
FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 3, 2019