Kent State University
(a component unit of the State of Ohio)

Financial Report
Including Supplementary Information

June 30, 2017

Dave Yost · Auditor of State

Board of Trustees
Kent State University
224 Michael Schwartz Center
PO Box 5190
Kent, Ohio 44242

We have reviewed the *Independent Auditor's* Report of Kent State University, Portage County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

November 20, 2017

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KENT STATE UNIVERSITY
Table of Contents
June 30, 2017 and 2016

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KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited)
As of June 30, 2017 and 2016

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, 2017 and 2016. 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 2015, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* 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, of which the entire impact was on unrestricted net position. In fiscal year 2017, the impacts of GASB 68 were significant, resulting in additional recognition of pension expense of $37.6 million, with related deferred outflows increasing to $137.5 million, deferred inflows decreasing to $5.8 million and the net pension liability increasing to $581.7 million. In fiscal year 2016 and 2015, the University recognized additional pension expense of $8.1 million and a reduction of pension expense of $5.9 million. The impacts to pension expense are allocated to each functional category based on applicable salary expense. GASB 68 and its related impacts to the financial statements are discussed in Note 8.

Even with the impacts of GASB 68, the University's overall financial position increased when comparing fiscal year 2017 to fiscal year 2016. The University's total assets and deferred outflows of resources increased over the prior year by $66.1 million to $1,710.8, million while total liabilities and deferred inflows of resources increased by $54.5 million to $1,266.5 million.

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

- Operating revenues remained relatively flat. Enrollment fell by 723 students and undergraduate tuition was held flat. The undergraduate out-of-state surcharge and graduate tuition increased by 2%, while the graduate out-of-state surcharge increased 10%

- Operating expenses increased 7.52%. The primary increase in operating expense is due to increases of 2.0% in salaries and wages, 13.1% increase in health insurance costs and overall an 8.1% increase in employee headcount.

- State appropriations increased 4.56% due to an increase in the state appropriation pool and a slight improvement in course and degree completions.

- Investment income increased $46.2 million due to significant market gains.

- Capital appropriations from the state increased $29.5 million mainly due to the completion of the integrated sciences buildings and renovations to the other science facilities.

- With the increase in investment income and capital appropriations, the overall increase to net assets in fiscal year 2017 (prior to applying GASB 68) was $49.2 million.

- Overall investments increased $26.3 million, however overall cash decreased $57.9 million, the majority of it in restricted cash due to the continued spenddown of bond proceeds.

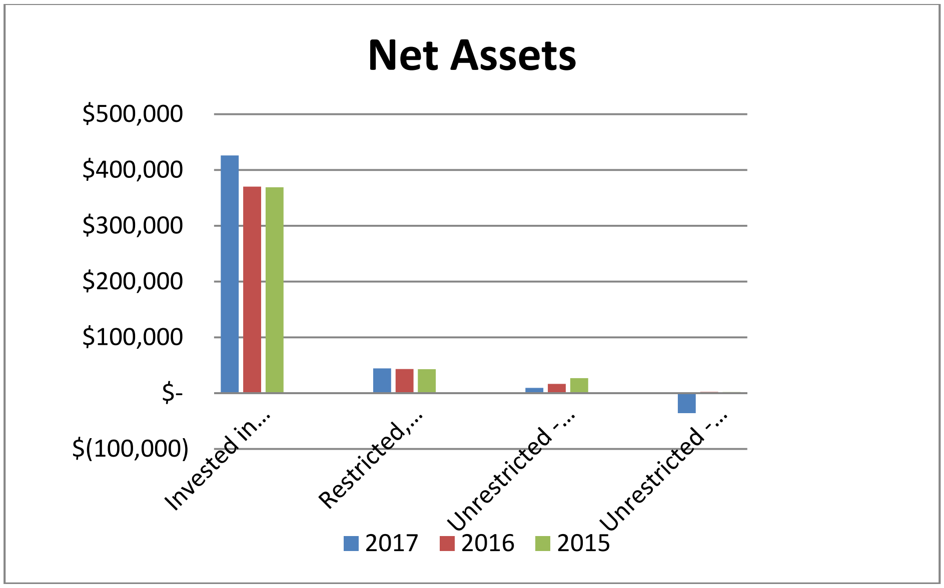
- Capital assets increased 6.0% primarily due to the continued construction programs associated with the Foundations of Excellence initiative.

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.

Kent State University
Condensed Statement of Net Position
as of June 30, 2017, 2016 and 2015
(in thousands)

	2017	2016	2015
ASSETS			
Current and other assets	$ 625,530	$ 657,018	$ 717,173
Capital assets	935,668	882,708	800,521
Total assets	$ 1,561,198	$ 1,539,726	$ 1,517,694
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amortization on bond refundings	$ 11,688	$ 12,545	$ 1,568
Accumulated change in the fair value of hedging derivatives	484	4,546	-
Deferred outflows of resources arising from GASB 68	137,450	87,861	33,674
Total deferred outflows of resources	$ 149,622	$ 104,952	$ 35,242
LIABILITIES			
Long-term debt	$ 504,416	$ 534,503	$ 524,603
Other	756,320	651,224	532,534
Total liabilities	$ 1,260,736	$ 1,185,727	$ 1,057,137
DEFERRED INFLOWS OF RESOURCES			
Accumulated change in the fair value of hedging derivatives	$ -	$ -	$ 639
Deferred inflows arising from GASB 68	5,754	26,266	53,973
Total deferred inflows of resources	$ 5,754	$ 26,266	$ 54,612
NET POSITION			
Net investment in capital assets	$ 426,247	$ 370,364	$ 369,078
Restricted, expendable and not expendable	44,372	43,355	42,959
Unrestricted:			
Designated	9,575	16,708	26,938
Undesignated (unallocated)	(35,864)	2,258	2,212
Total net position	$ 444,330	$ 432,685	$ 441,187



Comparison of Fiscal Year 2017 to Fiscal Year 2016

The University's current ratio remained consistent from 2016 to 2017. 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). In fiscal year 2016, current assets were $329.5 million and current liabilities were $163.1 million (current ratio of 2.0).

At June 30, 2017, total University assets and deferred outflows of resources were $1,710.8 million, compared to $1,644.7 million at June 30, 2016. The increase of $66.1 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, an increase in deferred outflows related to GASB 68 of $49.6 million, 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 spenddown of bond proceeds.

University liabilities and deferred inflows of resources total $1,266.5 million at June 30, 2017 compared to $1,212.0 million at June 30, 2016. The increase of $54.5 million is primarily due to the increase in the net pension liability of $107.7 million, offset by decreases in debt of $30.9 million and deferred inflows of resources related to GASB 68 of $20.5 million.

Total Net Position increased by $11.6 million to $444.3 million. Unrestricted Net Position totaled $($26.3) million, of which $9.6 million is designated for ongoing academic and research programs, capital projects and other initiatives. The $11.6 million increase in net position is primarily due to significant market gains and increased capital appropriations from the State totaling $71.3 million, offset by an increase to pension expense of $37.6 million as a result of applying GASB 68. Without GASB 68, the University would have recognized an overall increase in net position of $49.2 million in fiscal year 2017.

Comparison of Fiscal Year 2016 to Fiscal Year 2015

At June 30, 2016, the University's current assets of $329.5 million were sufficient to cover current liabilities of $163.1 million (current ratio of 1.9). At June 30, 2015, current assets of $306.0 million were sufficient to cover current liabilities of $130.90 million (current ratio of 2.3).

At June 30, 2016, total University assets and deferred outflows of resources were $1,644.7 million, compared to $1,552.9 million at June 30, 2015. The increase of $91.8 million is mainly attributed to an increase in capital assets of $82.2 million due to the capitalization of construction projects mostly related to the Foundations of Excellence initiative. Due to the partial advance refunding of the series 2009B bonds, the University also recognized $11.2 million in deferred outflows of resources (of which $125 was amortized in fiscal year 2016).

University liabilities and deferred inflows of resources total $1,212.0 million at June 30, 2016 compared to $1,111.7 million at June 30, 2015. This increase of $100.3 million is primarily due to the increase in the net pension liability of $90.0 million.

Total Net Position decreased by $8.5 million to $432.7 million. Unrestricted Net Position totaled $19.0 million, 88.0% of which ($16.7 million) is designated for ongoing academic and research programs, capital projects and other initiatives. The decrease in net position is due to recognizing an additional $8.1 million in pension expense as a result of applying the second year of GASB 68. Without this impact, the University would have recognized an overall decrease in net position of $0.4 million.

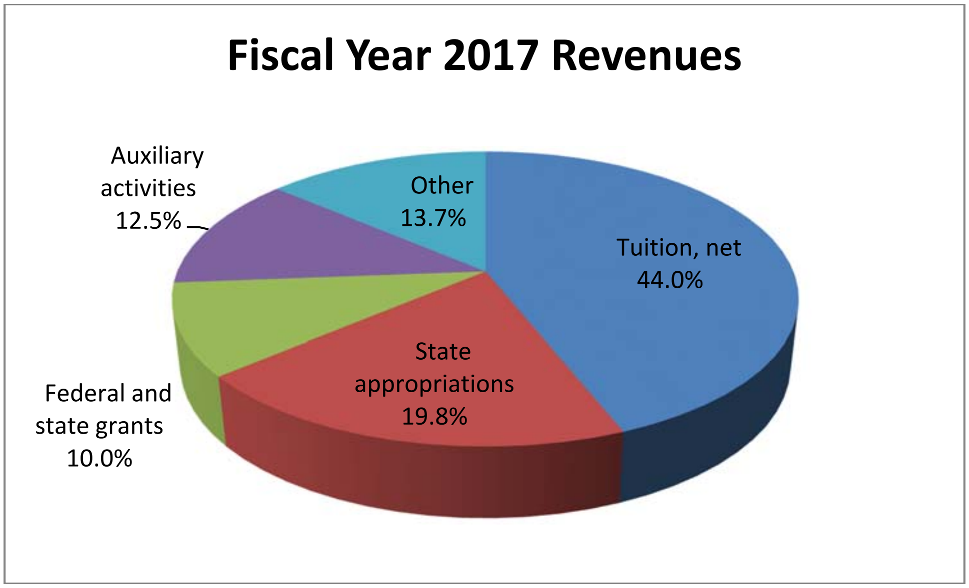
Statement of Revenues, Expenses and Changes in Net Position

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.

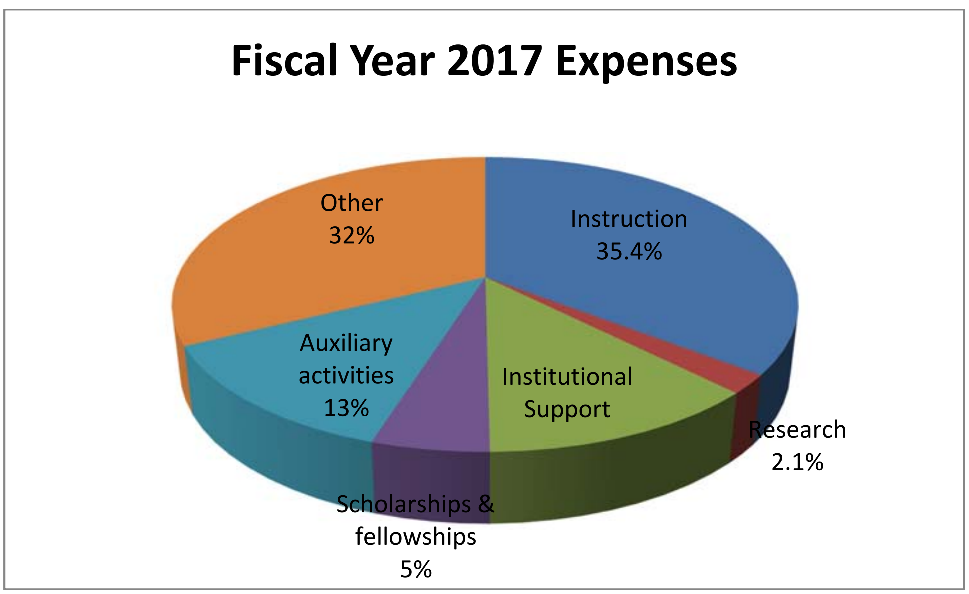
Kent State University
Condensed Statement of Revenues, Expenses and Changes in Net Position
for the years ended June 30, 2017, 2016 and 2015
(in thousands)

	2017	2016	2015
Revenues			
Tuition, net	$ 337,750	$ 338,653	$ 337,424
State appropriations	152,230	145,595	136,310
Federal and state grants	76,697	80,492	87,041
Auxiliary activities	96,038	97,262	94,354
Other	105,426	30,807	45,158
Total revenues	$ 768,141	$ 692,809	$ 700,287
Expenses			
Instruction	$ 268,008	$ 243,339	$ 231,851
Research	15,632	16,220	16,732
Institutional support	93,160	83,169	76,356
Scholarships and fellowships	38,648	38,505	40,458
Auxiliary activities	96,436	94,070	92,935
Other	244,612	226,008	217,782
Total expenses	$ 756,496	$ 701,311	$ 676,114

The following chart shows the breakdown of total revenues. Tuition is the largest source of revenue at 44.0% followed by State appropriations at 19.8%. The other category is comprised of local and private grants, sales and services of educational departments, gifts, investment income, and other nonoperating revenues.



The following chart shows the breakdown of total expenses. Instruction is the largest expense at 35.4% followed by Other at 32.0%. The other category consists of public service, academic support, student services, operation and maintenance of plant, and depreciation expense.



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 0.38%. State appropriations, classified as nonoperating revenue, 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. The other revenue category on the above table consists of local and private grant revenue, sales and services of educational activities (operating revenue) and gifts, investment income, other nonoperating revenue and capital appropriations (nonoperating revenue). The most 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 were provided to the University by the State of Ohio for various capital projects.

Operating expenses, including depreciation of $51.4 million, totaled $738.8 million. As a result of applying GASB 68 in fiscal year 2017, the University recognized an additional pension expense of $37.6 million which was allocated across all the functional expense categories. In fiscal year 2016, the University recognized additional pension expense of $8.1 million. Of the operating expenses, instruction expense and institutional support increased in total by $14.9 million, exclusive of GASB 68 impacts. These increases can be attributed to increases in headcount, wage increases and overall increases to health insurance costs.

During the year ended June 30, 2016:

The most significant sources of operating revenues for the University are tuition and fees, auxiliary services, and grants and contracts. Tuition and fees remained stable from 2015 to 2016. Auxiliary revenue increased 3.1% primarily due to a combined increase in room and board rates of 3.1%.

State appropriations were the most significant nonoperating revenue. During 2016, state appropriations totaled $145.6 million which was a 6.8% increase over 2015. The increase can be attributed to a larger state appropriation funding pool and improved performance related to course and degree completions. Other revenue declined in 2016 due to investment performance. During 2016, the University recognized a net investment loss totaling $11.9 million, whereas in 2015, the University recognized a net investment gain of $6.7 million.

Operating expenses, including depreciation of $48.9 million, totaled $687.1 million. As a result of recognizing the second year of GASB 68 in fiscal year 2016, the University recognized additional pension expense of $8.1 million which was allocated across all the functional expense categories. In fiscal year 2015, the University recognized a reduction of $5.9 million in pension expense. Of the operating expenses, instruction expense and institutional support had the most significant increases. A significant portion of the increase in instruction expense is due to additional pension expense and increases in salaries and wages. Institutional support expense increased as a result of funding for strategic branding and marketing, implementation costs related to a new constituent relationship management system and an increase in pension expense.

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, 2017, 2016 and 2015
(in thousands)

	2017	2016	2015
Cash (used in)/provided by:			
Operating activities	$ (168,962)	$ (125,758)	$ (135,270)
Investing activities	7,771	(23,604)	(5,212)
Capital and related financing activities	(107,090)	(131,124)	(119,579)
Noncapital financing activities	210,397	205,856	204,493
Net decrease in cash	(57,884)	(74,630)	(55,568)
Cash and cash equivalents, beginning of year	185,127	259,757	315,325
Cash and cash equivalents, end of year	$ 127,243	$ 185,127	$ 259,757

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.

During the year ended June 30, 2016:

Major sources of cash included student tuition and fees ($270.5 million), state appropriations ($145.6 million), auxiliary activities ($97.5 million), and Federal Pell grants ($51.0 million). The largest payments were for suppliers ($180.8 million) and employees ($341.5 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 2017, the University had invested $935.7 million in a broad range of capital assets, including equipment, buildings, building improvements and land. This amount represents a net increase (including additions and deductions) of $53.0 million, or 6.0 percent, over last year.

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

	2017	2016	2015
Land	$ 30.9	$ 30.4	$ 30.2
Equipment	35.3	37.9	40.5
Buildings and improvements	735.8	687.7	602.4
Construction in progress	133.7	126.7	127.4
Total	$ 935.7	$ 882.7	$ 800.5

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 $504.4 million in bonds and notes outstanding—a decrease of $30.1 million over last year, primarily due to the scheduled principal payments on the debt. In fiscal year 2016, the University entered into a capital lease agreement with Banc of America Public Capital Corp. totaling $19.8 million to fund energy-related projects on the Kent campus. This increase in debt was offset by the recognition of $11.2 million for the reacquisition price on the Series 2009B bonds, which were partially advance refunded during fiscal year 2016. The reacquisition price was recognized as a deferred outflow of resources on the Statement of Net Position and will be amortized over 30 years. 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)

	2017	2016	2015
General receipts bonds (backed by the University)	$ 418.3	$ 437.4	$ 442.1
Tax Revenue Energy Bonds	34.4	37.8	41.2
Capital leases	51.7	59.3	41.3
	$ 504.4	$ 534.5	$ 524.6

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 2017, the University continued to experience enrollment increases on the Kent campus, offset by declines in the regional campus enrollment as the economy has improved. While enrollment has declined only slightly in 2017, the University expects enrollment challenges in fiscal year 2018 mainly due to a decline in international students. The University has also continued 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 2017 was at 82.2% and the six-year graduation rate was at 54.5%. 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 2017 but the overall appropriations pool will remain the same in the next fiscal year. The increase in fiscal year 2017 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 2014-15 academic year. Under the next state biennium budget, a tuition guarantee model is being encouraged. The University is currently reviewing this model for possible implementation in fiscal year 2019.

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 2017. These initiative drove savings of $7.1 million which have benefitted students through reduced cost or enhanced service. One significant service enhancement is the opening of the One-Stop for student services in June 2017. The One-Stop uses the convenience of one location and the use of technology to enhance the student experience. Future areas of focus will include a comprehensive office print initiative, shared service opportunities, fleet management opportunities and the continued review of healthcare plans.

During fiscal year 2017, the University began the development of a comprehensive facility master plan. With the Foundations of Excellence initiative coming to an end, the University will look to this long-term plan to prioritize new projects and renovations with the continued challenge of deferred capital maintenance. The completion of the plan is expected in spring 2018.

In fiscal year 2018, the University will apply GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Although the effects on the University's financial statements have not been determined, this accounting standard is similar in application to GASB No. 68.

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.

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Independent Auditor's Report

To the Board of Trustees
Kent State University

Report on the Financial Statements

We have audited the accompanying financial statements of Kent State University (the "University") and its descretely presented component unit as of and for the years ended June 30, 2017 and 2016 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. These financial statements are reported as a component unit of the State of Ohio.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We 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 has been 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. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. 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.

To the Board of Trustees
Kent State University

Opinions

In our opinion, based on our audit and the report of other auditors, the 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, 2017 and 2016 and the changes in its financial position and, where applicable, cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of net pension liability, and the schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kent State University's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), 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.

To the Board of Trustees
Kent State University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017 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, and 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 12, 2017

KENT STATE UNIVERSITY
STATEMENT OF NET POSITION
as of June 30, 2017 and 2016
(in thousands)

	University		University Related Foundation	
	2017	**2016**	**2017**	**2016**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 98,924	$ 106,959	$ 4,693	$ 1,030
Short-term investments	168,258	184,804	163,424	142,934
Accounts and pledges receivable, net	29,004	30,185	5,822	4,393
Inventories	1,119	1,395	-	-
Deposits and prepaid expenses	5,503	5,925	-	-
Accrued interest receivable	559	276	440	539
Total current assets	303,367	329,544	174,379	148,896
Noncurrent assets:				
Restricted cash	28,319	78,168	-	-
Student loans receivable, net	35,195	33,471	-	-
Note receivable		-	14,426	14,426
Long-term investments	258,620	215,811	2,128	-
Long-term pledges receivable, net		-	6,179	4,789
Capital assets, net	935,668	882,708	11,938	12,192
Derivative instrument - Swap asset		-	-	-
Other assets	29	24	4,344	4,120
Total noncurrent assets	1,257,831	1,210,182	39,015	35,527
Total assets	$ 1,561,198	$ 1,539,726	$ 213,394	$ 184,423
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amortization on bond refundings	$ 11,688	$ 12,545	$ -	$ -
Accumulated change in FV of hedging derivatives	484	4,546	-	-
Deferred outflows arising from GASB 68	137,450	87,861	-	-
Total deferred outflows of resources	149,622	104,952	-	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	$ 65,729	$ 69,781	$ 769	$ 664
Accrued payroll	14,199	13,381	-	-
Payroll taxes and accrued fringe benefits	21,569	16,903	-	-
Unearned revenue and deposits	32,551	32,840	-	-
Derivative instrument - Swap liability	484	4,546	-	-
Current portion of long-term debt	26,462	25,692	-	-
Total current liabilities	160,994	163,143	769	664
Noncurrent liabilities:				
Accrued compensated absences	23,558	22,846	-	-
Accrued liabilities	15,912	15,912	3,363	3,556
Net pension liability	581,691	474,020	-	-
Long-term unearned fees and deposits	627	995	9,765	8,591
Long-term debt	477,954	508,811	9,734	9,734
Total noncurrent liabilities	1,099,742	1,022,584	22,862	21,881
Total liabilities	$ 1,260,736	$ 1,185,727	$ 23,631	$ 22,545
DEFERRED INFLOWS OF RESOURCES				
Net deferred inflows arising from GASB 68	5,754	26,266	-	-
Total deferred inflows of resources	$ 5,754	$ 26,266	$ -	$ -
NET POSITION				
Net investment in capital assets	$ 426,247	$ 370,364	$ 11,938	$ 12,192
Restricted, nonexpendable	5,883	5,883	50,429	44,419
Restricted, expendable	38,489	37,472	113,728	95,393
Unrestricted	(26,289)	18,966	13,668	9,874
Total net position	$ 444,330	$ 432,685	$ 189,763	$ 161,878

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

KENT STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
for the years ended June 30, 2017 and 2016
(in thousands)

	University		University Related Foundation	
	2017	2016	2017	2016
OPERATING REVENUES				
Student tuition and fees	$ 419,901	$ 420,718	$ -	$ -
Less scholarship allowances	(82,151)	(82,065)	-	-
Net student tuition and fees	337,750	338,653	-	-
Federal grants and contracts	21,314	21,062	-	-
State grants and contracts	7,861	8,476	-	-
Local grants and contracts	235	269	-	-
Nongovernmental grants and contracts	4,083	4,835	-	-
Sales and services of educational departments	13,112	11,681	-	-
Auxiliary activities - Net	96,038	97,262	-	-
Total operating revenues	$ 480,393	$ 482,238	$ -	$ -
OPERATING EXPENSES				
Instruction	268,008	243,339	-	-
Research	15,632	16,220	-	-
Public service	16,892	15,885	-	-
Academic support	71,831	65,515	-	-
Student services	39,151	35,291	-	-
Institutional support	93,160	83,169	13,075	10,514
Scholarships and fellowships	38,648	38,505	4,643	4,639
Operation and maintenance of plant	47,639	46,293	-	-
Auxiliary activities	96,436	94,070	-	-
Depreciation	51,447	48,856	254	127
Total operating expenses	738,844	687,143	17,972	15,280
Operating loss	$ (258,451)	$ (204,905)	$ (17,972)	$ (15,280)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	152,230	145,595	-	-
Federal Pell Grant revenue	47,522	50,954	-	-
Gifts	10,639	9,361	24,865	15,080
Investment income/(loss)	34,317	(11,881)	20,628	(4,189)
Interest on capital asset-related debt	(17,652)	(14,168)	-	-
Other nonoperating revenues/expenses	6,101	9,137	364	166
Net nonoperating revenues	233,157	188,998	45,857	11,057
(Loss)/income before other revenues, expenses, gains or losses	(25,294)	(15,907)	27,885	(4,223)
Capital appropriation	36,939	7,405	-	-
Increase/(Decrease) in net position	$ 11,645	$ (8,502)	$ 27,885	$ (4,223)
NET POSITION				
Net position, beginning of year	432,685	441,187	161,878	166,101
Net position, end of year	$ 444,330	$ 432,685	$ 189,763	$ 161,878

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

KENT STATE UNIVERSITY
STATEMENT OF CASH FLOWS
for the years ended June 30, 2017 and 2016
(in thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	$ 246,690	$ 270,463
Cash received from auxiliary activities	95,458	97,488
Cash received from other sources	14,965	2,271
Grants and contracts	34,289	31,551
Federal student loan funds received	31	3
Student loans granted, net of repayments	(1,076)	(5,260)
Cash paid to employees	(324,342)	(314,719)
Cash paid to suppliers	(234,977)	(207,555)
Net cash used in operating activities	(168,962)	(125,758)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	97,762	45,877
Purchases of investments	(99,872)	(76,528)
Interest received	9,881	7,047
Net cash provided by/(used in) investing activities	7,771	(23,604)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net proceeds from capital lease	-	19,800
Principal payments under debt obligations, net	(24,969)	(18,802)
Interest paid	(21,535)	(19,863)
Capital appropriations	-	198
Loss on disposal of capital assets	358	745
Purchases of capital assets	(67,045)	(122,339)
Other payments	6,101	9,137
Net cash used in capital and related financing activities	(107,090)	(131,124)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from State appropriations	152,230	145,595
Gifts received from KSU Foundation	10,645	9,307
Cash received from Federal Pell grants	47,522	50,954
Net cash provided by noncapital financing activities	210,397	205,856
Net decrease in cash and cash equivalents	(57,884)	(74,630)
CASH AND CASH EQUIVALENTS, (INCLUDING RESTRICTED CASH), BEGINNING OF YEAR	185,127	259,757
CASH AND CASH EQUIVALENTS, (INCLUDING RESTRICTED CASH), END OF YEAR	$ 127,243	$ 185,127

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

KENT STATE UNIVERSITY
STATEMENT OF CASH FLOWS--CONTINUED
for the years ended June 30, 2017 and 2016
(in thousands)

	2017	2016
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	$ (258,451)	$ (204,905)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	51,447	48,856
Change in assets and deferred outflows and liabilities and deferred inflows:		
Accounts receivable, net	1,175	1,822
Inventories	276	121
Deposits and prepaid expenses	422	(444)
Student loans receivable, net	(1,724)	(4,836)
Deferred outflows of resources	(49,589)	(54,187)
Accounts payable and accrued liabilities	(5,216)	30,091
Net pension liability	107,671	90,012
Accrued payroll	818	800
Payroll taxes and accrued fringe benefits	4,666	(4,319)
Unearned fees and deposits	(657)	(528)
Accrued compensated absences	712	(534)
Deferred inflows of resources	(20,512)	(27,707)
Total change in assets and deferred outflows and liabilities and deferred inflows	38,042	30,291
Net cash used in operating activities	$ (168,962)	$ (125,758)

Noncash Capital and Financing Activities

In April 2016, the University issued $103,590 in Series 2016 General Receipts bonds. The proceeds of the bond sale were used for a partial advanced refunded the Series 2009B General Receipts bonds, resulting in a retirement of these bonds of $108,790. See note 7 for further discussion on this noncash transaction. There were no noncash capital and financing activities during fiscal year 2017.

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

(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 Regents 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 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the University to recognize on the face of the financial statements its proportionate share of the net 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). Kent State University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2018.

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 85 – *Omnibus 2017*

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). Kent State University is currently evaluating the impact of this standard. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2018.

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.

(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.

(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 and Deferred Inflows of Resources

Deferred inflows and outflows of resources are consumptions of net position by the University that are applicable to a future reporting period, and an acquisition of net position by the University that is applicable to a future reporting period, respectively. The University has recorded deferred outflows of resources for the unamortized bond refundings, the accumulated change in fair value of hedging derivatives related to its interest rate swap and GASB 68 for pensions. The University has recorded deferred inflows arising from GASB 68 for pensions. See Notes 7 and 8 for further discussion.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(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). 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, 2017.

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, 2017 and 2016, the bank amount of the University's deposits was $81,766 and $138,694, respectively. Of that amount, $64,826 and $85,242, respectively, was insured. The remaining $16,940 and $53,452 at June 30, 2017 and 2016, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized.

(in thousands)

The values of investments at June 30, 2017 and 2016 are as follows:

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

2016	Market Value	Cost
Common stock	$ 199,190	$ 161,270
U.S. government agency obligations	5,422	7,929
U.S. government obligations	5,368	2,808
Corporate bonds and notes	5,831	5,782
Mutual funds	158,504	162,208
State Treasury Asset Reserve of Ohio	26,300	26,300
Total	$ 400,615	$ 366,297

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, 2017, the University realized a net gain of $1,255. During the year ended June 30, 2016, the University realized a net loss of ($162). 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, 2017 was $25,331. The net depreciation in the fair value of investments during the year ended June 30, 2016 was $(19,055). This amount includes all changes in fair value, both realized and unrealized, that occurred during the year.

The unrealized appreciation on investments for the year ended June 30, 2017 was $24,076. The unrealized depreciation on investments for the year ended June 30, 2016 was ($18,843).

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 2017	$8,986	$25,331	$34,317
Total 2016	$7,124	($19,005)	($11,881)

Notes to the Financial Statements
June 30, 2017 and 2016
(in thousands)

Additional Disclosures Related to Interest-bearing Investments

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

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

The maturities of the University's interest-bearing investments at June 30, 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

The maturities of the University's interest-bearing investments at June 30, 2016 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	$ 5,368	$ 1,424	$ 2,724	$ 1,220	$ -
U.S. government agency obligations	5,422	59	802	1,358	3,203
Corporate bonds and notes	5,831	760	2,045	1,310	1,716
Bond mutual funds	87,961	14,426	41,556	21,573	10,406
Total	$ 104,582	$ 16,669	$ 47,127	$ 25,461	$ 15,325

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.

Notes to the Financial Statements
June 30, 2017 and 2016
(in thousands)

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

The credit ratings of the University's interest-bearing investments at June 30, 2016 are as follows:

Credit Rating (S&P)	Total	Government Obligations	U.S. Agency Obligations	Corporate Bonds	Bond Mutual Funds
AAA	$ 49,271	$ 5,368	$ 5,422	$ 955	$ 37,526
AA+	784	-	-	636	148
AA	1,814	-	-	2	1,812
AA-	6,421	-	-	56	6,365
A+	1,113	-	-	389	724
A	5,908	-	-	2,044	3,864
OTHER	39,271	-	-	1,749	37,522
Total	$ 104,582	$ 5,368	$ 5,422	$ 5,831	$ 87,961

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, 2017 and 2016, 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, 2017 and 2016:

	June 30, 2017	June 30, 2016
FPA Crescent	$ 26,938	$ 23,321
IVA Worldwide	27,471	23,658
Doubleline	22,961	19,720
Metwest	22,592	19,626
Pimco All Asset	19,973	17,696

(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, 2017 and June 30, 2016:

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)	

(in thousands)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2016	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	$ 5,368	$ -	5,368	$ -
U.S. Government Agency securities	5,422		5,422	
Corporate bonds	5,831		5,831	
Debt mutual funds	94,012	94,012		
Other	260	-	260	-
Total debt securities	110,893	94,012	16,881	-
Equity Securities	140,698	140,698		
Private equity funds - International	5,449	-	-	5,449
Total investments by fair value level	257,040	$ 234,710	$ 16,881	$ 5,449
Investments measured at net asset value (NAV)				
Equity funds	16,225			
Equity long/short hedge funds	49,002			
Global opportunities hedge funds	12,381			
Multi-strategy hedge funds	39,667			
Total investments measured at NAV	117,275			
Total investments measured at fair value	$ 374,315			
Derivative instruments				
Interest rate swaps (liabilities)	$ (4,546)		$ (4,546)	

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, 2017 and 2016 was determined primarily based on 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.

(in thousands)

The fair value of private equity securities at June 30, 2017 and 2016 was determined primarily based on Level 3 inputs. Level 3 inputs are unobservable inputs for an asset or a liability and may require significant judgment when estimating their value. These inputs may be derived using one or more of the following: information received from the Investee Funds (such as investor reports and audited financial statements), discounted cash flow analysis or a market-multiple based approach. The University records the fair value of these investments using estimated values obtained from the fund managers. These fund managers are responsible for the custody, accounting, fund administration and shareholder recordkeeping for the investments. Investments in the private equity class above can never be redeemed with the funds. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

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

Short-term investments on the Statements of Net Position at June 30, 2017 and 2016 includes investments of STAR Ohio of $19,540 and $26,300, respectively. The investments in STAR Ohio are measured at amortized cost; therefore, they are not included in the tables above. 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.

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, 2017	June 30, 2016			
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Equity funds	$ 19,274	$ 16,225	$ -	Daily/Weekly	None
Equity long/short hedge fund	40,618	49,002	-	Quarterly	45-90 days
Global opportunities hedge fund	10,532	12,381	-	Daily	None
Multi-strategy hedge fund	42,648	39,667	-	Quarterly	90-95 days
Total	$ 113,072	$ 117,275	$ -		

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.

(in thousands)

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.

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.

None of the above investments include restrictions that do not allow for redemption in the first few months after acquisition. The remaining restriction period for these investments ranged from daily to quarterly at June 30, 2017.

(5) Accounts Receivable

Accounts receivable consist of the following as of June 30, 2017 and 2016:

	2017	2016
Sponsor accounts	$ 5,357	$ 4,105
Student accounts	21,295	22,613
Other	9,688	11,228
	36,340	37,946
Less allowances for loss on accounts receivable	(7,336)	(7,761)
Accounts receivable, net	$ 29,004	$ 30,185

In addition, the University has student loans receivable of $42,021 and $40,945 as of June 30, 2017 and 2016, respectively. The related allowances as of June 30, 2017 and 2016 are $6,826 and $7,474, respectively.

(in thousands)

(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, 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 is included in depreciation expense. During fiscal year 2017, amortization of $1,053 was recorded.

Capital assets consist of the following as of June 30, 2016:

	2015	Additions/ Transfers	Net Retirements	2016
Land	$ 30,230	$ 173	$ -	$ 30,403
Infrastructure	116,438	14,270	(965)	129,743
Buildings	931,128	112,063	(1,741)	1,041,450
Equipment	225,440	6,677	(4,341)	227,776
Construction in progress	127,352	583	(1,077)	126,858
	1,430,588	133,766	(8,124)	1,556,230
Less accumulated depreciation				
Infrastructure	(70,666)	(5,575)	553	(75,688)
Buildings	(374,491)	(33,255)	(55)	(407,801)
Equipment	(184,910)	(9,281)	4,158	(190,033)
	(630,067)	(48,111)	4,656	(673,522)
Capital assets, net	$ 800,521	$ 85,655	$ (3,468)	$ 882,708

Included in depreciation expense of $48,856 for the year ended June 30, 2016 is a loss of $745 from the disposal of obsolete capital assets. As of June 30, 2016, assets acquired under a capital lease obligation totaled $43,868 and the associated amortization expense on those assets are included in depreciation expense. During fiscal year 2016, amortization of $992 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 $10,339 as of June 30, 2017. As of June 30, 2017, the outstanding principal of the 2016 and remaining 2009B General Receipts bond was $103,590 and 43,460, 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, 2017, the unamortized net bond premium was $19,147. The remaining premium on the 2009B General Receipts bonds as of June 30, 2017 was $395.

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, 2017, the outstanding principal of the 2014A bonds was $25,290. 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, 2017, the unamortized net bond premium was $973.

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, 2017, 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, 2017, the outstanding principal of the 2012A bonds was $157,645. 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, 2017, the unamortized net bond premium was $7,783.

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, 2017, the outstanding principal of Series A and Series B bonds was $10,260 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, 2017, the outstanding principal of the Series A and Series B bonds was $591 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, 2017, the outstanding principal of Series A and Series B bonds was $5,936 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, 2017, the outstanding principal of the Series B bonds was $436. 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, 2017 was $18,656.

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, 2017, the principal balance was $17,775. 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 September 2016, this debt totaling $4,610 was fully paid and the capital lease liability has been removed.

(in thousands)

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, 2017, the total outstanding principal on the capital lease was $13,116.

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

(in thousands)

Long-term debt consists of the following as of June 30, 2016:

	Rates	Maturity	2015	Additions	Retirements	2016
General Receipts Bonds of 2009B	2.0 - 5.0	2009-2032	$ 171,170	$ -	$ (118,090)	$ 53,080
General Receipts Bonds of 2013A	3.79	2028-2032	60,000	-	-	60,000
General Receipts Bonds of 2012A	3.0 - 5.0	2014-2042	164,080	-	(3,155)	160,925
General Receipts Bonds of 2014A	2.0 - 5.0	2014-2033	27,400	-	(1,040)	26,360
General Receipts Bonds of 2016	5	2016-2030	-	103,590	-	103,590
Air Quality Dev. Tax Exempt Rev. Bond - Stark (A)	2.99	2010-2016	45	-	(45)	-
Air Quality Dev. Tax Credit Rev. Bond - Stark (B)	5.63	2010-2020	672	-	(94)	578
Air Quality Dev. Tax Exempt Rev. Bond - Regional Campuses (A)	2.75	2012-2019	1,333	-	(366)	967
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	8,444	-	(1,238)	7,206
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	13,496	-	(1,607)	11,889
Air Quality Dev. Tax Exempt Rev Bond Kent Campus (B)	3.65	2024-2027	7,500	-	-	7,500
Other	various	various	41,339	19,915	(1,956)	59,298
			505,173	123,505	(127,591)	501,087
Plus unamortized discount and premium			19,430	21,825	(7,839)	33,416
Subtotal			524,603	$ 145,330	$ (135,430)	534,503
Less current portion long-term debt			22,666			25,692
			$ 501,937			$ 508,811

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.

(in thousands)

Hedging Derivative Instrument Payments and Hedged Debt

As of June 30, 2017, 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).

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

Year	Principal	Interest	Hedging Derivatives, Net	Total
2018	$ 21,530	$ 19,118	$ 1,511	$ 42,159
2019	21,815	18,281	1,511	41,607
2020	22,412	17,420	1,511	41,343
2021	22,958	18,473	1,511	42,942
2022	23,820	15,502	1,511	40,833
2023-2027	118,560	63,034	7,553	189,147
2028-2032	150,994	36,230	3,523	190,747
2033-2037	42,699	18,894	-	61,593
2038-2042	51,225	7,772	-	58,997
2043	105		-	105
Total	$ 476,118	$ 214,724	$ 18,631	$ 709,473

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, 2017.

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. Since the debt was fully paid as of June 30, 2017, the swap has been terminated and both the deferred outflow of resources and swap liability in the amount of $31 have been removed.

As of June 30, 2017, the University has 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 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 $1,102 at June 30, 2017. The accrued liability (noncurrent) of $15,912 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 swaps, 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, 2017, the interest rate on the University's Series 2013A hedged variable-rate debt is 1.33 percent, while 67 percent of LIBOR is .82 percent.

Termination risk - The swap agreements may be terminated prior to their stated termination dates 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 swaps that mature or may be terminated prior to the maturity of the hedged debt. When these hedging interest rate swaps terminate, 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 swaps. The University is exposed to rollover risk.

(in thousands)

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, 2017 and 2016 is $18,227 and $17,123, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro-rata monthly basis for salaried employees and on a pro-rata hourly basis for classified hourly employees). Employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25% of unused days (maximum of 30 days). The liability for accrued sick leave at June 30, 2017 and 2016 is $5,331 and $5,723, respectively.

A summary of accrued compensated absences at June 30, 2017 and 2016 is as follows:

For the year ended	Beginning Balance	Additions	Reductions	Ending Balance
June 30, 2017	$ 22,846	$ 2,568	$ 1,856	$ 23,558
June 30, 2016	$ 23,380	$ 2,172	$ 2,706	$ 22,846

(8) Retirement Benefits

(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

(in thousands)

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

Member contributions are set at the maximums authorized by the ORC. The plans' 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 plans' 2016 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 7/1/15)	14.00%	0.00%	0.00%	14.00%	13.00%
STRS (beginning 7/1/14)	14.00%	0.00%	0.00%	14.00%	12.00%
OPERS - State/Local	12.00%	2.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement	16.10%	2.00%	0.00%	18.10%	13.00%

(in thousands)

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

	For the years ended 6/30	
	2017	2016
STRS	$ 18,267	$ 16,959
OPERS	17,058	16,680
	$ 35,325	$ 33,639

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.

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.

(in thousands)

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.

Net Pension Liability, Deferrals, and Pension Expense – At June 30, 2017, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. The net pension liability was measured as of July 1, 2016 for the STRS plan and December 31, 2016 for the OPERS plan. At June 30, 2016, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. The net pension liability was measured as of July 1, 2015 for the STRS plan and December 31, 2015 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

	Measurement	Net Pension Liability		Proportionate Share		Percent
Plan	Date	2017	2016	2017	2016	Change
STRS	July 1	$ 385,343	$ 322,106	1.15%	1.17%	-0.02%
OPERS	December 31	$ 196,348	$ 151,914	0.87%	0.88%	-0.01%

For the years ended June 30, 2017 and 2016, the University recognized pension expense of $79,421 and $48,668, respectively. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,880	$ 1,430
Changes of assumptions	31,340	-
Net difference between projected and actual earnings on pension plan investments	61,426	-
Changes in proportion and differences between University contributions and proportionate share of contributions	2,597	4,324
University contributions subsequent to the measurement date	26,207	
Total	$ 137,450	$ 5,754

(in thousands)

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,710	$ 3,101
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	44,828	23,162
Changes in proportion and differences between University contributions and proportionate share of contributions	4,137	3
University contributions subsequent to the measurement date	24,186	-
Total	$ 87,861	$ 26,266

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
2018	$34,547
2019	34,614
2020	24,993
2021	11,376
2022	(15)
Thereafter	(26)

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 (2018).

(in thousands)

Actuarial Assumptions – For the June 30, 2017 financial statements, the total pension liability is based on the results of actuarial valuations and determined using the following actuarial assumptions, applied to all periods included in the measurement:

	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, 2015
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022–Scale AA)	RP-2014 Healthly Annuitant mortality table

For the June 30, 2016 financial statements, the total pension liability is based on the results of actuarial valuations and determined using the following actuarial assumptions, applied to all periods included in the measurement:

	STRS - as of 6/30/15	OPERS - as of 12/31/15
Valuation date	July 1, 2015	December 31, 2015
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	4.25 percent - 10.05 percent
Inflation	2.75 percent	3.75 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	8.00 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, 2010
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022–Scale AA)	RP-2000 mortality table projected 20 years using Projection Scale AA

Discount Rate – As of June 30, 2017 and June 30, 2016, the discount rate used to measure the total pension liability was 7.75 percent and 7.75 percent for STRS and 7.50 percent and 8.0 percent for 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 long-term expected rate of return on pension 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 real rates of return for each major asset class for the June 30, 2017 financial statements are summarized in the following table:

	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%	

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the June 30, 2016 financial statements are summarized in the following table:

	STRS - as of 7/1/15			OPERS - as of 12/31/15	
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%	2.31%
International Equity	26.00%	5.35%	Domestic Equities	20.70%	5.84%
Alternatives	14.00%	5.50%	Real Estate	10.00%	4.25%
Fixed Income	18.00%	1.25%	Private Equity	10.00%	9.25%
Real Estate	10.00%	4.25%	International Equity	18.30%	7.40%
Liquidity Reserves	1.00%	0.50%	Other Investments	18.00%	4.59%
Total	100%		Total	100%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – For the June 30, 2017 financial statements, 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:

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

(in thousands)

For the June 30, 2016 financial statements, 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:

Plan	1.00 percent decrease		Current Discount Rate		1.00 percent increase	
STRS	6.75%	$ 447,435	7.75%	$ 322,106	8.75%	$ 216,129
OPERS	7.00%	242,696	8.00%	151,914	9.00%	75,332
		$ 690,131		$ 474,020		$ 291,461

Assumption Changes – During the current measurement period, the OPERS Boards adopted certain assumption changes, which impacted their annual actuarial valuations prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent for OPERS, which increased the University's respective net pension liability.

Changes Between Measurement Date and Report Date – In March 2017, the STRS Board adopted certain assumption changes that will impact its annual actuarial valuation 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. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the University's net pension liability is expected to be significant.

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

Payable to the Pension Plan – At 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. The payable reported as of June 30, 2016 was $5,234.

(b) Post-Retirement Health Care Benefits

OPERS - Plan Description

OPERS maintains two cost-sharing multiple-employer defined benefit postemployment healthcare trusts which fund multiple healthcare plans, including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS-sponsored healthcare coverage.

In order to qualify for healthcare coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care is provided to the Board in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

OPERS - Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS healthcare plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three healthcare trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide healthcare funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund healthcare plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016.

As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2016 was 4.0%

The University's contributions used to fund health care for the years ended June 30, 2017, 2016, and 2015 were $2,395, $2,343, and $2,298, respectively.
STRS - Plan Description

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer healthcare plan. STRS Ohio provides access to healthcare coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated healthcare costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the healthcare costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strs.oh.org or by requesting a copy by calling toll free 1-888-227-7877.

STRS - Funding Policy

Under Ohio law, funding for postemployment health care may be deducted from employer contributions. Since the year ended June 30, 2015, 0% of the contribution has been allocated toward post-employment health care, therefore the contribution has remained zero for the fiscal years ending June 30, 2017, 2016, and 2015.

(c) Ohio Public Employees Deferred Compensation Program

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

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

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

At June 30, 2017 and 2016, the amounts on deposit with the Ohio Public Employees Deferred Compensation Board were $18,086 and $14,991, 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, 2017 and 2016 were $65,705 and $60,192, respectively. A liability for unpaid claims (including incurred but not reported claims) in the amount of $12,423 and $10,248 has been accrued as of June 30, 2017 and 2016, 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, 2017, June 30, 2016, and June 30, 2015 is as follows:

(in thousands)

For the Years Ended	Balance	Additions	Reductions	Balance
June 30, 2017	$ 10,248	$ 67,880	$ (65,705)	$ 12,423
June 30, 2016	$ 10,280	$ 60,160	$ (60,192)	$ 10,248
June 30, 2015	$ 9,032	$ 57,509	$ (56,261)	$ 10,280

The University has operating leases for the use of real property and moveable equipment. Total expenditures during 2017 and 2016 for operating leases amounted to approximately $612 and $823, respectively.

Future minimum payments on noncancelable operating leases subsequent to June 30, 2017 are as follows:

Year	Operating Leases
2018	$ 494
2019	350
2020	310
2021	294
2022	0
Total future minimum payments	$ 1,448

As of June 30, 2017, the University had commitments related to construction projects totaling $60,934. Of this amount, $5,861, or 9.62%, will be funded from bond proceeds.

The Federal Perkins Loan Program expired on September 30, 2017. As of June 30, 2017, 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.

(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, 2017 are $9,540 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.

(in thousands)

(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 $213,394 and $184,423 at June 30, 2017 and 2016 respectively, most of which have been restricted by donors for specific purposes, are presented separately. Amounts received by the University from the Foundation are included in the accompanying financial statements. The University received approximately $10,409 and $9,200 of financial support during the years ended June 30, 2017 and 2016, respectively, from gifts to the Foundation specifically restricted by donors for University use and from private grants. Additionally, at June 30, 2017 and 2016, the University had outstanding receivables from the Foundation of approximately $105 and $111, respectively.

The value of investments for the Foundation at June 30, 2017 and 2016 is as follows:

	Market Value 2017	Market Value 2016
Corporate stocks	$ 4,173	$ 4,420
Limited partnership hedge fund	10,410	8,321
Private equity	2,128	345
ETFs	18,668	10,701
Bonds	98	
Mutual funds:		
Large capitalization equity funds	41,920	36,663
Small/middle capitalization equity funds	4,585	8,177
International equity funds	37,511	30,297
Other mutual funds	14,299	12,796
Fixed-income funds	31,760	31,214
	$ 165,552	$ 142,934

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

(in thousands)

The following tables present information about the investments measured at fair value on a recurring basis as of June 30, 2017 and 2016:

	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)
Corporate stocks	$ 4,173	$ 4,173	$ -	$ -
Limited partnership hedge funds	10,410	-		10,410
Private equity	2,128			2,128
Exchange Traded Funds ("ETFs")	18,668	18,668		
Bonds	98		98	
Mutual funds				
Large capitalization equity funds	41,920	41920	-	-
Small/middle capitalization equity funds	4,585	4,585	-	-
International equity funds	37,511	37,511	-	-
Other mutual funds	14,299	14,299	-	-
Fixed income funds	31,760	20,201	11,559	-
	$ 165,552	$ 141,357	$ 11,657	$ 12,538

	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate stocks	$ 4,419	$ 4,419	$ -	$ -
Limited partnership hedge funds	8,321	-	-	8,321
Private equity	345	-		345
Exchange Traded Funds ("ETFs")	10,701	10,701	-	-
Mutual funds				
Large capitalization equity funds	36,663	36,663	-	-
Small/middle capitalization equity funds	8,177	8,177	-	-
International equity funds	30,297	30,297	-	-
Other mutual funds	12,796	12,796	-	-
Fixed income funds	31,215	19,680	11,535	-
	$ 142,934	$ 122,733	$ 11,535	$ 8,666

The fair values of debt and equity investments and mutual funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates (Level 2 inputs).

(in thousands)

The Foundation invests in alternative investments, which include investments in limited partnerships. Fair value represents the Foundation's proportionate interest in the net assets of these funds. Fair values are supplied to the Foundation by third-party administrators, and audited information about these funds is available annually. Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility (Level 3 inputs). At June 30, 2017 and 2016, the Foundation has no unfunded commitments to either of these investment alternatives.

During fiscal year 2016, the Foundation entered into multiple private equity investments. The Foundation has estimated fair value of these investments using net asset values provided by the underlying private investment companies and/or their administrators. Due to market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility (Level 3 inputs). There are no redemption options on these funds. Commitments outstanding on these funds are approximately $11,147 at June 30, 2017. The investment objective of these funds is to obtain long-term growth capital.

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, 2017:

Statement of Net Position (condensed):	
Total assets	$ 24
Total liabilities	$ 24
Net position	$ 0

As of June 30, 2016:

Statement of Net Position (condensed):	
Total assets	$ 51
Total liabilities	$ 51
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.

(in thousands)

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

For the year ended June 30, 2016:

Statement of Revenues, Expenses and Changes in Net Position (condensed):

Operating revenues	$ 729
Operating expenses	941
Operating loss	(212)
Transfers	212
Change in net position	$ 0

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

(12) Subsequent Events

The State of Ohio's fiscal year 2018-2019 budget bill includes several provisions that will have an impact on higher education in the future; the most notable provision is the freeze on tuition increases for both fiscal year 2018 and 2019. Along with the freeze on tuition increases, the bill also includes no increase in the pool for state support for Ohio's public universities. The support will continue to be distributed based on a performance-based formula.

Required Supplementary Information

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KENT STATE UNIVERSITY

Required Supplementary Information for GASB 68
(in thousands)

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

	2016		2015		2014	
	OPERS	STRS	OPERS	STRS	OPERS	STRS
Plan year end	December 31	June 30	December 31	June 30	December 31	June 30
University’s proportion of the collective net pension liability:						
As a percentage	0.86678%	1.15121%	0.87943%	1.16549%	0.85325%	1.57020%
Amount	$ 196,348	$ 385,343	$ 151,914	$ 322,106	$ 102,582	$ 281,426
University’s covered-employee payroll	$ 144,315	$ 151,084	$ 140,497	$ 145,798	$ 136,758	$ 142,396
University’s proportionate share of the collective pension liability (amount), as a percentage of the University’s covered employee payroll	136.06%	255.05%	108.13%	220.93%	75.01%	197.64%
Fiduciary net position as a percentage of the total pension liability	77.39%	66.78%	81.17%	72.10%	86.53%	74.70%

Schedule of the University's Contributions

	2017		2016		2015	
	OPERS	STRS	OPERS	STRS	OPERS	STRS
Statutorily required contribution	$ 15,262	$ 16,528	$ 16,680	$ 16,959	$ 16,360	$ 17,022
Contributions in relation to the actuarially determined contractually required contribution	$ 15,262	$ 16,528	$ 16,680	$ 16,959	$ 16,360	$ 17,022
Contribution deficiency (excess)	$ -	$ -	$ -	$ -		$ -
Covered employee payroll	$ 146,087	$ 151,084	$ 142,041	$ 145,798	$ 139,224	$ 142,396
Contributions as a percentage of covered employee payroll	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 for the plan years ended June 30, 2016 and December 31, 2016, respectively.

Changes of assumptions.
STRS: There were no changes in assumptions affecting STRS for the plan year ended June 30, 2016.

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.

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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 the 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, 2017, 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 12, 2017. Our report includes a reference to other auditors who audited the financial statements of Kent State University Foundation, as described in our report on Kent State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kent State 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.

To Management and the Board of Trustees
Kent State University

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 Kent State 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*.

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 University'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 12, 2017

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Report on Compliance for Each Major Federal Program; 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 its major federal program for the year ended June 30, 2017. Kent State University's major federal program is 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kent State 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 Kent State 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 Kent State University's compliance.

To the Board of Trustees
Kent State University

Opinion on Each Major Federal Program

In our opinion, Kent State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Kent State 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 Kent State 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.

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 12, 2017

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed through to Subrecipients	Expenditures
STUDENT FINANCIAL AID CLUSTER				
Department of Education -				
Direct Programs:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A		$ 1,041,812
Federal Work-Study Program	84.033	N/A		1,460,676
Federal Perkins Loan Program	84.038	N/A		41,756,200
Federal Pell Grant Program	84.063	N/A		47,521,595
Federal Direct Student Loans	84.268	N/A		228,154,525
Teacher Education Assistance for College and Higher Education Grants (TEACH GRANTS)	84.379	N/A		1,550,265
Total Department of Education				321,485,073
Department of Health and Human Services -				
Direct Programs:				
Health Professional	93.342	N/A		2,805,149
Loans for Disadvantaged Students	93.342	N/A		389,324
Nursing Student Loans	93.364	N/A		2,153,854
Total Department of Health and Human Services				5,348,327
TOTAL STUDENT FINANCIAL AID CLUSTER				326,833,400
RESEARCH AND DEVELOPMENT CLUSTER				
Department of Agriculture -				
Direct Program -				
Agriculture and Food Research Initiative (AFRI)	10.310	N/A	$ 27,338	186,001
Total Department of Agriculture				186,001
Department of Commerce -				
Pass-through Programs:				
Ohio State Research Foundation - Sea Grant Support	11.417	60043509		11,047
The Ohio State University - Sea Grant Support	11.417	60058395		8,921
Ohio State Research Foundation - Sea Grant Support	11.417	60047463		2,977
Ohio State Research Foundation - Sea Grant Support	11.417	60055314		4,078
Total				27,023
The Ohio State University - Coastal Zone Management Administration Awards	11.419	60053890	2,543	50,361
The Ohio State University - Coastal Zone Management Administration Awards	11.419	60059113		3,520
Total				53,881
Total Department of Commerce				80,904
Department of Defense -				
Direct Program -				
Basic Scientific Research	12.431	N/A	58,858	166,148
Pass-through Programs:				
Lee Moffitt Cancer Center - Military Medical Research and Development	12.420	12-18717-99-01-G3		185,331
Geisinger Medical Center - Military Medical Research and Development	12.420	6917961		10,365
Universal Technology Corporation - Liquid Crystalline	12.RD	15-S7411-03-C1		37,164
Lincoln Lab-MIT - Beam Steering Project	12.RD	PO 7000337307		42,043
UES, Inc. - Study of Silica Nanoparticles	12.RD	S-111-024-002		23,056
UES, Inc. - Dynamic Soft Matter Constructs	12.RD	810843896		75,323
Total Department of Defense				539,430
Department of Housing and Urban Development -				
Pass-through Program -				
City of Cleveland - Community Development Block Grants/Entitlement Grants	14.218	CT5005-SG-2016-049		2,500
Total Department of Housing and Urban Development				2,500
Department of the Interior:				
Direct Programs:				
Geological Survey Research and Data Acquisition	15.808	N/A		3,066
National Cooperative Geologic Mapping Program (B)	15.810	N/A		1,949
Cooperative Research and Training Programs - Resources of the National Park System	15.945	N/A		1,779
Pass-through Program -				
The Ohio State University - Assistance to State Water Resources Research Institutes	15.805	60054049		18,329
Total Department of the Interior				25,123

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed through to Subrecipients	Expenditures
Department of Justice:				
Direct Programs:				
Justice Research Development and Evaluation Project	16.560	N/A	$ 1,714	$ 88,482
NIJ Inter-Agency Agreement	16.RD	N/A		24,751
Pass-through Programs:				
Ohio Criminal Justice Studies - Community Prosecution and Project Safe Neighborhoods (B)	16.609	2016-PS-PSN-432		30,449
Ohio Criminal Justice Studies - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	2013-PS-PSN-366		25,218
City of Cleveland - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	2015-175		57,865
City of Cleveland - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	CT6002SG 2015-198		46,526
City of Cleveland - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	CT6002 SG 2015-175		68,123
Ohio Criminal Justice Studies - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	2016-JG-C01-6947		2,815
Total				200,547
Total Department of Justice				344,229
Department of Transportation -				
Pass-through Program -				
Ohio Department of Transportation - Highway Planning and Construction	20.205	27886		16,781
Total Department of Transportation				16,781
National Aeronautics and Space Administration:				
Direct Programs:				
Science	43.001	N/A	11,887	144,174
Space Operations	43.007	N/A		30,468
Ground Data Acquisition	43.RD	N/A		36,533
Pass-through Programs:				
Education	43.008	521202-KENT		13,427
Yanhai Power LLC - Phase II Freeze-Cast	43.RD	NNX15CC12C-KSU		27,253
Ohio Space Grant Consortium - Robotic Competition 2016	43.RD	KSU418733		3,653
Ohio Space Grant Consortium - Space Grant Midwest Rocket Competition	43.RD	00035652		2,432
Ohio Space Grant Consortium - Robotic Mining Competition	43.RD	418743		568
Case Western Reserve University - Microgravity Studies of Liquid Crystal Thin Films]	43.RD	800315272		10,721
Universities Space Research Association - Instrumentation and Controls Advanced Research and Technology Support	43.RD	04555-026		49,321
Total				93,948
Total National Aeronautics and Space Administration				318,550
National Science Foundation:				
Direct Programs:				
Engineering Grants	47.041	N/A		213,677
Mathematical and Physical Sciences	47.049	N/A		2,375,092
Geosciences	47.050	N/A		119,364
Computer and Information Science and Engineering	47.070	N/A		191,276
Biological Sciences	47.074	N/A		181,703
Social Behavioral and Economic Sciences	47.075	N/A	12,071	167,381
Education and Human Resources	47.076	N/A	18,842	654,310
Office of International Science and Engineering	47.079	N/A		43,088
NSF 1456188 IPA Assignment	43.RD	N/A		33,879
Pass-through Programs:				
Kent Displays, Inc. - Engineering Grants	47.041	2015-1		173,633
Washington State University - Engineering Grants	47.041	120239 G003233		128,137
Total				301,770
University of Wisconsin-Madison - Mathematical and Physical Sciences	47.049	364K291		77,185
Case Western Reserve University - Mathematical and Physical Sciences	47.049	DMR-0423914		6,597
Total				83,782
The University of Akron - Computer and Information Science and Engineering	47.070	KSU 2-535326		(500)
The University of Maryland - Biological Sciences	47.074	28311-Z3708012		13,782
Clemson University - Biological Sciences	47.074	1735-206-2010169		56,882
Total				70,664
Ball State University - Social Behavioral and Economic Sciences	47.075	G474A		7,446
San Diego State University - Social Behavioral and Economic Sciences	47.075	SA0000404		71,246
Total				78,692
Michigan State University - Education and Human Resources	47.076	RC100753KSU/PRIME DRL-119327		4,432
Missouri State University - Education and Human Resources	47.076	11052-011		(194)
Missouri State University - Education and Human Resources	47.076	16043-002		40,423
Total				44,661
The University of Akron - Office of Cyberinfrastructure	47.080	KSU 4-535326		220
Total National Science Foundation				4,559,059

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed through to Subrecipients	Expenditures
Environmental Protection Agency -				
Direct Program -				
P3 Award: National Student Design Competition for Sustainability (B)	66.516	N/A		$ 13
Total Environmental Protection Agency				13
Department of Energy:				
Direct Program -				
Basic Energy Sciences University and Science Education	81.049	N/A	$ 56,148	897,699
Pass-through Programs:				
OPTRA, Inc. - Basic Energy Sciences University and Science Education	81.049	16088		20,379
University of Connecticut - Basic Energy Sciences University and Science Education	81.049	135049		16,270
Total				36,649
UT-Battelle, LLC - Electron Beam Grafting	81.RD	4000095139		18,014
Brookhaven National Laboratory - Inner Time Projection Chamber Upgrade of the STAR Detector	81.RD	332787		1,942
Total				19,956
Total Department of Energy				954,304
Department of Education:				
Direct Program -				
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	N/A		34,220
Pass-through Programs:				
Ohio Department of Education - Special Education Grants to States	84.027	CSP909314		360,553
The Ohio State University - Education Research, Development and Dissemination	84.305	60051548		83,292
The University of Akron - English Language Acquisition State Grants	84.365	00773-KSU ED-T365Z120262		37,407
Total Department of Education				515,472
Department of Health and Human Services:				
Direct Programs:				
Mental Health Research Grants	93.242	N/A		20,554
Nursing Research	93.361	N/A	82,178	354,966
ACL National Institute on Disability, Independent Living and Rehabilitation Research	93.433	N/A	274,517	495,672
Cardiovascular Diseases Research	93.837	N/A	454,494	934,034
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	N/A		157,948
Clinical Research Related to Neurological Disorders	93.853	N/A		85,892
Pharmacology Physiology and Biological Chemistry	93.859	N/A		199,466
Child Health and Human Development Extramural Research	93.865	N/A	1,066	178,017
Aging Research	93.866	N/A		147,060
National Institute for Occupational Safety & Health - Determining the Impact of Inspiratory Resistance	93.200	N/A		12,827
Pass-through Programs:				
Case Western Reserve University - Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077	RES510625		163
Case Western Reserve University - Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077	RES511296		13,588
Total				13,751
Stark County Mental Health & Addiction Recovery - Comprehensive Community Mental Health Services	93.104	KSU416373		630
University of Cincinnati - Biological Response to Environmental Health Hazards	93.113	010539-002		4,811
Einstein Institute - Research Related to Deafness and Communication Disorders	93.173	492101		10,450
The University of Akron - Mental Health Research Grants	93.242	KSU413307		1,488
Indiana University - Mental Health Research Grants	93.242	BL-4624280-KSU		22,834
Total				24,322
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	5NU58DP005639-02-00		26,588
Hospital Council of Northwest Ohio - Partnerships to Improve Community Health	93.331	FNU58DP0056-39-00		39,177
Total				65,765
Case Western Reserve University - Nursing Research	93.361	RES511228		31,079
Case Western Reserve University - Nursing Research	93.361	RES510270		7,529
Duke University - Nursing Research	93.361	SUB# 2035921		9,386
Total				47,994

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed through to Subrecipients	Expenditures
Department of Health and Human Services (Continued):				
Pass-through Programs (Continued):				
Duke University - Cancer Cause and Prevention Research	93.393	2034252		$ 9,870
Children's Hospital Medical Center of Akron - Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	KSU-411737		19,419
Cleveland Clinic - Cardiovascular Diseases Research	93.837	617SUB		16,098
Neuropsychiatric Research Institute - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	51-2031-5033-7		12,396
Neuropsychiatric Research Institute - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	FAR0027328		11,664
Total				24,060
Translational Genomics Research Institute - Allergy Immunology and Transplantation Research	93.855	PRICE-11-03		28,590
University of Florida - Allergy and Infectious Diseases Research	93.855	810008156		27,010
Total				55,600
Total Child Health, Inc. - Child Health and Human Development Extramural Research	93.865	FS01		29,887
The MetroHealth System - Special Projects of National Significance	93.928	7411061199		1,547
The MetroHealth System - Special Projects of National Significance	93.928	7411062102		20,878
Total				22,425
Indiana Department of Public Health - Cooperative Agreements to Support State-Based Infant	93.946	00000000000000019082		36,277
Ohio Department of Mental Health and Addiction Services - Block Grants for Prevention and Treatment of Substance	93.959	1700468		3,758
Total				3,758
Total Department of Health and Human Services				2,981,813
TOTAL RESEARCH AND DEVELOPMENT CLUSTER				10,524,179
CHILD NUTRITION CLUSTER				
Department of Agriculture -				
Pass-through Programs:				
Ohio Department Of Education - Summer Food Service Program for Children	10.559	KSU416909		2,895
Ohio Department Of Education - Summer Food Service Program for Children	10.559	KSU416910		6,437
Ohio Department Of Education - Summer Food Service Program for Children	10.559	KSU416911		2,956
TOTAL CHILD NUTRITION CLUSTER				12,288
CDBG - ENTITLEMENT GRANTS CLUSTER				
Department of Commerce -				
Pass-through Program -				
Stark County Regional Planning - Community Development Block Grants/Entitlement Grants	14.218	B-16-UC-39-0005		31,420
TOTAL CDBG - ENTITLEMENT GRANTS CLUSTER				31,420
SPECIAL EDUCATION CLUSTER (IDEA)				
Department of Education -				
Pass-through Programs:				
University of Dayton Research Institute - Special Education Grants to States	84.027	RSC16024		11,347
University of Dayton Research Institute - Special Education Grants to States	84.027	RSC16089		35,325
University of Dayton Research Institute - Special Education Grants to States	84.027	RSC16017		108
University of Dayton Research Institute - Special Education Grants to States	84.027	RSC16063		34,627
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				81,407
TRIO CLUSTER				
Department of Education -				
Direct Programs:				
TRIO Student Support Services	84.042	N/A		446,713
TRIO Upward Bound	84.047	N/A		1,111,553
McNair Post-Baccalaureate Achievement	84.217	N/A		230,318
TOTAL TRIO CLUSTER				1,788,584
MEDICAID CLUSTER				
Department of Health and Human Services -				
Pass-through Programs:				
Northeast Ohio Medical University - Medical Assistance Program	93.778	G0088-F		47,475
The Ohio State University - Medical Assistance Program	93.778	60055249		17,643
TOTAL MEDICAID CLUSTER				65,118
SUBTOTAL OF CLUSTERS				1,978,817

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed through to Subrecipients	Expenditures
OTHER PROGRAMS				
Department of Agriculture -				
Direct Program -				
Rural Technology Development Grants	10.771	N/A		$ 34,590
Total Department of Agriculture				34,590
National Security Agency -				
Direct Program -				
Language Grant Program	12.900	N/A		202,557
Total National Security Agency				202,557
Department of Justice -				
Direct Program:				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	N/A		34,107
Pass-through Programs:				
Ohio Attorney General - Crime Victim Assistance	16.575	2016-VOCA-22895892		28,040
Ohio Attorney General - Crime Victim Assistance	16.575	810007920		80,610
Total				108,650
City of Cleveland - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	CT6002-PS2016-295		38,259
Total Department of Justice				181,016
Department of State -				
Pass-through Programs:				
International Research & Exchange Board, Incorporated - Educational Exchange-Teachers from Secondary and Postsecondary Levels and School Administrators (B)	19.408	FY16-ILEP-KENT-STATE-01		4,137
International Research & Exchange Board, Incorporated - Educational Exchange-Teachers from Secondary and Postsecondary Levels and School Administrators (B)	19.408	FY15-ILEP-KENT STATE-01 SUPPL.		1,084
International Research & Exchange Board, Incorporated - Educational Exchange-Teachers from Secondary and Postsecondary Levels and School Administrators (B)	19.408	FY17-ILEP-KSU-01		177,825
Total Department of State				183,046
Department of Transportation -				
Direct Program -				
Airport Improvement Program	20.106	N/A		374,524
Total Department of Transportation				374,524
National Aeronautics and Space Administration -				
Pass-through Programs:				
Ohio Space Grant Consortium - Education	43.008	KSU411819		2,226
Ohio Space Grant Consortium - Education	43.008	KSU418726		2,505
Ohio Space Grant Consortium - Education	43.008	KSU411808		15,000
Ohio Space Grant Consortium - Education	43.008	KSU411814		9,500
Total National Aeronautics and Space Administration				29,231
National Endowment for the Arts -				
Pass-through Program -				
Ohio Arts Council - Promotion of the Arts-Partnership Agreements	45.025	150192		324
Total National Endowment for the Arts				324
National Endowment for the Humanities:				
Direct Program -				
Promotion of the Humanities-Professional Development	45.163	N/A		206,693
Pass-through Program -				
Ohio Humanities Council - Promotion of the Humanities Federal-State Partnership	45.129	MA16-029		10,000
Total National Endowment for the Humanities				216,693
Institute of Museum and Library Services -				
Pass-through Program -				
University of Washington - National Leadership Grants	45.312	763729		5,097
Total Institute of Museum and Library Services				5,097

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed through to Subrecipients	Expenditures
Small Business Administration -				
Pass-through Programs:				
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-16-327		$ 73,011
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBDC-2017-01		52,273
Ohio Development Services Agency - Small Business Development Centers	59.037	KSU445004		(7,094)
Ohio Development Services Agency - Small Business Development Centers	59.037	KSU487908		4,751
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-16-321		19,883
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBDC-2017-01		65,808
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-16-322		42,535
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-17-322		86,623
Total				337,790
Ohio Aerospace Institute - Federal and State Technology Partnership Program	59.058	PO # 0006368		15,472
Total Small Business Administration				353,262
Department of Veterans Affairs -				
Direct Program -				
Veterans Health Administration IPA Agreement	64.RD	N/A		66,210
Total Department of Veterans Affairs				66,210
Environmental Protection Agency -				
Direct Program -				
Science To Achieve Results (STAR) Fellowship Program (B)	66.514	N/A		6,120
Total Environmental Protection Agency				6,120
Department of Education:				
Direct Programs:				
Adult Education National Programs	84.191	N/A		98,270
Special Education-Personnel Preparation to Improve Services and Results for Children with Disabilities (B)	84.325	N/A	$ 50,812	619,685
Pass-through Programs:				
Ohio Board of Regents - Adult Education - Basic Grants to States	84.002	AB-SL-2016		23,450
Ohio Board of Regents - Adult Education - Basic Grants to States	84.002	AB-SL-2017		1,320,340
Total				1,343,790
Ohio Department of Education - Career and Technical Education - Basic Grants to States	84.048	EDU20A01566451		226
Ohio Department of Education - Career and Technical Education - Basic Grants to States	84.048	PO# 15182		(284)
Ohio Department of Education - Career and Technical Education - Basic Grants to States	84.048	KSU415654		95,657
Ohio Department of Education - Career and Technical Education - Basic Grants to States	84.048	V048A160035		9,870
Ohio Board of Regents - Career and Technical Education - Basic Grants to States	84.048	BOR01-0000004600		7,500
Total				112,969
Ohio Department of Education - Drug-Free Schools and Communities National Programs	84.184	KSU457907		88,827
Northeast Ohio Medical University - 21st Century Community Learning Centers Program	84.287	34528-B		(3)
University of Dayton Research Institute - Special Education-Personnel Preparation to Improve Services and Results for Children with Disabilities (B)	84.325	RSC15068		2,546
Ohio Board of Regents - Gaining Early Awareness and Readiness for Undergraduate Programs (B)	84.334	KSU417202		52,900
Ohio Department of Education - Mathematics and Science Partnerships (B)	84.366	15246		17,263
Ohio Department of Education - Mathematics and Science Partnerships (B)	84.366	16443		41,673
Ohio Department of Education - Mathematics and Science Partnerships (B)	84.366	800310606		134,317
Total				193,253
Ohio Department of Education Improving Teacher Quality State Grants (A)	84.367	15055		3,403
Ohio Department of Education Improving Teacher Quality State Grants (A)	84.367	16808		191,682
National Writing Project - Improving Teacher Quality State Grants (A)	84.367	97-OH03-SEED2012		588
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	15-21		97,479
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	15-23	6,000	74,348
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	16-15		16,649
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	16-16		11,649
National Writing Project - Improving Teacher Quality State Grants (A)	84.367	97-OH03-SEED2017-CRWPAI		4,367
National Writing Project - Improving Teacher Quality State Grants (A)	84.367	97-OH03-SEED2017-14		3,949
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	KSU487926		-
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	15-24		4,725
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	15-24		49,689
Total				458,528
Total Department of Education				2,970,765

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed through to Subrecipients	Expenditures
National Archives and Records Administration -				
Direct Program -				
National Historical Publications and Records Grants	89.003	N/A		$ 10,132
Total National Archives and Records Administration				10,132
Department of Health and Human Services:				
Direct Program:				
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)	93.243	N/A		100,728
Pass-through Programs:				
Tuscarawas County Health Department - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	KSU416219		392
Tuscarawas County Health Department - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	KSU416223		23,239
Total				23,631
Union County Health Department - Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	KSU416366		5,000
Union County Health Department - Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	KSU416367		5,000
Total				10,000
Cuyahoga County Board of Health - Preventive Health and Health Services Block Grant	93.991	KSU416429		1,014
Union County Health Department - Maternal and Child Health Services Block Grant	93.994	KSU416365		3,912
Total Department of Health and Human Services				139,285
TOTAL OTHER PROGRAMS				4,772,852
TOTAL SUBRECIPIENTS			**$ 1,058,468**	
TOTAL FEDERAL AWARDS				**$ 344,109,248**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Kent State University under programs of the federal government for the year ended June 30, 2017. The information in this 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 Kent State University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Kent State 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 on 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 Requirement*s 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 minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Loans Balances

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule of expenditures of federal awards. The balances of loans outstanding at June 30, 2017 consist of the following:

Cluster/Program Title	CFDA Number	Loan Balances
Perkins Loan Program	84.038	$ 36,775,581
Nursing Student Loan Program	93.364	1,808,456
Health Professional Student Loans	93.342	2,605,305
Loans for Disadvantaged Students	93.342	384,994
	Total	$ 41,574,336

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 2016-2017 award year, the University carried forward and spent $79,216 of SEOG funds and $58,584 of FWS funds to the 2015-2016 award year. From the 2016-2017 award year, the University carried back and spent $37,277 of SEOG and $141,576 of FWS funds to the 2015-2016 award year.

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

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__ No

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

Type of auditor's report issued on compliance for major programs: Unmodified

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 Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364	Student Financial Aid Cluster

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

None

Section III - Federal Program Audit Findings

None

KENT STATE
UNIVERSITY

October 4, 2017

Federal Audit Clearinghouse
RE: Kent State University
Summary Schedule of Prior audit Findings
Fiscal Year Ended: June 30, 2017

Prior Year Finding Number: 2016-001
Fiscal Year in Which the Finding Initially Occurred: 2016
Federal Program, CFDA Number and Name: N/A
Original Finding Description: One individual has the ability to create and approve wire transfer templates, as well as initiate and approve individual wire transfers with no second approval required.
Status/Partial Corrective Action (as applicable): Fully corrected
Planned Corrective Action: N/A

Controller's Office
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330-672-2392 • Fax: 330-672-8328 • http://www.kent.edu

KENT STATE UNIVERSITY

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 30, 2017

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
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