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

Financial Report
with Supplemental Information
June 30, 2018

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Independent Auditor's Report

To the Board of Trustees
Cleveland State University

Report on the Financial Statements

We have audited the accompanying financial statements of Cleveland State University (the "University") and its discretely presented component units, The Cleveland State University Foundation, Inc. and Euclid Avenue Development Corporation, as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise Cleveland 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 The Cleveland State University Foundation, Inc. (the "Foundation") and Euclid Avenue Development Corporation (the "Corporation"), which represent all of the balances of the assets, net assets, and revenue of the discretely presented component units. 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 and Corporation, 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Trustees
Cleveland 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 Cleveland State University and its discretely presented component units as of June 30, 2018 and 2017 and the changes in its financial position and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Notes 1 and 8 to the basic financial statements, the University adopted the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cleveland 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
Cleveland State University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 on our consideration of Cleveland State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cleveland State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 12, 2018

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Cleveland State University (the "University") as of and for the year ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The University was established in 1964 by action of the Ohio General Assembly and is part of the State of Ohio's (the "State") system of State-supported and State-assisted institutions of higher education. It is one of the 13 State universities in Ohio. By statute, it is a body politic and corporate and an instrumentality of the State. Located in the city of Cleveland, the University is an urban institution. A majority of the University's students commute daily from their homes in the Cleveland metropolitan area.

Using the Annual Financial Report

The University's financial report includes 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*. These principles require that financial statements be presented on a consolidated basis to focus on the financial condition, the changes in financial condition, and the cash flows of the University as a whole. Many other nonfinancial factors also must be considered in assessing the overall health of the University, such as enrollment trends, student retention, strength of the faculty, condition of the buildings, and the safety of the campus.

The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Position, the Statement of Revenue, Expenses and Changes in Net Position, and the Statement of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenue 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.

Under the provisions of GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*, the Cleveland State University Foundation, Inc. (the "Foundation") and the Euclid Avenue Development Corporation (the "Corporation") are treated as component units of the University. Accordingly, the Foundation and the Corporation are discretely presented in the University's financial statements. The Foundation and the Corporation are excluded from the management's discussion and analysis. Financial statements for the Foundation can be obtained from the Office of the Executive Director at 2121 Euclid Avenue, Union Building Room 501, Cleveland, OH 44115-2214; financial statements for the Corporation can be obtained from the Office of the Senior Vice President for Business Affairs and Finance at 2300 Euclid Avenue, Administration Center Room 210, Cleveland, OH 44115-2214.

Financial Highlights

The University's financial position remained strong with assets of $691.2 million, deferred outflows of $56.2 million, liabilities of $505.7 million and deferred inflows of $28.1 million at June 30, 2018. Net position, which represents the residual interest in the University's assets and deferred outflow of resources after liabilities

and deferred inflows of resources are deducted, totaled $213.5 million, after the implementation of GASB Statement No. 75 on July 1, 2017 and the implementation of GASB Statement No. 68 on July 1, 2014.

Statement of Net Position

The statement of net position presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities. The difference between assets and deferred outflows and liabilities and deferred inflows - net position - is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets, deferred outflows, liabilities, and deferred inflows are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities, and net assets at June 30, 2018, 2017, and 2016 is as follows:

	2018	2017	2016
Current assets	$179,117,948	$160,728,479	$148,012,905
Noncurrent assets:			
Capital assets, net	497,104,489	487,778,055	493,170,085
Other	14,966,306	36,099,931	53,059,119
Deferred outflows	56,156,612	63,269,112	39,897,403
Total assets and deferred outflows	747,345,355	747,875,577	734,139,512
Current liabilities	42,946,226	46,451,288	52,969,359
Noncurrent liabilities	462,731,299	493,648,140	455,777,004
Deferred inflows	28,123,522	826,155	11,391,130
Total liabilities and deferred inflows	533,801,047	540,925,583	520,137,493
Net position	$213,544,308	$206,949,994	$214,002,019

In accordance with the University's implementation of GASB Statement No. 68 and GASB Statement No. 75, deferred outflow of resources has been recorded. "Deferred outflow of resources" is defined as the consumption of net assets applicable to a future reporting period. The deferred outflows have a positive effect on net position similar to assets. The University's deferred outflows in 2018 decreased from 2017 by $7.1 million, or 11.2%, primarily due to the implementation of GASB Statement No. 75 and changes in assumptions related to GASB Statement No. 68. The University's deferred outflows in 2017 increased from 2016 by $23.4 million, or 58.6%, primarily due to changes in assumptions and differences between expected and actual earnings on plan investments.

Current assets consist primarily of cash, short-term investments, accounts and notes receivable, prepaid expenses, and inventories. Current liabilities consist primarily of accounts payable, accrued payroll and other liabilities, unearned revenue, and the current portion of long-term debt.

Current assets increased in 2018 from 2017 and in 2017 from 2016, primarily due to an increase in short-term investments.

Net capital assets increased in 2018 from 2017 by $9.2 million, or 1.9% and decreased in 2017 from 2016 by $5.4 million, or 1.1%. The increase in 2018 is primarily due to the Washkewicz College of Engineering renovation. The decrease in 2017 is attributable to retirement of assets, including demolishing a building, and depreciation.

Other assets decreased in 2018 from 2017 by $21.1, or 58.5%, and in 2017 from 2016 by $17.0 million, or 32.0%, primarily due to the spending of restricted investments (bond proceeds) and a decrease in long-term endowment investments.

In conjunction with the University's implementation of GASB Statement No. 68 and GASB Statement No. 75, deferred inflows of resources have been recorded. "Deferred inflows of resources" is defined as the current acquisition of net assets that is applicable to a future period. The deferred inflows have a negative effect on net position similar to liabilities. The University's deferred inflows in 2018 increased from 2017 by $27.3 million, or 3,304.1%, primarily due to the implementation of GASB Statement No. 75 and the difference between expected and actual experience and projected and actual earnings on the OPERS and STRS Pension Plans. The deferred inflows in 2017 decreased from 2016 by $10.6 million, or 92.8%, primarily due to the differences between expected and actual experience and projected and actual earnings.

Liabilities decreased in 2018 from 2017 by $33.9 million, or 6.3%, primarily due to the decrease in net pension liability in conjunction with GASB 68, and increased in 2017 from 2016 by $31.4 million, or 6.2%, primarily due to the increase in net pension liability in conjunction with GASB Statement No. 68.

Capital and Debt Activities

One critical factor affecting the quality of the University's programs is the development and renewal of its capital assets. Capital additions totaled $37.8 million in 2018, $26.1 million in 2017, and $21.2 million in 2016. Capital additions and retirements for 2018, 2017, and 2016 exclude transfers from construction in progress to buildings in the amount of $24.6 million in 2018, $6.4 million in 2017 and $56.6 million in 2016. Capital retirements totaled $1.9 million in 2018, $39.7 million in 2017, and $4.9 million in 2016. Capital retirements in 2017 include disposal of fully depreciated library periodicals and electronic subscriptions. Capital additions include construction of new facilities, repair and renovation of existing facilities, and acquisition of equipment and library books. Capital asset additions are funded, in part, by capital appropriations from the State. These appropriations amounted to $20.9 million in 2018, $7.4 million in 2017, and $0.58 million in 2016.

In February 2016, the University issued $32,475,000 of general receipts bonds, Series 2016A. The bonds bear interest rates ranging from 3.0% to 5.0% and mature beginning June 1, 2016 through June 1, 2036. The proceeds of the issuance were used to defease a portion of the Series 2007A bonds and pay issuance costs. The purpose of this transaction was to refund future callable maturities to achieve debt service savings of approximately $3,900,000 over the life of the bonds.

In August 2012, the University issued Series 2012 General Receipts Bonds in the amount of $152 million. Included in this issuance was $45 million of funding for a planned new facility on campus to advance the University's growing role in health sciences and expand its alliance with Northeast Ohio Medical University (NEOMED). The University demolished a vacant dormitory and replaced it with a health and life sciences building, The Center for Innovations in Medical Professions. Construction began in November 2013 and was completed in June 2015.

In September 2011, the University issued taxable general receipts bonds in the principal amount of $5.77 million. The General Receipts Series 2011 Bonds were issued as fixed rate bonds with monthly maturities beginning October 1, 2013 through April 1, 2042. Interest is payable monthly at the annual rate of 5.32%. The proceeds of the bonds were used to finance a portion of the costs of public improvements identified as the North Campus Neighborhood - Project Phase I. This phase is the subject of a "project development agreement" dated July 14, 2011 by and between Cleveland State University and CSU Housing, LLC, an Ohio limited liability company which serves as the project developer, but is not affiliated with Cleveland State University.

In August 2010, the University entered into a capital lease with the Corporation in the amount of $7.07 million. The lease covers a parking garage that was constructed by the Corporation on the University's campus. The lease requires the University to operate and maintain the garage, and to make payments to the Corporation equal to its required debt service payments.

In August 2009, the University entered into a capital lease with the Corporation in the amount of $14.5 million. The lease covers a parking garage that was constructed by the Corporation on the University's campus. The lease requires the University to operate and maintain the garage, and to make periodic payments to the Corporation equal to its required debt service payments.

In March 2009, the University entered into a capital lease, financed by PNC Bank, in the amount of $42.8 million. Proceeds were used to fund a variety of energy conservation projects on the University's campus.

Net Position

The University's net position at June 30, 2018, 2017, and 2016, is summarized as follows:

	2018	2017	2016
Net investment in capital assets	$267,433,706	$252,071,032	$247,080,168
Restricted - Expendable	30,549,317	32,092,753	35,711,858
Restricted - Nonexpendable	1,456,277	1,438,658	1,344,591
Unrestricted	(85,894,992)	(78,652,449)	(70,134,598)
Total net position	$213,544,308	$206,949,994	$214,002,019

Net investment in capital assets represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Changes in this category of net position are due to the net effect of additions to, disposals of, and depreciation on capital assets.

Restricted expendable net position is subject to externally imposed restrictions governing their use. Changes in this category are customarily due to the timing of revenue and expenses in funds provided by donors and grantors and in 2018, the change is due to use of restricted donations in capital building projects. Restricted nonexpendable net position consists primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance.

Unrestricted net position is not subject to externally imposed stipulations. This category includes funds functioning as endowment (quasi-endowment) of $6.0 million at June 30, 2018, $5.8 million at June 30, 2017, and $5.5 million at June 30, 2016.

For the year ended June 30, 2018, the University had an increase in total net position of $6.6 million or 3.2%. Net investment in capital assets increased by $15.4 million or 6.1% because capital additions exceeded depreciation and deductions. Unrestricted net position decreased by $7.2 million or 9.2% primarily because the favorable change in net pension liability was offset by the OPEB liability related to implementation of GASB Statement No. 75.

For the year ended June 30, 2017, the University had a decrease in total net position of $7.1 million or 3.3%. Net investment in capital assets increased by $5.0 million or 2.0% because capital additions exceeded depreciation and deductions. Unrestricted net position decreased by $8.5 million or 12.1% primarily because the positive investment returns were offset by the increase in pension expense related to GASB Statement No. 68.

Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, expenses, and changes in net position presents the revenue earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. As a public institution, the University is dependent on State assistance. This dependency contributed toward an operating deficit because the financial reporting model classifies State appropriations as nonoperating revenue. 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. Summarized revenue, expenses, and changes in net assets for the years ended June 30, 2018, June 30, 2017, and June 30, 2016 are as follows:

	2018	2017	2016
Operating revenue:			
Net student tuition and fees	$146,339,500	$154,187,752	$152,650,587
Grants and contracts	18,743,925	16,113,107	15,894,376
Other	34,361,502	34,178,337	41,003,916
Total operating revenue	199,444,927	204,479,196	209,548,879
Operating expenses:			
Educational and general	202,853,279	269,515,958	252,176,005
Auxiliary enterprises	30,188,987	40,689,667	36,723,496
Depreciation and amortization	28,782,708	27,587,367	28,832,469
Total operating expenses	261,824,974	337,792,992	317,731,970
Operating loss	(62,380,047)	(133,313,796)	(108,183,091)
Nonoperating revenue, net of interest:			
State appropriations	75,489,568	74,979,638	74,516,410
Other	39,368,820	43,907,936	23,652,389
Gain (loss) before other changes	52,478,341	(14,426,222)	(10,014,292)
Other changes	20,926,089	7,374,197	580,544
Increase (Decrease) in net assets	73,404,430	(7,052,025)	(9,433,748)
Net position - Beginning of year	206,949,994	214,002,019	223,435,767
Adjustment for change in accounting principle	(66,810,116)	-	-
Net position - Beginning of year (as restated*)	140,139,878	-	-
Net position - End of year	$213,544,308	$206,949,994	$214,002,019

**Restated per implementation of GASB Statement No. 75*

Total revenue and other changes, net of interest on debt, in fiscal 2018, 2017, and 2016 were $344.4, $339.9, and $317.4 million, respectively. The most significant sources of 2018 operating revenue for the University, as reflected in the statement of revenues, expenses, and changes in net position, were student tuition and fees of $146.3 million, grants and contracts of $18.7 million, and auxiliary services of $25.5 million.

Revenue from tuition and fees (net of scholarship allowances) decreased in 2018 from 2017 by $7.9 million, or 5.4% due to no tuition increases, slightly lower student credit hours and an increase in scholarship allowances. Headcount enrollment decreased by 1.72% while full-time equivalent enrollment decreased by 0.75% over the prior year.

Revenue from tuition and fees (net of scholarship allowances) increased slightly in 2017 from 2016 by $1.5 million, or 1.0%, due to tuition increases in certain graduate programs. Headcount enrollment decreased by 2.5% while full-time equivalent enrollment decreased by 0.5% over the prior year.

Other operating revenue increased slightly in 2018 from 2017 primarily due to increased grant revenue and decreased in 2017 from 2016 primarily as a result of payments from the Corporation on land leases in 2016.

Total expenses in 2018, 2017, and 2016 were $271 million, $347.0 million, and $326.8 million, respectively. Operating expenses include the costs of instruction, research, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also include depreciation and amortization. Expenses decreased by $76 million (21.7%) in 2018, increased by $20.1 million (6.2%) in 2017, and increased by $26.5 million (8.8%) in 2016. The decrease in 2018 from 2017 and the increase in 2017 from 2016 is primarily attributable to change in pension and Other Post-Employment Benefits (OPEB) expense related to GASB Statement No. 68 and No. 75 (of the $75.4 million decrease in total operating expenses, $50.4 million was pension and OPEB expense).

Sources of nonoperating revenue include State appropriations of $75.5 million in 2018, $75.0 million in 2017, and $74.5 million in 2016; grants and contracts of $29.1 million in 2018, $26.4 million in 2017, and $26.7 million in 2016; gifts of $10.8 million in 2018, $10.9 million in 2017, and $9.0 million in 2016; and investment income of $8.6 million in 2018, $15.8 million in 2017, and investment loss of $3.0 million in 2016.

Net nonoperating revenue decreased in 2018 from 2017 by $4.0 million, or 3.4%, primarily due to a decrease in investment returns as compared to 2017. Net nonoperating revenue increased in 2017 from 2016 by $20.7 million, or 21.1%, primarily due to favorable investment returns and an increase in gifts.

Other changes consist primarily of State capital appropriations of $20.9 million in 2018, $7.37 million in 2017, and $0.58 million in 2016.

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 investing activities, and helps measure the ability to meet financial obligations as they mature. A summary of the statement of cash flows for the years ended June 30, 2018, June 30, 2017, and June 30, 2016 is as follows:

	2018	2017	2016
Net cash (used in) provided by:			
Operating activities	$ (92,371,733)	$ (89,323,158)	$ (71,330,664)
Noncapital financing activities	118,413,828	112,144,696	110,243,501
Capital financing activities	(39,441,197)	(39,288,344)	(45,378,562)
Investing activities	12,200,145	14,501,449	(12,928,613)
Net decrease in cash	(1,198,957)	(1,965,357)	(19,394,338)
Cash - Beginning of year	3,623,264	5,588,621	24,982,959
Cash - End of year	$ 2,424,307	$ 3,623,264	$ 5,588,621

Major sources of cash included student tuition and fees of $147.6 million in 2018, $158.1 million in 2017, and $152.9 million in 2016; State appropriations of $75.5 million in 2018, $75.0 million in 2017, and $74.5 million in 2016; grants and contracts (operating and noncapital) of $44.3 million in 2018, $42.7 million in 2017, and $42.0 million in 2016; and auxiliary activities of $24.8 million in 2018, $27.1 million in 2017, and $25.5 million in 2016.

The largest payments were for employee compensation and benefits totaling $192.2 million in 2018, $170.4 million in 2017, and $172.3 million in 2016; suppliers of goods and services totaling $98.4 million in 2018, $128.3 million in 2017, and $107.3 million in 2016; and purchases of capital assets totaling $38.1 million, $22.2 million in 2017, and $20.7 million in 2016.

The change in cash flows from 2017 to 2018 is primarily due to timing of payments to vendors. The change in cash flows from 2016 to 2017 is primarily due to collection of accounts receivable and timing of payments to vendors.

Credit Rating

The University's bonds are rated "A+" stable by Standard & Poor's, with the most recent rating published on July 20, 2018. An "A" rating indicates a strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances. This rating is consistent with the years ended June 30, 2017 and 2016. The highest achievable rating is "AAA." The University's capacity to meet its financial obligations is considered strong. The University's bonds are rated "A1" by Moody's Investors Service, with the most recent rating published on January 8, 2016. Obligations rated "A" by Moody's are judged to be upper-medium grade and are subject to low credit risk. The highest achievable rating is "AAA".

Looking Ahead

The primary challenges facing Ohio's four-year universities, including Cleveland State University (CSU), continue to be (1) maintaining the quality of academic instruction, (2) preserving enrollment and assisting students in degree completion, (3) growing revenue, and (4) controlling costs. The State of Ohio has made college efficiency and affordability cornerstones of both the current Governor's policy initiatives and several pieces of legislation passed by the General Assembly over the previous 24 months. The state will continue to monitor progress on these initiatives through reporting by the state's universities to the Department of Higher Education's Efficiency Advisory Committee. As part of this process, each university was required to commit to a five-year efficiency goal for "re-deployable" savings to assist in lowering the cost of a degree. CSU's five-year goal (fiscal year 2017 - fiscal year 2021) is $11.5 million. CSU is tracking ahead of these goals based on efficiencies for lowering the cost of a degree and cost reductions necessary to balance its operating budget. State universities have now completed five fiscal years operating under the state's outcome-based funding formula model. This model places more emphasis on outcome-based metrics such as degree completion and course completion in allocating funding to universities as opposed to awarding funding based only on the number of students enrolled. Under the provisions of the State of Ohio's fiscal year 2019 budget, CSU is expecting an allocation of $76.1 million in State Share of Instruction (SSI) funding, compared to the $75.5 million received in fiscal year 2018. This increase is partially due to improvements in the University performance metrics as outlined in the Ohio Department of Higher Education's outcome-based funding model. The SSI is the major state funding source for state colleges and universities. CSU expects to receive the same level of state funding in fiscal year 2020 as it expects to receive in fiscal year 2019, barring any fiscal challenges impacting the state's revenue sources. Additionally, state policy on higher education and funding could be impacted as a result of the upcoming election for Governor in November 2018. A new administration will have the opportunity to introduce policy and funding changes in the upcoming state budget cycle for fiscal year 2020 – fiscal year 2021. Revenue from student instructional fee tuition is budgeted at $149.1 million in fiscal year 2019, compared to fiscal year 2018's result of $146.3 million. For fiscal year 2019, CSU implemented a tuition guarantee program that increases undergraduate tuition by 6% for the first cohort. Under this plan, the University has been granted the authority to (1) establish annual "cohorts" of new undergraduate students; (2) establish tuition rates for each cohort under state guidelines; and (3) maintain each cohorts' tuition rate for a period of four academic years. The University has continued its plan for qualifying existing undergraduate students to receive a rebate of any increase in tuition by showing progress toward a degree while remaining in academic good standing. The program, known as the Graduation Incentive Plan, commenced in fiscal year 2014 (Fall 2013), but did not require funding by the University until fiscal year 2015 (Fall 2014). Although no new students were admitted to the program after fiscal year 2015 (Fall 2016), we continue to offer it to students who began in fiscal year 2014 and 2015. Preliminary Fall 2018 (fiscal year 2019) credit hour enrollment is slightly below the budget plan, while instructional fee tuition revenue is meeting budget plan. Although there is likely to be the normal Fall-to-Spring semester attrition in enrollment, Spring 2019 tuition revenue is expected to be slightly lower than the Spring 2018 budget plan.

As in prior years, the ability of the University to fulfill its mission and execute its strategic plan continues to be dependent upon student enrollment and tuition revenue. Meeting revenue goals will be more challenging in the near future, as the State of Ohio has frozen in-state undergraduate tuition levels for fiscal year 18 and fiscal year 19 at fiscal year 17 levels. The University expects this tuition freeze to remain in effect for fiscal year 2020 and fiscal year 2021. The University plans to mitigate the effect of the continuing in-state undergraduate tuition freeze by developing tuition-pricing strategies for certain graduate programs and the introduction of the tuition guarantee plan for undergraduate students.

The University continues to pursue enrollment growth on a regional and international level to supplement continued success in growing freshmen enrollment statewide. At the same time, a major focus on retention that has substantially improved results in both retention and graduation rates, continues. New majors in high-demand healthcare professions are positioned for strong enrollment growth in the next 5 years. The latest Fall to Fall retention rate (Fall 2017 to Fall 2018) is 71.5% up from 69.7% four years ago. Tactics include an automated early warning system, intrusive advising of freshmen, and better employment of residence life and student affairs data to track students' academic performance.

The University is also affected by decisions at the state level regarding capital funding through the biennial capital appropriations bill. Cleveland State University received a total allocation of $22.1 million for the fiscal year 2017 - fiscal year 2018 state capital biennium. $14.6 million of the allocation was dedicated to the Fenn Hall Washkewicz College of Engineering building project and $7.5 million for the development of a School of Film located at CSU. In April 2018, the State of Ohio passed a fiscal year 2019 - fiscal year 2020 capital appropriations bill. The University expects to receive $15.4 million for the fiscal year 2019 – fiscal year 2020 biennium. $7.3 million of the allocation is dedicated to Phase II of the Engaged Learning Laboratories and the balance dedicated toward renovation and modernization of existing buildings.

In August 2015, the University created an Office of Performance Management and initiated its "Path to 2020" program. In April 2017, the Office of Performance Management became fully operational and reports to the President. The program is the University's proactive response to the challenging environment being faced by publicly-funded higher education institutions, both in Ohio and nationally. It is also an opportunity for leveraging our strengths and improving our processes to thrive in the ensuing years. It assessed the University's operations and practices in the areas of strategic enrollment management and revenue, expense management and budgeting, financial aid deployment, academic programming, and campus master planning strategies. By beginning these efforts in 2015, the University was well-positioned to respond appropriately and proactively in July 2016 to the recommendations of the Governor's Task Force Report on College Affordability and Efficiency. The University also realized approximately $3.5 million in expense savings through this effort and reflected these savings by lowering the University's fiscal year 2017 operating budget expenditure level. The performance management effort is a continuing initiative that has been integrated into the operations of the University.

The University continues to face significant cost pressures in the future. The University has taken measures to address ongoing operating cost challenges, such as attracting and retaining high quality faculty and staff; increased costs of employee benefits; and energy costs.

The University continually monitors its student enrollment, other revenue sources, fee structure, and operating expenditures of its units on a monthly basis. While predictions of a downturn in the number of traditional high school graduates applying to universities are beginning to actualize, Cleveland State University's undergraduate enrollment for the near term is stable, although there are continuing challenges with the graduate environment. The continual monitoring of the University's operations is meant to provide the administration with early signals and trends should changes in our operating and financial plans become necessary.

Statement of Net Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 2,424,307	$ 3,623,264
Investments (Note 2)	146,160,905	129,621,930
Accounts receivable, Net (Note 4)	26,863,160	24,404,474
Notes receivable, Net (Note 4)	1,433,765	1,326,625
Prepaid expenses and inventories	2,235,811	1,752,186
Total current assets	179,117,948	160,728,479
Noncurrent assets:		
Restricted investments (Note 2)	-	1,974,145
Long-term and endowment investments (Note 2)	3,420,465	21,188,752
Notes receivable, Net (Note 4)	11,545,841	12,937,034
Capital assets, Net (Note 6)	497,104,489	487,778,055
Total noncurrent assets	512,070,795	523,877,986
Total assets	691,188,743	684,606,465
Deferred Outflows		
Deferred outflow - Pension plans (Note 8)	49,903,657	61,877,871
Deferred outflow - OPEB benefits (Note 8)	4,935,260	-
Deferred outflow - Bond refunding (Note 7)	1,317,695	1,391,241
Total deferred outflows	56,156,612	63,269,112
Liabilities		
Current liabilities:		
Accounts payable	5,206,348	6,480,888
Construction accounts payable	780,466	423,296
Accrued liabilities	12,299,041	13,927,995
Accrued interest payable	879,017	999,551
Unearned revenue	8,668,466	9,136,826
Compensated absences - Current portion (Note 7)	1,312,991	855,486
Obligations under capital leases - Current portion (Note 7)	6,191,297	7,333,646
Long-term debt - Current portion (Note 7)	7,608,600	7,293,600
Total current liabilities	42,946,226	46,451,288
Noncurrent liabilities:		
Accrued liabilities (Note 7)	11,367,311	11,661,732
Compensated absences (Note 7)	8,719,884	9,995,778
Net pension liability (Note 8)	178,351,808	259,576,938
Net OPEB liability (Note 8)	63,336,890	-
Obligations under capital leases (Note 7)	29,589,611	33,365,751
Long-term debt (Note 7)	171,365,795	179,047,941
Total noncurrent liabilities	462,731,299	493,648,140
Total liabilities	505,677,525	540,099,428
Deferred Inflows		
Deferred inflow - Pension plan net amount (Note 8)	22,464,515	826,155
Deferred inflow - OPEB plan net amount (Note 8)	5,659,007	-
Total deferred inflows	28,123,522	826,155
Net Position		
Net investment in capital assets	267,433,706	252,071,032
Restricted, expendable	30,549,317	32,092,753
Restricted, nonexpendable	1,456,277	1,438,658
Unrestricted (Deficit)	(85,894,992)	(78,652,449)
Total net position	**$ 213,544,308**	**$ 206,949,994**

See Notes to Financial Statements.

Statement of Revenue, Expenses, and Changes in Net Position
Years Ended June 30, 2018 and 2017

	2018	2017
Revenue		
Operating revenue:		
Student tuition and fees	$ 176,783,163	$ 180,550,768
Less scholarship allowances	30,443,663	26,363,016
Net student tuition and fees	146,339,500	154,187,752
Federal grants and contracts	7,836,318	7,653,153
State grants and contracts	4,603,097	2,554,565
Local grants and contracts	253,087	565,667
Private grants and contracts	6,051,423	5,339,722
Sales and services	7,073,061	6,651,349
Auxiliary enterprises	25,500,769	26,983,794
Other	1,787,672	543,194
Total operating revenue	199,444,927	204,479,196
Expenses		
Operating expenses:		
Instruction	86,722,914	115,812,827
Research	7,416,281	10,686,979
Public service	5,373,136	7,559,040
Academic support	22,661,380	31,809,392
Student services	15,187,001	21,320,575
Institutional support	24,774,446	33,737,433
Operation and maintenance of plant	22,920,510	31,379,263
Scholarships and fellowships	17,797,611	17,210,449
Auxiliary enterprises	30,188,987	40,689,667
Depreciation and amortization	28,782,708	27,587,367
Total operating expenses	261,824,974	337,792,992
Operating loss	(62,380,047)	(133,313,796)
Nonoperating Revenue (Expenses)		
State appropriations	75,489,568	74,979,638
Federal grants and contracts	23,257,293	21,206,046
State grants and contracts	5,877,469	5,203,873
Gifts	10,799,332	10,859,670
Investment income	8,586,967	15,805,044
Interest on debt	(9,152,241)	(9,166,697)
Net nonoperating revenue	114,858,388	118,887,574
Increase (Decrease) before other changes	52,478,341	(14,426,222)
Other Changes		
State capital appropriations	20,926,089	7,374,197
Increase (Decrease) in net position	73,404,430	(7,052,025)
Net Position		
Net position - Beginning of year	206,949,994	214,002,019
Adjustment for change in accounting principle (Note 1)	(66,810,116)	-
Net position - Beginning of year as restated	140,139,878	-
Net position - End of year	**$ 213,544,308**	**$ 206,949,994**

See Notes to Financial Statements.

Statement of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Tuition and fees	$ 147,615,869	$ 158,135,086
Grants and contracts	15,157,984	16,323,561
Payments to or on behalf of employees	(192,190,385)	(170,438,227)
Payments to vendors	(98,375,106)	(128,332,356)
Loans issued to students	(249,136)	(1,791,069)
Collection of loans to students	1,927,905	2,444,781
Auxiliary enterprises charges	24,880,403	27,140,523
Other receipts	8,860,733	7,194,543
Net cash used in operating activities	(92,371,733)	(89,323,158)
Cash Flows from Noncapital Financing Activities		
State appropriations	75,489,568	74,979,638
Grants and contracts	29,134,762	26,409,919
Gifts	10,799,332	10,859,670
Cash provided by Stafford and PLUS loans	102,902,641	99,902,299
Cash used by Stafford and PLUS loans	(100,000,000)	(100,000,000)
Cash provided by Agency Fund activities	(87,525)	(185,833)
Cash used by Agency Fund activities	175,050	179,003
Net cash provided by noncapital financing activities	118,413,828	112,144,696
Cash Flows from Capital Financing Activities		
Proceeds from capital debt and leases	2,870,560	-
Capital appropriations	20,926,089	7,374,197
Purchases of capital assets	(38,077,932)	(22,222,055)
Principal paid on capital debt and leases	(15,082,649)	(14,151,314)
Interest paid on capital debt and leases	(10,077,265)	(10,289,172)
Net cash used in capital financing activities	(39,441,197)	(39,288,344)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	34,506,212	188,628,331
Purchase of investments	(31,302,755)	(190,645,645)
Interest on investments	8,996,688	16,518,763
Net cash provided by investing activities	12,200,145	14,501,449
Net decrease in cash	(1,198,957)	(1,965,357)
Cash and Cash Equivalents - Beginning of Year	3,623,264	5,588,621
Cash and Cash Equivalents - End of Year	**$ 2,424,307**	**$ 3,623,264**
Reconciliation of Operating Loss to Cash Used by Operating Activities		
Operating loss	$ (62,380,047)	$ (133,313,796)
Adjustments:		
Depreciation and amortization	28,782,708	27,587,367
Changes in assets and deferred outflow and liabilities and deferred inflow:		
Accounts receivable, Net	(2,489,896)	4,275,342
Notes receivable, Net	1,678,769	653,712
Inventories	(595,949)	(80,268)
Prepaid expenses	112,377	(230,912)
Deferred outflow	7,038,954	(23,445,255)
Accounts payable	(889,052)	(6,855,036)
Accrued liabilities	(5,760,250)	668,442
Net pension liability	(81,225,130)	51,957,555
Net OPEB Liability	(3,473,224)	-
Unearned revenue	(468,360)	24,666
Deferred inflow	27,297,367	(10,564,975)
Cash used by operating activities	**$ (92,371,733)**	**$ (89,323,158)**

See Notes to Financial Statements.

The Cleveland State University Foundation, Inc.
Statement of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 4,171,983	$ 3,363,969
Accounts receivable	276,674	167,742
Contributions receivable, net of allowance for uncollectible contributions	17,328,931	17,930,681
Other receivable	220,588	-
Cash surrender value of life insurance	229,938	-
Long-term investments	85,894,999	79,501,736
Funds held on behalf of others:		
Cleveland State University	3,430,446	3,329,145
Cleveland State University Alumni Association	558,439	524,897
Total Assets	112,111,998	104,818,170
Liabilities		
Accounts payable & accrued expenses	20,502	16,728
Payable to Cleveland State University	3,187,534	2,902,771
Annuities payable	157,764	114,657
Funds held on behalf of others:		
Cleveland State University	3,430,446	3,329,145
Cleveland State University Alumni Association	558,439	524,897
Total Liabilities	7,354,685	6,888,198
Net Assets		
Unrestricted	(896,585)	(867,527)
Board designated - Scholarships	588,840	186,714
Total unrestricted	(307,745)	(680,813)
Temporarily restricted	41,812,439	37,565,029
Permanently restricted	63,252,619	61,045,756
Total Net Assets	104,757,313	97,929,972
Total Liabilities and Net Assets	112,111,998	104,818,170

See Notes to Financial Statements.

Euclid Avenue Development Corporation
Statement of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and Cash Equivalents	$ 2,343,623	$ 1,651,768
Cash held by the university	114,045	649,772
Total Cash	2,457,668	2,301,540
Student accounts receivable, net	24,579	22,924
Other receivables	284,855	269,717
Investments	14,991,080	13,578,614
Prepaid expenses	34,460	66,568
Total current assets	17,792,642	16,239,363
Property and equipment		
Land	128,000	128,000
Building	70,632,179	70,632,179
Building improvements	1,310,947	982,494
Furniture, fixtures, and equipment	3,214,465	3,185,545
	75,285,591	74,928,218
Less: accumulated depreciation	(19,744,695)	(17,649,919)
Property and equipment, net	55,540,896	57,278,299
Other assets:		
Restricted investments	4,848,695	4,958,330
Leases receivable, net of current portion	19,605,000	19,605,000
Total other assets	24,453,695	24,563,330
Total assets	97,787,233	98,080,992
Liabilities		
Current liabilities		
Current portion of bonds payable	1,660,000	1,575,000
Accounts payable	411,540	361,419
Accrued interest	1,758,643	1,791,461
Accrued other	48,537	55,708
Deferred revenue	341,327	269,826
Rent payable to the university	-	-
Security deposits	204,166	231,967
Total current liabilities	4,424,213	4,285,381
Noncurrent liabilities		
Deferred revenue	1,088,629	1,126,165
Bonds payable, net		
Bonds payable	82,755,000	84,415,000
Add: bond premium, net	7,707,226	8,083,332
Less: bond issuance costs, net	(952,367)	(998,010)
Bond payable, net	89,509,859	91,500,322
Total noncurrent liabilities, net of current portion	90,598,488	92,626,487
Total liabilities	95,022,701	96,911,868
Net Assets		
Unrestricted	2,764,532	1,169,124
Total net assets	2,764,532	1,169,124
Total liabilities and net assets	97,787,233	98,080,992

See Notes to Financial Statements.

The Cleveland State University Foundation
Statement of Activities
Years Ended June 30, 2018 and 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Revenues					
Contributions	$ 116,078	10,980,532	5,374,293	$ 16,470,903	$ 19,909,560
Management fees related to					
funds held on behalf of others	37,046	-	-	37,046	37,059
Endowment management fee	734,797	(734,797)	-	-	-
Net assets released from restrictions:	14,556,767	(14,556,767)	-	-	-
Total revenues	15,444,688	(4,311,032)	5,374,293	16,507,949	19,946,619
Expenses					
Program services:					
Instructions	5,403,787	-	-	5,403,787	5,652,965
Research	308,344	-	-	308,344	493,272
Public service	1,235,966	-	-	1,235,966	1,231,138
Financial aid	5,634,366	-	-	5,634,366	5,183,885
Institutional support	755,620	-	-	755,620	429,538
Capital and other projects	1,114,411	-	-	1,114,411	1,177,651
Total program services	14,452,494	-	-	14,452,494	14,168,449
Supporting services:					
Management and general	913,649	-	-	913,649	765,329
Fund raising	168,756	-	-	168,756	140,683
Total supporting services	1,082,405	-	-	1,082,405	906,012
Total expenses	15,534,899	-	-	15,534,899	15,074,461
Gains/(Losses):					
In' and unrealized losses, net	62,866	5,779,144	-	5,842,010	9,636,231
Provision for uncollectible					
contributions	413	(56,314)	68,182	12,281	(97,383)
Total gains, net	63,279	5,722,830	68,182	5,854,291	9,538,848
Change in Net Assets	(26,932)	1,411,798	5,442,475	6,827,341	14,411,006
Transfers	400,000	2,835,612	(3,235,612)	-	-
Net Assets - Beginning of Year	(680,813)	37,565,029	61,045,756	97,929,972	83,518,966
Net Assets - End of Year	$ (307,745)	$ 41,812,439	$ 63,252,619	$ 104,757,313	$ 97,929,972

Euclid Avenue Development Corporation
Statement of Activities
Years Ended June 30, 2018 and 2017

	2018	2017
Revenues		
Rental Income:		
Students	$ 7,963,466	$ 8,113,357
University	1,734,741	1,734,736
Other	100,634	98,910
Maintenance fee - University	222,350	241,952
Investment income, net	704,351	1,618,207
Other	696,416	963,561
Total revenues	11,421,958	12,770,723
Expenses		
Interest	3,951,141	4,047,403
Depreciation and Amortization	2,094,775	2,173,027
Utilities	719,335	695,115
Contract personnel	1,308,900	1,322,416
Management fees	301,183	296,351
Maintenance	395,441	365,117
General and administrative	281,446	252,224
Other operating	294,638	146,662
Marketing	38,925	36,209
Accounting	22,586	27,912
Reserve allowance	9,675	11,348
Insurance	7,785	7,580
Rent expense	400,720	409,628
Total expenses and losses	9,826,550	9,790,992
Change in Net Assets	1,595,408	2,979,731
Net Assets (Deficit) - Beginning of Year	1,169,124	(1,810,607)
Net Assets - End of Year	$ 2,764,532	$ 1,169,124

See Notes to Financial Statements.

Note 1 – Summary of Significant Accounting Policies

Organization and Basis of Presentation

Cleveland State University (the "University") was established by the General Assembly of the State of Ohio (the "State") in 1964 by statutory act under Chapter 3344 of the Ohio Revised Code. As such, the University is a component unit of the State. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, the University's financial statements are included, as a discretely presented component unit, in the State's Comprehensive Annual Financial Report.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

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

- **Restricted, Expendable:** Net position whose use by the University 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. Income generated from these funds may be restricted for student scholarships, loans, instruction, research, and other specific university needs.

- **Restricted, Nonexpendable:** Net position subject to externally imposed stipulations that they be maintained permanently by the University. Income generated from these funds may be restricted for student scholarships, loans, instruction, research, and other specific university needs.

- **Unrestricted:** Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties.

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 that are financed in whole or in part by fees charged to external parties for goods or services.

Note 1 – Summary of Significant Accounting Policies (Continued)

Operating Activities

The University's policy for defining operating activities as reported on the statement of revenue, expenses, and changes in net position are those that result from exchange transactions such as payments received for providing services and payments made for goods or services received. The University also classifies as operating revenue grants classified as exchange transactions and auxiliary activities. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue, including State appropriations and investment income. Operating expenses include educational resources, administrative expenses and depreciation on capital assets. Under the University's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The principal operating revenue is student tuition and fees. Student tuition and fees revenue are presented net of scholarships and fellowships applied to student accounts.

Summary of Significant Accounting Policies

Cash and Cash Equivalents. The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments. Investments are recorded at fair value, as established by the major securities markets. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported as investment income. The University classifies all investments that mature in less than one year as current investments.

Endowment investments are subject to the restrictions of gift instruments, requiring principal to be maintained in perpetuity with only the income from the investments available for expenditure. The University may set aside other assets for the same purposes as endowment investments (quasi-endowment); the University may expend the principal of quasi-endowment at any time.

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, 2018.

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable Allowance. The allowance for bad debt is determined based on historical average and a reasonableness ratio of accounts receivable to bad debt. The objective is to increase the collectability of current receivables to assist the University's objectives regarding enrollment and retention. As such, the University enforces policies that prohibit registration with an unpaid balance over $1,000 and limit registration for those students with a current unpaid balance between $200 - $1,000. The federal regulations regarding returns of funding under the Federal student aid programs of Title IV of the Higher Education Amendments of 1992 have continued to have an impact on outstanding accounts receivable.

Inventories. Inventories are reported at cost. Cost is determined on the average cost basis.

Capital Assets. Capital assets are stated at historical cost or at an appraised value at date of donation, if acquired by gift. It is the University's policy to capitalize equipment costing $5,000 or more and buildings and improvements costing $100,000 or more. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives (five to forty years) of the respective assets and is not allocated to the functional expenditure categories. Amortization of the capitalized cost of assets held under capital leases is generally computed using the straight-line method over the estimated useful lives of the underlying assets or the term of the lease, whichever is shorter. The University capitalizes but does not depreciate works of art or historical treasures that are held for exhibition, education, research, and public service.

Compensated Absences. Classified employees earn vacation at rates specified under State law. Full-time administrators and twelve-month faculty earn vacation at a rate of 22 days per year. The maximum amount of vacation that an employee can carry over from one fiscal year to the next is 30 days.

All University employees are entitled to a sick leave credit equal to 10 hours for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, with 10 or more years of service upon retirement, is limited to one-quarter of the accumulated sick leave up to a maximum of 240 hours.

The University has an accrued liability for all accumulated vacation hours, plus an estimate of the amount of sick leave that will be paid upon retirement. Salary-related fringe benefits have also been accrued.

Unearned Revenue. Unearned revenue consists primarily of amounts received in advance of an event, such as student tuition and fees, and advance ticket sales related to the next fiscal year.

Summer term tuition and fees and corresponding expenses relating to the portion of the term that is within the current fiscal year are recognized as tuition revenue and operating expense. The portion of sessions falling into the next fiscal year are recorded as unearned revenue and prepaid expense in the statement of net position and will be recognized in the following fiscal year.

Note 1 – Summary of Significant Accounting Policies (Continued)

Perkins Loan Program. Funds provided by the United States government under the Federal Perkins Loan program are loaned to qualified students and re-loaned after collection. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying statement of net position.

Classification of Revenue. Revenue is classified as either operating or nonoperating.

Operating revenue includes revenues from activities that have characteristics similar to exchange transactions. These include student tuition and fees (net of scholarship discounts and allowances), sales and services of auxiliary enterprises, and certain federal, state, local and private grants, and contracts. The presumption is that there is a fair exchange of value between all parties to the transaction.

Non-operating revenue includes revenue from activities that have the characteristics of nonexchange transactions, such as state appropriations, and certain federal, state, local, and private gifts, and grants. The implication is that such revenues are derived from more passive efforts related to the acquisition of the revenue, rather than the earning of it.

Auxiliary Enterprises. Auxiliary enterprise revenue primarily represents revenue generated by parking, Wolstein Center, food service, bookstore, recreation center, and intercollegiate athletics.

Scholarship Allowances and Student Aid. Financial aid to students is reported in the statement of revenue, expenses, and changes in net position under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenue. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by the University, scholarship allowances are computed by allocating the cash payments to students, excluding payments for services, to the ratio of aid not considered to be third-party aid to total aid.

Component Units. The Cleveland State University Foundation, Inc. (the "Foundation") and the Euclid Avenue Development Corporation (the "Corporation") are private nonprofit organizations that report under FASB standards, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's or the Corporation's financial information included in the University's financial report for these differences.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Bond Issuance Costs. Bond issuance costs are expensed as incurred.

Pensions. For purposes 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/State Teachers Retirement System of Ohio) Pension Plan (STRS/OPERS) and additions to/deductions from STRS'/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/OPERS. STRS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. 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.

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

Deferred Outflows of Resources. In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The University reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

Deferred Inflows of Resources. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The University reports deferred inflows of resources for certain pension-related and OPEB-related

Note 1 – Summary of Significant Accounting Policies (Continued)

amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 8.

Adoption of New Accounting Pronouncement. The GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires governments providing other postemployment benefit (OPEB) plans to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statements, the University has reported a change in accounting principle adjustment to unrestricted net position of $66,810,116, which is the net of the net OPEB liability and related deferred outflows of resources as of July 1, 2017. June 30, 2017 amounts have not been restated to reflect the impact of GASB No. 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended June 30, 2017.

Upcoming Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The 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, 2019.

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 previously were 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 the University's financial statements. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2021.

Note 2 – Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Protection of university cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. Under State law, financial institutions must collateralize all public deposits. The value of the pooled collateral must equal at least 102 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third-party trustees of the financial institution.

At June 30, 2018, the cash and cash equivalents balance of $2,424,307 is after the University recorded an overdraft consisting of items in transit of $2,875,649 in payroll and accounts payable. The bank balance at June 30, 2018 was $2,410,547, of which $628,117 was covered by federal depository insurance, and $1,782,430 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

At June 30, 2017, the cash and cash equivalents balance of $3,623,264 is after the University recorded an overdraft consisting of items in transit of $3,755,797 in accounts payable. The bank balance at June 30, 2017 was $3,294,139, of which $1,072,735 was covered by federal depository insurance, and $2,221,404 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

Investments

In accordance with the board of trustees' resolution, the types of investments that may be purchased by the University include United States Treasury securities, federal government agency securities, certificates of deposit, bank repurchase agreements, commercial paper, bonds and other obligations of the State of Ohio or any of its political subdivisions, the State Treasurer's Asset Reserve (STAR Ohio), bankers' acceptances, money market funds, common stocks, and corporate bonds. The endowment investments are managed by the Foundation, which can also invest in real estate and alternative investments.

STAR Ohio is an investment pool managed by the Ohio State Treasurer's office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. The investment is valued at STAR Ohio's share price on June 30, 2018 and 2017.

Restricted investments consist of unspent debt proceeds.

Note 2 – Deposits and Investments (Continued)

As of June 30, 2018, the University had the following types of investments and maturities:

Investment Type	Market Value	Investment Maturities (in Years) Less Than 1	1-5
Commercial paper	$ 26,503,823	$ 26,503,823	$ -
U.S. obligation mutual fund	76,607,341	76,607,341	-
Certificates of deposit	539,897	539,897	-
STAR Ohio	10,865,424	-	-
Bond mutual funds	16,668,370	-	16,668,370
Stock mutual funds	18,396,515	-	-
Total	$ 149,581,370	$ 103,651,061	$ 16,668,370

As of June 30, 2017, the University had the following types of investments and maturities:

Investment Type	Market Value	Investment Maturities (in Years) Less Than 1	1-5
Commercial paper	$ 11,792,813	$ 11,792,813	$ -
U.S. obligation mutual fund	72,357,000	72,357,000	-
Certificates of deposit	536,231	536,231	-
STAR Ohio	29,939,375	-	-
Bond mutual funds	19,550,629	-	19,550,629
Stock mutual funds	18,608,779	-	-
Total	$ 152,784,827	$ 84,686,044	$ 19,550,629

Some of the U.S. agency securities are callable at various dates. The University believes that no securities will be called.

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.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. While the University's bond mutual fund investment itself is not rated, the credit quality of the fund's holdings is AA or better, as rated by Standard & Poor's and Moody's.

Note 2 – Deposits and Investments (Continued)

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment securities that are in the possession of an outside party. The University does not have a policy for custodial credit risk. At June 30, 2018 and 2017, none of the investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the University's name.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. As of June 30, 2018 and 2017, not more than 5% of the University's total investments were invested in any one issuer except those which are obligations of, or fully guaranteed as to both principal and interest by, the U.S. Government or its agencies.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2018 and 2017, investments include approximately $19.6 million and $21.3 million, respectively, managed by international equity managers that are subject to foreign currency risk. Although the University's investment policy does not specifically address foreign currency risk, it does limit foreign investments to no more than 20% of the portfolio.

Note 3 – 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. Level 1 inputs are quoted prices in active markets for identical assets; 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 where 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.

Note 3 – Fair Value Measurements (Continued)

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

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2018	Fair Value Measurements Using Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasuries	$ 6,641,746	$ -	$ 6,641,746	$ -
Corporate bonds	5,630,668	-	5,630,668	-
Other - Agency bonds	1,325,618	-	1,325,618	-
Total debt securities	13,598,032	-	13,598,032	-
Equity securities:				
Stocks	16,921,117	16,921,117	-	-
Exchange traded funds	24,164,653	24,164,653	-	-
Total equity securities	41,085,770	41,085,770	-	-
Mutual funds:				
Equities	23,341,693	23,341,693	-	-
Fixed income	14,266,898	14,266,898	-	-
Alternative strategies	11,406,208	11,406,208	-	-
Total mutual funds	49,014,799	49,014,799	-	-
Asset-backed securities	2,359,280	-	2,359,280	-
Pooled investments - CSU Foundation*	3,420,465	2,719,270	701,195	-
Others	872,063	-	872,063	-
Total investments by fair value level	$ 110,350,409	$ 92,819,839	$ 17,530,570	$ -

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2017	Fair Value Measurements Using Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasuries	$ 8,057,902	$ -	$ 8,057,902	$ -
Corporate bonds	5,750,012	-	5,750,012	-
Other - Agency bonds	1,360,088	-	1,360,088	-
Total debt securities	15,168,002	-	15,168,002	-
Equity securities:				
Stocks	16,750,006	16,746,388	-	3,618
Exchange traded funds	24,970,896	24,970,896	-	-
Total equity securities	41,720,902	41,717,284	-	3,618
Mutual funds:				
Equities	26,246,518	26,246,518	-	-
Fixed income	10,675,255	10,675,255	-	-
Alternative strategies	9,388,048	9,388,048	-	-
Total mutual funds	46,309,821	46,309,821	-	-
Asset-backed securities	2,247,623	-	2,247,623	-
Pooled investments - CSU Foundation*	3,329,145	2,127,323	660,835	540,986
Others	472,541	-	472,541	-
Total investments by fair value level	$ 109,248,034	$ 90,154,428	$ 18,549,001	$ 544,604

*See Note 11 for detail

Note 3 – Fair Value Measurements (Continued)

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

The fair value of corporate bonds, agency bonds and asset-backed securities at June 30, 2018 and 2017 was determined primarily based on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. The University estimates the fair value of Level 3 investments using the University's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Short-term investments and investments on the statement of net position at June 30, 2018 and 2017 include investments in STAR Ohio of $10,865,424 and $29,939,375, 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.

Note 4 – Receivables

The composition of accounts receivable at June 30, 2018 and 2017 is summarized as follows:

	2018	2017
Student accounts	$ 9,707,990	$ 11,800,516
Grants	17,963,851	14,377,911
State capital	-	31,210
Other	910,931	910,154
Total accounts receivable	28,582,772	27,119,791
Less allowance for uncollectible accounts	1,719,613	2,715,317
Accounts receivable - Net	$ 26,863,159	$ 24,404,474

Notes receivable consist primarily of loans to students under the Federal Perkins Loan Program. The composition of notes receivable at June 30, 2018 and 2017 is summarized as follows:

	2018	2017
Perkins Loan Program	$ 13,190,888	$ 14,662,323
Other	581,756	600,552
Total notes receivable	13,772,644	15,262,875
Less allowance for uncollectible accounts	793,038	999,216
Notes receivable - Net	12,979,606	14,263,659
Less current portion	1,433,765	1,326,625
Total noncurrent notes receivable	$ 11,545,841	$ 12,937,034

The Federal Perkins Loan Program expired on September 30, 2017. As of June 30, 2018, the University has made $2,588,775 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 contribution not yet received back through loan collections.

Note 5 – State Support

The University is a State-assisted institution of higher education, which receives a student-based subsidy from the State. This subsidy is determined annually, based upon a formula devised by The Ohio Department of Higher Education.

In addition, the State provides the funding and constructs major plant facilities on the University's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility, by The Ohio Department of Higher Education. Upon completion, The Ohio Department of Higher Education turns over control of the facility to the University. Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the University's financial statements. The OPFC revenue bonds are currently being funded through appropriations to The Ohio Department of Higher Education by the General Assembly.

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in State-assisted institutions of higher education throughout the State.

Note 6 – Capital Assets

Capital assets activity for the years ended June 30, 2018 and 2017 is summarized as follows:

	2018 Beginning Balance	Additions/ Transfers	Retirements/ Transfers	2018 Ending Balance
Capital assets:				
Nondepreciable:				
Land	$ 58,631,512	$ -	$ -	$ 58,631,512
Construction in progress	24,639,852	7,036,159	24,639,853	7,036,158
Capitalized collections	7,102,155	-	-	7,102,155
Depreciable:				-
Land improvements	24,023,046	635,597	-	24,658,643
Buildings	710,759,705	49,430,421	-	760,190,126
Equipment	57,587,029	4,597,317	1,563,978	60,620,368
Library books	36,880,215	670,596	359,331	37,191,480
Intangible assets	483,059	-	-	483,059
Total capital assets	920,106,573	62,370,090	26,563,162	955,913,501
Less accumulated depreciation:				-
Land improvements	17,951,949	635,550	-	18,587,499
Buildings	339,579,575	20,871,842	-	360,451,417
Equipment	40,533,359	5,408,118	1,528,614	44,412,863
Library books	33,804,729	1,069,445	-	34,874,174
Intangible assets	458,906	24,153	-	483,059
Total accumulated depreciation	432,328,518	28,009,108	1,528,614	458,809,012
Capital assets, net	$ 487,778,055	$ 34,360,982	$ 25,034,548	$ 497,104,489

	2017 Beginning Balance	Additions/ Transfers	Retirements/ Transfers	2017 Ending Balance
Capital assets:				
Nondepreciable:				
Land	$ 56,643,948	$ 1,987,564	$ -	$ 58,631,512
Construction in progress	20,050,412	11,004,484	6,415,045	24,639,851
Capitalized collections	7,102,155	-	-	7,102,155
Depreciable:				-
Land improvements	24,023,046	-	-	24,023,046
Buildings	697,257,272	16,360,703	2,858,270	710,759,705
Equipment	56,618,172	2,483,787	1,514,929	57,587,030
Library books	71,538,961	677,982	35,336,728	36,880,215
Intangible assets	483,059	-	-	483,059
Total capital assets	933,717,025	32,514,520	46,124,972	920,106,573
Less accumulated depreciation:				
Land improvements	17,254,006	697,943	-	17,951,949
Buildings	320,814,568	19,830,008	1,065,000	339,579,576
Equipment	36,303,431	5,248,481	1,018,554	40,533,358
Library books	65,764,335	1,296,698	33,256,304	33,804,729
Intangible assets	410,600	48,306	-	458,906
Total accumulated depreciation	440,546,940	27,121,436	35,339,858	432,328,518
Capital assets, net	$ 493,170,085	$ 5,393,084	$ 10,785,114	$ 487,778,055

As of June 30, 2018, the University had commitments related to construction projects totaling $3,131,789.

Note 7 – Noncurrent Liabilities Excluding Net Pension Liability

Noncurrent liabilities, excluding net pension liability, consist of the following as of June 30, 2018 and June 30, 2017:

	Due Dates	Interest Rate-%	2018 Beginning Balance	Additions	Reductions	2018 Ending Balance	Current
2011 bonds payable	2013-42	5.32	$ 5,325,000	$ -	$ 120,000	$ 5,205,000	$ 120,000
2012 bonds payable	2013-37	5.00	132,125,000	-	5,275,000	126,850,000	5,550,000
2012 bond premium			12,396,000	-	619,800	11,776,200	619,800
2016A bonds payable	2017-2036	3.00-5.00	32,195,000	-	1,125,000	31,070,000	1,165,000
2016A bond premium			2,909,300	-	153,800	2,755,500	153,800
Capital leases	2010-41	2.33-5.08	40,699,397	2,870,560	7,789,049	35,780,908	6,191,297
Total debt			225,649,697	2,870,560	15,082,649	213,437,608	13,799,897
Perkins student loans			10,673,284	-	410,265	10,263,019	-
Deposits			988,448	3,418,455	3,302,611	1,104,292	-
Compensated absences			10,851,264	-	818,389	10,032,875	1,312,991
			248,162,693	$ 6,289,015	$ 19,613,914	234,837,794	$ 15,112,888
Less current portion long-term liabilities			(15,482,732)			(15,112,888)	
Long-term liabilities			$ 232,679,961			$ 219,724,906	

	Due Dates	Interest Rate-%	2017 Beginning Balance	Additions	Reductions	2017 Ending Balance	Current
2007A bonds payable	2017	4.00-5.75	$ 1,095,000	$ -	$ 1,095,000	$ -	$ -
2011 bonds payable	2013-42	5.32	5,445,000	-	120,000	5,325,000	120,000
2012 bonds payable	2013-37	5.00	137,200,000	-	5,075,000	132,125,000	5,275,000
2012 bond premium			13,015,710	-	619,710	12,396,000	619,800
2016A bonds payable	2017-2036	3.00-5.00	32,195,000	-	-	32,195,000	1,125,000
2016A bond premium			3,063,100	-	153,800	2,909,300	153,800
Capital leases	2010-41	2.33-5.08	47,787,201	-	7,087,804	40,699,397	7,333,646
Total debt			239,801,011	-	14,151,314	225,649,697	14,627,246
Perkins student loans			10,487,391	185,893	-	10,673,284	-
Deposits			980,770	2,912,909	2,905,231	988,448	-
Compensated absences			10,290,013	561,251	-	10,851,264	855,486
			261,559,185	$ 3,660,053	$ 17,056,545	248,162,693	$ 15,482,732
Less current portion long-term liabilities			(14,866,351)			(15,482,732)	
Long-term liabilities			$ 246,692,834			$ 232,679,961	

In February 2016, the University issued $32,475,000 of general receipts bonds, Series 2016A. The bonds bear interest rates ranging from 3.0% to 5.0% and mature beginning June 1, 2016 through June 1, 2036. The proceeds of the issuance were used to defease a portion of the Series 2007A bonds and pay issuance costs. The purpose of this transaction was to refund future callable maturities to achieve debt service savings of approximately $3,900,000 over the life of the bonds. As a result of the refunding, $1,493,588 has been recorded as a loss on refunding within the deferred outflows section on the statement of net position and will be amortized into income from 2016 through 2036. Amortization expense for both 2018 and 2017 was $73,546.

Note 7 – Noncurrent Liabilities Excluding Net Pension Liability (Continued)

On August 21, 2012, the University issued general receipts bonds in the principal amount of $152,835,000. The General Receipts Series 2012 Bonds were issued as fixed rate bonds with monthly maturities beginning June 1, 2013 through June 1, 2037. Interest is payable monthly at the rate of 5.0%. The proceeds of the bonds were used to (1) pay costs of constructing a new building on the University's campus, rehabilitation of existing buildings, campus-wide upgrades of electrical, mechanical and security systems and improvements to campus walkways; (2) refund portions of the Outstanding Series 2003A Bonds, Series 2004 Bonds and Series 2008 Bonds; and (3) pay costs relating to the issuance of the Series 2012 Bonds.

In September 2011, the University issued taxable general receipts bonds in the principal amount of $5,775,000. The General Receipts Series 2011 Bonds were issued as fixed rate bonds with monthly maturities beginning October 1, 2013 through April 1, 2042. Interest is payable monthly at the rate of 5.32%. The proceeds of the bonds were used to finance a portion of the costs of public improvements identified as the North Campus Neighborhood – Project Phase I. This phase is the subject of a "project development agreement" dated July 14, 2011 by and between Cleveland State University and CSU Housing, LLC, an Ohio limited liability company which serves as the project developer.

Interest expense on indebtedness for the years ended June 30, 2018 and 2017 was $9,152,241 and $9,166,697, respectively. On construction-related debt, for the years ended June 30, 2018 and 2017, interest cost was capitalized in the amount of $26,355 (net of $4,535 interest income) and $535,106 (net of $8,339 interest income), respectively.

The University leases various pieces of equipment and parking garages, which have been recorded under various capital leases in amounts representing the present value of future minimum lease payments. Capital lease principal payments for two parking garage leases begin in August 2040. Capital lease obligations are collateralized by equipment with a gross cost of $81,634,928 and $81,157,503 and gross accumulated depreciation of $78,114,973 and $78,137,085 at June 30, 2018 and 2017, respectively. The capital leases have varying maturity dates through 2045.

Note 7 – Noncurrent Liabilities Excluding Net Pension Liability (Continued)

Principal and interest payable for the next five years and in subsequent five-year increments are as follows:

	Bonds Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2019	$ 6,835,000	$ 7,943,861	$ 6,191,297	$ 1,550,577
2020	6,425,000	7,613,377	6,130,234	1,301,593
2021	6,730,000	7,303,843	3,312,724	1,054,990
2022	6,995,000	7,023,509	445,568	985,943
2023	7,330,000	6,679,625	96,086	980,546
2024-2028	42,495,000	27,598,960	-	4,901,250
2029-2033	54,355,000	15,950,036	-	4,901,250
2034-2038	30,580,000	3,625,235	-	4,901,250
2039-2043	1,380,000	143,773	11,170,000	4,082,000
2044-2045	-	-	8,435,000	427,125
	$ 163,125,000	$ 83,882,219	$ 35,780,909	$ 25,086,524

The University has entered into various lease agreements for office equipment, and office and classroom space, which are considered operating leases. The University has leased space in the Fenn Tower building from the Corporation, which it uses for classrooms and meeting rooms. Operating lease balloon payments totaling $46,787,033 are due in fiscal year 2019. Total rental expense under operating leases during the years ended June 30, 2018 and 2017 amounted to $3,616,754 and $3,575,262, respectively. The operating leases have varying maturity dates through 2042.

Future minimum operating lease payments as of June 30, 2018 are as follows:

Years Ending June 30	Operating Leases
2019	$ 48,507,740
2020	1,472,843
2021	1,404,601
2022	1,404,601
2023	1,224,484
2024-2028	6,516,372
2029-2033	6,513,272
2034-2038	5,648,889
2039-2042	1,294,969
	$ 73,987,771

Note 8 – Employment Benefit Plans

Retirement Plans

Substantially all nonstudent University employees are covered by one of three retirement plans. The university faculty are covered by the State Teachers Retirement System of Ohio (STRS). Nonfaculty employees are covered by the Ohio Public Employees Retirement System (OPERS). Employees may opt out of STRS and OPERS and participate in the Alternative Retirement Plan (ARP).

STRS and OPERS both offer three separate retirement plans: the defined benefit plan, the defined contribution plan, and a combined plan. STRS and OPERS each provide retirement, survivor, and disability benefits to plan members and their beneficiaries. The plans also each provide post-employment healthcare benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Defined Benefit Plans

The University participates in the State Teachers Retirement System (STRS) and the Ohio Public Employees Retirement System (OPERS), statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of the University. Each system has multiple retirement plan options available to its members, ranging from 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 post-employment 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 post-employment healthcare plans. The reports may be obtained by contacting:

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

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

Contributions. State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the ORC limits the maximum rate of contributions. The retirement boards of the systems individually set contribution 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 University’s 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.

Note 8 – Employment Benefit Plans (Continued)

Member contributions are set at the maximums authorized by the ORC. The plans' 2018 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate				Member Contribution Rate
	Pension	Post Retirement Healthcare	Death Benefits	Total	Total
STRS	14.00%	0.00%	0.00%	14.00%	14.00%
OPERS - State/Local	13.00%	1.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement	17.10%	1.00%	0.00%	18.10%	13.00%

The plans' 2017 contribution rates on covered payroll to each system are:

	Employer Contribution Rate				Member Contribution Rate
	Pension	Post Retirement Healthcare	Death Benefits	Total	Total
STRS (Beginning 7/1/16)	14.00%	0.00%	0.00%	14.00%	14.00%
OPERS - State/Local (through 12/31/16)	12.00%	2.00%	0.00%	14.00%	10.00%
OPERS - State/Local (beginning 1/1/17)	13.00%	1.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement (through 12/31/16)	16.10%	2.00%	0.00%	18.10%	13.00%
OPERS - Law Enforcement (beginning 1/1/17)	17.10%	1.00%	0.00%	18.10%	13.00%

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

	Year Ended June 30			
	2018		2017	
	Pension	OPEB	Pension	OPEB
STRS	$ 7,802,860		$ 7,653,361	
OPERS	6,961,758	1,160,293	8,322,520	
	$ 14,764,618	$ 1,160,293	$ 15,975,881	$ -

Benefits. *STRS* – Plan benefits are established under Chapter 3307 of the ORC, as amended by Substitute Senate Bill 342 in 2012, 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.

Note 8 – Employment Benefit Plans (Continued)

Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning 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 multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

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

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

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

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

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

A death benefit of $500 - $2,500 is determined by the number of years of service credit of the retiree. 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.

Note 8 – Employment Benefit Plans (Continued)

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

Net Pension Liability, Deferrals, and Pension Expense. At June 30, 2018 and 2017, the University reported a liability for its proportionate share of the net pension liability of STRS and OPERS. For the year ended June 30, 2018, the net pension liability was measured as of July 1, 2017 for the STRS plan and December 31, 2017 for the OPERS plan. For the year ended June 30, 2017, the net pension liability was measured as of July 1, 2016 for the STRS plan and December 31, 2016 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

	Measurement	Net Pension Liability		Proportionate Share	
Plan	Date	2018	2017	2018	2017
STRS	7/1	$ 117,377,358	$ 166,860,603	0.4941%	0.4985%
OPERS	12/31	$ 60,974,450	$ 92,716,335	0.3936%	0.4095%

For the years ended June 30, 2018 and 2017, the University recognized pension income of $32,847,940 and expense of $33,923,206, respectively. At June 30, 2018 and 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 8 – Employment Benefit Plans (Continued)

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,635,780	$ (2,385,551)
Changes of assumptions	33,118,207	-
Net difference between projected and actual earnings on pension plan investments	-	(17,252,783)
Changes in proportion and differences between University contributions and proprotionate share of contributions	289,995	(2,826,181)
University contributions subsequent to the measurement date	11,859,675	-
Total	$ 49,903,657	$ (22,464,515)

June 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,885,341	$ (689,542)
Changes of assumptions	14,822,356	-
Net difference between projected and actual earnings on pension plan investments	27,774,594	-
Changes in proportion and differences between University contributions and proprotionate share of contributions	575,922	(136,613)
University contributions subsequent to the measurement date	11,819,658	-
Total	$ 61,877,871	$ (826,155)

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

Years Ending June 30	**Amount**
2019	$ 9,883,265
2020	8,158,298
2021	1,309,420
2022	(3,715,819)
2023	(19,209)
Thereafter	(36,487)
Total	$ 15,579,468

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2019).

Note 8 – Employment Benefit Plans (Continued)

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

Plan	Measurement Date	Net OPEB Liability 2018	Proportionate Share 2018
STRS	6/30	$ 19,278,426	0.4941%
OPERS	12/31	$ 44,058,464	0.4057%

For the year ended June 30, 2018, the University recognized OPEB expense of $1,160,293 At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,147,190	$ -
Changes of assumptions	3,207,923	(1,552,940)
Net difference between projected and actual earnings on pension plan investments	-	(4,106,067)
Changes in proportion and differences between University contributions and proprotionate share of contributions	-	-
University contributions subsequent to the measurement date	580,147	-
Total	$ 4,935,260	$ (5,659,007)

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

Years Ending June 30	Amount
2019	$ 450,265
2020	450,265
2021	(957,870)
2022	(1,099,861)
2023	(73,345)
Thereafter	(73,348)
Total	$ (1,303,894)

Note 8 – Employment Benefit Plans (Continued)

Actuarial Assumptions. The total pension liability and OPEB liability is based on the results of an actuarial valuation determined using the following actuarial assumptions for 2017, applied to all periods included in the measurement on June 30, 2018:

	STRS as of June 30, 2017	OPERS as of December 31, 2017
Valuation date-Pension	July 1, 2017	December 31, 2017
Valuation date-OPEB	June 30, 2017	December 31, 2016
Actuarial cost method	Entry age normal	Individual entry age
Costs of living	None	3.0 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.75 percent	3.25 percent
Investment rate of return-Pension	7.45 percent, net of pension plan investment expense	7.50 percent, net of pension plan investment expense
Investment rate of return-OPEB	4.51 percent, net of investment expense, including inflation	6.50 percent, net of plan investment expense
Health care cost trend rates	6.00 percent to 11.00 percent initial 4.50 percent ultimate	7.50 percent initial 3.25 percent ultimate in 2028
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Morality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016	RP-2014 Healthy Annuitant Mortality Table

The following are actuarial assumptions for 2016, applied to all periods included in the measurement on June 30, 2017:

	STRS as of June 30, 2016	OPERS as of December 31, 2016
Valuation date	July 1, 2016	December 31, 2016
Actuarial cost method	Entry age normal	Individual entry age
Costs 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
Morality basis	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)	RP-2014 Healthy Annuitant Mortality Table

Discount Rate. The discount rates used to measure the total pension liabilities at June 30, 2018 were 7.45 percent and 7.50 percent for STRS and OPERS, respectively. The discount rate used to measure the total pension liabilities at June 30, 2017 were 7.75 percent and 7.50 percent for STRS and OPERS, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8 – Employment Benefit Plans (Continued)

The discount rates used to measure the total OPEB liabilities at June 30, 2018 were 4.13 percent, and 3.85 percent, for STRS and OPERS, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees for STRS, SERS, and OPERS. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments and a 20-year municipal bond rate applied to the unfunded benefit payment period to determine the total OPEB liability.

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

	STRS as of 07/01/17			OPERS as of 12/31/17			
				Defined Benefits Portfolio		Health Care Portfolio	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	28.00%	5.10%	Fixed Income	23.00%	2.20%	34.00%	1.88%
International Equity	23.00%	5.30%	Domestic Equitie	19.00%	6.37%	21.00%	6.37%
Alternatives	17.00%	4.84%	Real Estate	10.00%	5.26%	0.00%	0.00%
Fixed Income	21.00%	0.75%	Private Equity	10.00%	8.97%	0.00%	0.00%
Real Estate	10.00%	3.75%	International Equ	20.00%	7.88%	22.00%	7.88%
Liquidity Reserves	1.00%	0.00%	REITs	0.00%	0.00%	6.00%	5.91%
Total	100%		Other Investment	18.00%	5.26%	17.00%	5.39%
			Total	100%		100%	

	STRS as 07/01/16			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 Equitie	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 Equ	18.30%	7.95%
Liquidity Reserves	1.00%	0.50%	Other Investment	18.00%	4.92%
Total	100%		Total	100%	

Note 8 – Employment Benefit Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the University at June 30, 2018 and 2017, calculated using the discount rate listed below, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2018

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.45%	$ 168,256,448	7.45%	$ 117,377,358	8.45%	$ 74,519,351
OPERS	6.50%	109,221,342	7.50%	60,974,450	8.50%	20,798,565
		$ 277,477,790		$ 178,351,808		$ 95,317,916

2017

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.75%	$ 221,774,183	7.75%	$ 166,860,603	8.75%	$ 120,563,068
OPERS	6.50%	142,104,828	7.50%	92,716,335	8.50%	51,580,333
		$ 363,879,011		$ 259,576,938		$ 172,143,401

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

2018

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	3.13%	$ 25,880,977	4.13%	$ 19,278,426	5.13%	$ 14,060,253
OPERS	2.85%	58,533,571	3.85%	44,058,464	4.85%	32,348,247
		$ 84,414,548		$ 63,336,890		$ 46,408,500

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

2018

Plan	1.00 Percent Decrease	Current Discount Rate	1.00 Percent Increase
STRS	$ 13,393,824	$ 19,278,426	$ 27,023,250
OPERS	42,154,557	44,058,464	46,025,149
	$ 55,548,381	$ 63,336,890	$ 73,048,399

Note 8 – Employment Benefit Plans (Continued)

Assumption Changes. During the current measurement period, the STRS Board adopted certain assumption changes which impacted the annual actuarial valuations prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent.

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, 2018, the University reported a payable of $2,034,690 for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2018.

Defined Contribution Plan

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

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of the private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Board of Regents.

The University is required to contribute to STRS 4.50% of earned compensation for those employees participating in the ARP. The University's contributions for the years ended June 30, 2018 and 2017 were $728,899 and $736,488, respectively, which equal 4.5% of earned compensation.

STRS also offers a defined contribution plan in addition to its long-established defined benefit plan. All employee contributions and employer contributions at a rate of 10.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no postretirement healthcare benefits.

Note 8 – Employee Benefit Plans (Continued)

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

Note 9 – Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On July 1, 1993, the University joined with 11 other State-assisted universities in Ohio to form an insurance-purchasing pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurable value to the pool. Future contributions will be adjusted based upon each university's loss history. Each university has a base deductible of $100,000. The next $250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate deductible limit of $700,000. The commercial property insurer is liable for the amount of any claim in excess of $350,000, or $100,000 in the event the pool has reached its annual limit. There were no significant reductions in coverage from the prior year.

The University maintains a self-insured medical plan for its employees. The University's risk exposure is limited to claims incurred. There is a $250,000 specific stop loss for any given individual. The changes in the total liability for actual and estimated medical claims for the years ended June 30, 2017 and 2016 are summarized below:

	2018	2017	2016
Liability - Beginning of year	$ 3,487,608	$ 3,208,620	$ 2,398,878
Claims incurred	16,580,970	15,804,991	14,259,729
Claims paid	(16,580,425)	(17,858,558)	(13,487,190)
IBNR - (Decrease) Increase in estimated claims	(1,359,555)	1,894,471	37,203
Liability - End of year	$ 2,128,598	$ 3,049,524	$ 3,208,620

Medical claims are based upon estimates of the claims liabilities. Estimates are based upon past experience, medical inflation trends, and current claims outstanding, including year-end lag analysis. Differences between the estimated claims payable and actual claims paid are reported as an operating expense in the statement of revenue, expenses, and changes in net position.

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the "Bureau") based on estimates

Note 9 – Risk Management (Continued)

that incorporate past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the workers' compensation liability based on rates set by the Bureau to collect cash needed in subsequent fiscal years to pay the workers' compensation claims of participating State agencies and universities. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

During the normal course of its operations, the University has become a defendant in various legal actions. It is not possible to estimate the outcome of these legal actions; however, in the opinion of legal counsel and the University administration, the disposition of these pending cases will not have a material adverse effect on the financial condition or operations of the University. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 10 – Grant Contingencies

The University receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. However, in the opinion of the University administration, any such disallowed claims will not have a significant effect on any of the financial statements of the University at June 30, 2018.

Note 11 – Component Units

The Foundation and the Corporation are legally separate not-for-profit entities organized for the purpose of providing support to the University. Both the Foundation and the Corporation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The board of the Foundation is self-perpetuating and consists of business leaders and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. Complete financial statements for the Foundation can be obtained from the Office of the Executive Director at 1836 Euclid Avenue, Union Building Room 501, Cleveland, OH 44115-2214.

Note 11 – Component Units (Continued)

During the years ended June 30, 2018 and 2017, the Foundation paid $14,452,494 and $14,168,449, respectively, to the University. At June 30, 2018 and 2017, the University had receivables from the Foundation totaling $3,187,534 and $2,902,771, respectively.

As authorized by the board of trustees, beginning in fiscal year 1998, the University placed Endowment and Quasi-Endowment funds on deposit with the Foundation for investment. At June 30, 2018 and 2017, the amount on deposit with the Foundation totaled $3,420,465 and $3,329,145, respectively.

The Foundation had the following types of investments as of June 30:

	2018	
	Cost	Carrying Value
Cash and cash equivalents	$ 92,782	$ 92,782
Stocks - Domestic	492,523	783,846
Mutual funds - International	12,996,380	16,068,960
Mutual funds - Domestic	32,030,760	39,831,519
Balance fund	5,380,138	5,488,253
Fixed income securities	16,587,032	16,020,471
Alternative investments	10,025,000	11,598,053
Investments carried at fair value	$ 77,604,615	$ 89,883,884

	2017	
	Cost	Carrying Value
Cash and cash equivalents	$ 116,400	$ 116,400
Stocks - Domestic	432,695	566,388
Mutual funds - International	12,759,195	14,829,308
Mutual funds - Domestic	22,819,869	32,564,261
Balance fund	5,141,031	5,209,372
Fixed income securities	16,669,081	16,522,847
Alternative investments	11,275,000	13,547,202
Investments carried at fair value	$ 69,213,271	$ 83,355,778

Note 11 – Component Units (Continued)

Financial assets measured at fair value on a recurring basis consisted of the following as of June 30:

	2018			
	Level 1	Level 2	Level 3	Total
Common stocks	$ 783,846	$ -	$ -	$ 783,846
Mutual funds - International	16,068,960	-	-	16,068,960
Mutual funds - Domestic	39,831,519	-	-	39,831,519
Balanced fund	5,488,253	-	-	5,488,253
Fixed income	-	16,020,471	-	16,020,471
Alternative investments	-	-	-	-
	$ 62,172,578	$ 16,020,471	$ -	78,193,049
Investments valued at NAV				11,598,053
Total				$ 89,791,102

	2017			
	Level 1	Level 2	Level 3	Total
Common stocks	$ 566,388	$ -	$ -	$ 566,388
Mutual funds - International	14,829,308	-	-	14,829,308
Mutual funds - Domestic	32,564,261	-	-	32,564,261
Balanced fund	5,209,372	-	-	5,209,372
Fixed income	-	16,522,847	-	16,522,847
Alternative investments	23,947	-	13,523,255	13,547,202
Total	$ 53,193,276	$ 16,522,847	$ 13,523,255	$ 83,239,378

The temporarily and permanently restricted net assets of the Foundation are balances whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available, and permanently restricted net assets are held in perpetuity, for the following purposes as of June 30:

	2018	
	Temporarily Restricted	Permanently Restricted
Instruction and academic support	$ 8,725,930	$ 15,030,845
Research	666,495	886,776
Public service	5,187,166	153,909
Financial aid	21,311,709	45,050,227
Institutional support	544,897	1,151,100
Restricted for time	5,212,364	-
Capital and other projects	163,878	979,762
Total	$ 41,812,439	$ 63,252,619

	2017	
	Temporarily Restricted	Permanently Restricted
Instruction and academic support	$ 5,804,161	$ 13,048,404
Research	1,087,245	381,931
Public service	5,114,375	152,834
Financial aid	21,327,985	45,333,326
Institutional support	1,239,972	1,151,100
Capital and other projects	2,991,291	978,161
Total	$ 37,565,029	$ 61,045,756

Note 11 – Component Units (Continued)

The Corporation was organized primarily to further the educational mission of the University by developing, owning, and managing housing for the students, faculty, and staff of the University. The Board of the Corporation is self-perpetuating and the University does not control the Corporation. Because the housing owned by the Corporation can only be used by, or for the benefit of, the University's students, faculty and staff, the Corporation is considered a component unit of the University and is discretely presented in the University's financial statements.

As of June 30, 2018 and 2017, the Corporation had the following types of investments:

	2018	2017
Commercial paper	$ 4,848,695	$ 4,958,330
Money market funds	51,310	684,941
Exchange traded funds	4,958,733	4,489,905
Mutual funds	9,981,037	8,403,768
Total	$ 19,839,775	$ 18,536,944

On March 1, 2005, the Corporation leased the Fenn Tower building, located on the University's campus, from the University. Annual rent is equal to the net available cash flows from the Fenn Tower project. On March 1, 2005, the Corporation entered into a development agreement with American Campus Communities (ACC) to plan, design and construct housing units in Fenn Tower. In addition, the Corporation entered into a management agreement with ACC to manage Fenn Tower. The project was completed in August 2006. The facility has the capacity to house 430 residents.

On March 17, 2005, the Corporation issued $34,385,000 of Cleveland-Cuyahoga County Port Authority bonds (Series 2005 Bonds) to finance the costs of the Fenn Tower project. The Series 2005 Bonds are serial bonds maturing between 2007 and 2036. Interest rates are fixed and vary from 3.0% to 4.5%. At June 30, 2015, these bonds were defeased and were redeemed on August 1, 2015.

On June 1, 2008, the Corporation leased land, owned by the University and located on its campus, from the University. On August 22, 2008, the Corporation entered into a design-build agreement to construct a 623-car parking garage on the site. On July 1, 2008, the Corporation entered into a lease agreement with the University to operate the garage once construction is completed. On July 25, 2008, the Corporation issued $14,500,000 of tax-exempt bonds with the Cleveland-Cuyahoga County Port Authority to finance construction of the garage. The Series 2008 Bonds are serial bonds maturing between 2009 and 2040. They bear variable interest rates that reset weekly. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was 0.06% at June 30, 2014. Construction of the garage was completed in August 2009. During the fiscal year ended June 30, 2015, these bonds were redeemed.

On December 18, 2009, the Corporation leased land, owned by the University and located on its campus, from the University. Annual rent is equal to the net available cash flows from the project.

Note 11 – Component Units (Continued)

On August 24, 2009, the Corporation entered into a development agreement with ACC to plan, design and construct 600 beds of student housing and a 300-car parking garage on this land. In addition, the Corporation entered into a management agreement with ACC to manage the student housing. On December 18, 2009, the Corporation issued $59,005,000 of County of Cuyahoga, Ohio bonds (Series 2009 bonds) to finance the project. The 2009 bonds are serial bonds maturing between 2011 and 2042. They bear variable interest rates that are reset weekly. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was 0.06% at June 30, 2014. Both phases of the project were complete as of August 2011. During fiscal year ended June 30, 2015, these bonds were redeemed.

On December 9, 2014, the Corporation issued $88,945,000 of Cleveland-Cuyahoga County Port Authority Development Revenue Bonds (2014 bonds). A portion of the 2014 bonds matured August 1, 2015 with a fixed rate of interest of 1%. The remaining 2014 bonds mature at various dates from August 1, 2016 through August 1, 2044 with a fixed rate of interest of 5%. At the time of refunding, the Corporation chose to utilize funds held by the trustee to pay a portion of the outstanding principal on all existing bonds.

During the years ended June 30, 2018 and 2017, the Corporation paid rent on the land leases in the amount of $400,000 and $400,000, respectively, to the University.

Principal and interest payable for the next five years and in subsequent five-year increments are as follows:

	Principal	Interest
2019	$ 1,660,000	$ 4,179,250
2020	1,745,000	4,094,125
2021	1,830,000	4,004,750
2022	1,925,000	3,910,875
2023	2,025,000	3,812,125
2024-2028	11,790,000	17,392,750
2029-2033	15,145,000	14,042,375
2034-2038	19,445,000	9,740,125
2039-2043	20,415,000	4,550,125
2044-2045	8,435,000	427,125
	$ 84,415,000	$ 66,153,625

Complete financial statements for the Corporation can be obtained from the Office of the Senior Vice President for Business Affairs and Finance at 2121 Euclid Avenue, Administration Center Room 210, Cleveland, OH 44115-2214.

Required Supplemental Information

Schedule of Pension Funding Progress:

	2018		2017		2016	
	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 Universities' collective net pension liability:						
As a percentage	0.3936%	0.4941%	0.4095%	0.4985%	0.4038%	0.4990%
Amount	$ 60,974,449	$ 117,377,358	$ 92,716,335	$ 166,860,603	$ 69,702,983	$ 137,916,400
University's covered-employee payroll	$ 57,194,215	$ 49,431,335	$ 55,581,291	$ 47,227,159	$ 55,463,590	$ 48,272,044
University's proportional share of the collective pension liability (amount), as a percentage of the University's covered-employee payroll	93.80%	42.11%	59.95%	28.30%	79.57%	35.00%
Fiduciary net position as a percentage of the total pension liability	84.85%	75.29%	77.39%	66.80%	81.19%	72.10%

Schedule of Contributions

	2018		2017		2016	
	OPERS	STRS	OPERS	STRS	OPERS	STRS
Statutorily required contribution	$ 6,961,758	$ 7,802,860	$ 8,322,520	$ 7,653,361	$ 7,990,496	$ 7,292,553
Contributions in relation to the actuarially determined contractually required contribution	$ 6,961,758	$ 7,802,860	$ 8,322,520	$ 7,653,361	$ 7,990,496	$ 7,292,553
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 53,778,459	$ 50,503,155	$ 56,151,077	$ 49,431,335	$ 56,133,087	$ 47,227,159
Contributions as a percentage of covered employee payroll	12.95%	15.45%	14.82%	15.48%	14.23%	15.44%

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

	2018	
	OPERS	STRS
Plan year end	December 31	June 30
University's proportion of the Universities' collective net OPEB liability:		
As a percentage	0.4057%	0.4941%
Amount	$ 44,058,464	$ 19,278,426
University's covered-employee payroll	$ 57,194,215	$ 49,431,335
University's proportional share of the collective OPEB liability (amount), as a percentage of the University's covered-employee payroll	129.81%	256.41%
Fiduciary net position as a percentage of the total OPEB liability	54.14%	47.11%

Schedule of OPEB Contributions

	2018	
	OPERS	STRS
Statutorily required contribution	$ 1,160,293	$ -
Contributions in relation to the actuarially determined contractually required contribution	$ 1,160,293	$ -
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 53,778,459	$ 50,503,155
Contributions as a percentage of covered employee payroll	2.16%	0.00%

Notes to Required Supplemental Information
June 30, 2018 and 2017

Changes in Benefit Terms. There were no changes in benefit terms affecting the STRS Ohio and OPERS plans for the plan years ended June 30, 2016 and December 31, 2016, respectively.

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

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.

Changes Between Measurement Date and Report Date. In March 2017, the STRS Ohio board adopted certain assumption changes which will impact their 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 Ohio 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 impact to the University's net pension liability is expected to be significant.