Kent State University

(a component unit of the State of Ohio)

Financial Report
Including Supplementary Information

June 30, 2019

KENT STATE UNIVERSITY
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Independent Auditor's Report

To the Board of Trustees
Kent State University

Report on the Financial Statements

We have audited the accompanying financial statements of Kent State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit, as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise Kent State University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the auditor's 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, the auditor considers 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.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Kent State University and its discretely presented component unit as of June 30, 2019 and 2018 and the changes in their financial position and their cash flows, where applicable, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Kent State University

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the University's proportionate share of the net pension liability, the schedule of University pension contributions, the schedule of the University's proportionate share of the net OPEB liability, and the schedule of University OPEB contributions be presented 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, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Kent State University's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2019 on our consideration of Kent State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Kent State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 14, 2019

This section of Kent State University's (the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2019 and 2018. This discussion should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes and this discussion are the responsibility of University management.

Using the Annual Financial Report

This annual report consists of financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* In fiscal year 2013, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement supersedes paragraphs 10 and 12 of GASB Statement No. 35. GASB Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The financial statements prescribed by GASB Statement No. 63 *(Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows)* are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Amounts required to be reported as deferred outflows of resources are reported separately after assets and amounts required to be reported as deferred inflows of resources are reported separately after liabilities. See Note 2 for further discussion of these financial statement categories.

The financial statements have been prepared in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. Since the issuance of Statement No. 61, the GASB issued Statement No. 80 *Blending Requirements for Certain Component Units*. Both of these standards require examination of significant operational or financial relationships with the University and establish criteria for identifying and presenting component units of the organization. Based on this examination and application of the criteria in these standards, the University has identified two component units: The Kent State University Foundation and the KSU Foot and Ankle Clinic. The Kent State University Foundation is discretely presented in the University's financial statements; however, it is excluded from Management's Discussion and Analysis. The KSU Foot and Ankle Clinic is a blended component unit and, therefore, is indirectly included in Management's Discussion and Analysis. See Note 11 for further discussion on component units.

Noteworthy Financial Activity

In fiscal year 2018, the University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), Similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), the University is required to recognize on the face of the financial statements its proportionate share of the net other postemployment retirement benefits (OPEB) liability related to its participation in both the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System (STRS). The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with this statement, the University recorded $145.1 million as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2017, thus restating the University's beginning net position from $444.3 million to $299.2 million. In addition, for fiscal year 2018, the University recognized net OPEB revenue of $6.4 million, deferred outflows and deferred inflows of $9.3 million and $12.3 million, respectively and a net OPEB liability of $135.7 million. In fiscal year 2019, the University recognized net OPEB revenue of $25.2 million, deferred outflows and deferred inflows of $18.1 million and $28.4 million respectively and a net OPEB liability of $103.2 million.

In fiscal year 2015, the University implemented GASB 68 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71). These statements require governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with these statements, the University recorded $410.2 million as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014, thus restating the University's beginning net position from $827.2 million to $417.0 million. In fiscal year 2019, the University recognized pension expense of $28.6 million with related deferred outflows increasing to $122.8 million, deferred inflows decreasing to $36.7 million and the net pension liability increasing to $454.4 million. In fiscal year 2018, the University recognized net pension revenue of $110.3 million, with related deferred outflows decreasing to $113.3 million, deferred inflows increasing to $51.4 million and the net pension liability decreasing to $401.5 million. In fiscal year 2017, the University recognized additional pension expense of $37.6 million.

Pension/OPEB expense or revenue is allocated to each functional category based on applicable salary expense. Each year the impacts to the University's financial statements are based on the assumptions and decisions implemented by each plan. The deferred outflows/inflows and net pension and OPEB liabilities for the University are equal to the University's proportionate share of each of these plan components, therefore if there are significant fluctuations in these components for the plan, the University will recognize those fluctuations in its financial statements. For fiscal year 2019, there was no significant change in assumptions. For fiscal year 2018, the primary driver for the significant decrease in pension expense (revenue) is due to STRS adopting certain assumption changes that impacted the actuarial valuation at June 30, 2017, most notably the reduction in the discount rate from 7.75 percent to 7.45 percent and the cost of living adjustment dropping from 2.00 percent to 0.00 percent.

The tables below highlight the significant changes in the functional operating expenses as a result of GASB 68 and GASB 75 in fiscal years 2019, 2018, and 2017:

	2019		
	Prior to GASB 68/75	GASB 68/75 Entry	Post GASB 68/75
		(in thousands)	
Instruction	$ 247,784	$ 1,798	$ 249,582
Research	17,947	68	18,015
Public service	13,850	72	13,922
Academic support	65,435	371	65,806
Student services	38,729	227	38,956
Institutional support	80,853	515	81,368
Scholarships and fellowships	40,166	-	40,166
Operation and maintenance of plant	42,668	170	42,838
Auxiliary activities	67,167	203	67,370
	$ 614,599	$ 3,424	$ 618,023

	2018		
	Prior to GASB 68/75	GASB 68/75 Entry	Post GASB 68/75
		(in thousands)	
Instruction	$ 263,308	$ (61,791)	$ 201,517
Research	15,786	(2,033)	13,753
Public service	13,393	(2,231)	11,162
Academic support	64,311	(12,204)	52,107
Student services	37,627	(7,301)	30,326
Institutional support	83,489	(17,037)	66,452
Scholarships and fellowships	40,079	-	40,079
Operation and maintenance of plant	44,746	(5,468)	39,278
Auxiliary activities	67,758	(8,686)	59,072
	$ 630,497	$ (116,751)	$ 513,746

	2017		
	Prior to GASB 68/75	GASB 68 Entry	Post GASB 68/75
		(in thousands)	
Instruction	$ 248,414	$ 19,594	$ 268,008
Research	14,964	668	15,632
Public service	16,108	784	16,892
Academic support	67,883	3,948	71,831
Student services	36,909	2,242	39,151
Institutional support	87,557	5,603	93,160
Scholarships and fellowships	38,648	-	38,648
Operation and maintenance of plant	45,800	1,839	47,639
Auxiliary activities	93,544	2,892	96,436
	$ 649,827	$ 37,570	$ 687,397

The table below illustrates the change in the increase or decrease in net position after GASB 68/75 was applied in the fiscal year noted below:

	2019	2018	2017
		(in thousands)	
Increase/(Decrease) in net position prior to GASB 68/75 adjustment	$ (30,761)	$ (8,614)	$ 49,215
GASB 68/75 recognition of net pension/OPEB revenue/(expense) *OPEB in FY2019 and FY2018 only	(3,424)	116,751	(37,570)
Increase/(Decrease) in net position after GASB 68/75 adjustment	$ (34,185)	$ 108,137	$ 11,645

The impacts to the University's financial statements as a result of both GASB 68 and GASB 75 are further discussed in Note 8.

Excluding the impacts of both GASB 68 and GASB 75, the overall financial position of the University has declined when comparing fiscal year 2019 to fiscal year 2018. The University's total assets and deferred outflows of resources declined $24.0 million and total liabilities and deferred inflows of resources increased by $6.7 million. Overall net position decreased by $30.8 million. The primary reason for the increase in liabilities and decrease in net position is due to the reclassification of $28.7 million related to the Perkins Loan federal capital contribution from restricted net position to a liability. When funds were received by the University, these funds were included in restricted net position. With the termination of the Perkins loan program and the obligation of the University to repay the federal government these funds, the reclassification to a liability was recorded in fiscal year 2019. This event is shown below non-operating activity as an extraordinary item and is considered a one-time occurrence. Without this event, the University's net position would have only decreased by $2.1 million.

Highlights of significant events (excluding the impacts of GASB 68 and GASB 75) are as follows:

- Operating revenues increased by $3.6 million due primarily to improved performance in the auxiliary units in fiscal year 2019. Although the University continued to experience decreases in tuition revenue from declining enrollments, three of the auxiliary units, Dining Services, Athletics, and Residence Services experienced revenue increases resulting in an overall increase of auxiliary revenue of $5.6 million. In fiscal year 2019, Aramark returned a higher guaranteed payment for Dining Services, Residence Services increased overall room rates, and the Athletics department entered into larger guaranteed return football contracts.

- Operating expenses decreased $13.4 million. The primary decrease in operating expenses is in instruction expense which decreased by $15.5 million in fiscal year 2019. The decreases in instruction were primarily in salaries of $3.8 million and benefits of $9.9 million. In fiscal year 2018, the University recognized an additional $7.9 million in the employee separation plan for faculty of which the majority of this is recognized in the instruction line.

- Gift revenue increased $2.2 million. The majority of gift revenue is donations received by the Kent State University Foundation used by the University.

- Investment income decreased $1.4 million. Although the market remained strong, there was some noteworthy volatility during fiscal year 2019 resulting in some market losses, which largely recovered by the end of the fiscal year.

- Capital appropriations from the state decreased $10.0 million due to the timing of completed capital projects.

- Net capital assets decreased $8.4 million primarily due to less assets capitalized in fiscal year 2019 versus fiscal year 2018 and the continued depreciation of these assets.

Statement of Net Position

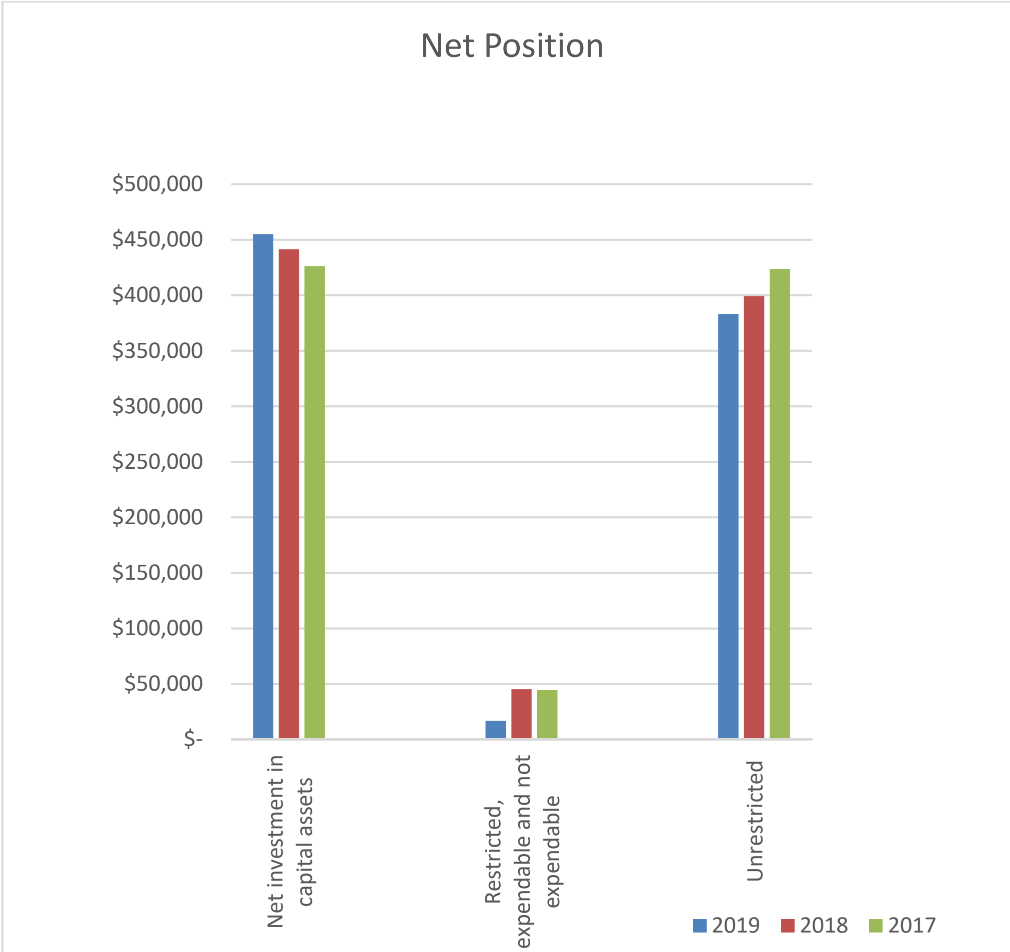
The Statement of Net Position includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources. Over time, increases or decreases in net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) are one indicator of the improvement or erosion of the University's financial health when considered with nonfinancial facts such as enrollment levels and the condition of facilities.

The table below presents balances prior to any GASB 68 or GASB 75 adjustment. See pages 1 and 2 for a discussion on the impacts of GASB 68 and GASB 75.

Kent State University
Condensed Statement of Net Position (Pre GASB 68/75)
as of June 30, 2019, 2018 and 2017
(in thousands)

ASSETS	2019	2018	2017
Current	$ 427,300	$ 444,135	$ 303,367
Capital assets	921,355	929,785	935,668
Other assets	136,137	135,785	322,163
Total assets	$ 1,484,792	$ 1,509,705	$ 1,561,198
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amortization on bond refundings	$ 9,798	$ 10,831	$ 11,688
Accumulated change in the fair value of hedging derivatives	1,906	-	484
Total deferred outflows of resources	$ 11,704	$ 10,831	$ 12,172
LIABILITIES			
Current liabilities	$ 147,857	$ 141,740	$ 160,994
Long-term debt	426,330	451,598	477,954
Other	67,359	39,646	40,097
Total liabilities	$ 641,546	$ 632,984	$ 679,045
DEFERRED INFLOWS OF RESOURCES			
Accumulated change in the fair value of hedging derivatives	$ -	$ 1,841	$ -
Total deferred inflows of resources	$ -	$ 1,841	$ -
NET POSITION			
Net investment in capital assets	$ 454,994	$ 441,419	$ 426,247
Restricted, expendable and not expendable	16,767	45,160	44,372
Unrestricted:			
Designated	383,189	399,132	422,000
Undesignated (unallocated)	-	-	1,706
Total net position	$ 854,950	$ 885,711	$ 894,325

As noted above, the below graph depicts total net position before any adjustments were made for GASB 68 And 75.



<u>Comparison of Fiscal Year 2019 to Fiscal Year 2018 (Pre GASB 68/75)</u>

The University's current ratio decreased slightly from 2018 to 2019. At June 30, 2019, the University's current assets of $427.3 million were sufficient to cover current liabilities of $147.9 million (current ratio of 2.9). In fiscal year 2018, current assets were $444.1 million and current liabilities were $141.7 million (current ratio of 3.1).

At June 30, 2019, total University assets and deferred outflows of resources were $1,496.5 million, compared to $1,520.5 million at June 30, 2018. The decrease of $24.0 million is mainly attributed to a decrease in short-term investments, primarily STAR Ohio due to use of funds designated for the Gateway Facilities Master Plan and decrease in student tuition revenue.

University liabilities and deferred inflows of resources total $641.5 million at June 30, 2019 compared to $634.8 million at June 30, 2018. The increase of $6.7 million is primarily due the reclassification of the Perkins loan federal capital contribution (FCC) of $28.7 million offset by a decrease of $25.3 million in long-term debt.

Total net position decreased by $30.8 million to $855 million. The decrease in net position is primarily due to the reclassification of the Perkins loan federal capital contribution to a liability in fiscal year 2019. This reclassification was necessary since the Federal Perkins loan has been terminated which will require the University to pay back the portion provided by the federal government for the program.

Comparison of Fiscal Year 2018 to Fiscal Year 2017 (Pre GASB 68/75)

The University's current ratio improved from 2017 to 2018. At June 30, 2018, the University's current assets of $444.1 million were sufficient to cover current liabilities of $141.7 million (current ratio of 3.1). In fiscal year 2017, current assets were $303.4 million and current liabilities were $161.0 million (current ratio of 1.9).

At June 30, 2018, total University assets and deferred outflows of resources were $1,520.5 million, compared to $1,573.4 million at June 30, 2017. The decrease of $52.9 million is mainly attributed to a decrease in cash (both unrestricted and restricted of $79.9 million, offset by an increase in investments (both short term and long term) of $29.5 million.

University liabilities and deferred inflows of resources total $634.8 million at June 30, 2018 compared to $679.0 million at June 30, 2017. The decrease of $44.2 million is primarily due to the $26.3 million decrease in long-term debt and $18.4 million decrease in accounts payable.

Total net position decreased by $8.6 million to $885.7 million. The $8.6 million decrease in net position is primarily due to decreases in tuition revenue and state capital appropriations in excess of decreases in overall operating expenses.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public university's dependency on state aid and gifts could result in operating deficits because the financial reporting model classifies state appropriations and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The table below presents balances prior to any GASB 68 or GASB 75 adjustment. See pages 1 and 2 for a discussion on the impacts of GASB 68 and GASB 75.

Kent State University
Condensed Statement of Revenues, Expenses and Changes in Net Position (Pre-GASB 68/75)
for the years ended June 30, 2019, 2018 and 2017
(in thousands)

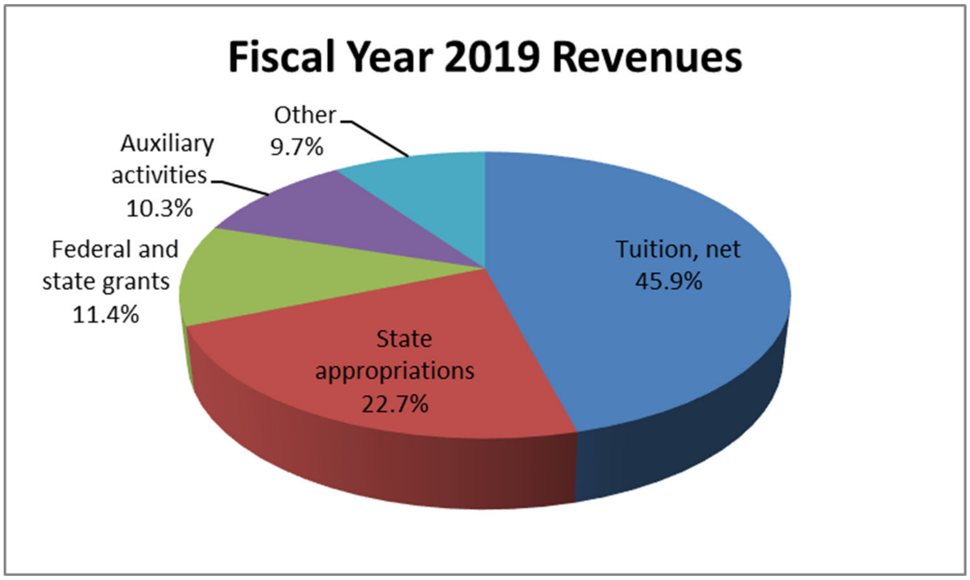
	2019	2018	2017
Operating Revenues			
Tuition, net	$ 313,781	$ 319,261	$ 337,750
Federal and state grants	29,917	28,526	29,175
Auxiliary activities	70,120	64,535	96,038
Other operating revenue	20,126	18,041	17,430
Total operating revenues	433,944	430,363	480,393
Non-Operating Revenues			
State appropriations	155,044	156,299	152,230
Federal Pell grant revenue	47,729	47,849	47,522
Other non-operating revenue	46,201	55,857	87,996
Total non-operating revenues	248,974	260,005	287,748
Total revenues	$ 682,918	$ 690,368	$ 768,141
Operating Expenses			
Instruction	$ 247,785	$ 263,308	$ 248,414
Institutional support	80,853	83,489	87,557
Scholarships and fellowships	40,166	40,079	38,648
Auxiliary activities	67,167	67,758	93,544
Other operating expense	233,020	227,787	233,111
Total operating expense	668,991	682,421	701,274
Non-operating expense	16,021	16,561	17,652
Perkins loan program reclassification	28,667	-	-
Total expenses	$ 713,679	$ 698,982	$ 718,926

Included in the other operating revenue category on the above table is local and private grant revenue and sales and services of educational activities. Included in the non-operating revenue category is federal Pell grants, gifts, investment income, capital appropriations, and other non-operating revenue.

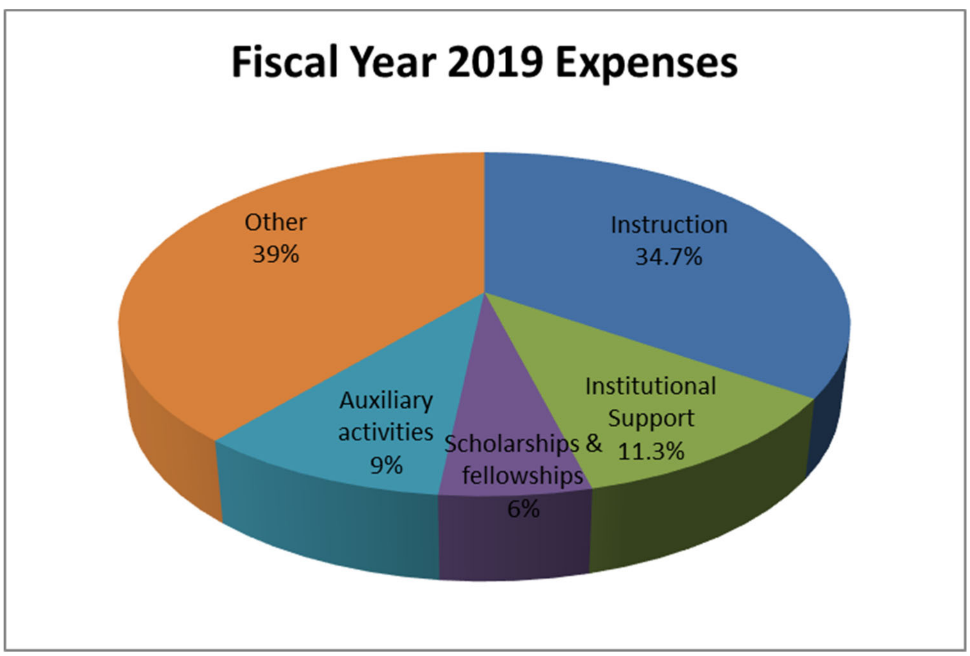
Included in the other operating expense category on the above table is research, public service, academic support, student services, operation and maintenance of plant, and depreciation expense. The non-operating expense is the interest on capital asset related debt.

In fiscal year 2019, the University recorded a reclassification of the federal capital contribution for the Perkins loan program to a liability. The federal contributions were included in restricted net position when the University received the funds, however due to the termination of the Perkins loan program, the University will be obligated to return the funds provided by the federal government therefore the funds have been reclassified as a liability.

The following chart shows the breakdown of total revenues. Tuition is the largest source of revenue at 45.9% followed by State appropriations at 22.7%.



The following chart shows the breakdown of total expenses. Instruction is the largest expense at 34.7% followed by other at 39.0%. The other category includes both operating and non-operating expenses as indicated above. In fiscal year 2019, the other category also includes the expense that was recognized due to the reclassification of the Perkins loan federal capital contribution as stated earlier. The below chart depicts expenses prior to any GASB 68 or GASB 75 adjustment.



<u>During the year ended June 30, 2019:</u>

The most significant sources of revenues for the University are tuition and fees and state appropriations. Operating revenues, which include tuition and fees and auxiliary services, increased by $3.6 million or 0.83%. Although tuition revenue declined slightly due to decreasing enrollments, auxiliary revenue increased $5.6 million in fiscal year 2019. Three of the auxiliary units, Dining Services, Athletics, and Residence Services experienced the most significant increase in fiscal year 2019. In fiscal year 2019, Aramark provided an increase in its guaranteed return and Residence Services increased its room rates. The Athletics department continued to increase the football guarantee revenue by adding an additional guarantee and entering into contracts with larger guarantees.

The most significant non-operating revenue is state appropriations. State appropriations totaled $155.0 million in fiscal year 2019, which was a 0.80% decrease over fiscal year 2018. Capital appropriations decreased by $10.0 million in fiscal year 2019 due to the timing of projects completed.

Operating expenses, including depreciation of $54.4 million, totaled $669.0 million, a decrease of $13.4 million over fiscal year 2018. Instruction expense representing the largest expense category for the University decreased by $15.5 million primarily due to the recognition of $7.9 million in expense related to an employee separation plan for faculty that was implemented and recorded in fiscal year 2018 and continued focus on optimizing faculty and staff levels with current enrollment.

As previously mentioned, the University reclassified the federal capital contribution of the Perkins loan program to a liability in fiscal year 2019. This resulted in recognizing additional expense recorded as an extraordinary item below non-operating activity in the amount of $28.7 million. This is a one-time event and resulted in restricted net assets decreasing to $16.8 million.

<u>During the year ended June 30, 2018:</u>

The most significant sources of revenues for the University are tuition and fees and state appropriations. Operating revenues, which include tuition and fees and auxiliary services, decreased by $50.0 million or 10.4%. The University entered into a new service agreement with Aramark for its dining services auxiliary unit. Included in the agreement was a change in the revenue and expense recognition model whereby the majority of the revenue and expenses would be recognized by Aramark. Total auxiliary revenue decreased $31.5 million, of which $29.1 million was in dining services. The most significant non-operating revenue is state appropriations. State appropriations totaled $156.3 million in fiscal year 2018, which was a 2.7% increase over fiscal year 2017. The increase can be attributed to improved performance related to course and degree completions. Capital appropriations decreased by $21.4 million in fiscal year 2018.

Operating expenses, including depreciation of $51.9 million, totaled $682.4 million, a decrease of $19.2 million over fiscal year 2017. Just as in revenue above, the University recognized an overall decrease in auxiliary expenses of $25.8 million, primarily due to the dining services auxiliary unit and the new contract with Aramark. Of this decrease, $26.3 million was in dining services. Instruction expense representing the largest expense category for the University increased by $14.9 million primarily due to the recognition of $7.9 million in expense related to an employee separation plan for faculty that was implemented in fiscal year 2018.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing, and related investing activities, and helps measure the ability to meet financial obligations as they mature.

Kent State University
Condensed Statement of Cash Flows
for the years ended June 30, 2019, 2018 and 2017
(in thousands)

	2019	2018	2017
Cash (used in)/provided by:			
Operating activities	$ (177,290)	$ (220,470)	$ (167,238)
Investing activities	32,808	(5,279)	7,771
Capital and related financing activities	(73,373)	(65,854)	(107,090)
Noncapital financing activities	219,934	211,700	208,673
Net increase (decrease) in cash	2,079	(79,903)	(57,884)
Cash and cash equivalents (including restricted cash), beginning of year	47,340	127,243	185,127
Cash and cash equivalents (including restricted cash), end of year	$ 49,419	$ 47,340	$ 127,243

<u>During the year ended June 30, 2019:</u>

Major sources of cash included student tuition and fees ($212.4 million), state appropriations ($155.0 million), auxiliary activities ($69.5 million), and Federal Pell grants ($47.7 million). The largest payments were for employee salaries and benefits ($318.4 million) and suppliers ($192.4 million).

<u>During the year ended June 30, 2018:</u>

Major sources of cash included student tuition and fees ($226.5 million), state appropriations ($156.3 million), auxiliary activities ($65.0 million), and Federal Pell grants ($47.8 million). The largest payments were for employee salaries and benefits ($327.0 million) and suppliers ($230.0 million). The decline in cash is primarily due to reduced tuition revenue in fiscal year 2018 and the shift of cash into short-term investments (STAROhio).
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Capital Asset and Debt Administration

Capital Assets

At the end of 2019, the University had invested $921.4 million in a broad range of capital assets, including equipment, buildings, building improvements and land. This amount represents a net decrease (including additions and deductions) of $8.4 million, or .91 percent, over last year.

Kent State University's Capital Assets
(net of depreciation, in millions of dollars)

	2019	2018	2017
Land	$ 32.6	$ 31.7	$ 30.9
Equipment	32.5	32.1	35.3
Buildings and improvements	813.7	815.0	735.8
Construction in progress	42.6	51.0	133.7
Total	$ 921.4	$ 929.8	$ 935.7

More detailed information about the University's capital assets is presented in Note 6 to the financial statements.

Long-term Debt

At year-end, the University had $453.9 million in bonds and notes outstanding—a decrease of $24.3 million over last year, primarily due to the scheduled principal payments on the debt. More detailed information about the University's long-term liabilities is presented in Note 7 to the financial statements.

Kent State University's Outstanding Debt
(in millions of dollars)

	2019	2018	2017
General receipts bonds (backed by the University)	$ 380.0	$ 398.9	$ 418.3
Tax Revenue Energy Bonds	27.3	30.9	34.4
Capital leases	46.6	48.4	51.7
	$ 453.9	$ 478.2	$ 504.4

Factors Affecting Future Periods

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, legislative restrictions on tuition, changes in state support, and the ability to manage rising costs.

During 2019, the University continued to experience overall enrollment decreases and expects continued enrollment challenges in the future due to demographic trends. Understanding this challenge, the University is taking steps to address enrollment, scholarship expense and retention for future years. A new vice president for Enrollment Management has been created to oversee all aspects of enrollment management and engage the University community in achieving a bold vision for enrollment and student success. The University continues to focus on improving student retention and graduation with a goal of 85.0% for first-year retention and 65.0% for six-year graduation by fiscal year 2021. First-year retention for fiscal year 2019 was at 81.2 percent and the six-year graduation rate was at 62.6 percent. In addition, the four-year graduation has doubled in the past ten years to 50.8 percent. Student success continues to be a focus as noted in the Kent State Strategic Roadmap, which was approved by the Board of Trustees during fiscal year 2016.

State appropriation slightly decreased during fiscal year 2019, however with the new State of Ohio budget bill passed in July 2019, the state approved a 2% increase to the overall state appropriations pool. The State budget also allowed for increases in tuition for students not under the tuition guarantee for the first time in five years. The University continues with its tuition guarantee program implemented in fiscal year 2018 for incoming students.

The University is committed to sound fiscal management and implemented several measures during the fiscal year 2020 budget process. Recognizing that wages and benefits are the largest expense of the University, a hiring freeze was instituted on the Kent Campus effective September 1, 2019. This initiative will allow the University to study staffing needs, perform benchmarking analysis and realign the workforce to meet the changing needs and budget. To further control expenses, all non-academic divisions performed a detailed review of expenses as part of creating a zero-based budget with a 95% target. The University also continues to look for further opportunities to improve efficiency and effectiveness through the use of Lean continuous process improvement tools and will continue to expand training opportunities related to Lean.

In March 2018, the Gateway to a Distinctive Kent State Master Plan was approved by the Board of Trustees. The plan is phased with the phase I projects being constructed over the first three years (Fiscal Year 2019 to 2021). This phase is being financed through a combination of state capital funds, philanthropy, public-private partnerships and university funds designated for the master plan. Future phases will be acted on based on availability of funding.

Under the Strategic Roadmap, the University will continue its focus on student success while also enhancing research and external impact and strengthening the University's organizational stewardship. Even though there may be challenges and uncertainties ahead, the University remains well positioned for future success.

KENT STATE UNIVERSITY
STATEMENT OF NET POSITION
For the years ended of June 30, 2019 and 2018
(in thousands)

	University		University Related Foundation	
	2019	2018	2019	2018
ASSETS				
Current assets:				
Cash and cash equivalents	$ 38,340	$ 34,506	$ 2,910	$ 2,749
Short-term investments	352,117	371,914	183,537	179,389
Accounts and pledges receivable, net	27,768	29,383	8,543	9,438
Inventories	1,047	963	-	-
Deposits and prepaid expenses	7,286	6,586	-	-
Accrued interest receivable	742	783	1,048	745
Total current assets	427,300	444,135	196,038	192,321
Noncurrent assets:				
Restricted cash	11,079	12,834	-	-
Student loans receivable, net	30,662	36,602	-	-
Note receivable	-	-	14,426	14,426
Long-term investments	94,365	84,471	8,632	5,336
Long-term pledges receivable, net	-	-	10,574	11,006
Capital assets, net	921,355	929,785	11,467	11,683
Derivative instrument - swap asset	-	1,841	-	-
Other assets	31	37	4,802	4,397
Total noncurrent assets	1,057,492	1,065,570	49,901	46,848
Total assets	$ 1,484,792	$ 1,509,705	$ 245,939	$ 239,169
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amortization on bond refundings	$ 9,798	$ 10,831	$ -	$ -
Deferred outflows from the accumulated change in hedging derivatives	1,906	-	-	-
Deferred outflows arising from GASB 68	122,791	113,273	-	-
Deferred outflows arising from GASB 75	18,099	9,281	-	-
Total deferred outflows of resources	152,594	133,385	-	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	$ 48,333	$ 47,369	$ 1,045	$ 956
Accrued payroll	14,416	14,074	-	-
Payroll taxes and accrued fringe benefits	22,038	20,293	-	-
Unearned revenue and deposits	33,570	33,438	-	-
Derivative instrument - swap liability	1,906	-	-	-
Current portion of long-term debt	27,594	26,566	-	-
Total current liabilities	147,857	141,740	1,045	956
Noncurrent liabilities:				
Accrued compensated absences	22,078	23,026	-	-
Accrued liabilities	44,579	15,912	3,451	3,682
Net pension liability	454,384	401,545	-	-
Net OPEB liability	103,164	135,672	-	-
Long-term unearned fees and deposits	702	708	10,830	10,585
Long-term debt	426,330	451,598	9,734	9,734
Total noncurrent liabilities	1,051,237	1,028,461	24,015	24,001
Total liabilities	$ 1,199,094	$ 1,170,201	$ 25,060	$ 24,957
DEFERRED INFLOWS OF RESOURCES				
Net deferred inflows arising from GASB 68	$ 36,700	$ 51,428	$ -	$ -
Net deferred inflows arising from GASB 75	28,426	12,269	-	-
Deferred inflows from the accumulated change in hedging derivatives	-	1,841	-	-
Total deferred inflows of resources	65,126	65,538	-	-
NET POSITION				
Net investment in capital assets	$ 454,994	$ 441,419	$ 11,467	$ 11,683
Restricted, nonexpendable, endowments	5,883	5,883	191,756	186,582
Restricted, expendable for loans	10,884	39,277	-	-
Unrestricted	(98,595)	(79,228)	17,656	15,947
Total net position	$ 373,166	$ 407,351	$ 220,879	$ 214,212

KENT STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the years ended of June 30, 2019 and 2018
(in thousands)

	University		University Related Foundation	
	2019	2018	2019	2018
OPERATING REVENUES				
Student tuition and fees	$ 407,921	$ 409,802	$ -	$ -
Less scholarship allowances	(94,140)	(90,541)	-	-
Net student tuition and fees	313,781	319,261	-	-
Federal grants and contracts	21,894	19,633	-	-
State grants and contracts	8,023	8,893	-	-
Local grants and contracts	236	174	-	-
Nongovernmental grants and contracts	5,180	4,778	-	-
Sales and services of educational departments	14,710	13,089	-	-
Auxiliary activities (net of allowances of $6,399 and $6,037 for June 30, 2019 and 2018, respectively)	70,120	64,535	-	-
Total operating revenues	$ 433,944	$ 430,363	$ -	$ -
OPERATING EXPENSES				
Instruction	249,582	201,517	-	-
Research	18,015	13,753	-	-
Public service	13,922	11,162	-	-
Academic support	65,806	52,107	-	-
Student services	38,956	30,326	-	-
Institutional support	81,368	66,452	12,173	11,819
Scholarships and fellowships	40,166	40,079	5,350	4,872
Operation and maintenance of plant	42,838	39,278	-	-
Auxiliary activities	67,370	59,072	-	-
Depreciation	54,391	51,924	254	254
Total operating expenses	672,414	565,670	17,777	16,945
Operating loss	$ (238,470)	$ (135,307)	$ (17,777)	$ (16,945)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	155,044	156,299	-	-
Federal Pell Grant revenue	47,729	47,849	-	-
Gifts	11,220	9,004	17,237	25,565
Investment income	24,986	26,357	7,086	15,446
Interest on capital asset-related debt	(16,021)	(16,561)	-	-
Other nonoperating revenues	4,443	4,996	121	383
Net nonoperating revenues	227,401	227,944	24,444	41,394
(Loss)/income before other revenues, expenses, gains or losses	(11,069)	92,637	6,667	24,449
Capital appropriation	5,551	15,500	-	-
Perkins loan program reclassification	(28,667)	-	-	-
Increase/(Decrease) in net position	$ (34,185)	$ 108,137	$ 6,667	$ 24,449
NET POSITION				
Net position, beginning of year	407,351	444,330	214,212	189,763
Adjustment to beginning net position related to GASB 75	-	(145,116)	-	-
Adjusted net position, beginning of year	407,351	299,214	214,212	189,763
Net position, end of year	$ 373,166	$ 407,351	$ 220,879	$ 214,212

KENT STATE UNIVERSITY
STATEMENT OF CASH FLOWS
For the years ended of June 30, 2019 and 2018
(in thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	$ 212,436	$ 226,479
Cash received from auxiliary activities	69,526	65,037
Cash received from other sources	17,005	9,129
Grants and contracts	34,482	35,533
Cash paid to employees	(318,357)	(326,961)
Cash paid to suppliers	(192,382)	(229,687)
Net cash used in operating activities	(177,290)	(220,470)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	46,346	663,937
Purchases of investments	(29,418)	(748,474)
Interest received	15,880	79,258
Net cash provided by/(used in) investing activities	32,808	(5,279)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments under debt obligations, net	(22,672)	(21,544)
Interest paid	(19,985)	(20,964)
Loss on disposal of capital assets	1,901	853
Purchases of capital assets	(40,479)	(31,099)
Other payments	7,862	6,900
Net cash used in capital and related financing activities	(73,373)	(65,854)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from State appropriations	155,044	156,299
Gifts received from KSU Foundation	11,220	8,959
Cash received from Federal Pell grants	47,729	47,849
Student loans granted, net of repayments	5,941	(1,407)
Net cash provided by noncapital financing activities	219,934	211,700
Net decrease in cash and cash equivalents	2,079	(79,903)
CASH AND CASH EQUIVALENTS, (INCLUDING RESTRICTED CASH), BEGINNING OF YEAR	47,340	127,243
CASH AND CASH EQUIVALENTS, (INCLUDING RESTRICTED CASH), END OF YEAR	$ 49,419	$ 47,340

KENT STATE UNIVERSITY
STATEMENT OF CASH FLOWS-CONTINUED
For the years ended of June 30, 2019 and 2018
(in thousands)

	2019	2018
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	$ (238,470)	$ (135,307)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	54,391	51,924
Change in assets and deferred outflows and liabilities and deferred inflows:		
Accounts receivable, net	1,615	(334)
Inventories	(84)	156
Deposits and prepaid expenses	(700)	(1,083)
Deferred outflows of resources - GASB 68	(9,518)	24,177
Deferred outflows of resources - GASB 75	(8,818)	(8,682)
Accounts payable and accrued liabilities	1,269	(18,110)
Net pension liability	52,839	(180,146)
Net OPEB liability	(32,508)	(10,043)
Accrued payroll	342	(125)
Payroll taxes and accrued fringe benefits	1,745	(1,276)
Unearned fees and deposits	126	968
Accrued compensated absences	(948)	(532)
Deferred inflows of resources - GASB 68	(14,728)	45,674
Deferred inflows of resources - GASB 75	16,157	12,269
Total change in assets and deferred outflows and liabilities and deferred inflows	6,789	(137,087)
Net cash used in operating activities	$ (177,290)	$ (220,470)

Noncash Capital and Financing Activities

In fiscal year 2019, the federal capital contribution for the Perkins loan program of $28,667 was reclassified to a liability from restricted net position.

(1) Reporting Entity and Basis of Presentation

(a) Reporting Entity

Kent State University (the "University") is an institution of higher education and is considered to be a component unit of the State of Ohio (the "State") because its Board of Regents is appointed by the governor of the State. Accordingly, the University is included in the State's financial statements as a discrete component unit. Transactions with the State relate primarily to appropriations, grants from various state agencies, and payments to the State retirement program for certain University employees.

The University is classified as a state instrumentality under Internal Revenue Code Section 115 and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

The accompanying financial statements consist of the accounts of the University and the accounts of the Kent State University Foundation (the "Foundation"). The Foundation, which is a component unit of the University as determined in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement 61, is described more fully in Note 11. The Foundation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation's financial information included in the University's financial report to account for these differences.

Furthermore, in accordance with GASB Statement No. 61, the Foundation is reported in a separate column on the University's financial statements to emphasize that it is legally separate from the University. The Foundation is a not-for-profit organization supporting the University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, which it holds, or income thereon and investments are restricted to support the activities of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, it is considered a component unit of the University. Financial statements for the Foundation may be obtained by writing to Kent State University Foundation, Kent, Ohio 44242.

Included in the accounts of the University is the KSU Foot and Ankle Clinic dba The Cleveland Foot and Ankle Clinic (the "Clinic"). This entity was included in the July 1, 2012 merger with the Ohio College of Podiatric Medicine. The Clinic is a separate 501(c)(3) organization whose main purpose is to provide clinical experience for students of the KSU College of Podiatric Medicine. The Clinic almost exclusively benefits the University even though services are provided to the public. According to the provisions of GASB Statement No. 61, the Clinic is considered a blended component unit of the University. See Note 11 for further discussion and presentation of condensed financial information for the Clinic.

(b) Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

As required by the GASB, resources of the University are classified into one of four net position categories, as follows:

- Net investment in capital assets - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets

- Restricted, nonexpendable - Net Position subject to externally imposed stipulations that the University maintain such assets permanently

- Restricted, expendable - Net Position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time

- Unrestricted - Net Position that is not subject to externally imposed stipulations. Unrestricted Net Position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted Net Position is designated for academic and research programs, capital projects and other initiatives.

(c) Upcoming Accounting Pronouncements

GASB 84 – *Fiduciary Activities*

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. Kent State University is currently evaluating the impact of this standard. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2020.

GASB 87 – *Leases*

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Based on the operating leases in effect today, the new lease standard is not expected to have a significant effect on Kent State University's financial statements. The provisions of this statement are effective for the University's financial statements for the year ended June 30, 2021.

GASB 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*

In June 2018, the Governmental Accounting Standards Board issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the University's financial statements for the year ended June 30, 2021.

(2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The University reports as a business-type activity. As defined by GASB Statement No. 35, business-type activities are those activities that are financed in whole or in part by fees charged to the external parties for goods or services.

(a) Cash and Cash Equivalents

The University considers cash, time deposits and all other highly liquid investments with an original maturity of three months or less to be cash equivalents. Restricted cash is the cash in the loan fund bank accounts, unspent bond proceeds held in trust related to various campus enhancements and energy conservation projects, as well as minor petty cash funds for various research projects.

(b) Investments

Investments in marketable securities are carried at fair market value as established by the major securities markets. Investment income includes realized and unrealized gains and losses on investments, interest income and dividends.

(c) Accounts Receivable

Accounts receivable are for transactions relating to tuition and fees, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of contractual allowances and allowances for uncollectible accounts.

(d) Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) or market.

e) Capital Assets

Capital assets are stated at cost at the time of purchase or acquisition value at date of gift. Depreciation of plant physical properties is provided on a straight-line basis over the estimated useful lives (3 to 40 years) of the respective assets.

(f) Accrued Liabilities

Accrued liabilities consist primarily of accrued employee compensation and benefits. Accrued compensated absences are classified as noncurrent liabilities on the Statement of Net Position because the current portion cannot be closely estimated.

(g) Unearned Revenue

Unearned revenue includes tuition and fees relating to summer sessions that are conducted in July and August. Unearned revenue also includes amounts received in advance from grant and contract sponsors that have yet been earned under the terms of the agreements. The amounts, which are unearned, are recognized as revenue in the following fiscal year.

(h) Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The University reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8. The University has also recorded deferred outflows of resources for the unamortized bond refunding and accumulated change in fair value of hedging derivatives related to its interest rate swap. See Note 7 for more detailed information.

(i) Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The University reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 8. The University has also recorded deferred inflows of resources for the accumulated change in fair value of hedging derivatives related to its interest rate swap. See Note 7 for more detailed information.

(j) Estimates

The preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(k) Revenue Recognition

State appropriations are recognized when received or made available. Restricted funds are recognized as revenue only to the extent expended. Gifts and interest on student loans are recognized when received.

(l) Scholarship Discount and Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

(m) Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System and State Teachers Retirement System of Ohio Pension Plan (OPERS/STRS) and additions to/deductions from OPERS'/STRS' fiduciary net position have been determined on the same basis as they are reported by OPERS/STRS. OPERS/STRS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(n) Other Postemployment Benefit Costs

For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the (Ohio Public Employees Retirement System/State Teachers Retirement System of Ohio/School Employees Retirement System of Ohio) Pension Plan (OPERS/STRS) and additions to/deductions from OPERS'/STRS' fiduciary net position have been determined on the same basis as they are reported by OPERS/STRS. OPERS/STRS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, OPERS/STRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(o) Operating Versus Nonoperating Revenues and Expenses

The University defines operating activities as reported on the Statement of Revenues, Expenses and Changes in net position as those that generally result from exchange transactions such as payments received for providing goods or services. All of the University's expenses are from exchange transactions. Certain significant revenue streams relied on for operations are reported as nonoperating revenues as required by GASB Statement No. 35, including state appropriations, Federal Pell grant revenue, investment income, and state capital grants.

(p) Change in Accounting Pronouncement

Effective for the fiscal year ended June 30, 2019, the University adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement* ("GASB 88"). This statement requires additional information related to debt be disclosed in the financial statements. The adoption of GASB 88 has been applied retroactively and impacts note 6 of the financial statements.

(3) <u>Investments</u>

The University investment policy sets forth the mission to provide sustainable investment returns to fund current and future financial objectives with commensurate risk and return objectives based on the multiple investment timeframes.

The investment policy parallels state law, which requires an amount equal to at least 25 percent of the University's investment portfolio be invested in securities of the United States government or one of its agencies or instrumentalities, the treasurer of the State of Ohio's pooled investment program, obligations of the State of Ohio, or any political subdivision of the State of Ohio, certificates of deposit of any national bank located in the State of Ohio, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds or bankers' acceptances maturing in 270 days or less which are eligible for purchase by the federal reserve system.

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) and Star Plus. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2019. Star Plus enables all Star Ohio participants to generate a competitive yield on cash deposits in a network of carefully selected FDIC-insured banks via a single, convenient account. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

Custodial credit risk on deposits with banks is the risk that in the event of a bank failure, the University's deposits may not be available or returned. The University does not have a deposit policy for custodial credit risk. At June 30, 2019 and 2018, the bank amount of the University's deposits was $47,608 and $43,844, respectively. Of that amount, $43,886 and $35,061, respectively, was insured. The remaining $3,722 and $8,783 at June 30, 2019 and 2018, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized.

(in thousands)

The values of investments at June 30, 2019 and 2018 are as follows:

	2019	
	Market Value	**Cost**
Common stock/private equities	$ 94,365	$ 84,615
Mutual funds	300,840	300,125
State Treasury Asset Reserve of Ohio	51,277	51,277
Total	$ 446,482	$ 436,017

	2018	
	Market Value	**Cost**
Common stock/private equities	$ 84,471	$ 80,595
Mutual funds	290,518	290,952
State Treasury Asset Reserve of Ohio	81,396	81,397
Total	$ 456,385	$ 452,944

Net appreciation/depreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the year ended June 30, 2019, the University realized a net gain of $6,202. During the year ended June 30, 2018, the University realized a net gain of $71,361. The calculation of realized gains and losses is independent of the net appreciation in the fair value of investments held at year-end. Realized gains and losses on investments that had been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year. The net appreciation in the fair value of investments during the year ended June 30, 2019 was $13,773. The net appreciation in the fair value of investments during the year ended June 30, 2018 was $16,843. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year.

The unrealized appreciation on investments for the year ended June 30, 2019 was $7,571. The unrealized depreciation on investments for the year ended June 30, 2018 was $(54,518).

The components of the net investment income are as follows:

	Interest and dividends, net	Net appreciation in market value of investments	Net investment income
Total 2019	$11,213	$13,773	$24,986
Total 2018	$9,514	$16,843	$26,357

(in thousands)

Additional Disclosures Related to Interest-bearing Investments

Statement Nos. 3 and 40 of the Governmental Accounting Standards Board require certain additional disclosures related to the interest rate, credit and foreign currency risks associated with interest-bearing investments.

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

The maturities of the University's interest-bearing investments at June 30, 2019 are as follows:

	Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Fixed income mutual funds	$ 165,918	$ 7,695	$ 50,465	$ 45,908	$ 61,850

The maturities of the University's interest-bearing investments at June 30, 2018 are as follows:

	Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Fixed income mutual funds	163,897	12,875	50,843	39,915	60,264

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information – as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk.

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

Credit Rating (S&P)	Bond Mutual Funds
AAA	$ 4,173
AA+	53,263
AA	21,596
AA-	1,768
A+	1,877
A	4,579
OTHER	78,662
Total	$ 165,918

(in thousands)

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

Credit Rating (S&P)	Bond Mutual Funds
AAA	$ 4,580
AA+	53,800
AA	22,883
AA-	1,709
A+	3,197
A	7,717
OTHER	70,011
Total	$ 163,897

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2019 and 2018, the University had no exposure to foreign currency risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University held the following investments that had fair values of 5 percent or more of total investments as of June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
SEI World Equity	68,277	62,904
High Yield Bond Fund	25,302	25,390
SEI Core Fixed Income Fund	69,695	70,789
SEI Core Property FD LP	25,812	24,036
SEI Hdg FD SPC	42,897	40,709

(4) Fair Value Measurements

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability. Level 1 inputs are quoted prices in active markets for identical assets or liability; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

(in thousands)

The University has the following recurring fair value measurements as of June 30, 2019 and June 30, 2018:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt Securities				
Debt mutual funds	$ 165,918	$ 165,918	$ -	$ -
Total debt securities	165,918	165,918	-	-
Equity Securities	134,923	134,923	-	-
Private equity funds - International	12,729	-	-	12,729
Total investments by fair value level	313,570	$ 300,841	$ -	$ 12,729
Investments measured at net asset value (NAV)				
Equity funds	7,162			
Multi-strategy hedge funds	47,651			
U.S. Core Real Estate	26,822			
Total investments measured at NAV	81,635			
Total investments measured at fair value	$ 395,205			
Derivative instruments				
Interest rate swap liability	$ (1,906)		$ (1,906)	

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt Securities				
Debt mutual funds	$ 163,897	$ 163,897	$ -	$ -
Total debt securities	163,897	163,897	-	-
Equity Securities	126,621	126,621	-	
Private equity funds - International	11,321	-	-	11,321
Total investments by fair value level	301,839	$ 290,518	$ -	$ 11,321
Investments measured at net asset value (NAV)				
Equity funds	2,953			
Multi-strategy hedge funds	45,221			
U.S. Core Real Estate	24,976			
Total investments measured at NAV	73,150			
Total investments measured at fair value	$ 374,989			
Derivative instruments				
Interest rate swap assets	$ 1,841		$ 1,841	

(in thousands)

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of private equity securities at June 30, 2019 and 2018 was determined primarily based on Level 3 inputs. Level 3 inputs are unobservable inputs for an asset or a liability and may require significant judgment when estimating their value. These inputs may be derived using one or more of the following: information received from the Investee Funds (such as investor reports and audited financial statements), discounted cash flow analysis or a market-multiple based approach. The University records the fair value of these investments using estimated values obtained from the fund managers. These fund managers are responsible for the custody, accounting, fund administration and shareholder recordkeeping for the investments. Investments in the private equity class above can never be redeemed with the funds. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

Derivative instruments classified in Level 2 of the fair value hierarchy are the fair values estimated using the regression analysis method. The regression analysis method evaluates effectiveness by considering the statistical relationship between the cash flows or fair values of the potential hedging derivative instrument and the hedgeable item.

Short-term investments on the Statements of Net Position at June 30, 2019 and 2018 includes investments of STAR Ohio of $51,277 and $81,396, respectively. The investments in STAR Ohio are measured at amortized cost; therefore, they are not included in the tables above.

The University holds shares or interests in investment companies whereby the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year-end, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	June 30, 2019	June 30, 2018			
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Equity funds	$ 7,162	$ 2,953	$ 32,103	None	None
Multi-strategy hedge fund	47,651	45,221		Monthly	10 business days prior to month end
U.S. Core Real Estate	26,822	24,976	-	Quarterly	95 days
Total	$ 81,635	$ 73,150	$ 32,103		

The equity funds class includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

(in thousands)

The multi-strategy hedge funds class invests in hedge funds that pursue multiple strategies across a variety of specialties to diversify risks and reduce volatility. The hedge funds' composite portfolio for this class includes, but is not limited to, U.S. and non-U.S. common stocks, global real estate, various fixed-income and credit investments, arbitrage transactions, and hedging instruments. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The U.S. Core Real Estate class is a pooled investment hedge fund seeking both current income and long-term capital appreciation principally through investing in commercial real estate properties. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The equity funds include restrictions that do not allow for redemption. The remaining restriction period for these investments ranged from monthly to quarterly at June 30, 2019.

(5) Accounts Receivable

Accounts receivable consist of the following as of June 30, 2019 and 2018:

	2019	2018
Sponsor accounts	$ 5,536	$ 3,961
Student accounts	17,430	19,525
Other	11,493	13,191
	34,459	36,677
Less allowances for loss on accounts receivable	(6,691)	(7,294)
Accounts receivable, net	$ 27,768	$ 29,383

In addition, the University has student loans receivable of $37,667 and $43,137 as of June 30, 2019 and 2018, respectively. The related allowances as of June 30, 2019 and 2018 are $7,005 and $6,535, respectively.

(6) Capital Assets

Capital assets are recorded at cost or, if acquired by gift, at the acquisition value as of the date of donation.

Capital assets consist of the following as of June 30, 2019:

	2018	Additions/ Transfers	Net Retirements	2019
Land	$ 31,687	$ 894		$ 32,581
Infrastructure	136,941	17,623	-	154,564
Buildings	1,248,231	27,126	(4,448)	1,270,909
Equipment	230,208	8,756	(6,960)	232,004
Construction in progress	51,004	(8,369)	-	42,635
	1,698,071	46,030	(11,408)	1,732,693
Less accumulated depreciation				
Infrastructure	(87,827)	(5,682)	-	(93,509)
Buildings	(482,390)	(39,524)	3,466	(518,448)
Equipment	(198,069)	(7,284)	5,972	(199,381)
	(768,286)	(52,490)	9,438	(811,338)
Capital assets, net	$ 929,785	$ (6,460)	$ (1,970)	$ 921,355

(in thousands)

Included in depreciation expense of $54,391 for the year ended June 30, 2019 is a loss of $1,901 from the disposal of obsolete capital assets. As of June 30, 2019, assets acquired under a capital lease obligation totaled $59,297 and the associated amortization expense on those assets is included in depreciation expense. During fiscal year 2019, amortization of $2,306 was recorded.

Capital assets consist of the following as of June 30, 2018:

	2017	Additions/ Transfers	Net Retirements	2018
Land	$ 30,897	$ 790	$ -	$ 31,687
Infrastructure	137,972	(967)	(64)	136,941
Buildings	1,124,944	123,828	(541)	1,248,231
Equipment	228,808	5,118	(3,718)	230,208
Construction in progress	133,748	(81,053)	(1,691)	51,004
	1,656,369	47,716	(6,014)	1,698,071
Less accumulated depreciation				
Infrastructure	(82,222)	(5,669)	64	(87,827)
Buildings	(444,961)	(37,578)	149	(482,390)
Equipment	(193,518)	(7,824)	3,273	(198,069)
	(720,701)	(51,071)	3,486	(768,286)
Capital assets, net	$ 935,668	$ (3,355)	$ (2,528)	$ 929,785

Included in depreciation expense of $51,924 for the year ended June 30, 2018 is a loss of $853 from the disposal of obsolete capital assets. As of June 30, 2018, assets acquired under a capital lease obligation totaled $57,164 and the associated amortization expense on those assets is included in depreciation expense. During fiscal year 2018, amortization of $1,559 was recorded.

(7) Long-term Liabilities

Long-term Debt

In April 2019, the University issued $19,595 in Series 2019 General Receipts bonds. The proceeds from the bond sale were used for a current refunding of the remaining Series 2009B General Receipts bonds. As a result, the bonds are considered to be defeased and the liability of $23,190 for the bonds has been removed from the University's long-term obligations. The current refunding was undertaken to achieve debt service savings resulting in reduced debt service payments by $4,240. As of June 30, 2019, the outstanding principal balance of the Series 2019 General Receipts bonds was $19,595. In connection with the issuance of the Series 2019 General Receipts bonds, the University also recognized a net bond premium totaling $4,381, which will be amortized against interest expense over the life of the bond. As of June 30, 2019, the unamortized net bond premium was $4,366.

In April 2016, the University issued $103,590 in Series 2016 General Receipts bonds. The proceeds from the bond sale were used for a partial advanced refunding of the Series 2009B General Receipts bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the University's long-term obligations. The partial advance refunding was undertaken to achieve debt service savings. This refunding transaction reduced debt service payments by $12,607 and resulted in an economic gain of $11,300. For this partial advance refunding, the reacquisition price exceeded the net carrying amount of the old debt by $11,211. This amount was recorded as a deferred outflow of resources and will be amortized over the remaining life of the new debt. The balance was $8,844 as of June 30, 2019. As of June 30, 2019, the outstanding principal of the 2016 General Receipts bond was $103,590. In connection with the issuance of the Series 2016 General Receipts bonds, the University also recognized a net bond premium totaling $21,825, which will be amortized against interest expense over the life of the bond. As of June 30, 2019, the unamortized net bond premium was $13,699. All of the remaining 2009B General Receipts bonds were fully refunded in fiscal year 2019 (see above paragraph).

During fiscal year 2014, the University issued $28,415 in Series 2014A General Receipts bonds. The proceeds from the bond sale were used for renovating, equipping and furnishing University residence hall facilities at the University's Tri-Towers complex. As of June 30, 2019, the outstanding principal of the 2014A bonds was $23,045. In connection with the bond issuance, the University also recognized a net bond premium totaling $1,894, which will be amortized against interest expense over the life of the bond. As of June 30, 2019, the unamortized net bond premium was $498.

In April 2013, the University issued $60,000 in Series 2013A General Receipts bonds. The proceeds from the bond sale were used for the early redemption of Series 2008B General Receipts bond with an outstanding principal balance of $60,000. As of June 30, 2019, the outstanding principal of the 2013A General Receipts bonds was $60,000.

In June 2012, the University issued $170,000 in Series 2012 General Receipts bonds. The proceeds from the bond sale were used for constructing, renovating, equipping and furnishing various University academic, administrative and other campus buildings. As of June 30, 2019, the outstanding principal of the 2012A bonds was $150,620. In connection with the bond issuance, the University also recognized a net bond premium totaling $16,185 which will be amortized against interest expense over the life of the bond. As of June 30, 2019, the unamortized net bond premium was $4,573.

In accordance with the General Receipts bonds Trust Agreement, the Series 2019, Series 2016, Series 2014A, Series 2013A, and Series 2012A General Receipts' bonds are subject to mandatory or optional redemption. Events of default on the University's general receipts bonds, subject to the agreements, may result from failure to pay principal and interest due, or failure to perform under bond covenants and agreements as identified by the bond trustee. The bonds contain an acceleration clause in which in the event of the occurrence of any default, the trustee may, and upon the request of the holders of at least 25 percent of the principal amount of the then outstanding bonds must, so long as properly indemnified, by appropriate notice to the University declare the principal of all bonds then outstanding (if not then due and payable) and the interest accrued on those bonds to be due and payable immediately.

The indebtedness created through the issuance of General Receipts' bonds is collateralized by a pledge of all general receipts, excluding state appropriations and monies received for restricted purposes. The primary source of funds being deposited to service the principal and interest requirements is student facilities fees.

During fiscal year 2013, the University entered into a loan agreement with the Ohio Air Quality Development Authority for a total of $24,947, with $17,447 in Series A bonds and $7,500 in Series B bonds. The proceeds were used to fund the University's energy efficiency and conservation projects at its Kent campus. As of June 30, 2019, the outstanding principal of Series A and Series B bonds was $6,933 and $7,500, respectively.

During fiscal year 2011, the University entered into two loan agreements with the Ohio Air Quality Development Authority. The first loan agreement totals $5,388, with $2,694 in Series A bonds and $2,694 in Series B bonds. The proceeds were used to fund the University's energy efficiency and conservation projects at its Ashtabula, East Liverpool, Geauga, Salem and Trumbull campuses. As of June 30, 2019, the outstanding principal of the Series B bonds was $2,501. The Series A bonds were fully paid in fiscal year 2019. The second loan agreement totals $20,000, with $13,000 in Series A bonds and $7,000 in Series B bonds. The proceeds will be used to fund the University's energy efficiency and conservation projects for its

Residence Hall and Dining Services auxiliary units. As of June 30, 2019, the outstanding principal of Series A and Series B bonds was $3,294 and $7,000, respectively.

During fiscal year 2010, the University entered into a loan agreement with the Ohio Air Quality Development Authority for a total of $1,344. The Ohio Air Quality Authority has issued $672 in 2010 Series A bonds and $672 in 2010 Series B bonds, the proceeds of which will be used to fund the University's energy efficiency and conservation project at its Stark campus. As of June 30, 2019, the outstanding principal of the Series B bonds was $148. The Series A bond was fully paid in fiscal year 2016.

During fiscal year 2016, the University entered into a capital lease with Banc of America Public Capital Corp. to finance the projects associated with the University's continued energy and conservation initiatives on its Kent campus. The proceeds from this lease totaled $19,800 and the outstanding principal as of June 30, 2019 was $16,300.

In fiscal year 2015, the University entered into a capital lease with the Portage County Port Authority to finance the construction of the Center for Philanthropy and Alumni Engagement for $17,025. The University had a capital lease with the Portage County Port Authority for 3.75 acres of property near the northwest edge of the Kent campus for $3,680 beginning in fiscal year 2013. This is the land where the new building resides. The two leases were combined totaling $20,460 with principal payments beginning in fiscal year 2016. As of June 30, 2019, the principal balance was $14,385. The building was completed and occupied in December 2015. The University and the Foundation entered into a sublease agreement in January 2016. The sublease meets the capitalization criteria and is recorded as an asset and liability on the Foundation's financial statements (see Note 10 for additional information on this related party transaction).

In fiscal year 2011, the University entered into an agreement with Fairmount Properties, LLC to construct a building for its Twinsburg location (programs are operated out of the University's Geauga campus), which the University will lease for a period of 30 years. The total capital lease is $13,992. As of June 30, 2019, the total outstanding principal on the capital lease was $12,125.

All of the Ohio Air Quality Development Authority loan agreements and capital lease agreements are considered direct placements. Events of default on the University's direct borrowings subject to the agreements, may result from failure to pay principal and interest due, or failure to perform under the agreements as identified by the borrower. The direct placement agreements contain an acceleration clause in which in the event of the occurrence of any default, the borrower may, so long as properly indemnified, by appropriate notice to the University declare the principal of all loans or leases then outstanding (if not then due and payable) and the interest accrued on those loans or leases to be due and payable immediately. Further, the lease agreements contain possession clauses that allow the borrower to take possession of the assets as a remedy.

For the Ohio Air Quality Development Authority loans, the loan payments are made from available receipts, but not secured by a pledge or lien on available receipts. For the loan agreement with Banc of America Public Capitol Corp, as security for payment and performance of the University's obligation, the University grants the borrower a first priority security interest constituting a first lien, There is a pledge of available receipts to the Portage County Port Authority included in the lease agreement.

(in thousands)

Long-term debt consists of the following as of June 30, 2019:

	Rates	Maturity	2018	Additions	Retirements	2019
General Receipts Bonds of 2009B	2.0 - 5.0	2009-2032	$ 33,500	$ -	$ (33,500)	$ -
General Receipts Bonds of 2013A	3.79	2028-2032	60,000	-	-	60,000
General Receipts Bonds of 2012A	3.0 - 5.0	2014-2042	154,200	-	(3,580)	150,620
General Receipts Bonds of 2014A	2.0 - 5.0	2014-2033	24,190	-	(1,145)	23,045
General Receipts Bonds of 2016	5.0	2016-2030	103,590	-	-	103,590
General Receipts Bonds of 2019	5.0	2019-2031		19,595	-	19,595
Air Quality Dev. Tax Credit Rev. Bond - Stark (B)	5.63	2010-2020	294	-	(146)	148
Air Quality Dev. Tax Exempt Rev. Bond - Regional Campuses (A)	2.75	2012-2019	204	-	(204)	-
Air Quality Dev. Tax Credit Rev. Bond - Regional Campuses (B)	4.86	2012-2025	2,694	-	(193)	2,501
Air Quality Dev. Tax Exempt Rev Bond Residence Halls & Dining Svcs (A)	2.62	2012-2025	4,632	-	(1,338)	3,294
Air Quality Dev. Tax Credit Rev Bond Residence Halls & Dining Svcs (B)	5.32	2019-2025	7,000	-	-	7,000
Air Quality Dev. Tax Exempt Rev Bond Kent Campus (A)	1.38	2013-2023	8,608	-	(1,675)	6,933
Air Quality Dev. Tax Exempt Rev Bond Kent Campus (B)	3.65	2024-2027	7,500	-	-	7,500
Capital Leases	various	various	48,382	2,262	(4,082)	46,562
			454,794	21,857	(45,863)	430,788
Plus unamortized discount and premium			23,370	4,381	(4,615)	23,136
Subtotal			478,164	$ 26,238	$ (50,478)	453,924
Less current portion long-term debt			26,566			27,594
			$ 451,598			$ 426,330

(in thousands)

Long-term debt consists of the following as of June 30, 2018:

	Rates	Maturity	2017	Additions	Retirements	2018
General Receipts Bonds of 2009B	2.0 - 5.0	2009-2032	$ 43,460	$ -	$ (9,960)	$ 33,500
General Receipts Bonds of 2013A	3.79	2028-2032	60,000	-	-	60,000
General Receipts Bonds of 2012A	3.0 - 5.0	2014-2042	157,645	-	(3,445)	154,200
General Receipts Bonds of 2014A	2.0 - 5.0	2014-2033	25,290	-	(1,100)	24,190
General Receipts Bonds of 2016	5.0	2016-2030	103,590	-	-	103,590
Air Quality Dev. Tax Credit Rev. Bond - Stark (B)	5.63	2010-2020	436	-	(142)	294
Air Quality Dev. Tax Exempt Rev. Bond - Regional Campuses (A)	2.75	2012-2019	591	-	(387)	204
Air Quality Dev. Tax Credit Rev. Bond - Regional Campuses (B)	4.86	2012-2025	2,694	-	-	2,694
Air Quality Dev. Tax Exempt Rev Bond Residence Halls & Dining Svcs (A)	2.62	2012-2025	5,936	-	(1,304)	4,632
Air Quality Dev. Tax Credit Rev Bond Residence Halls & Dining Svcs (B)	5.32	2019-2025	7,000	-	-	7,000
Air Quality Dev. Tax Exempt Rev Bond Kent Campus (A)	1.38	2013-2023	10,260	-	(1,652)	8,608
Air Quality Dev. Tax Exempt Rev Bond Kent Campus (B)	3.65	2024-2027	7,500	-	-	7,500
Capital Leases	various	various	51,716	220	(3,554)	48,382
			476,118	220	(21,544)	454,794
Plus unamortized discount and premium			28,298		(4,928)	23,370
Subtotal			504,416	$ 220	$ (26,472)	478,164
Less current portion long-term debt			26,462			26,566
			$ 477,954			$ 451,598

Principal and interest on long-term debt are payable from operating revenues, allocated student fees and the excess of revenues over expenditures of specific auxiliary activities. The obligations are generally callable.

Hedging Derivative Instrument Payments and Hedged Debt

As of June 30, 2019, aggregate debt service requirements of the University's debt (fixed rate and variable rate) and net receipts/payments on associated hedging derivative instruments are shown below. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer below for information on derivative instruments (interest rate swap).

(in thousands)

The future amounts of principal and interest payments required by the debt agreements are as follows:

BONDS

Year	Principal	Interest	Hedging Derivatives, Net	Total
2020	15,230	15,768	1,039	32,037
2021	15,795	15,005	1,039	31,839
2022	16,485	14,215	1,039	31,739
2023	16,795	13,554	1,039	31,388
2024	16,080	12,821	1,039	29,940
2025-2029	107,905	51,720	4,711	164,336
2030-2034	96,905	26,192	831	123,928
2035-2039	41,465	13,969	-	55,434
2040-2044	30,190	3,068	-	33,258
Subtotal	$ 356,850	$ 166,312	$ 10,737	$ 533,899

DIRECT PLACEMENTS

Year	Principal	Interest		Total
2020	7,332	2,387		9,719
2021	7,348	2,191		9,539
2022	7,506	2,012		9,518
2023	7,987	1,790		9,777
2024	7,550	1,521		9,071
2025-2029	25,193	3,833		29,026
2030-2034	5,925	1,480		7,405
2035-2039	3,114	757		3,871
2040-2044	1,983	140		2,123
Subtotal	$ 73,938	$ 16,111		$ 90,049
Total	$ 430,788	$ 182,423	$ 10,737	$ 623,948

Interest Rate Swap

The University has entered into a 30-year interest rate swap agreement for $60,000 of the variable-rate 2002 Series General Receipts bonds. The University entered into this agreement at the same time and for the same amount of the variable rate debt, with the intent of creating a synthetic fixed-rate debt, at an interest rate that was lower than if fixed-rate debt would have been issued directly. During 2009, the interest rate swap agreement was re-identified in connection with refunding of the 2002 Series General Receipt bonds through the issuance of 2008B Series General Receipt bonds. During fiscal year 2010, the counterparty on the agreement was changed from Woodlands Commercial Bank (formerly known as Lehman Brothers Commercial Bank) to Loop Financial Products LLP. Based on the swap agreement, the University owes interest calculated at a fixed rate to the counterparty to the swap. In return, the counterparty owes the University interest based on a variable rate. The $60,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The University continues to pay interest to the bondholders at the variable rate provided by the bonds. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. The notional amount on the swap is $60,000 as of June 30, 2019.

During 2013, the interest rate swap was re-identified in connection with the refunding of the 2008B Series General Receipt bonds through the issuance of the 2013A Series General Receipt bond. As a result of the re-identification, an imputed borrowing of $15,912 was recorded as a noncurrent accrued liability and a new synthetic, at the market swap, was created as of the refinance date.

The revised interest rate swap has been determined to be an effective hedge and the fair value was estimated using the regression analysis method. The regression analysis method evaluates effectiveness by considering the statistical relationship between the cash flows or fair values of the potential hedging derivative instrument and the hedgeable item.

As of June 30, 2019, the University has recorded a deferred outflow of resources and a related swap liability in the amount of $1,906 for the at-the-market swap. The change in fair value totaled $3,747 in fiscal year 2019 and resulted in a deferred outflow of resources. As of June 30, 2018, the University recorded a deferred inflow of resources and a related swap asset in the amount of $1,841 for the at-the-market swap. The change in fair value totaled $2,325 in fiscal year 2018 and resulted in a deferred inflow of resources. Due to the termination of hedge accounting from the refunding of the 2008B General Receipts bonds in fiscal year 2013, the University recognized $1,398 as a deferred cost of refunding (included in deferred outflows of resources) and increased its accrued liability from $14,514 to $15,912. The deferred cost of refunding is being amortized over the life of the swap and has a balance of $954 at June 30, 2019. At June 30, 2019 and 2018 the total accrued liability (noncurrent) balance was $15,912 and will be amortized as bond principal payments are made.

The interest rate swaps are subject to the following risks:

Interest rate risk - The University is exposed to interest rate risk. On the pay-fixed, receive variable-interest rate swap, as LIBOR or the BMA Municipal Swap Index decreases, the University's net payment on the swap increases.

Basis risk - The University is exposed to basis risk due to variable-rate payments received being based on a rate or index other than interest rates that the University pays on its variable-rate debt. As of June 30, 2019, the interest rate on the University's Series 2013A hedged variable-rate debt is 2.45 percent, while 67 percent of LIBOR is 1.62 percent.

Termination risk - The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed depending on the prevailing economic circumstances at the time of the termination.

Rollover risk - The University is exposed to rollover risk on its LIBOR-based interest rate swap that matures or may be terminated prior to the maturity of the hedged debt. When the hedging interest rate swap terminates, or in the case of a termination option, if the counterparty exercises its option, the University will be re-exposed to the risks being hedged by the interest rate swap. The University is exposed to rollover risk.

(in thousands)

Credit risk – The University is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the University's policy to require counterparty collateral posting provisions. The fair value of the derivative instrument in liability positions and asset positions and the net exposure to credit risk with any individual counterparty is $1,906 and $1,841 at June 30, 2019 and 2018, respectively. This represents the maximum loss that would be recognized at the reporting date if the counterparties to those derivatives failed to perform as contracted. This maximum exposure is offset by negative hedging and investment derivative fair values included in netting arrangements with the same counterparties as the derivative instruments in asset positions.

Accrued Compensated Absences

Per University policy, faculty and staff earn vacation up to a maximum of 25 days per year with a maximum accrual of 75 days. Upon termination, they are entitled to a payout of their accumulated balance. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2019 and 2018 is $18,078 and $17,869, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro-rata monthly basis for salaried employees and on a pro-rata hourly basis for classified hourly employees). Employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25% of unused days (maximum of 30 days). The liability for accrued sick leave at June 30, 2019 and 2018 is $4,000 and $5,157, respectively.

A summary of accrued compensated absences at June 30, 2019 and 2018 is as follows:

For the year ended	Beginning Balance	Additions	Reductions	Ending Balance
June 30, 2019	$ 23,026	$ 701	$ 1,649	$ 22,078
June 30, 2018	$ 23,558	$ 1,718	$ 2,250	$ 23,026

(8) Employee Benefit Plans

(a) Basic Retirement Benefits

Plan Description – The University participates in the State Teachers Retirement System (STRS) and the Ohio Public Employees Retirement System (OPERS), the statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that cover substantially all employees of the University. Each system has multiple retirement plan options available to its members, including three in STRS and three in OPERS. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also each provide postemployment healthcare benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

(in thousands)

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. The reports may be obtained by contacting:

State Teachers Retirement System of Ohio
275 E. Broad Street
Columbus, Ohio 43215
(888) 227-7877
www.strsoh.org

Ohio Public Employees Retirement System
277 East Town Street
Columbus, Ohio 43215
(800) 222-7377
www.opers.org

Contributions – State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the ORC limits the maximum rate of contributions. The retirement boards of the systems individually set contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are set at the maximums authorized by the ORC. The plans' 2019 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate				Member Contribution Rate
	Pension	Post Retirement Healthcare	Death Benefits	Total	Total
STRS	14.00%	0.00%	0.00%	14.00%	14.00%
OPERS - State/Local	14.00%	0.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement	18.10%	0.00%	0.00%	18.10%	13.00%

The plans' 2018 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate				Member Contribution Rate
	Pension	Post Retirement Healthcare	Death Benefits	Total	Total
STRS	14.00%	0.00%	0.00%	14.00%	14.00%
OPERS - State/Local (through 12/31/17)	13.00%	1.00%	0.00%	14.00%	10.00%
OPERS - State/Local (beginning 1/1/18)	14.00%	0.00%	0.00%	14.00%	10.00%
Enforcement (through 12/31/17)	17.10%	1.00%	0.00%	18.10%	13.00%
Enforcement (beginning 1/1/18)	18.10%	0.00%	0.00%	18.10%	13.00%

(in thousands)

The University's required and actual contributions to the plan are:

	For the years ended 6/30			
	2019		2018	
	Pension	OPEB	Pension	OPEB
STRS	17,272	-	17,935	-
OPERS	17,322	-	16,604	589
	34,594	-	34,539	589

Benefits Provided

STRS – Plan benefits are established under Chapter 3307 of the Revised Code, as amended by Substitute Senate Bill 342 in 2012, which gives the Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system's funding progress.

Any member may retire who has (1) five years of service credit and has attained age 60; (2) 25 years of service credit and has attained age 55; or (3) 30 years of service credit regardless of age. Beginning on August 1, 2015, eligibility requirements for an unreduced benefit will change. The maximum annual retirement allowance, payable for life, considers years of credited service, final average salary (3-5 years) and multiplies by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to $2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members' beneficiaries.

STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare in the form of a monthly premium.

OPERS – Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirement to retire depends on years of service (15 to 30 years) and on attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years' service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

(in thousands)

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of $500 to $2,500 is determined by the number of years of service credit the retiree has. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for Law Enforcement and Public Safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent, or an amount based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Net Pension Liability, Deferrals, and Pension Expense – At June 30, 2019 and 2018, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. For June 30, 2019, the net pension liability was measured as of June 30 2018 for the STRS plan and December 31, 2018 for the OPERS plan. For June 30, 2018, the net pension liability was measured as of June 30 2017 for the STRS plan and December 31, 2017 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

	Measurement	Net Pension Liability		Proportionate Share		Percent Change	Percent Change
Plan	Date	2019	2018	2019	2018	2018-19	2017-18
STRS	June 30	$ 247,693	$ 269,810	1.13%	1.14%	-0.01%	-0.02%
OPERS	December 31	$ 206,691	$ 131,735	0.76%	0.85%	-0.09%	-0.01%

For the years ended June 30, 2019 and 2018, the University recognized pension expense of $70,783 and pension revenue of $67,968, respectively. At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,782	$ 4,672	$ 10,600	$ 5,134
Changes of assumptions	62,144	-	74,997	-
Net difference between projected and actual earnings on pension plan investments	28,344	15,020	-	37,626
Changes in proportion and differences between University contributions and proportionate share of contributions	599	17,008	1,143	8,668
University contributions subsequent to the measurement date	25,922	-	26,533	-
Total	$ 122,791	$ 36,700	$ 113,273	$ 51,428

(in thousands)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	$ 31,585
2021	16,088
2022	2,841
2023	9,614
2024	-
Thereafter	41

In addition, the contributions subsequent to the measurement date will be included in the overall calculation of the net pension liability, deferred inflows and outflows, and related impacts to pension expense in the next year (2020).

Net OPEB Liability/(Asset), Deferrals, and OPEB Expense - At June 30, 2019, the University reported a liability/(asset) for its proportionate share of the net OPEB liability/(asset) of STRS/OPERS. For June 30, 2019, the net OPEB liability/(asset) was measured as of June 30, 2018 for STRS, and December 31, 2018 for the OPERS plan. For June 30, 2018, the net OPEB liability/(asset) was measured as of June 30, 2017 for STRS and December 31, 2017 for the OPERS plan. The total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of those dates, except OPERS, which used an actuarial valuation dated December 31, 2017 and 2016, respectively, rolled forward to the measurement date by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year for the defined benefit health care plans.

Typically, the University's proportion of the net OPEB liability/(asset) would be based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined, except as noted below.

For plan years ending June 30, 2018 and 2017, STRS did not allocate employer contributions to the OPEB plan. Therefore STRS' calculation of the employers' proportionate share is based on the total contributions to the plan for both pension and OPEB.

For plan years ending December 31, 2018 and 2017, OPERS allocated 0% and 1% of the total 14% employer contributions to the OPEB plan. Therefore, OPERS's calculation of the employers' proportionate share is based on the total contributions to the plan for both pension and OPEB.

	Measurement	Net OPEB Liability/(Asset)		Proportionate Share		Percent Change
Plan	Date	2019	2018	2019	2018	2018-19
STRS	June 30	$ (18,089)	$ 44,315	1.13%	1.14%	-0.01%
OPERS	December 31	$ 121,253	$ 91,357	0.93%	0.84%	0.09%

Each plan above used the same proportionate share to allocate the net OPEB liability/(asset) for recording the beginning balance at July 1, 2018, therefore there was no change in proportionate share from July 1, 2017 to June 30, 2018.

(in thousands)

For the year ended June 30, 2019, the University recognized OPEB revenue of $25,169 of $6,455, respectively. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,168	$ 1,377	$ 2,629	$ -
Changes of assumptions	3,910	24,665	6,652	3,570
Net difference between projected and actual earnings on pension plan investments	5,559	2,053	-	8,699
Changes in proportion and differences between University contributions and proportionate share of contributions	6,462	331	-	-
University contributions subsequent to the measurement date	-	-	-	-
Total	$ 18,099	$ 28,426	$ 9,281	$ 12,269

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2020	2,876
2021	(351)
2022	(3,639)
2023	(1,382)
2024	(4,017)
Thereafter	(3,815)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability/(asset) in the next year.

(in thousands)

Actuarial Assumptions – The total pension liability and OPEB liability/(asset) is based on the results of an actuarial valuation and determined using the following actuarial assumptions for the University's current year:

	STRS	OPERS
Valuation date - Pension	July 1, 2018	December 31, 2018
Valuation date - OPEB	June 30, 2018	December 31, 2017
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	2.15 percent -3.0 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.50 percent	2.50 percent
Investment rate of return - Pension	7.45 percent, net of investment expense, including inflation	7.20 percent, net of investment expense, including inflation
Investment rate of return - OPEB	7.45 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
Health care cost trend rate	-5.23 percent to 9.62 percent initial, 4.00 percent ultimate	10.00 percent initial, 3.25 percent ultimate in 2029
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Mortality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 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.	RP-2014 Healthly Annuitant mortality table

The following are actuarial assumptions for the University's prior year:

	STRS	OPERS
Valuation date - Pension	July 1, 2017	December 31, 2017
Valuation date - OPEB	June 30, 2017	December 31, 2016
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	3.0 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.50 percent	2.50 percent
Investment rate of return - Pension	7.45 percent, net of investment expense, including inflation	7.50 percent, net of investment expense
Investment rate of return - OPEB	4.51 percent, net of investment expense, including inflation	6.50 percent, net of investment expense
Health care cost trend rates	6.00 percent to 11 percent initial, 4.5 percent ultimate	7.5 percent initial, 3.25 percent ultimate in 2028
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Mortality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 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.	RP-2014 Healthy Annuitant Mortality Table

Pension Discount Rate – The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. 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. The discount rates used to measure the total pension liabilities for STRS were 7.45 percent for the plan years ended June 30, 2018 and 2017. The discount rates used to measure the total pension liability for OPERS were 7.20 percent and 7.50 percent for the plan years ended December 31, 2018 and 2017, respectively.

OPEB Discount Rate – The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Plans that project fiduciary net position to be insufficient to make all projected future benefit payments for current active and inactive employees used a blended discount rate between the long-term expected rate of return on plan investments and a 20-year municipal bond rate applied to all periods of projected benefit payments to determine the total OPEB liability/(asset).

STRS – OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities/(assets) were 7.45 percent and 4.13 percent for the plan years ended June 30, 2018 and 2017, respectively. At June 30, 2018, the plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability/(asset). At June 30, 2017, the plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent. At June 30, 2017, the long-term expected rate of return on health care investments was applied to projected costs through the year 2037, and the municipal bond rate was applied to all health care costs after that date.

OPERS – OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities/(assets) were 3.96 percent and 3.85 percent for the plan years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments of 6.00 and 6.50 percent and the Fidelity 20-year Municipal General Obligation AA Index rate of 3.71 percent and 3.31 percent at December 31, 2018 and December 31, 2017, respectively. At December 31, 2018, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date. At December 31, 2017, 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.

(in thousands)

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. OPERS has two different portfolios of investment, a defined benefit portfolio for pension and health care portfolio for OPEB. As a result, there are different target allocations and long-term expected real rates of return disclosed for each portfolio. The target allocation and best estimates of arithmetic (geometric for STRS) real rates of return for each major asset class are summarized in the following table as of the dates listed below:

STRS - As of 7/1/18

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100%	

OPERS - As of 12/31/18

	Defined Benefit Portfolio		Health Care Portfolio	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	23.00%	2.79%	34.00%	2.42%
Domestic Equities	19.00%	6.21%	21.00%	6.21%
Real Estate	10.00%	4.90%	0.00%	0.00%
Private Equity	10.00%	10.81%	0.00%	0.00%
International Equity	20.00%	7.83%	22.00%	7.83%
REITs	0.00%	0.00%	6.00%	5.98%
Other Investments	18.00%	5.50%	17.00%	5.57%
Total	100%		100%	

STRS - As of 7/1/17

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	28.00%	5.10%
International Equity	23.00%	5.30%
Alternatives	17.00%	4.84%
Fixed Income	21.00%	0.75%
Real Estate	10.00%	3.75%
Liquidity Reserves	1.00%	0.00%
Total	100%	

OPERS - As of 12/31/17

	Pension Portfolio		Health Care Portfolio	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	23.00%	2.20%	34.00%	1.88%
Domestic Equities	19.00%	6.37%	21.00%	6.37%
Real Estate	10.00%	5.26%	0.00%	0.00%
Private Equity	10.00%	8.97%	0.00%	0.00%
International Equity	20.00%	7.88%	22.00%	7.88%
REITs	0.00%	0.00%	6.00%	5.91%
Other Investments	18.00%	5.26%	17.00%	5.39%
Total	100%		100.00%	

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the University, calculated using the discount rate listed below, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2019

Plan	1.00 percent decrease		Current Discount Rate		1.00 percent increase	
STRS	6.45%	361,723	7.45%	247,693	8.45%	151,182
OPERS	6.20%	306,285	7.20%	206,691	8.20%	123,984
		$ 668,008		$ 454,384		$ 275,166

(in thousands)

2018

Plan	1.00 percent decrease		Current Discount Rate		1.00 percent increase	
STRS	6.45%	386,764	7.45%	269,810	8.45%	171,294
OPERS	6.50%	235,374	7.50%	131,735	8.50%	45,407
		$ 622,138		$ 401,545		$ 216,701

Sensitivity of the net OPEB liability/(asset) to changes in the discount rate – The following presents the net OPEB liability/(asset) of the University, calculated using the discount rate listed below, as well as what the University's net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate.

2019

Plan	1.00 percent decrease		Current Discount Rate		1.00 percent increase	
STRS	6.45%	(15,515)	7.45%	(18,089)	8.45%	(20,276)
OPERS	2.96%	155,126	3.96%	121,253	4.96%	94,313
		$ 139,611		$ 103,164		$ 74,037

2018

Plan	1.00 percent decrease		Current Discount Rate		1.00 percent increase	
STRS	3.13%	59,491	4.13%	44,315	5.13%	32,320
OPERS	2.85%	121,371	3.85%	91,357	4.85%	67,075
		$ 180,862		$ 135,672		$ 99,395

Sensitivity of the net OPEB liability/(asset) **to changes in the health care cost trend rate –** The following presents the net OPEB liability/(asset) of the University, calculated using the health care cost trend rate listed below, as well as what the University's net OPEB liability/(asset) would be if it were calculated using a health care cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2019

Plan	1.00 Percent Decrease	Current Trend Rate	1.00 Percent Increase
STRS	(20,153)	(18,089)	16,018
OPERS	116,549	121,253	126,668
	$ 96,396	$ 103,164	$ 142,686

2018

Plan	1.00 Percent	Current Trend Rate	1.00 Percent Increase
STRS	30,788	44,315	62,117
OPERS	87,409	91,357	95,435
	$ 118,197	$ 135,672	$ 157,552

Pension plan and OPEB plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued STRS/OPERS financial report.

Assumption Changes – During the current measurement period, the STRS Board adopted certain assumption changes, which impacted their annual actuarial valuations prepared for OPEB as of June 30, 2018. The most significant changes were an increase in the OPEB discount rate from 4.13 percent to 7.45 percent and a reduction in the health care cost trend rates.

Payable to the Pension Plan – At June 30, 2019, the University reported a payable of $7,758 and $0 for the outstanding amount of contributions to the pension and OPEB plans, respectively, required for the year ended June 30, 2019. At June 30, 2018, the University reported a payable of $5,376 and $0 for the outstanding amount of contributions to the pension and OPEB plans, respectively required for the year ended June 30, 2018.

Defined Contribution Pension Plan - The Alternative Retirement Plan (ARP) is a defined contribution pension plan, under IRS Section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher education and adopted by the University's Board of Trustees. Full-time employees are eligible to choose a provider, in lieu of STRS or OPERS, from the list of seven providers currently approved by the Ohio Department of Insurance and who hold agreements with the University. Employee and employer contributions equal to those required by STRS and OPERS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of seven private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Department of Higher Education. That amount is 4.47 percent for STRS for the year ended June 30, 2019 and 2018, respectively and 2.44 percent for OPERS for the years ended June 30, 2019 and 2018, respectively. The employer also contributes what would have been the employer's contribution under STRS or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting. The ARP does not provide disability benefits, survivor benefits, or postretirement healthcare. Benefits are entirely dependent on the sum of the contributions and investment returns earned by each participant's choice of investment options. STRS and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan. For the year ended June 30, 2019 and 2018, employee contributions and pension expense recognized totaled $6,921 and $7,054, respectively.

(b) Ohio Public Employees Deferred Compensation Program

The University's employees may elect to participate in the Ohio Public Employees Deferred Compensation Program (the "Program"), created in accordance with Internal Revenue Code Section 457. The Program permits deferral of a portion of an employee's compensation until termination, retirement, death, or unforeseeable emergency. The deferred compensation and any income earned thereon are not subject to income taxes until actually received by the employee.

In 1998, the Ohio Public Employees Deferred Compensation Program Board implemented a trust to hold the assets of the Program in accordance with Internal Revenue Code Section 457. The program assets are the property of the trust, which holds the assets on behalf of the participants.

Therefore, in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets of this program are not reported in the accompanying financial statements.

At June 30, 2019 and 2018, the amounts on deposit with the Ohio Public Employees Deferred Compensation Board were $21,804 and $20,337, respectively, which represent the fair market value at such dates.

(in thousands)

(9) Contingencies and Commitments

In the normal course of its activities, the University is a party to various legal actions. The University intends to vigorously defend itself against any and all claims and is of the opinion that the outcome of current legal actions will not have a material effect on the University's financial position.

The University is also self-insured for workers' compensation, unemployment compensation and substantially all employee health benefits. The University's risk exposure is limited to claims incurred. Total claims paid during the years ended June 30, 2019 and 2018 were $70,241 and $68,648, respectively. A liability for unpaid claims (including incurred but not reported claims) in the amount of $13,379 and $13,329 has been accrued as of June 30, 2019 and 2018, respectively. This estimate is based on an analysis of historical claims paid. A summary of self-insured activity for the three years ended June 20, 2019, June 30, 2018, and June 30, 2017 is as follows:

For the Years Ended	Balance	Additions	Reductions	Balance
June 30, 2019	$ 13,329	$ 70,291	$ (70,241)	$ 13,379
June 30, 2018	$ 12,423	$ 69,554	$ (68,648)	$ 13,329
June 30, 2017	$ 10,248	$ 67,880	$ (65,705)	$ 12,423

The University has operating leases for the use of real property and moveable equipment. Total expenditures during 2019 and 2018 for operating leases amounted to approximately $786 and $643, respectively.

Future minimum payments on noncancelable operating leases subsequent to June 30, 2019 are as follows:

Year	Operating Leases
2020	$ 848
2021	768
2022	433
2023	132
2024	21
2025-2029	2
Total future minimum payments	$ 2,204

As of June 30, 2019, the University had commitments related to construction projects totaling $35,986. Of this amount, $485, or 1.35%, will be funded from bond proceeds.

The Federal Perkins Loan Program expired on September 30, 2017. As of June 30, 2019, the University has made $4.4 million in institutional capital contributions, which are reflected as part of the University's net position. Under current guidance issued by the Department of Education, at the time the University liquidates the loan portfolio and assigns the student loans to the Department of Education, the University will be forgoing its institutional capital contributions not yet received back through loan collections.

In fiscal year 2019, the University reclassified the federal capital contribution from restricted net position to a liability. This was necessary due to the fact that the Perkins loan program has been terminated and the University will be obligated to pay the federal government back its contribution to the program. The total amount that was reclassified was $28.7 million as shown in the statement of revenues, expenses and changes in net position on the line Perkins loan program reclassification.

(10) Related Party Transactions

In January 2016, the University and the Foundation entered into a sublease agreement for building space in the Center of Philanthropy and Alumni Engagement. The lease meets the capitalization criteria and is recorded as an asset and liability at fair value on the Foundation's financial statements. The value of the building and the balance of the liability as of June 30, 2019 are $9,031 and $9,734, respectively.

The University, together with The University of Akron and Youngstown State University, created a consortium to establish and govern The Northeastern Education Television of Ohio, Inc. ("NETO"), Channels 45 and 49, Kent, Ohio. This organization is legally separate from the University; accordingly, its financial activity is not included within the accompanying financial statements. The University has no contractual financial obligations to this consortium.

(11) Component Unit

The University is the sole beneficiary of the Foundation: a separate not-for-profit entity organized for the purpose of promoting educational and research activities. The Foundation is a legally separate entity from the University and maintains a self-appointing Board of Trustees. The Foundation reimburses the University for substantially all operating expenses paid by the University on behalf of the Foundation. Under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Foundation meets the definition of a discretely presented component unit.

Assets totaling $245,940 and $239,169 at June 30, 2019 and 2018 respectively, most of which have been restricted by donors for specific purposes, are presented separately. Amounts received by the University from the Foundation are included in the accompanying financial statements. The University received approximately $10,344 and $8,479 of financial support during the years ended June 30, 2019 and 2018, respectively, from gifts to the Foundation specifically restricted by donors for University use and from private grants. Additionally, at June 30, 2019 and 2018, the University had outstanding receivables from the Foundation of approximately $151 and $150, respectively.

(in thousands)

The value of investments for the Foundation at June 30, 2019 and 2018 is as follows:

	Market Value 2019	Market Value 2018
Corporate stocks	$ 5,629	$ 5,798
Hedge funds	22,134	15,327
Real assets	10,884	10,998
Private equity	8,632	5,337
ETFs	30,580	19,225
Bonds	-	94
Bond trust	-	11,544
Mutual funds:		
Large capitalization equity funds	50,554	49,181
Small/middle capitalization equity funds	4,864	5,129
International equity funds	29,229	39,756
Other mutual funds	531	498
Fixed-income funds	29,132	21,838
	$ 192,169	$ 184,725

The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market, and credit risks. With respect to the Foundation's investments in corporate stocks, the Foundation maintains a diverse investment portfolio, without any concentration of credit risk in any particular industry sector. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statement of the Foundation.

(in thousands)

The following tables present information about the investments measured at fair value on a recurring basis as of June 30, 2019 and 2018:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Corporate stocks	$ 5,629	$ 5,629	$ -	$ -
ETFs	30,580	30,580	-	-
Mutual funds				
Large capitalization equity funds	50,554	50,554	-	-
Small/middle capitalization equity funds	4,864	4,864	-	-
International equity funds	29,229	29,229	-	-
Multi-asset funds	530	530	-	-
Fixed income funds	29,132	29,132	-	-
Bonds	-	-	-	-
Total investments by fair value level	$ 150,518	$ 150,518	$ -	$ -
Investments measured at net asset value (NAV)				
Private equity	8,632			
Hedge funds	22,134			
Real assets	10,885			
Bond trust	-			
Total investments measured at NAV	41,651			
Total investments measured at fair value	$ 192,169			

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Corporate stocks	$ 5,798	$ 5,798	-	$ -
ETFs	19,225	19,225	-	-
Mutual funds				
Large capitalization equity funds	49,181	49,181	-	-
Small/middle capitalization equity funds	5,129	5,129	-	-
International equity funds	39,756	39,756	-	-
Multi-asset funds	498	498	-	-
Fixed income funds	21,838	21,838	-	-
Bonds	94	-	94	-
Total investments by fair value level	$ 141,519	$ 141,425	$ 94	$ -
Investments measured at net asset value (NAV)				
Private equity	5,337			
Hedge funds	15,327			
Real assets	10,998			
Bond trust	11,544			
Total investments measured at NAV	43,206			
Total investments measured at fair value	$ 184,725			

(in thousands)

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability. Level 1 inputs are quoted prices in active markets for identical assets or liability; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments classified in Level 1 are valued using prices quoted in active markets.

Holdings within Level 2 of the fair value hierarchy are indirectly observable. The Foundation records the fair value of these investments using values from statements obtained from third-party administrators. These third-party administrators are responsible for the custody, accounting, fund administration and shareholder recordkeeping for the investments.

The Foundation holds shares or interests in investment companies whereby the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year-end, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

Investments Held at June 30

	June 30, 2019	June 30, 2018			
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity	$ 8,632	$ 5,337	$ 8,377	Not eligible	Not eligible
Hedge funds	22,134	15,327	-	Quarterly/Semi-annually	75-90 days
Real assets	10,885	10,998	-	Monthly	30 days
Bond trust	-	11,544		Weekly	None
Total	$ 41,651	$ 43,206	$ 8,377		

The private equity class is made up of fund-of-funds managers who allocate to a specific sector or investment stage, including venture and growth capital, buyout, private credit/debt, real estate, and natural resources. An initial commitment is made by the investor, and capital is called over several years (3-5). As underlying companies are sold, issue an initial public offering, or are otherwise recapitalized, managers distribute the realized proceeds to limited partner investors.

The hedge fund class consists of fund-of-fund managers who allocate funds to underlying hedge funds, which invest both long and short positions in various asset classes globally. Investments may include public equities, fixed income, credit instruments, commodities, currencies, and other securities based on economic trends or index hedging. While underlying investments are generally very liquid, the manager offers only periodic redemptions and subscriptions in order to better align with a longer investment time horizon.

The real assets class is comprised of investments in equity securities and derivative instruments with primary exposure to tangible assets including commodities, energy, infrastructure, real estate securities, and inflation-protected Treasuries. Investments are primarily liquid, though the managers may only allow periodic redemptions in order to better align with a longer investment time horizon.

The bond trust class is a private placement fund investing in high and medium grade fixed income securities with intermediate maturities.

Donor restricted net assets of the Foundation are principally related to scholarships, specific schools within the University, department chairs, and various other purposes.

KENT STATE UNIVERSITY
Notes to the Financial Statements
June 30, 2019 and 2018
(in thousands)

As of June 30, 2019 and 2018 net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions
June 30, 2019		
Available for expenditure:		
Current operations	$14,768,986	$38,941,890
Term Endowments	2,339,221	57,297,484
Earnings on endowments	(1,713)	21,897,139
Beneficial interests in perpetual trusts	-	4,802,296
Real estate	549,121	1,886,822
	17,655,615	124,825,631
Unavailable for expenditure:		
Endowments	-	55,068,172
Trusts	-	4,212,031
Uncollected pledges, net	-	19,117,135
	-	78,397,338
	$17,655,615	$203,222,969

	Without Donor Restrictions	With Donor Restrictions
June 30, 2018		
Available for expenditure:		
Current operations	$ 12,987,047	$ 36,209,434
Term Endowments	2,410,312	56,974,114
Earnings on endowments	-	24,799,420
Beneficial interests in perpetual trusts	-	4,396,763
Real estate	549,121	1,848,823
	15,946,480	124,228,554
Unavailable for expenditure:		
Endowments	-	49,536,901
Trusts	-	4,056 012
Uncollected pledges, net	-	20,443,859
	-	74,036,772
	$ 15,946,480	$ 198,265,326

(in thousands)

The KSU Foot and Ankle Clinic dba The Cleveland Foot and Ankle Clinic provides services to the public but does so to provide clinical experience for students of the KSU College of Podiatric Medicine. The Cleveland Foot and Ankle Clinic is a separate not-for-profit entity organized by the University for the benefit of the KSU College of Podiatric Medicine. The University is the sole member of the organization and appoints the directors. Under the provisions of GASB 61, the Clinic has been determined to be a blended component of the University. The University is obligated to deposit sufficient amounts to cover necessary expenses deemed to be core components to the continuous operation of the Clinic. The University also reviews and approves the annual budget. Condensed financial statement information for the Cleveland Foot and Ankle Clinic is presented below.

As of June 30, 2019:

Statement of Net Position (condensed):	
Total assets	$ 48
Total liabilities	$ 48
Net position	$ 0

As of June 30, 2018:

Statement of Net Position (condensed):	
Total assets	$ 33
Total liabilities	$ 33
Net position	$ 0

Assets primarily consist of patient receivables offset by an allowance for uncollectible patient receivables. Liabilities primarily consist of accounts payable and accrued vacation.

For the year ended June 30, 2019:

Statement of Revenues, Expenses and Changes in Net Position (condensed):	
Operating revenues	$ 769
Operating expenses	1, 124
Operating loss	(355)
Transfers	355
Change in net position	$ 0

For the year ended June 30, 2018:

Statement of Revenues, Expenses and Changes in Net Position (condensed):	
Operating revenues	$ 600
Operating expenses	1,052
Operating loss	(452)
Transfers	452
Change in net position	$ 0

Patient revenues are the major source of operating revenues for the Clinic. Operating expenses consist primarily of salaries and benefits for Clinic personnel and expenses related to the Clinic building (i.e., rental expense and insurance).

(12) Subsequent Events

The State of Ohio's fiscal year 2020-2021 budget bill includes several provisions that will have an impact on higher education in the future. The bill includes the ability to increase tuition up to 2% for students not included in the tuition guarantee program in both years. In addition, the bill includes a 2% increase in the pool for state support of Ohio's public universities in fiscal year 2020 and a 1% increase in fiscal year 2021. The state support will continue to be distributed using a performance-based formula.

Required Supplementary Information

KENT STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION FOR GASB 68
(in thousands)

Schedule of the University's Proportionate Share of the Net Pension Liability

	2018		2017		2016		2015		2014	
	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS
Plan year end	December 31	June 30	December 31	June 30	December 31	June 30	December 31	June 30	December 31	June 30
University's proportion of the collective net pension liability: As a percentage	0.75768%	1.12650%	0.84719%	1.13579%	0.86678%	1.15121%	0.87943%	1.16549%	0.85325%	1.57020%
Amount	$ 206,692	$ 247,693	$ 131,735	$ 269,810	$ 196,348	$ 385,343	$ 151,914	$ 322,106	$ 102,582	$ 281,426
University's covered-employee payroll	$ 145,858	$ 149,310	$ 145,395	$ 155,814	$ 144,315	$ 151,084	$ 140,497	$ 145,798	$ 136,758	$ 142,396
University's proportional share of the collective pension liability (amount), as a percentage of the University's covered-employee payroll	141.71%	165.89%	90.60%	173.16%	136.06%	255.05%	108.13%	220.93%	75.01%	197.64%
Fiduciary net position as a percentage of the total pension liability	74.91%	77.30%	84.85%	75.29%	77.39%	66.80%	81.17%	72.10%	86.53%	74.70%

Schedule of the University's Contributions

	2019		2018		2017		2016		2015	
	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS
Statutorily required contribution	$ 17,322	$ 17,272	$ 16,604	$ 17,935	$ 15,262	$ 16,528	$ 16,680	$ 16,959	$ 16,360	$ 17,022
Contributions in relation to the actuarially determined contractually required contribution	$ 17,322	$ 17,272	$ 16,604	$ 17,935	$ 15,262	$ 16,528	$ 16,680	$ 16,959	$ 16,360	$ 17,022
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
Covered employee payroll	$ 146,462	$ 149,310	$ 144,780	$ 155,814	$ 146,087	$ 151,084	$ 142,041	$ 145,798	$ 139,224	$ 142,396
Contributions as a percentage of covered employee payroll	11.83%	11.57%	11.47%	11.51%	10.45%	10.94%	11.74%	11.63%	11.75%	11.95%

Notes to required supplementary information:

Changes of benefit terms . There were no changes in benefit terms affecting the STRS, SERS, and OPERS plans.

Changes of assumptions .
STRS: During the plan year ended June 30, 2017, there were changes to several assumptions for STRS. The cost-of-living adjustment dropped from 2.00 percent to 0.00 percent. The wage inflation dropped from 2.75 percent to 2.50 percent. The investment rate of return decreased from 7.75 percent to 7.45 percent. The mortality tables used changed from RP-2000 to RP-2014.

OPERS: During the plan year ended December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.25-10.75 percent. The mortality tables used changed from RP-2000 to RP-2014.

KENT STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION FOR GASB 75
(in thousands)

Schedule of the University's Proportionate Share of the Net OPEB Liability

	2018		2017	
	OPERS	STRS	OPERS	STRS
Plan year end	December 31	June 30	December 31	June 30
University's proportion of the collective net OPEB liability:				
As a percentage	0.93001%	1.12650%	0.84128%	1.13579%
Amount	$ 121,253	$ (18,089)	$ 91,357	$ 44,315
University's covered-employee payroll	$ 146,462	$ 149,310	$ 131,735	$ 269,810
University's proportional share of the collective pension liability (amount), as a percentage of the University's covered-employee payroll	82.79%	-12.12%	69.35%	16.42%
Fiduciary net position as a percentage of the total OPEB liability	46.33%	176.00%	77.25%	47.11%

Schedule of the University's Contributions

	2019		2018	
	OPERS	STRS	OPERS	STRS
Statutorily required contribution	$ -	$ -	$ 589	$ -
Contributions in relation to the actuarially determined contractually required contribution	$ -	$ -	$ 589	$ -
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 146,462	$ 149,310	$ 144,780	$ 155,814
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.41%	0.00%

Notes to required supplementary information:

Changes of benefit terms . There were no significant changes in benefit terms affecting the STRS and OPERS plans for the plan years ended June 30, 2018 and December 31, 2018, respectively.

Changes of assumptions .

STRS: During the plan year ended June 30, 2018, there were changes to several assumptions for STRS. The investment rate of return increased from 4.51 percent to 7.45 percent. The health care cost trend rates decreased from 6.00 percent to 11.00 percent initial and 4.50 percent ultimate to -5.23 percent to 9.62 percent initial and 4 percent ultimate. The discount rate increased from a blended rate between the long-term expected rate of return and a 20-year municipal bond rate of 4.13 percent to the investment rate of return of 7.45 percent.

OPERS: There were no significant changes in assumptions for the OPERS plans for the plan year ended December 31, 2018.

Supplementary Information

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

Independent Auditor's Report

To Management and the Board of Trustees
Kent 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 Kent State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 14, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's 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.*

To Management and the Board of Trustees
Kent State University

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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 14, 2019

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Trustees
Kent State University

Report on Compliance for Each Major Federal Program

We have audited Kent State University's (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2019. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

To the Board of Trustees
Kent State University

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

October 14, 2019

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters:				
Student Financial Assistance Cluster				
Department of Education - Direct Programs:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	$ -	$ 1,193,244
Federal Work-Study Program	84.033	N/A	-	1,754,478
Federal Perkins Loan Program	84.038	N/A	-	37,735,704
Federal Pell Grant Program	84.063	N/A	-	47,729,038
Federal Direct Student Loans	84.268	N/A	-	206,691,150
Teacher Education Assistance for College and Higher Education Grants (TEACH GRANTS)	84.379	N/A	-	884,411
Total Department of Education			-	295,988,025
Department of Health and Human Services - Direct Programs:				
Health Professional Loans	93.342	N/A	-	3,275,886
Loans for Disadvantaged Students	93.342	N/A	-	381,594
Total			-	3,657,480
Nursing Student Loans	93.364	N/A	-	2,059,979
Total Department of Health and Human Services			-	5,717,459
Total Student Financial Assistance Cluster			-	301,705,484
Research and Development Cluster				
Department of Agriculture - Direct Program - Rural Cooperative Development Grants	10.771	N/A	-	90,438
Department of Commerce:				
Direct Program - Climate and Atmospheric Research	11.431	N/A	-	103,561
Pass-through Programs:				
The Ohio State University - Sea Grant Support	11.417	60061401	-	1,066
The Ohio State University - Sea Grant Support	11.417	60058395	-	5,876
The Ohio State University - Sea Grant Support	11.417	60063785	-	49,208
Total			-	56,150
The Ohio State University - Coastal Zone Management Administration Awards	11.419	60059113	-	435
The Ohio State University - Coastal Zone Management Administration Awards	11.419	RF01549559	-	13,752
The Ohio State University - Coastal Zone Management Administration Awards	11.419	KSU410856	-	39,737
Total			-	53,924
Total Department of Commerce			-	213,635
Department of Defense:				
Direct Programs:				
Basic and Applied Scientific Research	12.300	N/A	-	456,646
Basic Scientific Research	12.431	N/A	-	46,190
Mathematical Sciences Grants	12.901	N/A	-	14,000
Department of Defense Contract	12.RD	N/A	-	29,627
Pass-through Programs:				
Geisinger Medical Center - Military Medical Research and Development	12.420	6917961	-	24,697
Lee Moffitt Cancer Center - Military Medical Research and Development	12.420	12-18717-99-01-G3	-	385,663
Total			-	410,360

See notes to schedule of expenditures of federal awards.

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters (continued):				
Research and Development Cluster (continued)				
Department of Defense (continued):				
Pass-through Programs (continued):				
United States Army Research Office - Basic Scientific Research	12.431	W911NF-17-1-0456	$ -	$ 83,762
United States Army Research Office - Basic Scientific Research	12.431	W911NF-18-2-0024	-	99,025
Total			-	182,787
University of Massachusetts Amherst - Basic and Applied Scientific Research	12.300	18-010467 E 00	-	163,763
Zymergen Inc. - Department of Defense Contract	12.RD	00040555	-	107,829
Defense Engineering Corp. - Department of Defense Contract	12.RD	PO 10257	-	45,277
UES, Inc. - Department of Defense Contract	12.RD	S-114-005-007	-	31,492
Total			-	184,598
Total Department of Defense			-	1,487,971
Department of the Interior -				
Direct Programs:				
U.S. Geological Survey Research and Data Collection	15.808	N/A	-	25,377
National Cooperative Geological Mapping	15.810	N/A	-	2,233
Total Department of the Interior			-	27,610
Department of Justice:				
Pass-through Programs:				
Syracuse University - National Institute of Justice W.E.B. DuBois Fellowship Program	16.566	29120-04479-S21	-	10,432
Ohio Criminal Justice Studies - Project Safe Neighborhoods	16.609	2016-PS-PSN-432	-	99,842
Ohio Criminal Justice Studies - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-JG-C01-6947	-	17,495
Total Department of Justice			-	127,769
National Aeronautics and Space Administration:				
Direct Programs:				
Science	43.001	N/A	26,273	53,007
Space Operations	43.007	N/A	-	54,198
NASA Contract	43.RD	N/A	-	42,219
NASA Contract	43.RD	N/A	-	18,561
Pass-through Programs:				
College of Charleston - Education	43.008	521202-KENT	-	23,859
Case Western Reserve University - NASA Contract	43.RD	800315272	-	14,435
Universities Space Research Association - NASA Contract	43.RD	04555-O26	-	34,000
Ohio Space Grant Consortium - NASA Contract	43.RD	KSU418748	-	(343)
Ohio Space Grant Consortium - NASA Contract	43.RD	KSU418751	-	643
Ohio Space Grant Consortium - NASA Contract	43.RD	KSU418759	-	4,290
Ohio Space Grant Consortium - NASA Contract	43.RD	KSU418760	-	3,581
NASA Glenn Research Center - NASA Contract	43.RD	NNC15VB05P	-	57,694
Total			-	114,300
Total National Aeronautics and Space Administration			26,273	306,144
National Endowment for the Humanities -				
Direct Program -				
Promotion of the Humanities Public Programs	45.164	N/A	-	21,811

See notes to schedule of expenditures of federal awards.

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters (continued):				
Research and Development Cluster (continued)				
Institute of Museum and Library Services:				
Direct Program -				
National Leadership Grants	45.312	N/A	$ 15,587	$ 30,157
Pass-through Program -				
State Library of Ohio - Grants to States	45.310	KSU414310	-	1,337
Total Institute of Museum and Library Services			15,587	31,494
National Science Foundation:				
Direct Programs:				
Engineering Grants	47.041	N/A	-	484,945
Mathematical and Physical Sciences	47.049	N/A	-	1,650,320
Geosciences	47.050	N/A	-	95,522
Computer and Information Science and Engineering	47.070	N/A	1,604	308,112
Biological Sciences	47.074	N/A	-	34,590
Social, Behavioral, and Economic Sciences	47.075	N/A	-	168,227
Education and Human Resources	47.076	N/A	-	164,518
Pass-through Programs:				
The University of Akron - Engineering Grants	47.041	03433-KSU2	-	72
Washington State University - Engineering Grants	47.041	120239 G003233	-	87,306
Total			-	87,378
Carnegie Mellon University - Social, Behavioral, and Economic Sciences	47.075	1122573-390590	-	22,006
San Diego State University - Social, Behavioral, and Economic Sciences	47.075	SA0000404	-	29,342
Total			-	51,348
Missouri State University - Education and Human Resources	47.076	16043-002	-	54,034
University of Delaware - Office of International Science and Engineering	47.079	51689	-	31,573
Total National Science Foundation			1,604	3,130,567
Department of Energy:				
Direct Program -				
Office of Science Financial Assistance Program	81.049	N/A	138,880	1,168,749
Pass-through Programs:				
University of Connecticut - Office of Science Financial Assistance Program	81.049	135049	-	19,538
UT-Battelle, LLC - Department of Energy	81.RD	4000095139	-	1,637
UChicago Argonne National Laboratory - Department of Energy	81.RD	8F-30146	-	10,826
Brookhaven National Laboratory - Department of Energy	81.RD	332787	-	47,244
Brookhaven Science Associates, LLC - Department of Energy	81.RD	364754	-	599
Brookhaven Science Associates, LLC - Department of Energy	81.RD	36589	-	3,011
Los Alamos National Security LLC - Department of Energy	81.RD	503145	-	78,963
Total			-	142,280
Total Department of Energy			138,880	1,330,567

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters (continued):				
Research and Development Cluster (continued)				
Department of Education:				
Pass-through Programs:				
Ohio Department of Education - Special Education Grants to States	84.027	CSP909314	$ -	$ 335,685
Association of Public and Land Grant Universities - Education Research, Development and Dissemination	84.305	KSU418305	-	14,937
The Ohio State University - Education Research, Development and Dissemination	84.305	60071509	-	75,679
Total			-	90,616
University of Florida - Research in Special Education	84.324	UFDSP00012193	-	247,414
The University of Akron - English Language Acquisition State Grants	84.365	542324	-	17,612
Total Department of Education			-	691,327
Department of Health and Human Services:				
Direct Programs:				
Mental Health Research Grants	93.242	N/A	72,360	725,703
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	-	72,543
Drug Abuse and Addiction Research Programs	93.279	N/A	100,920	288,563
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	N/A	-	39,871
Nursing Research	93.361	N/A	15,973	476,977
Cancer Cause and Prevention Research	93.393	N/A	-	44,671
Cancer Treatment Research	93.395	N/A	-	54,780
Cancer Biology Research	93.396	N/A	47,169	61,750
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	N/A	100,500	180,045
Cardiovascular Diseases Research	93.837	N/A	382,280	672,618
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	N/A	-	160,138
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	N/A	-	416,702
Biomedical Research and Research Training	93.859	N/A	-	137,991
Child Health and Human Development Extramural Research	93.865	N/A	3,362	541,127
Aging Research	93.866	N/A	204,476	941,471
Pass-through Programs:				
Stark County Mental Health & Addiction - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	KSU416379	-	950
Stark County Mental Health & Addiction - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	KSU416386	-	36,971
Total			-	37,921
University of Cincinnati - Environmental Health	93.113	010539-002	-	1,485
Florida International University - Environmental Health	93.113	800008800-01UG	-	32,153
Total			-	33,638
Einstein Institute - Research Related to Deafness and Communication Disorders	93.173	492101	-	50,898
Indiana University - Mental Health Research Grants	93.242	BL-4624280-KSU	-	79,209

See notes to schedule of expenditures of federal awards.

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters (continued):				
Research and Development Cluster (continued)				
Department of Health and Human Services (continued):				
Pass-through Programs (continued):				
University of Memphis - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5-40756	$ -	3,443
University of Memphis - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5-40755	-	25,403
Total			-	28,846
Sanford Research North - Alcohol Research Programs	93.273	SR-2019-204	-	10,445
Brown University - Drug Abuse and Addiction Research Programs	93.279	00001408	-	8,708
Case Western Reserve University - Trans-NIH Research Support	93.310	KSU410860	-	194,655
Case Western Reserve University - Nursing Research	93.361	RES513457	-	22,086
Case Western Reserve University - Nursing Research	93.361	RES513705	-	27,897
Total			-	49,983
Sanford Research - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	SF-2019-208	-	12,312
North Dakota State University - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	FAR0027328	-	13,485
Total			-	25,797
University of Florida - Allergy and Infectious Diseases Research	93.855	810008156	-	40,434
West Virginia University - Child Health and Human Development Extramural Research	93.865	14-452-KSU	-	59,927
The MetroHealth System - Special Projects of National Significance	93.928	7411063102	-	4,140
The MetroHealth System - Special Projects of National Significance	93.928	7411064102	-	21,111
Total			-	25,251
Maryland Department of Health - Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	M00B84006676	-	75,387
Indiana State Department of Health - Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	00000000000000019082	-	81,998
Total			-	157,385
Ohio Department of Mental Health and Addiction Services - Block Grants for Prevention and Treatment of Substance Abuse	93.959	1800220	-	(411)
Indiana State Department of Health - Maternal and Child Health Services Block Grant to the States	93.994	00000000000000019082	-	19,729
Total Department of Health and Human Services			927,040	5,637,365

See notes to schedule of expenditures of federal awards.

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters (continued):				
Research and Development Cluster (continued)				
Executive Office of the President -				
Pass-through Program -				
University of Memphis - Research and Data Analysis	95.007	5-40754	$ -	$ 6,691
Total Research and Development Cluster			1,109,384	13,103,389
Fish and Wildlife Cluster				
Department of the Interior -				
Pass-through Program -				
Ohio Department of Natural Resources - Wildlife Restoration and Basic Hunter Education	15.611	S019-15103	-	468
TRIO Cluster				
Department of Education:				
Direct Programs:				
TRIO Student Support Services	84.042	N/A	-	422,469
TRIO Upward Bound	84.047	N/A	-	1,192,429
TRIO McNair Post-Baccalaureate Achievement	84.217	N/A	-	245,768
Total TRIO Cluster			-	1,860,666
Subtotal of Clusters			-	316,670,007
Other Programs				
Department of Agriculture -				
Direct Program -				
Rural Cooperative Development Grants	10.771	N/A	-	72,633
Department of Defense -				
Direct Program -				
Language Grant Program	12.900	N/A	-	152,193
Department of Justice:				
Direct Program:				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	N/A	-	97,676
Pass-through Programs:				
Ohio Attorney General - Crime Victim Assistance	16.575	2018 VOCA-109294346	-	29,642
Ohio Attorney General - Crime Victim Assistance	16.575	2019 VOCA-132136237	-	88,401
Ohio Attorney General - Crime Victim Assistance	16.575	810007920	-	(3,641)
Total			-	114,402
Total Department of Justice			-	212,078
Department of State:				
Pass-through Programs:				
United States Department of State - Academic Exchange Programs - Undergraduate Programs	19.009	KSU418625	-	18,058
International Research & Exchange Board, Incorporated - Academic Exchange Programs - Undergraduate Programs	19.009	418602	-	24,760
Total			-	42,818
Al Quds Open University - Investing in People in The Middle East and North Africa	19.021	KSU410421	-	16,238

See notes to schedule of expenditures of federal awards.

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Other Programs (continued)				
Department of State (continued):				
Pass-through Programs (continued):				
Partners of the Americas Inc. - Public Diplomacy Programs	19.040	100K-254COL-03	$ -	$ 1,848
International Research & Exchange Board, Incorporated - Academic Exchange Programs - Teachers	19.408	S-ECAGD-17-CA-1014	-	(3,938)
International Research & Exchange Board, Incorporated - Academic Exchange Programs - Teachers	19.408	FY19-FTEA-ML-KSU-01	-	1,417
Total			-	(2,521)
Total Department of State			-	58,383
Department of Transportation -				
Direct Program -				
Airport Improvement Program	20.106	N/A	-	281,311
Appalachian Regional Commission -				
Direct Program -				
Regional Job Training Program	23.002	N/A	-	250,000
National Aeronautics and Space Administration -				
Pass-through Programs:				
Ohio Space Grant Consortium - Education	43.008	KSU411819	-	2,000
Ohio Space Grant Consortium - Education	43.008	KSU411814	-	9,500
Total National Aeronautics and Space Administration			-	11,500
National Endowment for the Arts:				
Direct Program -				
Promotion of the Arts Grants to Organizations and Individuals	45.024	N/A	-	44,978
Pass-through Programs:				
Arts Midwest - Promotion of the Arts Partnership Agreements	45.025	00022315	-	500
Arts Midwest - Promotion of the Arts Partnership Agreements	45.025	00022243	-	1,800
Total			-	2,300
Total National Endowment for the Arts			-	47,278
National Endowment for the Humanities -				
Pass-through Program -				
Ohio Humanities Council - Promotion of the Humanities Federal/State Partnership	45.129	QU18-048	-	1,386
Small Business Administration:				
Pass-through Programs:				
Ohio Development Services Agency - Small Business Development Centers	59.037	KSU445004	-	8,366
Ohio Development Services Agency - Small Business Development Centers	59.037	KSU487908	-	13,097
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-18-321	-	27,163
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-18-322	-	47,036
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-19-322	-	61,251
Ohio Development Services Agency - Small Business Development Centers	59.037	KSU418757	-	62,497

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Other Programs (continued)				
Small Business Administration (continued):				
Pass-through Programs (continued):				
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-19-321	$ -	$ 69,525
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-18-327	-	91,282
Total			-	380,217
Ohio Aerospace Institute - Federal and State Technology Partnership Program	59.058	PO 0007107	-	2,314
Ohio Aerospace Institute - Federal and State Technology Partnership Program	59.058	PO # 0006844	-	5,860
Total			-	8,174
Total Small Business Administration			-	388,391
Department of Veteran Affairs -				
Direct Program -				
Department of Veterans Affairs Contract	64.U00	N/A	-	14,500
Environmental Protection Agency -				
Direct Program -				
Science To Achieve Results (STAR) Fellowship Program	66.514	N/A	-	334
Department of Education:				
Direct Program -				
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	N/A	23,636	333,739
Pass-through Programs:				
Ohio Board of Regents - Adult Education - Basic Grants to States	84.002	BOR01-0000005637	-	12,172
Ohio Board of Regents - Adult Education - Basic Grants to States	84.002	BOR01-0000006102	-	20,640
Ohio Board of Regents - Adult Education - Basic Grants to States	84.002	BOR01-0000006102	-	607,527
Total			-	640,339
Ohio Department of Education - Career and Technical Education - Basic Grants to States	84.048	KSU415669	-	377
Ohio Department of Education - Career and Technical Education - Basic Grants to States	84.048	KSU415675	-	99,427
Total			-	99,804
Ohio Department of Education - School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	84.184	KSU457911	-	2,542
Ohio Board of Regents - Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	KSU417202	-	109,156
National Writing Project - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	97-OH03-SEED2017-14	-	265
National Writing Project - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	97-OH03-SEED2017-CRWPAI	-	2,990
Total			-	3,255
Total Department of Education			23,636	1,188,835

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Other Programs (continued)				
National Archives and Records Administration -				
Direct Program -				
National Historical Publications and Records Grants	89.003	N/A	$ -	$ 7,652
Department of Health and Human Services:				
Direct Programs:				
Substance Abuse and Mental Health Services Projects of Regional and National Significance of Regional and National Significance	93.243	N/A	-	135,050
Mental and Behavioral Health Education and Training Grants	93.732	N/A	-	222,721
Pass-through Programs:				
Tuscarawas County Health Department - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	KSU416231	-	5,058
Tuscarawas County Health Department - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	KSU416226	-	6,647
Total			-	11,705
Northeast Ohio Medical University - Grants for Primary Care Training and Enhancement	93.884	G0098-N	-	404
Northeast Ohio Medical University - Grants for Primary Care Training and Enhancement	93.884	G0098-W	-	13,892
Total			-	14,296
Total Department of Health and Human Services			-	383,772
Agency for International Development -				
Pass-through Program -				
American University of Nigeria - USAID Foreign Assistance for Programs Overseas	98.001	AUN 2019/01/72062019CA00002	-	26,882
Total Other Programs			23,636	3,097,128
Total Subrecipients			**$ 1,133,020**	
Total Federal Awards				**$ 319,767,135**

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Kent State University (the "University") under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

Subrecipients

Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedule. The University is also the subrecipient of federal funds that have been subject to testing and are reported as expenditures and listed separately as pass-through programs.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Facilities and Administrative Costs

The University has approved predetermined facilities and administrative cost rates, which are effective from July 1, 2018 to June 30, 2020 as follows: 50 percent for on-campus research and instruction, 32 percent for other on-campus sponsored activities, and 26 percent for all off-campus programs.

The University has elected not to use the 10 percent de *minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Note 3 - Loan Balances

Revolving loans outstanding at the beginning of the year and revolving loans made during the year are included in the federal expenditures presented in the schedule of expenditures of federal awards. The balances of loans outstanding at June 30, 2019 consist of the following:

Program Title	CFDA Number	Loan Balances
Perkins Loan Program	84.038	$ 32,076,707
Nursing Student Loan Program	93.364	1,718,171
Health Professional Student Loans	93.342	3,033,041
Loans for Disadvantaged Students	93.342	323,750
Total		$ 37,151,669

Note 4 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, the University can transfer award funds between the Federal Supplemental Education Opportunity Grant (SEOF) Program (84.007) and the Federal Work-Study (FWS) Program (84.033).

During the 2018-2019 award year, the University carried forward and spent $75,480 of SEOG funds and $118,380 of FWS funds from the 2017-2018 award year. From the 2018-2019 award year, the University carried forward $103,008 of SEOG and $76,456 of FWS funds to be spent in the 2019-2020 award year.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	None reported

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None reported
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?		Yes	X	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364	Student Financial Assistance Cluster	Unmodified
Various	Research and Development Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes		No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Section III - Federal Program Audit Findings

Reference Number	Finding
Current Year	None