# Kent State University

**(a component unit of the State of Ohio)**

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## Financial Report
## Including Supplementary Information

## June 30, 2018

**KENT STATE UNIVERSITY**
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**June 30, 2018 and 2017**

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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 basic 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, 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 audit. For the year ended June 30, 2017, we did not audit the financial statements of Kent State University Foundation (the "Foundation"), which represent all of the balances of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors, whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. For the year ended June 30, 2018, we did audit the Kent State University Foundation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

### *Opinions*

In our opinion, based on our audit and the report of other auditors, 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, 2018 and 2017 and the changes in its financial position and its cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Kent State University

***Emphasis of Matter***

As discussed in Note 2 to the basic financial statements, the University adopted the provisions under Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of July 1, 2017. Our opinion is not modified with respect to this matter.

***Required Supplementary 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 GASB, 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 15, 2018 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 15, 2018

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, 2018 and 2017. 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 pension 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 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 2018, the impacts of GASB 68 were significant, resulting in the recognition of 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 and 2016, the University recognized additional pension expense of $37.6 million and $8.1 million, respectively.

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 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 2018, 2017, and 2016:

| | 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 |

| | 2016 | | |
|---|---|---|---|
| | Prior to GASB 68/75 | GASB 68 Entry | Post GASB 68/75 |
| | | (in thousands) | |
| Instruction | $ 239,084 | $ 4,255 | $ 243,339 |
| Research | 16,062 | 158 | 16,220 |
| Public service | 15,706 | 179 | 15,885 |
| Academic support | 64,680 | 835 | 65,515 |
| Student services | 34,823 | 468 | 35,291 |
| Institutional support | 81,986 | 1,183 | 83,169 |
| Scholarships and fellowships | 38,505 | - | 38,505 |
| Operation and maintenance of plant | 45,891 | 402 | 46,293 |
| Auxiliary activities | 93,432 | 638 | 94,070 |
| | $ 630,169 | $ 8,118 | $ 638,287 |

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:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | | (in thousands) | |
| Increase/(Decrease) in net position prior to GASB 68/75 adjustment | $ (8,614) | $ 49,215 | $ (384) |
| GASB 68/75 recognition of net pension/OPEB revenue/(expense) *OPEB in FY2018 only | 116,751 | (37,570) | 8,118 |
| Increase/(Decrease) in net position after GASB 68/75 adjustment | $ 108,137 | $ 11,645 | $ (8,502) |

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 slightly declined when comparing fiscal year 2018 to fiscal year 2017. The University's total assets and deferred outflows of resources declined $52.8 million however total liabilities and deferred inflows of resources decreased by $44.2 million. Overall net position decreased by $8.6 million.

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

- Operating revenues decreased by $50.1 million due in part to the new Aramark contract for dining services, which provided a new model where the sales revenue from dining service operations is recognized by Aramark and returned to the University through a guaranteed payment and share in excess over guaranteed returns. In fiscal year 2018, dining services revenue decreased by $29.1 million. Additionally, the University experienced declines in tuition revenue due to enrollment declines and holding undergraduate tuition flat. Enrollment fell by 1,415 students in fiscal year 2018.

- Operating expenses decreased $18.9 million. The primary decrease in operating expenses is due to the Aramark contract for dining services. Just as revenue is now recognized by Aramark, the majority of the expenses are also recognized by Aramark. In fiscal year 2018, dining services expenses decreased by $26.3 million. Offsetting this decrease is an increase in Instruction expenses, due in part to the recognition of $7.9 million in expenses related to the faculty separation plan implemented in fiscal year 2018.

- State appropriations increased $4.0 million due to improvements in course and degree completions.

- Investment income decreased $8.0 million. Although the market remained strong, there was a correction during fiscal year 2018, which resulted in some market losses.

- Capital appropriations from the state decreased $21.4 million mainly due to the completion of the integrated sciences buildings and renovations to the other science facilities in fiscal year 2017.

- Overall investments increased $29.5 million, however overall cash decreased $79.9 million, primarily due to the mix of investments the University is holding, moving some idle cash to short-term investments for higher investment income potential and using the remaining bond proceeds from the Foundations of Excellence program.

- Net capital assets decreased $5.9 million primarily due to less assets capitalized in fiscal year 2018 versus fiscal year 2017 and the continued depreciation of these assets.

## Statement of Net Position

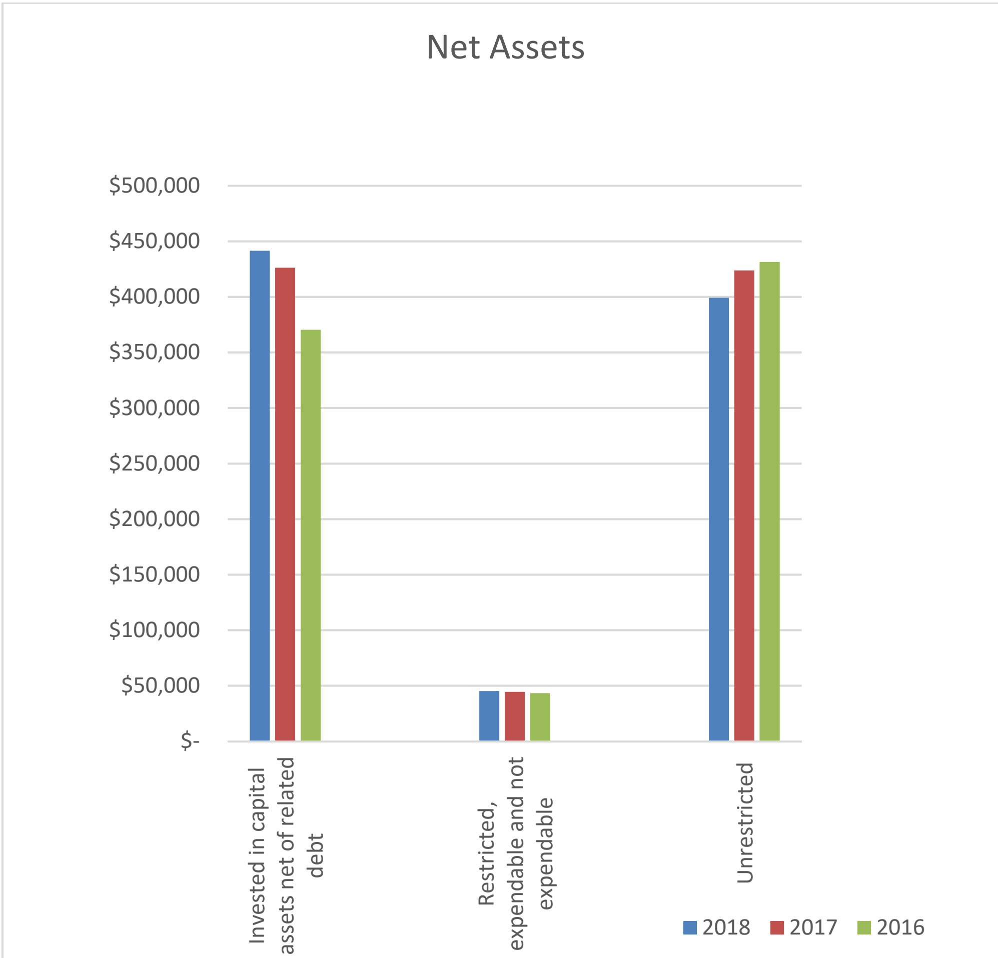
The Statement of Net Position includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources. Over time, increases or decreases in net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) 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, 2018, 2017 and 2016**
**(in thousands)**

| ASSETS | 2018 | 2017 | 2016 |
|---|---|---|---|
| Current | $ 444,135 | $ 303,367 | $ 329,544 |
| Capital assets | 929,785 | 935,668 | 882,708 |
| Other assets | 135,785 | 322,163 | 327,474 |
| **Total assets** | $ 1,509,705 | $ 1,561,198 | $ 1,539,726 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred amortization on bond refundings | $ 10,831 | $ 11,688 | $ 12,545 |
| Accumulated change in the fair value of hedging derivatives | - | 484 | 4,546 |
| **Total deferred outflows of resources** | $ 10,831 | $ 12,172 | $ 17,091 |
| **LIABILITIES** | | | |
| Current liabilities | $ 141,740 | $ 160,994 | $ 163,143 |
| Long-term debt | 451,598 | 477,954 | 508,811 |
| Other | 39,646 | 40,097 | 39,753 |
| **Total liabilities** | $ 632,984 | $ 679,045 | $ 711,707 |
| **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 | $ 441,419 | $ 426,247 | $ 370,364 |
| Restricted, expendable and not expendable | 45,160 | 44,372 | 43,355 |
| Unrestricted: | | | |
| Designated | 399,132 | 422,000 | 429,132 |
| Undesignated (unallocated) | - | 1,706 | 2,259 |
| **Total net position** | $ 885,711 | $ 894,325 | $ 845,110 |

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 2018 to Fiscal Year 2017 (Pre GASB 68/75)</u>**

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.

## Comparison of Fiscal Year 2017 to Fiscal Year 2016 (Pre GASB 68/75)

At June 30, 2017, the University's current assets of $303.4 million were sufficient to cover current liabilities of $161.0 million (current ratio of 1.9). At June 30, 2016, current assets of $386.9 million were sufficient to cover current liabilities of $163.1 million (current ratio of 2.4).

At June 30, 2017, total University assets and deferred outflows of resources were $1, 573.4 million, compared to $1, 556.8 million at June 30, 2016. The increase of $16.6 million is mainly attributed to an increase in capital assets of $53.0 million due to the capitalization of construction projects mostly related to the Foundations of Excellence initiative, and an increase in the overall investment portfolio of $26.3 million. These increases were offset by decreases in overall cash of $57.9 million, primarily in restricted cash due to the continued spend down of bond proceeds.

University liabilities and deferred inflows of resources total $679.0 million at June 30, 2017 compared to $711.7 million at June 30, 2016. The decrease of $32.7 million is primarily due to the decrease in debt of 30.9 million.

Total net position increased by $49.2 million to $894.3 million. The $49.2 million increase in net position is primarily due to significant market gains and increased capital appropriations from the state totaling 73.7 million, offset by an increase in total operating expenses of $22.2 million.

## 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.

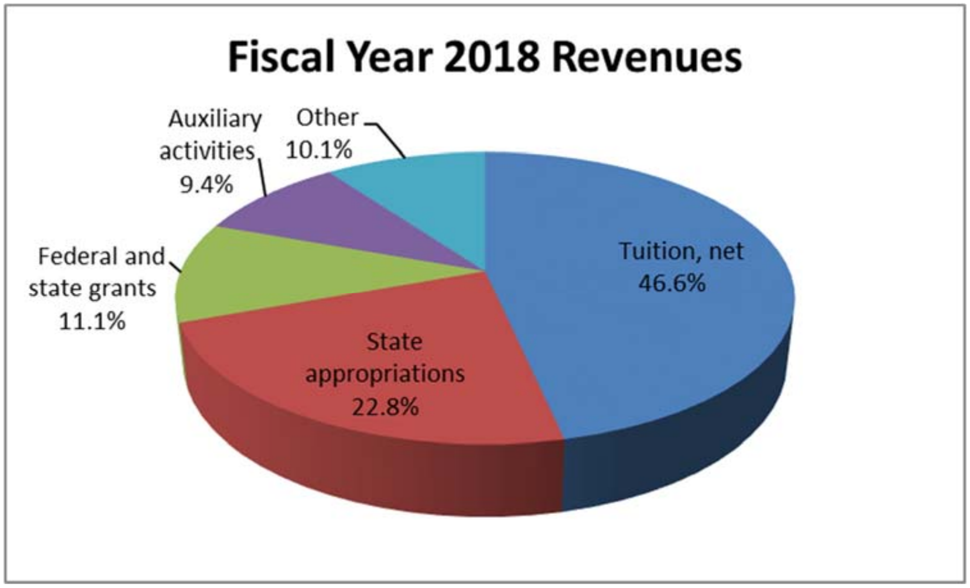
**Kent State University**
**Condensed Statement of Revenues, Expenses and Changes in Net Position (Pre-GASB 68/75)**
**for the years ended June 30, 2018, 2017 and 2016**
**(in thousands)**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| **Operating Revenues** | | | |
| Tuition, net | $ 319,261 | $ 337,750 | $ 338,653 |
| Federal and state grants | 28,526 | 29,175 | 29,538 |
| Auxiliary activities | 64,535 | 96,038 | 97,262 |
| Other operating revenue | 18,041 | 17,430 | 16,785 |
| Total operating revenues | 430,363 | 480,393 | 482,238 |
| **Non-Operating Revenues** | | | |
| State appropriations | 156,299 | 152,230 | 145,595 |
| Federal Pell grant revenue | 47,849 | 47,522 | 50,954 |
| Other non-operating revenue | 55,857 | 87,996 | 14,022 |
| Total non-operating revenues | 260,005 | 287,748 | 210,571 |
| **Total revenues** | $ 690,368 | $ 768,141 | $ 692,809 |
| | | | |
| **Operating Expenses** | | | |
| Instruction | $ 263,308 | $ 248,414 | $ 239,084 |
| Institutional support | 83,489 | 87,557 | 81,986 |
| Scholarships and fellowships | 40,079 | 38,648 | 38,505 |
| Auxiliary activities | 67,758 | 93,544 | 93,432 |
| Other operating expense | 227,787 | 233,111 | 226,018 |
| Total operating expense | 682,421 | 701,274 | 679,025 |
| Non-operating expense | 16,561 | 17,652 | 14,168 |
| **Total expenses** | $ 698,982 | $ 718,926 | $ 693,193 |

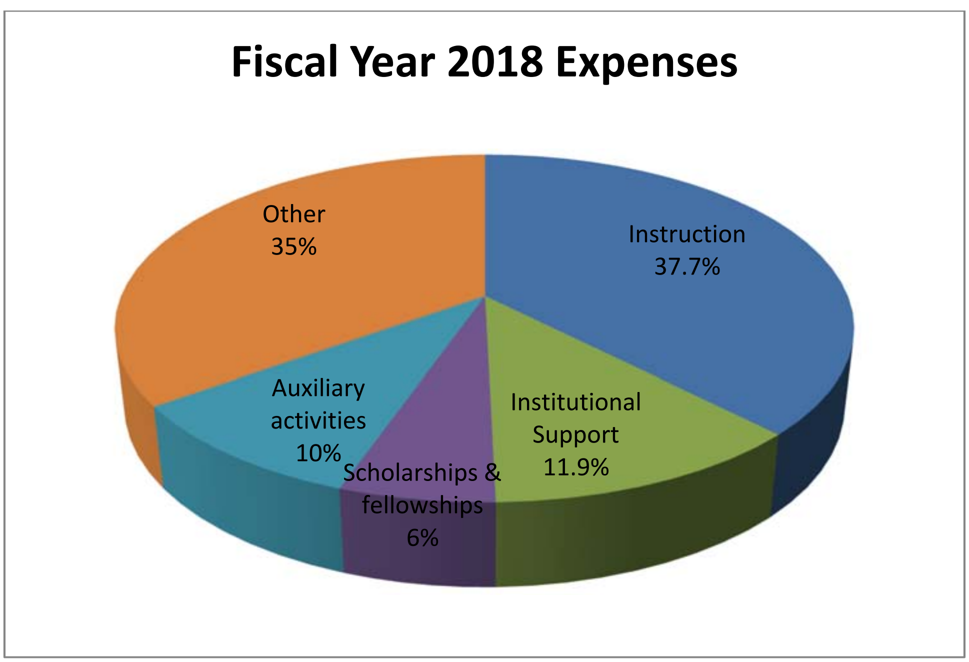
Included in the other operating revenue category on the above table is local and private grant revenue and sales and services of educational activities. Included in the non-operating revenue category is federal Pell grants, gifts, investment income, capital appropriations, and other non-operating revenue.

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.

The following chart shows the breakdown of total revenues. Tuition is the largest source of revenue at 46.6% followed by State appropriations at 22.8%.




The following chart shows the breakdown of total expenses. Instruction is the largest expense at 37.7% followed by other at 35.0%. The other category includes both operating and non-operating expenses as indicated above. As stated earlier, the below chart depicts expenses prior to any GASB 68 or GASB 75 adjustment.



**During the year ended June 30, 2018:**

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.

**During the year ended June 30, 2017:**

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 $1.8 million or .38%. The most significant non-operating revenue is state appropriations. State appropriations totaled $152.2 million in fiscal year 2017, which was a 4.6% increase over fiscal year 2016. The increase can be attributed to a larger state appropriation funding pool and improved performance related to course and degree completions. Other non-operating revenue categories with significant increases were in investment income and capital appropriations. Due to positive market conditions, the University recognized realized and unrealized gains of $25.3 million and $36.9 million was provided to the University by the State of Ohio for various capital projects.

Operating expenses, including depreciation of $51.4 million, totaled $701.3 million. Of the operating expenses, instruction expense and institutional support increased in total by $14.9 million. These increases can be attributed to increases in headcount, wage increases and overall increases to health insurance cost, as well as the recognition of $7.2 million in expenses related to an employee separation plan for staff personnel.

## 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, 2018, 2017 and 2016**
**(in thousands)**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Cash (used in)/provided by: | | | |
| Operating activities | $ (220,470) | $ (167,238) | $ (125,758) |
| Investing activities | (5,279) | 7,771 | (23,604) |
| Capital and related financing activities | (65,854) | (107,090) | (131,124) |
| Noncapital financing activities | 211,700 | 208,673 | 205,856 |
| Net decrease in cash | (79,903) | (57,884) | (74,630) |

During the year ended June 30, 2018:

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 employees ($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).

During the year ended June 30, 2017:

Major sources of cash included student tuition and fees ($246.7 million), state appropriations ($152.2 million), auxiliary activities ($95.5 million), and Federal Pell grants ($47.5 million). The largest payments were for employees ($324.3 million) and suppliers ($235.0 million). The decline in cash and cash equivalents is primarily in restricted cash as construction continues under the Foundations of Excellence initiative.

## Capital Asset and Debt Administration

### Capital Assets

At the end of 2018, the University had invested $929.8 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 $5.9 million, or 0.63 percent, over last year.

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

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Land | $ 31.7 | $ 30.9 | $ 30.4 |
| Equipment | 32.1 | 35.3 | 37.9 |
| Buildings and improvements | 815.0 | 735.8 | 687.7 |
| Construction in progress | 51.0 | 133.7 | 126.7 |
| **Total** | $ 929.8 | $ 935.7 | $ 882.7 |

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 $478.2 million in bonds and notes outstanding—a decrease of $26.3 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)*

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| General receipts bonds (backed by the University) | $ 398.9 | $ 418.3 | $ 437.4 |
| Tax Revenue Energy Bonds | 30.9 | 34.4 | 37.8 |
| Capital leases | 48.4 | 51.7 | 59.3 |
| | $ 478.2 | $ 504.4 | $ 534.5 |

## 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 2018, the University continued to experience overall enrollment decreases, primarily in international students and graduate students. The University expects continued enrollment challenges in the future due to demographic trends and is taking steps to address this 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 2018 was at 80.1 percent and the six-year graduation rate was at 56.3 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.

As previously noted, state appropriations increased during fiscal year 2018 but the overall appropriations pool will remain the same in the next fiscal year. The increase in fiscal year 2018 has been the result of increases in the overall state appropriation pool as well as the University's performance related to course and degree completions. Undergraduate tuition has held constant since the 2015-16 academic year. Under the new state biennium budget, a tuition guarantee model is encouraged to provide budget certainty and affordability to students. The University implemented this model beginning with the Fall 2018 semester.

Also included in the state's budget bill was a requirement to all Ohio institution's board of trustees to continue annual reporting related to the efficiency review and implementation plan. Ohio's legislature continues to focus on ways for Ohio's institutions to cut overall costs and ultimately pass along those savings to the students in an effort to improve the affordability of higher education in Ohio. The University completed its review and submitted the implementation plan on July 29, 2016. A number of initiatives were implemented during fiscal year 2018 including the implementation of an employee separation plan coupled with strategic position control, which provided $16.5 million in gross salary savings, energy stewardship, and changes in investment management. These initiatives drove savings of $22.4 million, which have benefitted students through reduced cost or enhanced service. Future areas of focus will include shared service opportunities, fleet management opportunities and the continued review of healthcare plans.

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 next three years. This phase is being financed based on a combination of state capital funds, philanthropy, public-private partnerships and university funds, which have been 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 is well positioned for future success.

# KENT STATE UNIVERSITY
# STATEMENT OF NET POSITION
## For the years ended of June 30, 2018 and 2017
## (in thousands)

| | University 2018 | University 2017 | University Related Foundation 2018 | University Related Foundation 2017 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 34,506 | $ 98,924 | $ 2,749 | $ 4,693 |
| Short-term investments | 371,914 | 168,258 | 179,389 | 163,424 |
| Accounts and pledges receivable, net | 29,383 | 29,004 | 9,438 | 5,822 |
| Inventories | 963 | 1,119 | - | - |
| Deposits and prepaid expenses | 6,586 | 5,503 | - | - |
| Accrued interest receivable | 783 | 559 | 745 | 440 |
| Total current assets | 444,135 | 303,367 | 192,321 | 174,379 |
| Noncurrent assets: | | | | |
| Restricted cash | 12,834 | 28,319 | - | - |
| Student loans receivable, net | 36,602 | 35,195 | - | - |
| Note receivable | | - | 14,426 | 14,426 |
| Long-term investments | 84,471 | 258,620 | 5,336 | 2,128 |
| Long-term pledges receivable, net | | - | 11,006 | 6,179 |
| Capital assets, net | 929,785 | 935,668 | 11,683 | 11,938 |
| Derivative instrument - swap asset | 1,841 | - | | - |
| Other assets | 37 | 29 | 4,397 | 4,344 |
| Total noncurrent assets | 1,065,570 | 1,257,831 | 46,848 | 39,015 |
| Total assets | $ 1,509,705 | $ 1,561,198 | $ 239,169 | $ 213,394 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred amortization on bond refundings | $ 10,831 | $ 11,688 | $ - | $ - |
| Accumulated change in FV of hedging derivatives | - | 484 | - | - |
| Deferred outflows arising from GASB 68 | 113,273 | 137,450 | - | - |
| Deferred outflows arising from GASB 75 | 9,281 | - | - | - |
| Total deferred outflows of resources | 133,385 | 149,622 | - | - |
| **LIABILITIES** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | $ 47,369 | $ 65,729 | $ 956 | $ 769 |
| Accrued payroll | 14,074 | 14,199 | - | - |
| Payroll taxes and accrued fringe benefits | 20,293 | 21,569 | - | - |
| Unearned revenue and deposits | 33,438 | 32,551 | - | - |
| Derivative instrument - swap liability | - | 484 | - | - |
| Current portion of long-term debt | 26,566 | 26,462 | - | - |
| Total current liabilities | 141,740 | 160,994 | 956 | 769 |
| Noncurrent liabilities: | | | | |
| Accrued compensated absences | 23,026 | 23,558 | - | - |
| Accrued liabilities | 15,912 | 15,912 | 3,682 | 3,363 |
| Net pension liability | 401,545 | 581,691 | - | - |
| Net OPEB liability | 135,672 | - | - | |
| Long-term unearned fees and deposits | 708 | 627 | 10,585 | 8,765 |
| Long-term debt | 451,598 | 477,954 | 9,734 | 9,734 |
| Total noncurrent liabilities | 1,028,461 | 1,099,742 | 24,001 | 21,862 |
| Total liabilities | $ 1,170,201 | $ 1,260,736 | $ 24,957 | $ 22,631 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Net deferred inflows arising from GASB 68 | $ 51,428 | $ 5,754 | $ - | $ - |
| Net deferred inflows arising from GASB 75 | 12,269 | - | - | - |
| Net deferred inflows from the accumulated change in hedging derivatives | 1,841 | - | - | - |
| Total deferred inflows of resources | 65,538 | 5,754 | - | - |
| **NET POSITION** | | | | |
| Net investment in capital assets | $ 441,419 | $ 426,247 | $ 11,683 | $ 11,938 |
| Restricted, nonexpendable | 5,883 | 5,883 | 59,650 | 50,429 |
| Restricted, expendable for loans | 39,277 | 38,489 | 126,932 | 113,728 |
| Unrestricted | (79,228) | (26,289) | 15,947 | 13,668 |
| Total net position | $ 407,351 | $ 444,330 | $ 214,212 | $ 189,763 |

# KENT STATE UNIVERSITY
# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
## For the years ended of June 30, 2018 and 2017
## (in thousands)

| | University | | University Related Foundation | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **OPERATING REVENUES** | | | | |
| Student tuition and fees | $ 409,802 | $ 419,901 | $ - | $ - |
| Less scholarship allowances | (90,541) | (82,151) | - | - |
| Net student tuition and fees | 319,261 | 337,750 | - | - |
| Federal grants and contracts | 19,633 | 21,314 | - | - |
| State grants and contracts | 8,893 | 7,861 | - | - |
| Local grants and contracts | 174 | 235 | - | - |
| Nongovernmental grants and contracts | 4,778 | 4,083 | - | - |
| Sales and services of educational departments | 13,089 | 13,112 | - | - |
| Auxiliary activities (net of allowances of $6,037 and $6,048 for June 30, 2018 and 2017, respectively) | 64,535 | 96,038 | - | - |
| Total operating revenues | $ 430,363 | $ 480,393 | $ - | $ - |
| **OPERATING EXPENSES** | | | | |
| Instruction | 201,517 | 268,008 | - | - |
| Research | 13,753 | 15,632 | - | - |
| Public service | 11,162 | 16,892 | - | - |
| Academic support | 52,107 | 71,831 | - | - |
| Student services | 30,326 | 39,151 | - | - |
| Institutional support | 66,452 | 93,160 | 11,819 | 13,075 |
| Scholarships and fellowships | 40,079 | 38,648 | 4,872 | 4,643 |
| Operation and maintenance of plant | 39,278 | 47,639 | - | - |
| Auxiliary activities | 59,072 | 96,436 | - | - |
| Depreciation | 51,924 | 51,447 | 254 | 254 |
| Total operating expenses | 565,670 | 738,844 | 16,945 | 17,972 |
| Operating loss | $ (135,307) | $ (258,451) | $ (16,945) | $ (17,972) |
| **NONOPERATING REVENUES (EXPENSES)** | | | | |
| State appropriations | 156,299 | 152,230 | - | - |
| Federal Pell Grant revenue | 47,849 | 47,522 | - | - |
| Gifts | 9,004 | 10,639 | 25,565 | 24,865 |
| Investment income/(loss) | 26,357 | 34,317 | 15,446 | 20,628 |
| Interest on capital asset-related debt | (16,561) | (17,652) | - | - |
| Other nonoperating revenues/expenses | 4,996 | 6,101 | 383 | 364 |
| Net nonoperating revenues | 227,944 | 233,157 | 41,394 | 45,857 |
| (Loss)/income before other revenues, expenses, gains or losses | 92,637 | (25,294) | 24,449 | 27,885 |
| Capital appropriation | 15,500 | 36,939 | - | - |
| Increase/(Decrease) in net position | $ 108,137 | $ 11,645 | $ 24,449 | $ 27,885 |
| **NET POSITION** | | | | |
| Net position, beginning of year | 444,330 | 432,685 | 189,763 | 161,878 |
| Adjustment to beginning net position related to GASB 75 (Note 2) | (145,116) | - | - | - |
| Adjusted net position, beginning of year | 299,214 | 432,685 | 189,763 | 161,878 |
| Net position, end of year | $ 407,351 | $ 444,330 | $ 214,212 | $ 189,763 |

# KENT STATE UNIVERSITY
# STATEMENT OF CASH FLOWS
## For the years ended of June 30, 2018 and 2017
## (in thousands)

| | 2018 | 2017 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from students for tuition and fees | $ 226,479 | $ 246,690 |
| Cash received from auxiliary activities | 65,037 | 95,458 |
| Cash received from other sources | 9,129 | 14,965 |
| Grants and contracts | 35,533 | 34,289 |
| Federal student loan funds received | - | 31 |
| Cash paid to employees | (326,961) | (324,342) |
| Cash paid to suppliers | (229,687) | (234,329) |
| Net cash used in operating activities | (220,470) | (167,238) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from sale and maturities of investments | 663,937 | 97,762 |
| Purchases of investments | (748,474) | (99,872) |
| Interest received | 79,258 | 9,881 |
| Net cash provided by/(used in) investing activities | (5,279) | 7,771 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Principal payments under debt obligations, net | (21,544) | (24,969) |
| Interest paid | (20,964) | (21,535) |
| Loss on disposal of capital assets | 853 | 358 |
| Purchases of capital assets | (31,099) | (67,045) |
| Other payments | 6,900 | 6,101 |
| Net cash used in capital and related financing activities | (65,854) | (107,090) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Cash received from State appropriations | 156,299 | 152,230 |
| Gifts received from KSU Foundation | 8,959 | 10,645 |
| Cash received from Federal Pell grants | 47,849 | 47,522 |
| Student loans granted, net of repayments | (1,407) | (1,724) |
| Net cash provided by noncapital financing activities | 211,700 | 208,673 |
| Net decrease in cash and cash equivalents | (79,903) | (57,884) |
| **CASH AND CASH EQUIVALENTS, (INCLUDING RESTRICTED CASH), BEGINNING OF YEAR** | 127,243 | 185,127 |
| **CASH AND CASH EQUIVALENTS, (INCLUDING RESTRICTED CASH), END OF YEAR** | $ 47,340 | $ 127,243 |

**KENT STATE UNIVERSITY**
**STATEMENT OF CASH FLOWS-CONTINUED**
**For the years ended of June 30, 2018 and 2017**
**(in thousands)**

| | 2018 | 2017 |
|---|---|---|
| Reconciliation of net operating loss to net cash used in operating activities: | | |
| Operating loss | $ (135,307) | $ (258,451) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation expense | 51,924 | 51,447 |
| Change in assets and deferred outflows and liabilities and deferred inflows: | | |
| Accounts receivable, net | (334) | 1,175 |
| Inventories | 156 | 276 |
| Deposits and prepaid expenses | (1,083) | 422 |
| Deferred outflows of resources - GASB 68 | 24,177 | (49,589) |
| Deferred outflows of resources - GASB 75 | (8,682) | - |
| Accounts payable and accrued liabilities | (18,110) | (5,216) |
| Net pension liability | (180,146) | 107,671 |
| Net OPEB liability | (10,043) | - |
| Accrued payroll | (125) | 818 |
| Payroll taxes and accrued fringe benefits | (1,276) | 4,666 |
| Unearned fees and deposits | 968 | (657) |
| Accrued compensated absences | (532) | 712 |
| Deferred inflows of resources - GASB 68 | 45,674 | (20,512) |
| Deferred inflows of resources - GASB 75 | 12,269 | - |
| Total change in assets and deferred outflows and liabilities and deferred inflows | (137,087) | 39,766 |
| Net cash used in operating activities | $ (220,470) | $ (167,238) |

**Noncash Capital and Financing Activities**

There were no noncash capital and financing activities during fiscal year 2018 or 2017.

## (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, specifically related to holding assets for other organizations and alumni/student clubs. 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 88 – Debt Disclosures*

The University will be required to implement the provisions of GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, effective with the fiscal year ending June 30, 2020. This GASB Statement aims to improve the disclosure of information in the notes to financial statements related to debt. The University is in the process of determining the full impact of this standard on its financial statements.

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 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 fair 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 refundings 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 a 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, as of June 30, 2018. 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 (STRS/OPERS) and additions to/deductions from STRS'/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/OPERS. STRS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, STRS/OPERS 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 Principle

The GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires governments providing other postemployment benefit (OPEB) plans to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statements, the University has reported a change in accounting principle adjustment to unrestricted net position of $145,116, which is the net of the net OPEB liability and related deferred outflows of resources as of July 1, 2017. June 30, 2017 amounts have not been restated to reflect the impact of GASB No. 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended June 30, 2017.

## (3) Investments

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 time-frames.

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, 2018. 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.

**(in thousands)**

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, 2018 and 2017, the bank amount of the University's deposits was $43,844 and $81,766, respectively. Of that amount, $35,061 and $64,826, respectively, was insured. The remaining $8,783 and $16,940 at June 30, 2018 and 2017, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized.

The values of investments at June 30, 2018 and 2017 are as follows:

| | 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 |

| | 2017 | |
|---|---|---|
| | **Market Value** | **Cost** |
| Common stock | $ 238,380 | $ 183,640 |
| U.S. government agency obligations | 5,718 | 5,800 |
| U.S. government obligations | 7,616 | 7,770 |
| Corporate bonds and notes | 6,906 | 6,689 |
| Mutual funds | 148,718 | 144,968 |
| State Treasury Asset Reserve of Ohio | 19,540 | 19,540 |
| Total | $ 426,878 | $ 368,407 |

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, 2018, the University realized a net gain of $71,361. During the year ended June 30, 2017, the University realized a net gain of $1,255. 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, 2018 was $16.843. The net appreciation in the fair value of investments during the year ended June 30, 2017 was $25,331. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year.

The unrealized depreciation on investments for the year ended June 30, 2018 was $(54,518). The unrealized appreciation on investments for the year ended June 30, 2017 was $24,076.

(in thousands)

The components of the net investment income are as follows:

| | Interest and dividends, net | Net appreciation/(depreciation) in market value of investments | Net investment income/(loss) |
|---|---|---|---|
| Total 2018 | $9,514 | $16,843 | $26,357 |
| Total 2017 | $8,986 | $25,331 | $34,317 |

**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, 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 |
| Total | $ 163,897 | $ 12,875 | $ 50,843 | $ 39,915 | $ 60,264 |

The maturities of the University's interest-bearing investments at June 30, 2017 are as follows:

| | | Investment Maturities (in years) | | | |
|---|---|---|---|---|---|
| | **Fair Value** | **Less than 1** | **1 to 5** | **6 to 10** | **More than 10** |
| U.S. government obligations | $ 7,616 | $ 480 | $ 7,136 | $ - | $ - |
| U.S. government agency obligations | 5,718 | 125 | 1,124 | 1,150 | 3,319 |
| Corporate bonds and notes | 6,906 | 208 | 3,315 | 1,604 | 1,779 |
| Bond mutual funds | 83,119 | 8,949 | 21,595 | 15,136 | 37,439 |
| Total | $ 103,359 | $ 9,762 | $ 33,170 | $ 17,890 | $ 42,537 |

**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.

(in thousands)

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

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

The credit ratings of the University's interest-bearing investments at June 30, 2017 are as follows:

| Credit Rating (S&P) | Total | U.S. Government Obligations | U.S. Agency Obligations | Corporate Bonds | Bond Mutual Funds |
|---|---|---|---|---|---|
| AAA | $ 51,478 | $ 7,616 | $ 77 | $ 857 | $ 42,928 |
| AA+ | - | - | - | - | - |
| AA | 16,392 | - | - | 275 | 16,117 |
| AA- | 290 | - | - | 290 | - |
| A+ | 187 | - | - | 187 | - |
| A | 10,134 | - | - | 891 | 9,243 |
| OTHER | 24,878 | - | 5,641 | 4,406 | 14,831 |
| Total | $ 103,359 | $ 7,616 | $ 5,718 | $ 6,906 | $ 83,119 |

**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, 2018 and 2017, 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, 2018 and 2017:

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| FPA Crescent | $ - | $ 26,938 |
| IVA Worldwide | - | 27,471 |
| Doubleline | - | 22,961 |
| Metwest | - | 22,592 |
| Pimco All Asset | - | 19,973 |
| SEI World Equity | 62,904 | - |
| High Yield Bond Fund | 25,390 | - |
| SEI Core Fixed Income | 70,789 | - |
| SEI Core Property FD I | 24,036 | - |
| SEI Hdg FD SPC | 40,709 | - |

(in thousands)

## (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.

The University has the following recurring fair value measurements as of June 30, 2018 and June 30, 2017:

**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)

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Balance at June 30, 2017 | 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 | | | | |
| U.S.Government obligations | $ 7,616 | $ - | 7,616 | $ - |
| U.S. Government Agency securities | 5,718 | - | 5,718 | - |
| Corporate bonds | 6,906 | - | 6,906 | - |
| Debt mutual funds | 89,456 | 89,456 | - | - |
| Other | 12,269 | - | 12,269 | - |
| Total debt securities | 121,965 | 89,456 | 32,509 | - |
| Equity Securities | 163,774 | 163,774 | - | - |
| Private equity funds - International | 8,527 | - | - | 8,527 |
| Total investments by fair value level | 294,266 | $ 253,230 | $ 32,509 | $ 8,527 |
| **Investments measured at net asset value (NAV)** | | | | |
| Equity funds | 19,274 | | | |
| Equity long/short hedge funds | 40,618 | | | |
| Global opportunities hedge funds | 10,532 | | | |
| Multi-strategy hedge funds | 42,648 | | | |
| Total investments measured at NAV | 113,072 | | | |
| Total investments measured at fair value | $ 407,338 | | | |
| **Derivative instruments** | | | | |
| Interest rate swaps (liabilities) | $ (484) | | $ (484) | |

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

The fair value of debt securities at June 30, 2018 and 2017 was determined primarily based on Level 1 or Level 2 inputs. Inputs within Level 2 of the fair value hierarchy include inputs that are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are not directly observable for the asset or liability. The University records the fair value of these investments using estimated 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 fair value of private equity securities at June 30, 2018 and 2017 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.

(in thousands)

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, 2018 and 2017 includes investments of STAR Ohio of $81,396 and $19,540, 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:

**Investments Held at June 30**

| | June 30, 2018 | June 30, 2017 | | | |
|---|---|---|---|---|---|
| | Fair Value | Fair Value | Unfunded Commitments | Redemption Frequency, if Eligible | Redemption Notice Period |
| Equity funds | $ 2,953 | $ 19,274 | $ 32,103 | None | None |
| Equity long/short hedge fund | - | 40,618 | - | Quarterly | 45-90 days |
| Global opportunities hedge fund | - | 10,532 | - | Daily | None |
| Multi-strategy hedge fund | 45,221 | 42,648 | | Monthly | 10 business days prior to month end |
| U.S. Core Real Estate | 24,976 | - | - | Quarterly | 95 days |
| Total | $ 73,150 | $ 113,072 | $ 32,103 | | |

The equity funds and equity long/short hedge fund 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.

The global opportunities hedge fund class includes investments in hedge funds that transact in a diversified mix of securities based on global economic trends and may invest in various instruments including, but not limited to, U.S. and non-U.S. stocks, fixed income, credit instruments, commodities, currencies 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.

(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, 2018.

## (5) Accounts Receivable

Accounts receivable consist of the following as of June 30, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| Sponsor accounts | $ 3,961 | $ 5,357 |
| Student accounts | 19,525 | 21,295 |
| Other | 13,191 | 9,688 |
| | 36,677 | 36,340 |
| Less allowances for loss on accounts receivable | (7,294) | (7,336) |
| Accounts receivable, net | $ 29,383 | $ 29,004 |

In addition, the University has student loans receivable of $43,137 and $42,021 as of June 30, 2018 and 2017, respectively. The related allowances as of June 30, 2018 and 2017 are $6,535 and $6,826, respectively.

## (6) Capital Assets

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

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 |

(in thousands)

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.

Capital assets consist of the following as of June 30, 2017:

| | 2016 | Additions/ Transfers | Net Retirements | 2017 |
|---|---|---|---|---|
| Land | $ 30,403 | $ 774 | $ (280) | $ 30,897 |
| Infrastructure | 129,743 | 8,229 | | 137,972 |
| Buildings | 1,041,450 | 83,494 | | 1,124,944 |
| Equipment | 227,776 | 6,370 | (5,338) | 228,808 |
| Construction in progress | 126,858 | 7,551 | (661) | 133,748 |
| | 1,556,230 | 106,418 | (6,279) | 1,656,369 |
| Less accumulated depreciation | | | | |
| Infrastructure | (75,688) | (6,157) | (377) | (82,222) |
| Buildings | (407,801) | (36,480) | (680) | (444,961) |
| Equipment | (190,033) | (8,452) | 4,967 | (193,518) |
| | (673,522) | (51,089) | 3,910 | (720,701) |
| Capital assets, net | $ 882,708 | $ 55,329 | $ (2,369) | $ 935,668 |

Included in depreciation expense of $51,447 for the year ended June 30, 2017 is a loss of $358 from the disposal of obsolete capital assets. As of June 30, 2017, assets acquired under a capital lease obligation totaled $37,143 and the associated amortization expense on those assets are included in depreciation expense. During fiscal year 2017, amortization of $1,053 was recorded.

## (7) Long-term Liabilities

### Long-term Debt

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 $9,591 as of June 30, 2018. As of June 30, 2018, the outstanding principal of the 2016 and remaining 2009B General Receipts bond was $103,590 and $33,500, respectively. 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, 2018, the unamortized net bond premium was $16,446. The remaining premium on the 2009B General Receipts bonds as of June 30, 2018 was $31.

During fiscal year 2014, the University issued $28,415 in Series 2014A General Receipts bonds. The proceeds from the bond sale will be used for renovating, equipping and furnishing University residence hall facilities at the University's Tri-Towers complex. As of June 30, 2018, the outstanding principal of the 2014A bonds was $24,190. 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, 2018, the unamortized net bond premium was $725.

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, 2018, 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 will be used for constructing, renovating, equipping and furnishing various University academic, administrative and other campus buildings. As of June 30, 2018, the outstanding principal of the 2012A bonds was $154,200. 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, 2018, the unamortized net bond premium was $6,168.

In accordance with the General Receipts bonds Trust Agreement, the Series 2016, Series 2009B, Series 2014A, Series 2013A, and Series 2012A General Receipts' bonds are subject to mandatory or optional redemption.

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 will be used to fund the University's energy efficiency and conservation projects at its Kent campus. As of June 30, 2018, the outstanding principal of Series A and Series B bonds was $8,608 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 will be 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, 2018, the outstanding principal of the Series A and Series B bonds was $204 and $2,694, respectively. 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, 2018, the outstanding principal of Series A and Series B bonds was $4,632 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, 2018, the outstanding principal of the Series B bonds was $294. 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, 2018 was $17,490.

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, 2018, the principal balance was $16,375. 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 2013, as part of the merger with OCPM, the University assumed the debt from a pooled financing program for State of Ohio Higher Educational Facility Rate Demand Revenue Bonds. The proceeds were recorded as an obligation under capital lease by OCPM for the construction related to the improvement of the new main campus building. The University recorded this debt as a capital lease in the amount of $5,380. In fiscal year 2017, this debt totaling $4,610 was fully paid and the capital lease liability has been removed.

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, 2018, the total outstanding principal on the capital lease was $12,447.

**Notes to the Financial Statements**
**June 30, 2018 and 2017**
**(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 | 2012-2019 | 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 |
| Other | 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 |

**Notes to the Financial Statements**
**June 30, 2018 and 2017**
**(in thousands)**

Long-term debt consists of the following as of June 30, 2017:

| | Rates | Maturity | 2016 | Additions | Retirements | 2017 |
|---|---|---|---|---|---|---|
| General Receipts Bonds of 2009B | 2.0 - 5.0 | 2009-2032 | $ 53,080 | $ - | $ (9,620) | $ 43,460 |
| General Receipts Bonds of 2013A | 3.79 | 2028-2032 | 60,000 | - | - | 60,000 |
| General Receipts Bonds of 2012A | 3.0 - 5.0 | 2014-2042 | 160,925 | - | (3,280) | 157,645 |
| General Receipts Bonds of 2014A | 2.0 - 5.0 | 2014-2033 | 26,360 | - | (1,070) | 25,290 |
| 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 | 578 | - | (142) | 436 |
| Air Quality Dev. Tax Exempt Rev. Bond - Regional Campuses (A) | 2.75 | 2012-2019 | 967 | - | (376) | 591 |
| Air Quality Dev. Tax Credit Rev. Bond - Regional Campuses (B) | 4.86 | 2012-2019 | 2,694 | - | - | 2,694 |
| Air Quality Dev. Tax Exempt Rev Bond Residence Halls & Dining Svcs (A) | 2.62 | 2012-2025 | 7,206 | - | (1,270) | 5,936 |
| 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 | 11,889 | - | (1,629) | 10,260 |
| Air Quality Dev. Tax Exempt Rev Bond Kent Campus (B) | 3.65 | 2024-2027 | 7,500 | - | - | 7,500 |
| Other | various | various | 59,298 | | (7,582) | 51,716 |
| | | | 501,087 | - | (24,969) | 476,118 |
| Plus unamortized discount and premium | | | 33,416 | | (5,118) | 28,298 |
| Subtotal | | | 534,503 | $ - | $ (30,087) | 504,416 |
| Less current portion long-term debt | | | 25,692 | | | 26,462 |
| | | | $ 508,811 | | | $ 477,954 |

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, 2018, 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:

| Year | Principal | Interest | Hedging Derivatives, Net | Total |
|---|---|---|---|---|
| 2019 | $ 21,859 | $ 18,859 | $ 1,207 | $ 41,925 |
| 2020 | 22,456 | 17,991 | 1,207 | 41,654 |
| 2021 | 23,002 | 17,034 | 1,207 | 41,243 |
| 2022 | 23,864 | 16,054 | 1,207 | 41,125 |
| 2023 | 24,667 | 15,159 | 1,207 | 41,033 |
| 2024-2028 | 128,075 | 60,315 | 5,874 | 194,264 |
| 2029-2033 | 126,691 | 32,126 | 1,770 | 160,587 |
| 2034-2038 | 42,445 | 16,796 | | 59,241 |
| 2039-2042 | 41,735 | 5,255 | | 46,990 |
| Total | $ 454,794 | $ 199,589 | $ 13,679 | $ 668,062 |

**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, 2018.

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 a result of the July 1, 2012 merger with the Ohio College of Podiatric Medicine (OCPM), the University assumed the OCPM capital lease and the associated swap. The debt was fully paid as of June 30, 2017, the swap was terminated, and both the deferred outflow of resources and swap liability in the amount of $31 were removed.

As of June 30, 2018, the University has recorded a deferred outflow 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. As of June 30, 2017, the University recorded a deferred outflow of resources and a related swap liability in the amount of $484 for the at-the-market swap. The change in fair value totaled $4,515 in fiscal year 2017 and resulted in a deferred outflow 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 $1,028 at June 30, 2018. At June 30, 2018 and 2017 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, 2018, the interest rate on the University's Series 2013A hedged variable-rate debt is 2.14 percent, while 67 percent of LIBOR is 1.33 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.

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 asset positions and the net exposure to credit risk with any individual counterparty is $1,841 and $0 at June 30, 2018 and 2017, 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, 2018 and 2017 is $17,869 and $18,227, respectively.

(in thousands)

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, 2018 and 2017 is $5,157 and $5,331, respectively.

A summary of accrued compensated absences at June 30, 2018 and 2017 is as follows:

| For the year ended | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| June 30, 2018 | $ 23,558 | $ 1,718 | $ 2,250 | $ 23,026 |
| June 30, 2017 | $ 22,846 | $ 2,568 | $ 1,856 | $ 23,558 |

## (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.

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.

(in thousands)

Member contributions are set at the maximums authorized by the ORC. 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% |
| OPERS - Law Enforcement (through 12/31/17) | 17.10% | 1.00% | 0.00% | 18.10% | 13.00% |
| OPERS - Law Enforcement (beginning 1/1/18) | 18.10% | 0.00% | 0.00% | 18.10% | 13.00% |

The plans' 2017 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 (beginning 7/1/16) | 14.00% | 0.00% | 0.00% | 14.00% | 14.00% |
| OPERS - State/Local (through 12/31/16) | 12.00% | 2.00% | 0.00% | 14.00% | 10.00% |
| OPERS - State/Local (beginning 1/1/17) | 13.00% | 1.00% | 0.00% | 14.00% | 10.00% |
| OPERS - Law Enforcement (through 12/31/16) | 16.10% | 2.00% | 0.00% | 18.10% | 13.00% |
| OPERS - Law Enforcement (beginning 1/1/17) | 17.10% | 1.00% | 0.00% | 18.10% | 13.00% |

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

| | For the years ended 6/30 | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Pension | OPEB | Pension | OPEB |
| STRS | 17,935 | - | 18,267 | - |
| OPERS | 16,604 | 589 | 15,262 | 1,796 |
| | 34,539 | 589 | 33,529 | 1,796 |

**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.

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.

In addition to the benefits described above, Ohio Law provides that the University fund postretirement healthcare benefits to retirees and their dependents through employer contributions. The portion of employer contributions, for all employers allocated to health care was 2.0 percent during calendar years 2017 and 2016.

(in thousands)

**Net Pension Liability, Deferrals, and Pension Expense** – At June 30, 2018 and 2017, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. For June 30, 2018, the net pension liability was measured as of July 1, 2017 for the STRS plan and December 31, 2017 for the OPERS plan. For June 30, 2017, the net pension liability was measured as of July 1, 2016 for the STRS plan and December 31, 2016 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.

| Plan | Measurement Date | Net Pension Liability 2018 | Net Pension Liability 2017 | Proportionate Share 2018 | Proportionate Share 2017 | Percent Change |
|---|---|---|---|---|---|---|
| STRS | July 1 | $ 269,810 | $ 385,343 | 1.14% | 1.15% | -0.01% |
| OPERS | December 31 | $ 131,735 | $ 196,348 | 0.85% | 0.87% | -0.02% |

For the years ended June 30, 2018 and 2017, the University recognized pension revenue of $67,968 and pension expense of $79,421, respectively. At June 30, 2018 and 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2018 Deferred Outflows of Resources | 2018 Deferred Inflows of Resources | 2017 Deferred Outflows of Resources | 2017 Deferred Inflows of Resources |
|---|---|---|---|---|
| Differences between expected and actual experience | $ 10,600 | $ 5,134 | $ - 15,880 | $ - 1,430 |
| Changes of assumptions | 74,997 | - | 31,340 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 37,626 | 61,426 | - |
| Changes in proportion and differences between University contributions and proportionate share of contributions | 1,143 | 8,668 | 2,597 | 4,324 |
| University contributions subsequent to the measurement date | 26,533 | - | 26,207 | - |
| Total | $ 113,273 | $ 51,428 | $ 137,450 | $ 5,754 |

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 |
|---|---|
| 2019 | $ 21,363 |
| 2020 | 19,173 |
| 2021 | 2,860 |
| 2022 | (8,010) |
| 2023 | (28) |
| Thereafter | (46) |

**(in thousands)**

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 (2019).

**Net OPEB Liability, Deferrals, and OPEB Expense -** At June 30, 2018, the University reported a liability for its proportionate share of the net OPEB liability of STRS/OPERS. For June 30, 2018, the net OPEB liability was measured as of July 1, 2017 for STRS, and December 31, 2017 for the OPERS plan. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017 for STRS and December 31, 2016 for OPERS. The University's proportion of the net OPEB liability was 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.

| Plan | Measurement Date | Net OPEB Liability 2018 | Proportionate Share 2018 |
|---|---|---|---|
| STRS | July 1, | $ 44,315 | 1.14% |
| OPERS | December 31 | $ 91,357 | 0.84% |

For the year ended June 30, 2018, the University recognized OPEB revenue of $(6,455). At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2018 Deferred Outflows of Resources | 2018 Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 2,629 | $ - |
| Changes of assumptions | 6,652 | 3,570 |
| Net difference between projected and actual earnings on pension plan investments | - | 8,699 |
| Changes in proportion and differences between University contributions and proportionate share of contributions | - | - |
| University contributions subsequent to the measurement date | - | - |
| Total | $ 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 |
|---|---|
| 2019 | 871 |
| 2020 | 871 |
| 2021 | (2,049) |
| 2022 | (2,343) |
| 2023 | (169) |
| Thereafter | (169) |

(in thousands)

**Actuarial Assumptions** – The total pension liability and OPEB liability is based on the results of an actuarial valuation and determined using the following actuarial assumption, applied to all periods in the measurement on June 30, 2018:

| | 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 | 3.25 percent |
| Investment rate of return - Pension | 7.45 percent, net of pension plan investment expense | 7.5 percent, net of plan investment expense |
| Investment rate of return - OPEB | 4.51 percent, net of investment expense, including inflation | 6.5 percent, net of pension plan investme |
| Health care cost trend rate | 6.00 percent to 11 percent initial, 4.5 ultimate | 7.50 percent initial, 3.25 percent ultimate in 2028 |
| Experience study date | Period of 5 years ended July 1, 2016 | Period of 5 years ended December 31, 2( |
| 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 2016, applied to all periods included in the measurement on June 30, 2017:

| | STRS - as of 6/30/16 | OPERS - as of 12/31/16 |
|---|---|---|
| Valuation date | July 1, 2016 | December 31, 2016 |
| Actuarial cost method | Entry age normal | Individual entry age |
| Cost of living | 2.0 percent | 3.0 percent |
| Salary increases, including inflation | 2.75 percent - 12.25 percent | 3.25 percent - 10.75 percent |
| Inflation | 2.75 percent | 3.25 percent |
| Investment rate of return | 7.75 percent, net of pension plan investment expense | 7.50 percent, net of pension plan investment expense |
| Experience study date | Period of 5 years ended July 1, 2012 | Period of 5 years ended December 31, 2( |
| Mortality basis | RP-2000 Combined Mortality Table (Projection 2022–Scale AA) | RP-2014 Healthly Annuitant mortality table |

**Discount Rate** – The discount rates used to measure the total pension liabilities at June 30, 2018 were 7.45 percent and 7.5 percent for STRS and OPERS, respectively. The discount rates used to measure the total pension liabilities at June 30, 2017 were 7.75 percent and 7.5 percent for STRS and OPERS, respectively. 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.

(in thousands)

The discount rates used to measure the total OPEB liabilities at June 30, 2018 were 4.13 percent and 3.85 percent for STRS and OPERS, respectively. 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 become insufficient to make all projected future benefit payments for current active and inactive employees for STRS and OPERS. 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 a 20-year municipal bond rate applied to the unfunded benefit payment period to determine the total OPEB liability.

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 pension 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. 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 the dates listed below:

| | STRS - As of 7/1/17 | | | OPERS - As of 12/31/17 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Defined Benefit Portfolio | | Health Care Portfolio | |
| Investment Category | Target Allocation | Long-term Expected Real Rate of Return | Investment Category | Target Allocation | Long-term Expected Real Rate of Return | Target Allocation | Long-term Expected Real Rate of Return |
| Domestic Equity | 28.00% | 5.10% | Fixed Income | 23.00% | 2.20% | 34.00% | 1.88% |
| International Equity | 23.00% | 5.30% | Domestic Equities | 19.00% | 6.37% | 21.00% | 6.37% |
| Alternatives | 17.00% | 4.84% | Real Estate | 10.00% | 5.26% | 0.00% | 0.00% |
| Fixed Income | 21.00% | 0.75% | Private Equity | 10.00% | 8.97% | 0.00% | 0.00% |
| Real Estate | 10.00% | 3.75% | International Equity | 20.00% | 7.88% | 22.00% | 7.88% |
| Liquidity Reserves | 1.00% | 0.00% | REITs | 0.00% | 0.00% | 6.00% | 5.91% |
| | | | Other Investments | 18.00% | 5.26% | 17.00% | 5.39% |
| Total | 100% | | Total | 100% | | 100% | |

| | STRS - As of 7/1/16 | | | OPERS - As of 12/31/16 | |
|---|---|---|---|---|---|
| Investment Category | Target Allocation | Long-term Expected Real Rate of Return | Investment Category | Target Allocation | Long-term Expected Real Rate of Return |
| Domestic Equity | 31.00% | 5.50% | Fixed Income | 23.00% | 2.75% |
| International Equity | 26.00% | 5.35% | Domestic Equities | 20.70% | 6.34% |
| Alternatives | 14.00% | 5.50% | Real Estate | 10.00% | 4.75% |
| Fixed Income | 18.00% | 1.25% | Private Equity | 10.00% | 8.97% |
| Real Estate | 10.00% | 4.25% | International Equity | 18.30% | 7.95% |
| Liquidity Reserves | 1.00% | 0.50% | Other Investments | 18.00% | 4.92% |
| Total | 100% | | Total | 100% | |

(in thousands)

**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:

**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 |

**2017**

| Plan | 1.00 percent decrease | | Current Discount Rate | | 1.00 percent increase | |
|---|---|---|---|---|---|---|
| STRS | 6.75% | 512,091 | 7.75% | 385,343 | 8.75% | 278,425 |
| OPERS | 6.50% | 300,746 | 7.50% | 196,348 | 8.50% | 109,385 |
| | | $ 812,837 | | $ 581,691 | | $ 387,810 |

**Sensitivity of the net OPEB liability to changes in the discount rate –** The following presents the net OPEB liability of the University, calculated using the discount rate listed below, as well as what the University's net OPEB 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.

**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 to changes in the health care cost trend rate** – The following presents the net OPEB liability of the University, calculated using the health care cost trend rate listed below, as well as what the University's net OPEB liability 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:

**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 as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent.

**Payable to the Pension Plan** – At June 30, 2018, the University reported a payable of $5,376 and $0 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018. The payable reported as of June 30, 2017, the University reported a payable of $7,758 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**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 elections 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 and 4.50 percent for STRS for the year ended June 30, 2018 and 2017, respectively and 2.44 percent and 0.77 percent for OPERS for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, employee contributions and pension expense recognized totaled $7,054 and $7,149, 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.

(in thousands)

At June 30, 2018 and 2017, the amounts on deposit with the Ohio Public Employees Deferred Compensation Board were $20,337 and $18,086, respectively, which represent the fair market value at such dates.

## (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, 2018 and 2017 were $68,648 and $65,705, respectively. A liability for unpaid claims (including incurred but not reported claims) in the amount of $13,329 and $12,423 has been accrued as of June 30, 2018 and 2017, 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, 2018, June 30, 2017, and June 30, 2016 is as follows:

| For the Years Ended | Balance | Additions | Reductions | Balance |
|---|---|---|---|---|
| June 30, 2018 | $ 12,423 | $ 69,554 | $ (68,648) | $ 13,329 |
| June 30, 2017 | $ 10,248 | $ 67,880 | $ (65,705) | $ 12,423 |
| June 30, 2016 | $ 10,280 | $ 60,160 | $ (60,192) | $ 10,248 |

The University has operating leases for the use of real property and moveable equipment. Total expenditures during 2018 and 2017 for operating leases amounted to approximately $643 and $612, respectively.

Future minimum payments on noncancelable operating leases subsequent to June 30, 2018 are as follows:

| Year | Operating Leases |
|---|---|
| 2019 | $ 582 |
| 2020 | 510 |
| 2021 | 430 |
| 2022 | 129 |
| 2023 | 10 |
| Total future minimum payments | $ 1,661 |

As of June 30, 2018, the University had commitments related to construction projects totaling $44,195. Of this amount, $2,629, or 5.95%, will be funded from bond proceeds.

The Federal Perkins Loan Program expired on September 30, 2017. As of June 30, 2018, the University has made $4,432 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 thousands)

## (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, 2018 are $9,285 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 $239,169 and $213,394 at June 30, 2018 and 2017 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 $8,479 and $10,409 of financial support during the years ended June 30, 2018 and 2017, respectively, from gifts to the Foundation specifically restricted by donors for University use and from private grants. Additionally, at June 30, 2018 and 2017, the University had outstanding receivables from the Foundation of approximately $150 and $105, respectively.

The value of investments for the Foundation at June 30, 2018 and 2017 is as follows:

| | Market Value 2018 | Market Value 2017 |
|---|---|---|
| Corporate stocks | $ 5,798 | $ 4,173 |
| Hedge funds | 15,327 | - |
| Real assets | 10,998 | 10,410 |
| Private equity | 5,337 | 2,128 |
| ETFs | 19,225 | 18,668 |
| Bonds | 94 | 98 |
| Bond trust | 11,544 | 11,559 |
| Mutual funds: | | |
| Large capitalization equity funds | 49,181 | 41,920 |
| Small/middle capitalization equity funds | 5,129 | 4,585 |
| International equity funds | 39,756 | 37,511 |
| Other mutual funds | 498 | 14,299 |

**Notes to the Financial Statements**
**June 30, 2018 and 2017**
**(in thousands)**

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.

The following tables present information about the investments measured at fair value on a recurring basis as of June 30, 2018 and 2017:

**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)

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

| | Balance at June 30, 2017 | Fair Value Measurements Using: 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 | $ 4,173 | $ 4,173 | - | $ - |
| ETFs | 18,668 | 18,668 | - | - |
| Mutual funds | | | | |
| Large capitalization equity funds | 41,919 | 41,919 | - | - |
| Small/middle capitalization equity funds | 4,585 | 4,585 | - | - |
| International equity funds | 37,511 | 37,511 | - | - |
| Multi-asset funds | 14,299 | 14,299 | - | - |
| Fixed income funds | 20,201 | 20,201 | - | - |
| Bonds | 98 | - | 98 | - |
| Total investments by fair value level | $ 141,454 | $ 141,356 | $ 98 | $ - |
| **Investments measured at net asset value (NAV)** | | | | |
| Private equity | 2,128 | | | |
| Real assets | 10,410 | | | |
| Bond trust | 11,559 | | | |
| Total investments measured at NAV | 24,097 | | | |
| Total investments measured at fair value | $ 165,551 | | | |

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.

(in thousands)

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

**Investments Held at June 30**

| | June 30, 2018 | June 30, 2017 | | | |
|---|---|---|---|---|---|
| | Fair Value | Fair Value | Unfunded Commitments | Redemption Frequency, if Eligible | Redemption Notice Period |
| Private equity | $ 5,337 | $ 2,128 | $ 4,970 | Not eligible | Not eligible |
| Hedge funds | 15,327 | - | - | Quarterly/Semi-annually | 75-90 days |
| Real assets | 10,998 | 10,410 | - | Monthly | 30 days |
| Bond trust | 11,544 | 11,559 | | Weekly | None |
| Total | $ 43,206 | $ 24,097 | $ 4,970 | | |

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.

**(in thousands)**

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

As of June 30, 2018 and 2017 net assets are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted |
|---|---|---|---|
| June 30, 2018 | | | |
| Available for expenditure: | | | |
| Current operations | $12,987,047 | $36,209,435 | $ - |
| Endowments | 2,410,312 | 56,974,113 | - |
| Earnings on endowments | - | 24,799,420 | - |
| Beneficial interests in perpetual trusts | - | - | 4,396,763 |
| Real estate | 549,121 | 1,848,823 | - |
| | 15,946,480 | 119,831,791 | 4,396,763 |
| Unavailable for expenditure: | | | |
| Endowments | - | - | 49,536,901 |
| Trusts | - | - | 4,056,012 |
| Uncollected pledges, net | - | 18,783,612 | 1,660,247 |
| | - | 18,783,612 | 59,649,923 |
| | $15,946,480 | $138,615,403 | $59,649,923 |

| | Unrestricted | Temporarily Restricted | Permanently Restricted |
|---|---|---|---|
| June 30, 2017 | | | |
| Available for expenditure: | | | |
| Current operations | $ 10,870,055 | $ 31,610,953 | $ - |
| Endowments | 2,249,007 | 56,414,770 | - |
| Earnings on endowments | - | 20,080,809 | - |
| Beneficial interests in perpetual trusts | - | 4,343,969 | - |
| Real estate | 549,121 | 1,848,823 | - |
| | 13,668,183 | 114,299,324 | - |
| Unavailable for expenditure: | | | |
| Endowments | - | - | 45,980,681 |
| Trusts | - | - | 3,813,178 |
| Uncollected pledges, net | - | 11,365,714 | 635,536 |
| | - | 11,365,714 | 50,429,395 |
| | $ 13,668,183 | $ 125,665,038 | $ 50,429,395 |

**(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, 2018:

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

As of June 30, 2017:

| Statement of Net Position (condensed): | |
|---|---|
| Total assets | $ 24 |
| Total liabilities | $ 24 |
| 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, 2018:

| Statement of Revenues, Expenses and Changes in Net Position (condensed): | |
|---|---|
| Operating revenues | $ 600 |
| Operating expenses | 1, 052 |
| Operating loss | (451) |
| Transfers | 451 |
| Change in net position | $ 0 |

For the year ended June 30, 2017:

| Statement of Revenues, Expenses and Changes in Net Position (condensed): | |
|---|---|
| Operating revenues | $ 683 |
| Operating expenses | 992 |
| Operating loss | (309) |
| Transfers | 309 |
| 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).

# 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

| | 2017 | | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|---|---|
| | 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 |
| University's proportion of the collective net pension liability: As a percentage | 0.84719% | 1.13579% | 0.86678% | 1.15121% | 0.87943% | 1.16549% | 0.85325% | 1.57020% |
| Amount | $ 131,736 | $ 269,810 | $ 196,348 | $ 385,343 | $ 151,914 | $ 322,106 | $ 102,582 | $ 281,426 |
| University's covered-employee payroll | $ 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 | 90.61% | 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 | 84.85% | 75.29% | 77.39% | 66.80% | 81.17% | 72.10% | 86.53% | 74.70% |

Schedule of the University's Pension Contributions

| | 2018 | | 2017 | | 2016 | | 2015 | |
|---|---|---|---|---|---|---|---|---|
| | OPERS | STRS | OPERS | STRS | OPERS | STRS | OPERS | STRS |
| Statutorily required contribution | $ 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 | $ 16,604 | $ 17,935 | $ 15,262 | $ 16,528 | $ 16,680 | $ 16,959 | $ 16,360 | $ 17,022 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | | $ - |
| Covered employee payroll | $ 144,780 | $ 155,814 | $ 146,087 | $ 151,084 | $ 142,041 | $ 145,798 | $ 139,224 | $ 142,396 |
| Contributions as a percentage of covered employee payroll | 11.47% | 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 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

| | 2017 | |
|---|---|---|
| | OPERS | STRS |
| Plan year end | December 31 | June 30 |
| University's proportion of the collective net OBEP liability: As a percentage | 0.84719% | 1.13579% |
| Amount | $ 91,357 | $ 44,314 |
| University's covered-employee payroll | $ 131,735 | $ 269,810 |
| University's proportional share of the collective pension liability (amount), as a percentage of the University's covered-employee payroll | 69.35% | 16.42% |
| Fiduciary net position as a percentage of the total OBEP liability | 77.25% | 47.11% |

Schedule of the University's OPEB Contributions

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

Notes to required supplementary information*:*

*Changes of benefit terms*. There were no changes in benefit terms affecting the STRS and OPERS plans for the plan years ended June 30, 2017 and December 31, 2017, respectively.

*Changes of assumptions*. There were no changes in assumptions affecting the STRS and OPERS plans for the plan years ended June 30, 2017 and December 31, 2017, respectively.

# 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, 2018 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 15, 2018.

**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 15, 2018

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

**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, 2018. 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 its major federal programs for the year ended June 30, 2018.

## 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 15, 2018

| 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 | $ - | $ 1,206,894 |
| Federal Work-Study Program | 84.033 | N/A | - | 1,572,631 |
| Federal Perkins Loan Program | 84.038 | N/A | - | 43,135,533 |
| Federal Pell Grant Program | 84.063 | N/A | - | 47,848,640 |
| Federal Direct Student Loans | 84.268 | N/A | - | 212,818,580 |
| Teacher Education Assistance for College and Higher Education Grants (TEACH GRANTS) | 84.379 | N/A | - | 1,075,578 |
| Total Department of Education | | | - | 307,657,856 |
| Department of Health and Human Services - Direct Programs: | | | | |
| Health Professional | 93.342 | N/A | - | 3,152,305 |
| Loans for Disadvantaged Students | 93.342 | N/A | - | 418,337 |
| Total | | | - | 3,570,642 |
| Nursing Student Loans | 93.364 | N/A | - | 2,089,618 |
| Total Department of Health and Human Services | | | - | 5,660,260 |
| **Total Student Financial Assistance Cluster** | | | - | 313,318,116 |
| **Research and Development Cluster** | | | | |
| Department of Agriculture - Direct Program: | | | | |
| Rural Technology Development Grants | 10.771 | N/A | - | 109,562 |
| Department of Commerce: | | | | |
| Direct Program - Climate and Atmospheric Research | 11.431 | N/A | - | 88,443 |
| Pass-through Programs: | | | | |
| Ohio State Research Foundation - Sea Grant Support | 11.417 | 60043509 | - | 756 |
| The Ohio State University - Sea Grant Support | 11.417 | 60058395 | 720 | 41,981 |
| The Ohio State University - Sea Grant Support | 11.417 | 60061401 | - | 3,422 |
| Ohio State Research Foundation - Sea Grant Support | 11.417 | 60055314 | - | 5,411 |
| Total | | | 720 | 51,570 |
| The Ohio State University - Coastal Zone Management Administration Awards | 11.419 | 60059113 | - | 35,753 |
| Total Department of Commerce | | | 720 | 175,766 |
| Department of Defense: | | | | |
| Direct Programs: | | | | |
| Basic Scientific Research | 12.431 | N/A | - | 111,495 |
| Department of Defense Contract | 12.RD | N/A | - | 3,101 |
| Pass-through Programs: | | | | |
| University of Massachusetts Amherst - Basic and Applied Scientific Research | 12.300 | 18-010467 E 00 | - | 79 |
| Lee Moffitt Cancer Center - Military Medical Research and Development | 12.420 | 12-18717-99-01-G3 | - | 298,647 |
| Geisinger Medical Center - Military Medical Research and Development | 12.420 | 6917961 | - | 11,632 |
| Total | | | - | 310,279 |
| United States Army Research Office - Basic Scientific Research | 12.431 | W911NF-17-1-0456 | - | 68,539 |
| United States Army Research Office - Basic Scientific Research | 12.431 | W911NF-18-2-0024 | - | 31,125 |
| Total | | | - | 99,664 |
| Universal Technology Corporation - Department of Defense Contract | 12.RD | 15-S7411-03-C1 | - | (76) |
| Zymergen Inc. - Department of Defense Contract | 12.RD | 00040555 | - | 199,003 |
| Defense Engineering Corp. - Department of Defense | 12.RD | PO 10257 | - | 22,827 |
| UES, Inc. - Department of Defense Contract | 12.RD | S-114-005-007 | - | 108,754 |
| Total | | | - | 330,508 |
| Total Department of Defense | | | - | 855,126 |

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 the Interior: | | | | |
| Direct Programs: | | | | |
| Geological Survey Research and Data Acquisition | 15.808 | N/A | $ - | $ 22,882 |
| National Cooperative Geologic Mapping Program (B) | 15.810 | N/A | - | 11,661 |
| Pass-through Program: The Ohio State University - Assistance to State Water Resources Research Institutes | 15.805 | 60054049 | - | 3,304 |
| Total Department of the Interior | | | - | 37,847 |
| Department of Justice: | | | | |
| Direct Programs: | | | | |
| Justice Research Development and Evaluation Projec | 16.560 | N/A | - | 3,648 |
| Department of Justice Contract | 16.RD | N/A | - | 9,638 |
| Pass-through Programs: | | | | |
| Syracuse University - National Institute of Justice W.E.B. DuBois Fellowship Program (B) | 16.566 | 29120-04479-S21 | - | 30,689 |
| Ohio Criminal Justice Studies - Community Prosecution and Project Safe Neighborhoods (B) | 16.609 | 2016-PS-PSN-432 | - | 77,145 |
| City of Cleveland, Ohio - Edward Byrne Memorial Justice Assistance Grant Program (A,B) | 16.738 | 2015-175 | - | (77) |
| Ohio Criminal Justice Studies - Edward Byrne Memorial Justice Assistance Grant Program (A,B) | 16.738 | 2016-JG-C01-6947 | - | 16,696 |
| Total | | | - | 16,619 |
| Total Department of Justice | | | - | 137,739 |
| Department of Transportation - Pass-through Program: | | | | |
| Ohio Department of Transportation - Highway Planning and Construction | 20.205 | 27886 | - | 12,503 |
| Appalachian Regional Commission - Direct Program: | | | | |
| Appalachian Supplements to Federal Grant-in-Aid (Community) | 23.002 | N/A | - | 75,000 |
| National Aeronautics and Space Administration: | | | | |
| Direct Programs: | | | | |
| Science | 43.001 | N/A | 21,360 | 136,707 |
| Space Operations | 43.007 | N/A | - | 44,638 |
| NASA Contract | 43.RD | N/A | - | 20,046 |
| NASA Contract | 43.RD | N/A | - | 84,917 |
| Pass-through Programs: | | | | |
| College of Charleston - Educatior | 43.008 | 521202-KENT | - | 24,577 |
| Case Western Reserve University - NASA Contrac | 43.RD | 800315272 | - | 17,058 |
| Yanhai Power LLC - NASA Contrac | 43.RD | NNX15CC12C-KSU | - | 34,384 |
| Ohio Space Grant Consortium - NASA Contrac | 43.RD | 00035652 | - | 2,568 |
| Ohio Space Grant Consortium - NASA Contrac | 43.RD | KSU418748 | - | 5,343 |
| Ohio Space Grant Consortium - NASA Contrac | 43.RD | KSU418751 | - | 1,357 |
| Ohio Space Grant Consortium - NASA Contrac | 43.RD | KSU418754 | - | 4,683 |
| Ohio Space Grant Consortium - NASA Contract | 43.RD | 418743 | - | 4,432 |
| Total | | | - | 69,825 |
| Total National Aeronautics and Space Administration | | | 21,360 | 380,710 |
| National Endowment for the Humanities - Direct Program: | | | | |
| Promotion of the Humanities Public Programs | 45.164 | N/A | - | 8,916 |
| Institute of Museum and Library Services - Direct Program: | | | | |
| National Leadership Grants | 45.312 | N/A | 8,424 | 16,613 |

| 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):** | | | | |
| National Science Foundation | | | | |
| Direct Programs: | | | | |
| Engineering Programs | 47.041 | N/A | $ - | $ 352,482 |
| Mathematical and Physical Sciences | 47.049 | N/A | - | 1,984,100 |
| Geosciences | 47.050 | N/A | - | 183,274 |
| Computer and Information Science and Engineering | 47.070 | N/A | 8,819 | 332,978 |
| Biological Sciences | 47.074 | N/A | - | 103,174 |
| Social Behavioral and Economic Sciences | 47.075 | N/A | 6,748 | 103,395 |
| Education and Human Resources | 47.076 | N/A | 8,468 | 413,127 |
| Office of International Science and Engineering | 47.079 | N/A | - | 10,340 |
| Pass-through Programs: | | | | |
| Kent Displays, Inc. - Engineering Grants | 47.041 | 2015-1 | - | 29,505 |
| The University of Akron - Engineering Grants | 47.041 | 03433-KSU1 | - | 2,170 |
| Washington State University - Engineering Grants | 47.041 | 120239 G003233 | - | 44,236 |
| Total | | | - | 75,911 |
| Clemson University - Biological Sciences | 47.074 | 1735-206-2010169 | - | 15,223 |
| San Diego State University - Social Behavioral and Economic Sciences | 47.075 | SA0000404 | - | 17,519 |
| Carnegie Mellon University - Social Behavioral and Economic Sciences | 47.075 | 1122573-390590 | - | 47,547 |
| Total | | | - | 65,066 |
| Missouri State University - Education and Human Resources | 47.076 | 16043-002 | - | 43,617 |
| Total National Science Foundation | | | 24,035 | 3,682,687 |
| Department of Energy: | | | | |
| Direct Program: | | | | |
| Basic Energy Sciences University and Science Education | 81.049 | N/A | 136,750 | 939,891 |
| Pass-through Programs: | | | | |
| University of Connecticut - Basic Energy Sciences University and Science Education | 81.049 | 135049 | - | 23,972 |
| UT-Battelle, LLC - Department of Energy | 81.RD | 4000095139 | - | 10,038 |
| Brookhaven National Laboratory - Department of Energy | 81.RD | 332787 | - | 49,446 |
| Total | | | - | 59,484 |
| Total Department of Energy | | | 136,750 | 1,023,347 |
| Department of Education | | | | |
| Direct Program: | | | | |
| McNair Post-Baccalaureate Achievement | 84.217 | N/A | - | 128,799 |
| Pass-through Programs: | | | | |
| Ohio Department of Education - Special Education Grants to States | 84.027 | CSP909314 | - | 394,847 |
| The Ohio State University - Education Research, Development and Dissemination | 84.305 | 60051548 | - | 153,940 |
| The University of Akron - English Language Acquisition State Grants | 84.365 | 00773-KSU ED-T365Z120262 | - | 5,123 |
| The University of Akron - English Language Acquisition State Grants | 84.365 | 542324 | - | 15,021 |
| Total | | | - | 20,144 |
| Total Department of Education | | | - | 697,730 |
| Department of Health and Human Services: | | | | |
| Direct Programs: | | | | |
| Mental Health Research Grants | 93.242 | N/A | - | 73,747 |
| Drug Abuse and Addiction Research Programs | 93.279 | N/A | 15,851 | 50,785 |
| Nursing Research | 93.361 | N/A | 55,970 | 397,144 |
| Cancer Treatment Research | 93.395 | N/A | - | 75,270 |
| ACL National Institute on Disability, Independent Living and Rehabilitation Research | 93.433 | N/A | 294,991 | 513,077 |
| Cardiovascular Diseases Research | 93.837 | N/A | 384,052 | 743,651 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | N/A | - | 142,446 |
| Clinical Research Related to Neurological Disorders | 93.853 | N/A | - | 106,716 |
| Pharmacology Physiology and Biological Chemistry | 93.859 | N/A | - | 276,139 |
| Child Health and Human Development Extramural Research | 93.865 | N/A | - | 384,772 |
| Aging Research | 93.866 | N/A | 225,578 | 750,801 |

| 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: | | | | |
| Stark County Mental Health & Addiction - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | 93.104 | KSU416373 | $ - | $ 5,166 |
| Stark County Mental Health & Addiction - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | 93.104 | KSU416379 | - | 33,451 |
| Total | | | - | 38,617 |
| University of Cincinnati - Biological Response to Environmental Health Hazards | 93.113 | 010539-002 | - | 6,701 |
| Einstein Institute - Research Related to Deafness and Communication Disorders | 93.173 | 492101 | - | 49,213 |
| iRxReminder LLC - Mental Health Research Grants | 93.242 | MH114763-KSU | - | 18,131 |
| The University of Akron - Mental Health Research Grants | 93.242 | KSU413307 | - | 2,359 |
| Indiana University - Mental Health Research Grants | 93.242 | BL-4624280-KSU | - | 48,060 |
| Total | | | - | 68,550 |
| Neuropsychiatric Research Institute - Alcohol Research Programs | 93.273 | 51-2028-5032-0 | - | 10,260 |
| Hospital Council of Northwest Ohio - Partnerships to Improve Community Health | 93.331 | FNU58DP0056-39-00 | - | 15,720 |
| Case Western Reserve University - National Center for Advancing Translational Sciences | 93.350 | RES510676 | - | 245 |
| Case Western Reserve University - Nursing Research | 93.361 | RES511228 | - | 21,405 |
| Duke University - Nursing Research | 93.361 | SUB# 2035921 | - | (250) |
| Duke University - Nursing Research | 93.361 | 2036533 | - | 8,183 |
| Total | | | - | 29,338 |
| Duke University - Cancer Cause and Prevention Research | 93.393 | 2034252 | - | 101 |
| Cleveland Clinic - Cardiovascular Diseases Research | 93.837 | 617SUB | - | 1,413 |
| Neuropsychiatric Research Institute - Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | 51-2031-5033-7 | - | 12,126 |
| North Dakota State University - Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | FAR0027328 | - | 11,937 |
| Total | | | - | 24,063 |
| University of Florida - Allergy and Infectious Diseases Research | 93.855 | 810008156 | - | 44,001 |
| Total Child Health, Inc. - Child Health and Human Development Extramural Research | 93.865 | FS01 | - | 5,102 |
| The MetroHealth System - Special Projects of National Significance | 93.928 | 7411062102 | - | 2,142 |
| The MetroHealth System - Special Projects of National Significance | 93.928 | 7411063102 | - | 18,762 |
| Total | | | - | 20,904 |
| Indiana Department of Public Health - Cooperative Agreements to Support State-Based Infant | 93.946 | 00000000000000019082 | - | 66,388 |
| Maryland Department of Health - Cooperative Agreements to Support State-Based Infant | 93.946 | M00B84006676 | - | 4,240 |
| Total | | | - | 70,628 |
| Ohio Department of Mental Health and Addiction Services - Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 1700468 | - | 307 |
| Ohio Department of Mental Health and Addiction Services - Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 1800220 | - | 4,498 |
| Total | | | - | 4,805 |
| Total Department of Health and Human Services | | | 976,441 | 3,904,209 |
| **Total Research and Development Cluster** | | | 1,167,730 | 11,117,755 |

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Identifying Number | Total Amount Provided to Subrecipients | Federal Expenditures |
|---|---|---|---|---|
| Clusters (continued): | | | | |
| **CDBG - Entitlement Grants Cluster** | | | | |
| Department of Housing and Urban Development: | | | | |
| Pass-through Program: | | | | |
| Stark County Regional Planning - Community Development Block Grants/Entitlement Grants | 14.218 | KSU467941 | $ - | $ 31,420 |
| **Special Education Cluster (IDEA)** | | | | |
| Department of Education - Pass-through Programs: | | | | |
| University of Dayton Research Institute - Special Education Grants to States | 84.027 | RSC16089 | - | 864 |
| University of Dayton Research Institute - Special Education Grants to States | 84.027 | RSC16063 | - | 50 |
| Total Special Education Cluster (IDEA) | | | - | 914 |
| **TRIO Cluster** | | | | |
| Department of Education - Direct Programs: | | | | |
| TRIO Student Support Services | 84.042 | N/A | - | 475,914 |
| TRIO Upward Bound | 84.047 | N/A | - | 973,738 |
| McNair Post-Baccalaureate Achievement | 84.217 | N/A | - | 92,407 |
| Total TRIO Cluster | | | - | 1,542,059 |
| **Subtotal of Clusters** | | | - | 1,574,393 |
| **Other Programs** | | | | |
| National Security Agency - Direct Program | | | | |
| Language Grant Program | 12.900 | N/A | - | 143,086 |
| Department of Justice: | | | | |
| Direct Program: | | | | |
| Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus | 16.525 | N/A | - | 82,038 |
| Pass-through Programs: | | | | |
| Ohio Attorney General - Crime Victim Assistance | 16.575 | 2018 VOCA-109294346 | - | 42,049 |
| Ohio Attorney General - Crime Victim Assistance | 16.575 | 810007920 | - | 26,838 |
| Total | | | - | 68,887 |
| University of Cincinnati - Edward Byrne Memorial Justice Assistance Grant Program (A.B) | 16.738 | 009301-007 | - | 12,293 |
| Total Department of Justice | | | - | 163,218 |
| Department of State - Pass-through Programs: | | | | |
| International Research & Exchange Board, Incorporated Academic Exchange Programs - Undergraduate Programs | 19.009 | 418602 | - | 23,825 |
| International Research & Exchange Board, Incorporated - Educational Exchange - Teachers from Secondary and Postsecondary Levels and School Administrators (B | 19.408 | S-ECAGD-17-CA-1014 | - | 188,849 |
| Total Department of State | | | - | 212,674 |
| Department of Transportation - Direct Program: | | | | |
| Airport Improvement Program | 20.106 | N/A | - | 8,109 |
| National Aeronautics and Space Administration - Pass-through Programs: | | | | |
| Ohio Space Grant Consortium - Education | 43.008 | KSU411819 | - | 2,485 |
| Ohio Space Grant Consortium - Education | 43.008 | KSU411814 | - | 9,500 |
| Total National Aeronautics and Space Administration | | | - | 11,985 |
| National Endowment for the Arts - Pass-through Program: | | | | |
| Arts Midwest - Promotion of the Arts Partnership Agreements | 45.025 | 00020490 | - | 1,975 |
| National Endowment for the Humanities - Direct Program: | | | | |
| Promotion of the Humanities Professional Development | 45.163 | N/A | - | 25,274 |

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):** | | | | |
| Institute of Museum and Library Services - Pass-through Program: | | | | |
| University of Washington - National Leadership Grants | 45.312 | 763729 | $ - | $ 33,857 |
| Small Business Administration: | | | | |
| Pass-through Program: | | | | |
| Ohio Development Services Agency - Small Business Development Centers | 59.037 | OSBG-18-327 | - | 43,897 |
| Ohio Development Services Agency - Small Business Development Centers | 59.037 | OSBG-18-321 | - | 34,192 |
| Ohio Development Services Agency - Small Business Development Centers | 59.037 | OSBDC-2017-01 | - | 72,837 |
| Ohio Development Services Agency - Small Business Development Centers | 59.037 | OSBG-17-331 | - | 15,000 |
| Ohio Development Services Agency - Small Business Development Centers | 59.037 | OSBG-17-322 | - | 30,527 |
| Ohio Development Services Agency - Small Business Development Centers | 59.037 | OSBG-18-322 | - | 79,764 |
| Ohio Development Services Agency - Small Business Development Centers | 59.037 | OSBDC-2017-01 | - | 87,727 |
| Ohio Development Services Agency - Small Business Development Centers | 59.037 | KSU445004 | - | 5,069 |
| Ohio Development Services Agency - Small Business Development Centers | 59.037 | KSU487908 | - | 8,089 |
| Total | | | - | 377,102 |
| Ohio Aerospace Institute - Federal and State Technology Partnership Program | 59.058 | 0006713 | - | 9,500 |
| Ohio Aerospace Institute - Federal and State Technology Partnership Program | 59.058 | PO # 0006844 | - | 3,640 |
| Total | | | - | 13,140 |
| Total Small Business Administration | | | - | 390,242 |
| Department of Veteran Affairs - Direct Program: | | | | |
| Department of Veterans Affairs Contract | 64.U00 | N/A | - | 41,938 |
| Environmental Protection Agency - Direct Program: | | | | |
| Science To Achieve Results (STAR) Fellowship Program (B) | 66.514 | N/A | - | 9,490 |
| Department of Education: | | | | |
| Direct Program: | | | | |
| Special Education-Personnel Preparation to Improve Services and Results for Children with Disabilities (B) | 84.325 | N/A | 49,822 | 544,096 |
| Pass-through Programs: | | | | |
| Ohio Board of Regents - Adult Education - Basic Grants to State | 84.002 | AB-SL-2017 | - | 87,453 |
| Ohio Board of Regents - Adult Education - Basic Grants to State | 84.002 | BOR01-0000005637 | - | 451,741 |
| Total | | | - | 539,194 |
| Ohio Department of Education Career and Technical Education - Basic Grants to States | 84.048 | KSU415654 | - | 3,257 |
| Ohio Department of Education Career and Technical Education - Basic Grants to States | 84.048 | KSU415669 | - | 99,379 |
| Ohio Department of Education Career and Technical Education - Basic Grants to States | 84.048 | 62976 | - | 9,820 |
| Ohio Department of Education Career and Technical Education - Basic Grants to States | 84.048 | 800145774 | - | 5,538 |
| Total | | | - | 117,994 |
| Ohio Department of Education - Drug Free Schools and Communities National Programs | 84.184 | KSU457907 | - | 1,398 |
| Ohio Department of Education - Drug Free Schools and Communities National Programs | 84.184 | KSU457911 | - | 93,924 |
| Total | | | - | 95,322 |
| Ohio Board of Regents - Gaining Early Awareness and Readiness for Undergraduate Programs (B) | 84.334 | KSU417202 | - | 73,725 |
| Ohio Department of Education - Mathematics and Science Partnerships (B) | 84.366 | 800310606 | - | 49,971 |

| 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 Education (continued): | | | | |
| Ohio Board of Regents - Improving Teacher Quality State Grants (A) | 84.367 | 15-24 | $ - | $ 782 |
| Ohio Board of Regents - Improving Teacher Quality State Grants (A) | 84.367 | KSU414923 | - | 85,197 |
| Ohio Board of Regents - Improving Teacher Quality State Grants (A) | 84.367 | 16-15 | - | 47,784 |
| Ohio Board of Regents - Improving Teacher Quality State Grants (A) | 84.367 | 16-16 | - | 97,017 |
| National Writing Project - Improving Teacher Quality State Grants (A) | 84.367 | 97-OH03-SEED2017-CRWPAI | - | 12,643 |
| National Writing Project - Improving Teacher Quality State Grants (A) | 84.367 | 97-OH03-SEED2017-14 | - | 10,786 |
| Total | | | - | 254,209 |
| Total Department of Education | | | 49,822 | 1,674,511 |
| National Archives and Record Administration - Direct Program: | | | | |
| National Historical Publications and Records Grants | 89.003 | N/A | - | 60,405 |
| Department of Health and Human Services: | | | | |
| Direct Programs: | | | | |
| Substance Abuse and Mental Health Services-Projects of Regional and National Significance | 93.243 | N/A | - | 124,498 |
| Mental and Behavioral Health Education and Training Grants | 93.732 | N/A | - | 145,730 |
| Pass-through Programs: | | | | |
| Tuscarawas County Health Department - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | 93.074 | KSU416223 | - | 363 |
| Tuscarawas County Health Department - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | 93.074 | KSU416226 | - | 3,353 |
| Total | | | - | 3,716 |
| Northeast Ohio Medical University - Grants for Primary Care Training and Enhancement | 93.884 | G0098-N | - | 2,776 |
| Cuyahoga County Board of Health - Preventative Health and Health Services Block Grant | 93.991 | KSU41642 | - | 3,986 |
| Total Department of Health and Human Services | | | - | 280,706 |
| **Total Other Federal Awards and Financial Assistance Programs** | | | 49,822 | 3,057,470 |
| **Total Expenditures of Federal Awards** | | | **$ 1,217,552** | **$ 329,067,734** |

See notes to schedule of expenditures of federal awards.

# Notes to Schedule of Expenditures of Federal Awards

**Year Ended June 30, 2018**

## 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, 2018. 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 which 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 50 percent from July 1, 2016 to June 30, 2018 for on-campus research and instruction and 26 percent from July 1, 2014 to June 30, 2018 for other on-campus sponsored activities and 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 - Loans 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 revolving loans outstanding at June 30, 2018 consist of the following:

| Cluster/Program Title | CFDA Number | Loan Balances |
|---|---|---|
| Perkins Loan Program | 84.038 | $ 37,691,487 |
| Nursing Student Loan Program | 93.364 | 1,686,265 |
| Health Professional Student Loans | 93.342 | 2,937,512 |
| Loans for Disadvantaged Students | 93.342 | 368,193 |
| | | - |
| | Total | $ 42,683,457 |

## 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 (SEOG) Program (84.007) and the Federal Work Study (FWS) Program (84.033).

During the 2017-2018 award year, the University carried forward and spent $79,186 of SEOG funds and $58,584 of FWS funds from the 2016-2017 award year. From the 2017-2018 award year, the University carried forward $75,000 of SEOG and $118,380 of FWS funds to be spent in the 2018-2019 award year.

# Schedule of Findings and Questioned Costs

**Year Ended June 30, 2018**

## 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 |
| 84.042, 84.047, 84.217 | TRIO Cluster | Unmodified |

| | | | | |
|---|---|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $750,000 | | | |
| Auditee qualified as low-risk auditee? | ______ | Yes | X | 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 |