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

Financial Report

Including Supplemental Information

June 30, 2016

Contents

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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 aggregate discretely presented component units, The Cleveland State University Foundation, Inc. and Euclid Avenue Development Corporation, as of and for the years ended June 30, 2016 and 2015 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 and activity reported in the aggregate 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.

To the Board of Trustees
Cleveland State University

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland State University and its aggregate discretely presented component units as of June 30, 2016 and 2015 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 discussed in Note 1 to the basic financial statements, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* as of July 1, 2015. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the basic financial statements, the University reclassified amounts from net investment in capital assets to unrestricted net position on the statement of net position for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

As discussed in Note 11 to the basic financial statements, the Corporation has restated its June 30, 2015 financial statements to adjust for a correction of an error. 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 proportionate share of the net pension liability, and the schedule of University pension 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.

To the Board of Trustees
Cleveland State University

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016 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 14, 2016

CLEVELAND STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2016. 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 513, 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.

Change in Accounting Principle

The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. In accordance with the statements, the University recorded $180,522,393 as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014. June 30, 2014 amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on pension expense for the fiscal year ended June 30, 2014.

Financial Highlights

The University's financial position remained strong with assets of $694.2 million, deferred outflows of $39.9 million, liabilities of $508.7 million and deferred inflow of $11.4 million at June 30, 2016. 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 $214.0 million, after the implementation of GASB 68.

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 outflow and liabilities and deferred inflow – 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 outflow, liabilities and deferred inflow 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, 2016, 2015, and 2014 is as follows:

	2016	2015	2014
Current assets	$ 148,012,905	$ 147,244,434	$ 147,107,085
Noncurrent assets:			
Capital assets, net	493,170,085	500,895,050	473,007,276
Other	53,059,119	59,833,353	94,759,762
Deferred Outflows	39,897,403	11,489,861	
Total assets and deferred outflows	734,139,512	719,462,698	714,874,123
Current liabilities	52,969,359	47,707,443	46,493,301
Noncurrent liabilities	455,777,004	428,459,130	275,713,014
Deferred Inflow	11,391,130	19,860,358	
Total liabilities and deferred inflow	520,137,493	496,026,931	322,206,315
Net position	$ 214,002,019	$ 223,435,767	$ 392,667,808

In accordance with the University's implementation of GASB 68, 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 2016 increased from 2015 by $28.4 million, or 247.2%, primarily due to the differences between expected and actual experience, projected and actual earnings, and the deferred outflow related to the Series 2016A bond issuance. Deferred outflows in 2015 increased from 2014 due to the adoption of GASB 68. The balance in 2015 consisted primarily of pension contributions made subsequent to the measurement dates of the plans.

Current assets consist primarily of cash, 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 slightly in 2016 from 2015, primarily due to an increase in short-term investments versus cash and cash equivalents.

Current assets increased slightly in 2015 from 2014, primarily due to an increase in cash and cash equivalents versus short-term investments.

Net capital assets decreased in 2016 from 2015 by $7.7 million, or 1.5% and increased in 2015 from 2014 by $27.9 million, or 5.9%. The decrease in 2016 is mainly attributable to depreciation. The increase in 2015 and 2014 was primarily due to construction of the Center for Innovations in Medical Professions building.

Other assets decreased in 2016 from 2015 by $6.8 million, or 11.3% and 2015 from 2014 by $34.9 million, or 36.9% primarily due to the spending of restricted investments (bond proceeds).

In conjunction with the University's implementation of GASB 68 deferred inflow of resources has been recorded. "Deferred inflow 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 in net position similar to liabilities. The University's deferred inflow in 2016 decreased from 2015 by $8.5 million, or 42.6%, primarily due to the differences between expected and actual experience and projected and actual earnings. Deferred inflows in 2015 increased from 2014 due to the adoption of GASB 68. The balance in 2015 consisted primarily of the University's share of pension plan amounts to be recognized in the future, specifically the difference between expected and actual investment earnings.

Liabilities increased in 2016 by $32.6 million or 6.8% primarily due to timing differences and the increase in net pension liability in conjunction with GASB 68. Liabilities increased in 2015 from 2014 by $154.0 million, or 47.8% primarily due to recording the net pension liability as require by GASB 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 $21.2 million in 2016, $57.8 million in 2015 and $31.2 million in 2014. Capital retirements totaled $4.9 million in 2016, $9.0 million in 2015 and $5.3 million in 2014. Capital additions and retirements for 2016, 2015 and 2014 exclude transfers from construction in progress to buildings in the amount of $56.6 million in 2016 and $5.3 million in 2014; there were no transfers from construction in progress to buildings in 2015. 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 $0.58 million in 2016, $0.06 million in 2015 and $0.24 million in 2014.

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 complete 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, 2016, 2015, and 2014 is summarized as follows:

	2016	2015	2014
Net investment in capital assets	$ 247,080,168	$ 251,473,219	$ 254,046,991
Restricted - expendable	35,711,858	35,778,797	26,577,260
Restricted - nonexpendable	1,344,591	1,469,961	1,496,842
Unrestricted	(70,134,598)	(65,286,210)	110,546,715
Total net position	$ 214,002,019	$ 223,435,767	$ 392,667,808

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 due to the timing of revenue and expenses in funds provided by donors and grantors. Restricted nonexpendable net position consists primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was neutral in 2016 and 2015 and positive in 2014.

Unrestricted net position is not subject to externally imposed stipulations. This category includes funds functioning as endowment (quasi-endowment) of $5.5 million at June 30, 2016, $5.9 million at June 30, 2015 and $6.1 million at June 30, 2014.

For the year ended June 30, 2016, the University had a decrease in total net position of $9.4 million or 4.2%. Net investment in capital assets decreased by $4.4 million, or 1.7% and unrestricted net position decreased by $4.8 million or 7.4% primarily due to fund adjustments related to closing capital projects that were complete prior to June 30, 2016.

For the year ended June 30, 2015, the University had a decrease in total net position of $169.2 million or 43.1%. Net investment in capital assets decreased by $2.6 million, or 1.0% and unrestricted net position decreased by $175.8 million, or 159.1%, due to slight declines in enrollment and the $180 million adjustment recorded as the result of implementing GASB 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 non-operating. 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 non-operating 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, 2016, June 30, 2015, and June 30, 2014 are as follows:

	2016	2015	2014
Operating revenue:			
Net student tuition and fees	$ 152,650,587	$ 155,373,567	$ 159,789,368
Grants and contracts	15,894,376	13,893,006	25,420,702
Other	41,003,916	30,054,306	31,691,848
Total operating revenue	209,548,879	199,320,879	216,901,918
Operating expenses:			
Educational and general	252,176,005	232,882,208	242,678,174
Auxiliary enterprises	36,723,496	32,884,041	32,448,832
Depreciation and amortization	28,832,469	26,666,434	26,657,857
Total operating expenses	317,731,970	292,432,683	301,784,863
Operating loss	(108,183,091)	(93,111,804)	(84,882,945)
Non-operating revenue, net of interest:			
State appropriations	74,516,410	71,018,135	68,079,520
Other	23,652,389	33,324,400	41,556,237
(Loss)/Gain before other changes	(10,014,292)	11,230,731	24,752,812
Other changes	580,544	59,621	237,013
(Decrease)/Increase in net assets	(9,433,748)	11,290,352	24,989,825
Net position at beginning of year	223,435,767	392,667,808	367,677,983
Adjustment for change in accounting principle		(180,522,393)	
Net position beginning of year-as restated*		212,145,415	
Net position at end of year	$ 214,002,019	$ 223,435,767	$ 392,667,808

* Restated per implementation of GASB 68.

Total revenue and other changes, net of interest on debt, in fiscal 2016, 2015 and 2014 were \$317.4, \$311.6 and \$334.7 million, respectively. The most significant sources of 2016 operating revenue for the University, as reflected in the Statement of Revenues, Expenses and Changes in Net Position, were student tuition and fees of \$152.7 million, grants and contracts of \$15.9 million, and auxiliary services of \$25.8 million.

Revenue from tuition and fees (net of scholarship allowances) decreased in 2016 from 2015 by \$2.7 million, or 1.8% due to slightly lower enrollment and increased scholarships. Headcount enrollment decreased by 0.5% while full-time equivalent enrollment increased by 2.8% over the prior year.

Revenue from tuition and fees (net of scholarship allowances) decreased in 2015 from 2014 by \$4.4 million, or 2.8%, due to lower than expected enrollment. Headcount enrollment decreased by 2.5% while full-time equivalent enrollment decreased by 5.6% over the prior year. A tuition increase of 2.0% was implemented in Fall 2014 for undergraduate programs and most graduate programs. Tuition for law programs was increased 9.5%.

Total expenses in 2016, 2015 and 2014 were \$326.8 million, \$300.3 million and \$309.8 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 increased by \$26.5 million (8.8%) in 2016, decreased by \$9.5 million (3.0%) in 2015 and increased by \$5.8 million (1.9%) in 2014. The increase in 2016 from 2015 is due to increase in pension expense related to GASB 68, increase in maintenance of facilities and increases in salaries. The decrease in 2015 from 2014 is partially due to tightly monitored and control over spending because of lower in enrollment and reduction in pension expense resulting from implementation of GASB 68.

Sources of non-operating revenue include State appropriations of \$74.5 million in 2016, \$71.0 million in 2015 and \$68.0 million in 2014; grants and contracts of \$26.7 million in 2016, \$25.6 million in 2015 and \$23.8 million in 2014; gifts of \$9.0 million in 2016, \$15.1 million in 2015 and \$13.8 million in 2014; and investment loss of \$3.0 million in 2016, investment income of \$0.6 million in 2015 and \$11.9 million in 2014.

Net non-operating revenue decreased in 2016 from 2015 by \$6.2 million, or 5.9% primarily due to unfavorable investment returns and a decrease in gift. Net non-operating revenue decreased in 2015 from 2014 by \$5.3 million, or 4.8% primarily due to unfavorable investment returns.

Other changes consist primarily of State capital appropriations of \$0.58 million in 2016, \$0.06 million in 2015 and \$0.24 million in 2014.

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, 2016, June 30, 2015 and June 30, 2014 is as follows:

	2016	2015	2014
Net cash (used in) provided by:			
Operating activities	$ (71,330,663)	$ (59,442,954)	$ (69,740,071)
Noncapital financing activities	110,243,500	111,584,581	105,931,037
Capital financing activities	(45,378,562)	(80,282,289)	(43,310,078)
Investing activities	(12,928,613)	42,869,879	(10,868,327)
Net (decrease) increase in cash	(19,394,338)	14,729,217	(17,987,439)
Cash at beginning of year	24,982,959	10,253,742	28,241,181
Cash at end of year	$ 5,588,621	$ 24,982,959	$ 10,253,742

Major sources of cash included student tuition and fees of $152.9 million in 2016, $154.8 million in 2015 and $158.7 million in 2014; State appropriations of $74.5 million in 2016, $71.0 million in 2015 and $68.1 million in 2014; grants and contracts (operating and noncapital) of $42.0 million in 2016, $49.1 million in 2015 and $40.7 million in 2014; and auxiliary activities of $25.5 million in 2016, $23.9 million in 2015 and $24.1 million in 2014.

The largest payments were for employee compensation and benefits totaling $172.3 million in 2016, $182.5 million in 2015 and $169.4 million in 2014; suppliers of goods and services totaling $107.3 million in 2016, $85.9 million in 2015 and $107.8 million in 2014; and purchases of capital assets totaling $20.7 million in 2016, $54.6 million and $29.1 million in 2014.

The change in cash flows from 2015 to 2016 is primarily due to decreases in tuition and fees and increases in payment to vendors. The change in cash flows from 2014 to 2015 is primarily due to increase in the State appropriations, collections of grants and contracts and short-term investments maturing.

Credit Rating

The University's bonds are rated "A+" stable by Standard & Poor's, with the most recent rating published on January 7, 2016. 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, 2015 and 2014. 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 public institutions of higher learning, 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. There have been changes in the State of Ohio's higher education funding model which place more emphasis on outcome-based metrics such as degree completion and course completion, as opposed to simply the number of students enrolled. State universities have completed four fiscal years operating under the outcome-based funding model. Under the provisions of the State of Ohio's fiscal year 2017 budget, CSU is expecting an allocation of $75.6 million in State Share of Instruction (SSI) funding, compared to the $74.5 million received in fiscal year 2016. This increase is partially due to the state legislature appropriating more funding in the FY 2016-FY 2017 biennial budget for higher education, which is then allocated by way of the Ohio Department of Higher Education's outcome-based funding model. The SSI is the major state funding source for state colleges and universities. Revenue from student instructional fee tuition is budgeted at $154.2 million in fiscal year 2017, compared to fiscal year 2016's result of $152.0 million. For fiscal year 2017, the University enacted no increases for in-state undergraduate and graduate tuition, with the exception of the Juris Doctor (J.D.) law program and the Masters of Legal Studies program, effective with the Fall 2016 semester. The University enacted increases in out-of-state surcharges for undergraduate and doctoral programs, while decreasing the out-of-state surcharge for non-resident domestic master's programs. The University has continued its plan for qualifying 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 2016 credit hour enrollment is approximately 1.0% lower than the budget plan, while instructional fee tuition revenue is approximately 2.2% lower than planned. Although there is likely to be the normal Fall-to-Spring semester attrition in enrollment, Spring 2017 tuition revenue is expected to be slightly lower than the Spring 2017 the 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. This will be more challenging in the near future, as the State of Ohio is expected to freeze in-state undergraduate tuition levels for the upcoming two years of the next state budget biennium (FY 2018 and FY 2019) at FY17 levels. The University plans to mitigate the effect of the continuing in-state undergraduate tuition freeze by developing tuition-pricing strategies for out-of-state undergraduate and graduate programs beginning in fiscal year 2018.

In the Summer 2015, the University created a Strategic Enrollment Management (SEM) Task Force that has produced a detailed plan to both increase enrollment through enhanced regional and international recruitment strategies, as well as continue to improve CSU's retention of students. Student retention remains a high priority for the University, and progress has been made. The latest Fall to Fall retention rate (Fall 2015 to Fall 2016) is 70.9%, up from 70.7% in the prior year. Tactics include an automated early warning system, intrusive advising of freshman, 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. The funds pay for campus renovation and maintenance of existing facilities. On September 27, 2013, it was announced that the State intended to fund a capital appropriations bill for the FY15-FY16 capital biennium, whereby state universities can expect to share in a $400+ million appropriation. Cleveland State has received an allocation of $14.6 million. The capital funding is being used for the University's renovation of its Main Classroom Building, the creation of engaged learning laboratories in the STEM disciplines, and the development of a Center for Research and Innovation. More recently, Cleveland State received a total allocation of $22.1 million for the FY17-FY18 state capital biennium. $14.6 million of the allocation is dedicated to the Fenn Hall Washkewicz College of Engineering building project and $7.5 million is targeted for the development of a School of Film located at CSU.

In August 2015, the University created an Office of Performance Management and initiated its "Path to 2020" program. 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 will assess 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. We also realized approximately $3.5 million in expense savings through this effort and reflected these savings by lowering the University's FY17 operating budget expenditure level. The performance management effort is a continuing initiative that is being integrated into the operations of the University. We expect it to assist all units in yielding opportunities to reduce expenses.

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 is in the practice of monitoring 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, CSU's undergraduate enrollment for the near term is stable. 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.

Cleveland State University
Statement of Net Position
June 30, 2016 and 2015

		2016		2015
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$	5,588,621	$	24,982,959
Investments (Note 2)		110,852,738		91,487,279
Accounts Receivable, Net (Note 4)		28,653,098		27,628,051
Notes Receivable, Net (Note 4)		1,477,017		1,647,123
Prepaid Expenses and Inventories		1,441,431		1,499,022
Total Current Assets		148,012,905		147,244,434
Noncurrent Assets:				
Restricted Investments (Note 2)		17,364,604		29,312,125
Long-Term and Endowment Investments (Note 2)		22,550,171		18,496,065
Notes Receivable, Net (Note 4)		13,144,344		12,025,163
Capital Assets, Net (Note 6)		493,170,085		500,895,050
Total Noncurrent Assets		546,229,204		560,728,403
Total Assets		694,242,109		707,972,837
DEFERRED OUTFLOWS				
Deferred Outflow - Pension Plans (Note 8)		38,432,616		11,489,861
Deferred Outflow - Bond Refunding (See Note 7)		1,464,787		-
Total Deferred Outflows		39,897,403		11,489,861
LIABILITIES				
Current Liabilities:				
Accounts Payable		10,152,865		5,841,618
Construction Accounts Payable		3,620,863		6,547,026
Accrued Liabilities		14,104,450		10,876,269
Accrued Interest Payable		1,112,671		1,240,134
Unearned Revenue		9,112,159		8,348,546
Compensated Absences - Current Portion (Note 7)		707,302		1,009,911
Obligations Under Capital Leases - Current Portion (Note 7)		7,087,804		7,122,002
Long-Term Debt - Current Portion (Note 7)		7,071,245		6,721,937
Total Current Liabilities		52,969,359		47,707,443
Noncurrent Liabilities:				
Accrued Liabilities (Note 7)		11,468,161		10,513,273
Compensated Absences (Note 7)		9,582,711		8,152,302
Net Pension Liability		207,619,383		169,700,455
Obligations Under Capital Leases (Note 7)		40,699,397		47,715,458
Long-Term Debt (Note 7)		186,407,352		192,377,642
Total Noncurrent Liabilities		455,777,004		428,459,130
Total Liabilities		508,746,363		476,166,573
DEFERRED INFLOW				
Deferred Inflow - Pension Plans (Note 8)		11,391,130		19,860,358
NET POSITION				
Net investment in Capital Assets		247,080,168		251,473,219
Restricted, Expendable		35,711,858		35,778,797
Restricted, Nonexpendable		1,344,591		1,469,961
Unrestricted (deficit)		(70,134,598)		(65,286,210)
Total Net Position	$	214,002,019	$	223,435,767

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

Cleveland State University
Statement of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Operating Revenues:		
Student Tuition and Fees	$ 180,064,284	$ 180,787,378
Less Scholarship Allowances	27,413,697	25,413,811
Net Student Tuition and Fees	152,650,587	155,373,567
Federal Grants and Contracts	7,138,884	7,533,873
State Grants and Contracts	4,088,356	2,721,558
Local Grants and Contracts	458,752	442,622
Private Grants and Contracts	4,208,384	3,194,953
Sales and Services	7,303,747	6,267,613
Auxiliary Enterprises	25,804,102	22,780,060
Other	7,896,067	1,006,633
Total Operating Revenues	209,548,879	199,320,879
Expenses		
Operating Expenses:		
Instruction	105,091,851	100,959,714
Research	9,000,724	7,707,904
Public Service	6,035,636	6,110,528
Academic Support	28,713,179	26,229,750
Student Services	19,961,340	19,174,987
Institutional Support	34,132,336	28,889,582
Operation and Maintenance of Plant	33,680,370	27,868,495
Scholarships and Fellowships	15,560,569	15,941,248
Auxiliary Enterprises	36,723,496	32,884,041
Depreciation and Amortization	28,832,469	26,666,434
Total Operating Expenses	317,731,970	292,432,683
Operating Loss	(108,183,091)	(93,111,804)
Nonoperating Revenues (Expenses)		
State Appropriations	74,516,410	71,018,135
Federal Grants and Contracts	21,675,238	21,679,494
State Grants and Contracts	5,020,411	3,937,636
Gifts	9,017,211	15,071,455
Investment Income	(2,963,770)	545,519
Interest on Debt	(9,096,701)	(7,909,704)
Net Nonoperating Revenues	98,168,799	104,342,535
(Loss) Gain Before Other Changes	(10,014,292)	11,230,731
Other Changes		
State Capital Appropriations	580,544	59,621
(Decrease) Increase in Net Position	(9,433,748)	11,290,352
Net Position		
Net Position at Beginning of Year	223,435,767	392,667,808
Adjustment for Change in Accounting Principle (Note 1)	-	(180,522,393)
Net Position at Beginning of Year - as restated	223,435,767	212,145,415
Net Position at End of Year	$ 214,002,019	$ 223,435,767

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

Cleveland State University
Statement of Cash Flows

	Years Ended June 30 2016	Years Ended June 30 2015
Cash Flows from Operating Activities		
Tuition and Fees	$ 152,874,858	$ 154,827,386
Grants and Contracts	15,298,660	23,464,951
Payments to or On Behalf of Employees	(172,255,596)	(182,519,173)
Payments to Vendors	(107,343,058)	(85,855,072)
Loans Issued to Students	(2,443,557)	(3,287,664)
Collection of Loans to Students	1,853,702	2,706,020
Auxiliary Enterprises Charges	25,484,514	23,946,351
Other Receipts	15,199,814	7,274,247
Net Cash Used by Operating Activities	(71,330,663)	(59,442,954)
Cash Flows from Noncapital Financing Activities		
State Appropriations	74,516,410	71,018,135
Grants and Contracts	26,695,649	25,617,130
Gifts	9,017,211	15,071,455
Cash Provided by Stafford and PLUS Loans	117,057,722	106,521,303
Cash Used by Stafford and PLUS Loans	(117,000,000)	(106,534,000)
Cash Provided by Agency Fund Activities	(322,937)	(307,344)
Cash Used by Agency Fund Activities	279,445	197,902
Net Cash Provided by Noncapital Financing Activities	110,243,500	111,584,581
Cash Flows from Capital Financing Activities		
Proceeds from Capital Debt and Leases	35,692,440	364,147
Capital Appropriations	580,544	59,621
Purchases of Capital Assets	(20,742,558)	(54,587,135)
Principal Paid on Capital Debt and Leases	(49,828,468)	(14,649,100)
Interest Paid on Capital Debt and Leases	(11,080,520)	(11,469,822)
Net Cash Used by Capital Financing Activities	(45,378,562)	(80,282,289)
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	313,306,258	233,963,851
Purchase of Investments	(324,778,303)	(194,665,726)
Interest on Investments	(1,456,568)	3,571,754
Net Cash (Used) Provided by Investing Activities	(12,928,613)	42,869,879
Net (Decrease) Increase in Cash	(19,394,338)	14,729,217
Cash and Cash Equivalents at Beginning of Year	24,982,959	10,253,742
Cash and Cash Equivalents at End of Year	$ 5,588,621	$ 24,982,959

Cleveland State University
Statement of Cash Flows (continued)

	Years Ended June 30	
	2016	**2015**
Reconciliation of Operating Loss to Cash Used by Operating Activities		
Operating Loss	$ (108,183,091)	$ (93,111,804)
Adjustments:		
Depreciation and Amortization	28,832,469	26,666,434
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(1,389,993)	11,472,231
Notes Receivable, Net	(589,855)	(581,644)
Inventories	(12,913)	(14,568)
Prepaid Expenses	60,874	(186,280)
Accounts Payable	1,320,429	3,212,026
Accrued Liabilities	5,361,242	(3,155,516)
Net Pension Liability	2,506,559	(2,451,441)
Unearned Revenue	763,616	(1,292,392)
Cash Used by Operating Activities	$ (71,330,663)	$ (59,442,954)

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

The Cleveland State University Foundation, Inc.
Statement of Financial Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 2,661,308	$ 3,312,441
Accounts receivable	232,846	369,977
Contributions receivable, net of allowance for uncollectible contributions	13,158,909	13,540,032
Long-term investments	69,392,123	71,549,838
Funds held on behalf of others:		
Cleveland State University	13,831,081	14,041,595
Cleveland State University Alumni Association	465,436	484,021
Total Assets	$ 99,741,703	$ 103,297,904
LIABILITIES		
Accounts payable & accrued expenses	$ 50,531	$ 47,501
Payable to Cleveland State University	1,750,830	2,338,741
Annuities payable	124,859	144,909
Funds held on behalf of others:		
Cleveland State University	13,831,081	14,041,595
Cleveland State University Alumni Association	465,436	484,021
Total Liabilities	16,222,737	17,056,767
NET ASSETS:		
Unrestricted	(1,310,367)	(1,284,978)
Board designated - Scholarships	174,380	191,647
Total unrestricted	(1,135,987)	(1,093,331)
Temporarily restricted	28,464,468	35,123,216
Permanently restricted	56,190,485	52,211,252
Total Net Assets	83,518,966	86,241,137
Total Liabilities and Net Assets	$ 99,741,703	$ 103,297,904

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

Euclid Avenue Development Corporation
Statement of Financial Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and Cash Equivalents	$ 1,077,848	$ 951,546
Cash held by the University	317,173	105,060
Total Cash	1,395,021	1,056,606
Student accounts receivable, net	18,399	18,790
Other receivables	380,934	121,869
Investments	13,739,952	18,715,763
Investments restricted for repayment of defeased debt	-	30,093,137
Prepaid expenses	10,986	79,739
Total Current Assets	15,545,292	50,085,904
Property and equipment		
Land	128,000	-
Building	70,632,179	69,960,179
Building improvements	880,002	722,463
Furniture, fixtures, and equipment	3,139,207	3,090,543
	74,779,388	73,773,185
Less: accumulated depreciation	(15,476,892)	(13,338,530)
Property and equipment, net	59,302,496	60,434,655
Other assets:		
Restricted investments	4,831,875	3,766,436
Leases receivable, net of current portion	19,605,000	19,605,000
Deferred bond isssuance costs, net of accumulated amortization of $76,923 and $31,280 at June 30, 2016 and 2015, respectively	1,066,650	1,112,293
Total other assets	25,503,525	24,483,729
Total assets	$ 100,351,313	$ 135,004,288
LIABILITIES		
Current Liabilities:		
Defeased bonds payable	-	29,410,000
Current portion of bonds payable	1,500,000	1,455,000
Accounts payable	274,510	273,512
Accrued interest	1,822,710	2,409,354
Accrued other	52,363	47,372
Deferred revenue	485,884	155,330
Rent payable to the University (as restated in 2015)	2,225,000	6,225,000
Security deposits	188,315	147,033
Total Current Liabilities	6,548,782	40,122,601
Noncurrent Liabilities:		
Deferred revenue	1,163,701	1,201,237
Bonds payable, net of accumulated amortization of bond premium of $588,191 and $212,086 at June 30, 2016 and 2015, respectively	94,449,437	96,325,542
Total Noncurrent liabilities, net of current portion	95,613,138	97,526,779
Total Liabilities	102,161,920	137,649,380
NET ASSETS		
Unrestricted	(1,810,607)	(2,645,092)
Total Net Assets (Deficit) (as restated in 2015)	(1,810,607)	(2,645,092)
Total Liabilities and Net Assets (Deficit)	$ 100,351,313	$ 135,004,288

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

The Cleveland State University Foundation, Inc.
Statement of Activities
Year Ended June 30, 2016 (with comparative totals for the year ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
Revenues					
Contributions	$ 225,282	$ 7,267,352	$ 3,390,490	$ 10,883,124	$ 15,765,282
Management fees related to funds held on behalf of others	36,307	-	-	36,307	33,429
Endowment management fee	666,322	(666,322)	-	-	-
Net assets released from restrictions:	11,519,078	(11,519,078)	-	-	-
Total revenues	12,446,989	(4,918,048)	3,390,490	10,919,431	15,798,711
Expenses					
Program services:					
Instructions	3,720,498	-	-	3,720,498	2,240,502
Research	454,436	-	-	454,436	294,503
Public service	1,263,683	-	-	1,263,683	1,269,256
Financial aid	4,791,829	-	-	4,791,829	5,072,487
Institutional support	363,668	-	-	363,668	641,630
Capital and other projects	941,998	-	-	941,998	7,485,660
Total program services	11,536,112	-	-	11,536,112	17,004,038
Supporting services:					
Management and general	611,421	-	-	611,421	616,020
Fund raising	128,866	-	-	128,866	133,199
Total supporting services	740,287	-	-	740,287	749,219
Total expenses	12,276,399	-	-	12,276,399	17,753,257
Gains/(Losses):					
Investment gain (loss), including realized and unrealized losses, net	(210,814)	(1,713,964)	-	(1,924,778)	2,619,773
Provision for uncollectible contributions (Note 2)	(2,432)	37,684	524,323	559,575	197,405
Total gains (losses)	(213,246)	(1,676,280)	524,323	(1,365,203)	2,817,178
Change in Net Assets before transfers	(42,656)	(6,594,328)	3,914,813	(2,722,171)	862,632
Transfers	-	(64,420)	64,420	-	-
Change in Net Assets after transfers	(42,656)	(6,658,748)	3,979,233	(2,722,171)	862,632
Net Assets - Beginning of Year	(1,093,331)	35,123,216	52,211,252	86,241,137	85,378,505
Net Assets - End of Year	$ (1,135,987)	$ 28,464,468	$ 56,190,485	$ 83,518,966	$ 86,241,137

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

Euclid Avenue Development Corporation
Statement of Activities
Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Rental Income:		
Students	$ 7,830,180	$ 7,887,134
University	1,734,735	1,379,432
Other	52,469	135,199
Maintenance fee - University	232,580	226,127
Investment income, net	(148,849)	89,156
Gain on sale of property and equipment (Heritage Suites)	-	1,510,609
Other	812,831	1,025,163
Total revenues	10,513,946	12,252,820
Expenses		
Interest	4,154,161	4,079,373
Depreciation and Amortization	2,184,005	4,899,344
Utilities	768,323	945,174
Contract personnel	1,292,295	1,412,916
Management fees	293,389	324,492
Maintenance	621,069	447,316
General and administrative	175,011	235,746
Other operating	129,514	93,920
Marketing	27,474	37,371
Accounting	21,740	18,894
Reserve allowance	4,723	4,620
Insurance	7,757	8,291
Write-down of leases receivable (Note 6)	-	745,000
Change in value of interest rate cap	-	2,290
Rent expense (as restated in 2015)	-	4,655,611
Total expenses	9,679,461	17,910,358
Change in Net Assets (Deficit) (as restated in 2015)	834,485	(5,657,538)
Net Assets (Deficit) - Beginning of Year (as restated in 2015)	(2,645,092)	3,012,446
Net Assets (Deficit) - End of Year	$ (1,810,607)	$ (2,645,092)

The accompanying notes are an integral part of the 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.

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.

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 is recorded as unearned revenue and prepaid expense in the statement of net position and will be recognized in the following fiscal year.

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.

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.

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 represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The University deferred outflows of resources related to the net pension liability and refunding of bonds (see Notes 7 and 8 for more detail).

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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The University deferred inflows of resources related to the net pension liability (see Note 8 for more detail).

Reclassifications. A reclassification of $41,469,994 in the June 30, 2015 financial statements has been made, decreasing net investment in capital assets as well as the unrestricted deficit on the statement of net position to conform with the presentation in the current year financial statements. This reclassification had no impact on total net position.

Change in Accounting Principle

The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB Statement No. 71 is a clarification to GASB Statement No. 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statements, the University recorded $180,522,393 as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014.

New Accounting Pronouncement

As of June 30, 2016, the Organization retrospectively applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the University to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the STRS postemployment benefits and OPERS postretirement health care plans. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2018.

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 105 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, 2016, the cash and cash equivalents balance of $5,588,621 is after the University recorded an overdraft consisting of items in transit of $5,549,149 in accounts payable. The bank balance at June 30, 2016 was $4,959,638, of which $1,415,209 was covered by federal depository insurance, and $3,544,429 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, 2015, the cash and cash equivalents balance of $24,982,959 is after the University recorded an overdraft consisting of items in transit of $3,121,338 in accounts payable. The bank balance at June 30, 2015 was $25,825,126, of which $2,064,595 was covered by federal depository insurance, and $23,760,531 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, which represents fair market value, on June 30, 2016 and 2015.

Restricted investments consist of unspent debt proceeds.

During the year ended June 30, 2016, the University pledged $800,000 of its investments as collateral for the purchase of real property by the Corporation.

As of June 30, 2016, the University had the following types of investments and maturities:

			Investment Maturities (in Years)	
Investment Type		Fair Value	Less Than 1	1-5
Commercial Paper	$	19,904,418	$ 19,904,418	$ -
U.S. obligation mutual fund		59,661,327	59,661,327	-
Certificates of Deposit		534,069	534,069	-
STAR Ohio		13,817,962	-	-
Bond mutual funds		21,044,800	-	21,044,800
Stock mutual funds		35,804,937	-	-
Total	$	150,767,513	$ 80,099,814	$ 21,044,800

As of June 30, 2015, the University had the following types of investments and maturities:

Investment Type		Fair Value		Investment Maturities (in Years) Less Than 1		1-5
US Agencies	$	1,844,209	$	1,844,209	$	-
Commercial Paper		19,532,585		19,532,585		-
U.S. obligation mutual fund		42,098,508		42,098,508		-
Certificates of Deposit		9,533,000		9,533,000		-
STAR Ohio		1,284,633		-		-
Bond mutual funds		30,888,601		-		30,888,601
Stock mutual funds		34,113,933		-		-
Total	$	139,295,469	$	73,008,302	$	30,888,601

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.

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, investments include approximately $17.5 million and $17.8 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.

The University has the following recurring fair value measurements as of June 30, 2016 and 2015:

	Balance at June 30, 2016	Level 1	Level 2	Level 3
Debt Securities				
U.S. Treasuries	$ 9,413,154	$ -	$ 9,413,154	$ -
Corporate bonds	6,214,138	-	6,214,138	-
Other - Agency bonds	927,157	-	927,157	-
Total debt securities	16,554,449	-	16,554,449	-
Equity securities				
Stocks	22,972,095	22,972,095	-	-
Exchange traded funds	14,771,726	14,771,726	-	-
Total equity securities	37,743,821	37,743,821	-	-
Mutual Funds				
Equities	23,901,640	23,901,640	-	-
Fixed income	11,666,038	11,666,038	-	-
Alternative strategies	9,469,879	9,469,879	-	-
Total mutual funds	45,037,557	45,037,557	-	-
Asset-backed securities	2,756,518	-	2,756,518	-
Pooled Investments - CSU Foundation*	13,097,856	8,068,279	2,789,843	2,239,734
Others	92,658	-	92,658	-
Total investments by fair value level	115,282,859	90,849,657	22,193,468	2,239,734

	Balance at June 30, 2015	Level 1	Level 2	Level 3
Debt Securities				
U.S. Treasuries	$ 11,122,860		$ 11,122,860	$ -
Corporate bonds	6,710,584	-	6,710,584	-
Other - Agency bonds	1,188,936	-	1,188,936	-
Total debt securities	19,022,380	-	19,022,380	-
Equity securities				
Stocks	21,872,420	21,872,420	-	-
Exchange traded funds	11,335,418	11,335,418	-	-
Total equity securities	33,207,838	33,207,838	-	-
Mutual Funds				
Equities	23,531,294	23,531,294	-	-
Fixed income	10,832,136	10,832,136	-	-
Alternative strategies	5,979,893	5,979,893	-	-
Total mutual funds	40,343,323	40,343,323	-	-
Asset-backed securities	1,455,715	-	1,240,380	215,335
Pooled Investments - CSU Foundation*	13,308,370	6,933,661	4,285,295	2,089,414
Others	62,343	-	62,343	-
Total investments by fair value level	107,399,969	80,484,822	24,610,398	2,304,749

*See Note 11 for detail

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, 2016 and 2015 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.

The fair value of a portion of asset-backed securities at June 30, 2015 was determined primarily based on level 3 inputs. The University estimates the fair value of these 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.

NOTE 4 - RECEIVABLES

The composition of accounts receivable at June 30, 2016 and 2015 is summarized as follows:

	2016	2015
Student accounts	$ 13,812,606	$ 14,276,242
Grants	14,588,365	13,992,649
State Capital	4,492	369,438
Other	3,505,743	1,547,369
Total Accounts Receivable	31,911,206	30,185,698
Less allowance for uncollectible accounts	3,258,108	2,557,647
Accounts Receivable - Net	$ 28,653,098	$ 27,628,051

Notes receivable consist primarily of loans to students under the federal Perkins Loan Program. The composition of notes receivable at June 30, 2016 and 2015 is summarized as follows:

	2016	2015
Perkins Loan Program	$ 14,970,177	$ 13,930,232
Other	618,869	634,861
Total Notes Receivable	15,589,046	14,565,093
Less allowance for uncollectible accounts	967,685	892,807
Notes Receivable - Net	14,621,361	13,672,286
Less Current Portion	1,477,017	1,647,123
Total Noncurrent Notes Receivable	$ 13,144,344	$ 12,025,163

The federal Perkins Loan Program is scheduled to expire on September 30, 2017. As of June 30, 2016, 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, 2016 and 2015 is summarized as follows:

	2016 Beginning Balance	Additions/ Transfers	Retirements/ Transfers	2016 Ending Balance
Capital Assets:				
Non-depreciable:				
Land	$ 56,643,948	$ -	$ -	$ 56,643,948
Construction in Progress	67,530,544	9,056,282	56,536,414	20,050,412
Capitalized Collections	7,102,155	-	-	7,102,155
Depreciable:				
Land Improvements	24,019,616	3,430	-	24,023,046
Buildings	633,357,604	64,488,326	588,658	697,257,272
Equipment	56,848,962	2,581,039	2,811,829	56,618,172
Library Books	71,463,221	1,610,909	1,535,169	71,538,961
Intangible Assets	483,059	-	-	483,059
Total Capital Assets	917,449,109	77,739,986	61,472,070	933,717,025
Less Accumulated Depreciation:				
Land Improvements	16,291,675	962,331	0	17,254,006
Buildings	302,568,083	18,645,621	399,136	320,814,568
Equipment	33,099,782	5,258,045	2,054,396	36,303,431
Library Books	64,232,225	3,067,279	1,535,169	65,764,335
Intangible Assets	362,294	48,306	0	410,600
Total Accumulated Depreciation	416,554,059	27,981,582	3,988,701	440,546,940
Capital Assets, Net	$ 500,895,050	$ 49,758,404	$ 57,483,369	$ 493,170,085

	2015 Beginning Balance	Additions/ Transfers	Retirements/ Transfers	2015 Ending Balance
Capital Assets:				
Non-depreciable:				
Land	$ 56,435,024	$ 208,924	$ 0	$ 56,643,948
Construction in Progress	21,440,541	46,090,003	0	67,530,544
Capitalized Collections	7,102,155	0	0	7,102,155
Depreciable:				
Land Improvements	24,279,616	0	260,000	24,019,616
Buildings	633,842,604	0	485,000	633,357,604
Equipment	53,742,399	9,902,792	6,796,229	56,848,962
Library Books	71,293,362	1,603,819	1,433,960	71,463,221
Intangible Assets	483,059	0	0	483,059
Total Capital Assets	868,618,760	57,805,538	8,975,189	917,449,109
Less Accumulated Depreciation:				
Land Improvements	15,283,602	1,008,073	0	16,291,675
Buildings	284,887,121	17,680,962	0	302,568,083
Equipment	32,671,172	4,103,399	3,674,790	33,099,781
Library Books	62,455,601	3,210,585	1,433,960	64,232,226
Intangible Assets	313,989	48,305	0	362,294
Total Accumulated Depreciation	395,611,485	26,051,324	5,108,750	416,554,059
Capital Assets, Net	$ 473,007,275	$ 31,754,214	$ 3,866,438	$ 500,895,050

As of June 30, 2016, the University had commitments related to construction projects totaling $10,260,891. Of this amount, $4,680,147 will be funded from Series 2012 bond proceeds.

NOTE 7 - NONCURRENT LIABILITIES EXCLUDING NET PENSION LIABILITY

Noncurrent liabilities excluding net pension liability consist of the following as of June 30, 2016 and June 30, 2015:

	Due Dates	Interest Rate-%	2016 Beginning Balance	Additions	Reductions	2016 Ending Balance	Current
2007A Bonds Payable	2017	4.00-5.75	$ 36,835,000	$ -	$ 35,740,000	$ 1,095,000	$ 1,095,000
2007A Bond Premium			971,425	-	971,425	-	
2011 Bonds Payable	2013-2042	5.32	5,565,000	-	120,000	5,445,000	120,000
2012 Bonds Payable	2013-2037	5.00	142,085,000	-	4,885,000	137,200,000	5,075,000
2012 Bond Premium			13,643,153	-	627,443	13,015,710	627,445
2016A Bonds Payable	2017-2036	3.00-5.00		32,475,000	280,000	32,195,000	-
2016A Bond Premium				3,123,327	60,227	3,063,100	153,800
Capital Leases	2010-2041	2.33-5.08	54,837,461	94,113	7,144,373	47,787,201	7,087,804
Total Debt			253,937,039	35,692,440	49,828,468	239,801,011	14,159,049
Perkins Student Loans			9,424,357	1,063,034		10,487,391	-
Deposits			1,088,916	3,237,646	3,345,792	980,770	-
Compensated Absences			9,162,213	1,127,800	-	10,290,013	707,302
			273,612,525	$ 41,120,920	$ 53,174,260	261,559,185	$ 14,866,351
Less Current Portion long-term liabilities			(14,853,850)			(14,866,351)	
Long-Term Liabilities			$ 258,758,675			$ 246,692,834	

	Due Dates	Interest Rate-%	2015 Beginning Balance	Additions	Reductions	2015 Ending Balance	Current
2007A Bonds Payable	2010-2036	4.00-5.75	$ 37,825,000	$ -	$ 990,000	$ 36,835,000	$ 1,045,000
2007A Bond Premium			1,015,917	-	44,492	971,425	44,492
2011 Bonds Payable	2013-2042	5.32	5,690,000	-	125,000	5,565,000	120,000
2012 Bonds Payable	2013-2037	5.00	146,780,000	-	4,695,000	142,085,000	4,885,000
2012 Bond Premium			14,270,600	-	627,447	13,643,153	627,445
Capital Leases	2010-2041	2.33-5.08	62,640,475	364,147	8,167,161	54,837,461	7,122,002
Total Debt			268,221,992	364,147	14,649,100	253,937,039	13,843,939
Perkins Student Loans			12,126,040		2,701,683	9,424,357	-
Deposits			1,186,142	3,622,391	3,719,617	1,088,916	-
Compensated Absences			9,028,445	133,768	-	9,162,213	1,009,911
			290,562,619	$ 4,120,306	$ 21,070,400	273,612,525	$ 14,853,850
Less Current Portion long-term liabilities			(14,849,605)			(14,853,850)	
Long-Term Liabilities			$ 275,713,014			$ 258,758,675	

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 for 2016 was $28,801.

Debt defeased by the University for which amounts remain outstanding at June 30, 2016 is $34,695,000. United States Treasury obligations and/or cash in an amount sufficient to pay principal and interest on the defeased obligations, when due, has been deposited with a trustee in accordance with the defeasance of debt. Neither the debt nor the related trust account is reflected in the accompanying financial statements for the fully defeased bonds. At June 30, 2016 the balance in the trust escrow account is $36,148,233.

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.

In May 2008, the University issued general receipts bonds in the amount of $20,910,000. The General Receipts Series 2008 Bonds were issued as fixed rate bonds maturing in 2013, 2033 and 2036. The proceeds of the bonds were used to refinance the 2003B and 2007B Bonds. The bonds have various call provisions. This bond was called and refinanced in August 2012, using the proceeds of the General Receipts Series 2012 Bonds.

During the year ended June 30, 2007, the University issued Series 2007A general receipts bonds. The Series 2007A general receipts bonds were issued for $42,110,000, bear interest rates between 4% and 5.75%, and mature in 2036. Proceeds were used to fund the construction of a new Student Center.

In August 2004, the University issued general receipts bonds in the amount of $62,000,000. The General Receipts Series 2004 Bonds were issued as fixed rate bonds with serial maturities through 2008 and term bonds maturing in 2014, 2019, 2024, 2029, and 2034. The proceeds of the bonds were used to pay the cost of a variety of projects, including construction of a student center, parking facilities and a bookstore, renovations to a portion of Fenn Tower, and landscaping and other permanent site improvements to the main plaza. This bond was called and refinanced in August 2012, using the proceeds of the General Receipts Series 2012 Bonds.

In June 2003, the University issued Series 2003A and 2003B (Series 2003) general receipts bonds. The Series 2003A general receipts bonds were issued for $35,745,000, bear interest rates between 2.5% and 5.25%, and mature in 2033. Proceeds were used to refund outstanding Series 1993 general receipts bonds, rehabilitate the Howe Mansion and construct an Administrative Center. This bond was called and refinanced in August 2012, using the proceeds of the General Receipts Series 2012 Bonds.

Interest expense on indebtedness for the years ended June 30, 2016 and 2015 was $9,096,701 and $7,909,704, respectively. On construction-related debt, for the years ended June 30, 2016 and 2015, interest cost was capitalized in the amount of $1,005,470 (net of $24,331 interest income) and $2,790,957 (net of $96,834 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 obligations are collateralized by equipment with an aggregate net book value at June 30, 2016 and 2015 of $4,472,637 and of $5,828,609, respectively. The capital leases have varying maturity dates through 2045.

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
2017	$ 6,290,000	$ 8,511,879	$ 7,087,804	$ 2,080,687
2018	6,520,000	8,247,745	7,333,646	1,795,296
2019	6,835,000	7,943,861	5,576,107	1,517,304
2020	6,425,000	7,613,377	5,505,783	1,277,582
2021	6,730,000	7,303,843	2,678,861	1,040,390
2022-2026	38,525,000	31,507,955	-	4,901,250
2027-2031	49,360,000	20,951,211	-	4,901,250
2032-2036	48,830,000	8,015,337	-	4,901,250
2037-2041	6,120,000	539,320	3,540,000	4,812,750
2042-2045	300,000	7,315	16,065,000	1,656,875
	$ 175,935,000	$ 100,641,843	$ 47,787,201	$ 28,884,634

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. Total rental expense under operating leases during the years ended June 30, 2016 and 2015 amounted to $3,552,119 and $3,520,997, respectively. The operating leases have varying maturity dates through 2042.

Future minimum operating lease payments as of June 30, 2016 are as follows:

Years Ending June 30	Operating Leases
2017	$ 3,575,537
2018	3,318,128
2019	47,731,261
2020	787,308
2021	755,684
2022-2026	3,778,420
2027-2031	3,777,720
2032-2036	3,772,420
2037-2041	1,618,711
2042	323,742
	$ 69,438,931

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 health care 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 health care 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, Ohio 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 contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually be 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.

Member contributions are 10 percent of gross wages for all plans, set at the maximums authorized by the ORC.

The plans' 2016 contribution rates on covered payroll to each system are:

	Pension	Post Retirement Healthcare	Death Benefits	Total
STRS	14.00%	0.00%	0.00%	14.00%
OPERS -State	12.00%	2.00%	0.00%	14.00%
Enforcement and Public Safety	16.10%	2.00%	0.00%	18.10%

The plans' 2015 contribution rates on covered payroll to each system are:

	Pension	Post Retirement Healthcare	Death Benefits	Total
STRS	14.00%	0.00%	0.00%	14.00%
OPERS -State	12.00%	2.00%	0.00%	14.00%
OPERS - Law Enforcement and Public Safety	16.10%	2.00%	0.00%	18.10%

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

	For the years ended 6/30	
	2016	2015
STRS	$ 7,292,554	$ 7,359,961
OPERS	7,990,496	7,760,107
	$ 15,283,050	$ 15,120,068

Benefits. *STRS* - Plan benefits are established under Chapter 3307 of the Revised Code, 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.

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.

OPERS - Plan benefits are established under Chapter 145 of the Ohio Revised Code, 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 of 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.

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

	Measurement	Net Pension Liability		Proportionate Share		Percent
Plan	Date	2016	2015	2016	2015	Change
STRS	7/1	$ 137,916,400	$ 121,356,821	0.4990%	0.4989%	0.02%
OPERS	12/31	$ 69,702,983	$ 48,343,634	0.4038%	0.4026%	0.30%

For the year ended June 30, 2016 and 2015, the University recognized pension expense of $15,283,050 and $15,120,068, respectively. At June 30, 2016 and 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,301,484	$ (1,464,477)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	20,656,543	(9,918,796)
Changes in proportion and differentces between Reporting Unit contributions and proportionate share of contributions	135,875	(7,857)
Reporting Unit contributions subsequent to the measurement date	11,338,714	
Total	$ 38,432,616	$ (11,391,130)

June 30, 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 244,540	$ -
Net difference between projected and actual investment earnings on plan investments	-	(19,847,501)
Changes in proportion and differences between University contributions and proportionate share of contributions	-	(12,857)
Change of assumptions	-	-
University contributions subsequent to measurement date	11,245,321	-
Total	$ 11,489,861	$ (19,860,358)

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
2017	$ 3,102,002
2018	3,429,759
2019	3,802,080
2020	5,415,067
2021	(10,326)
Thereafter	(35,810)
	$ 15,702,772

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2017).

Actuarial Assumptions. The total pension liability based on the results of an actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	STRS - as of 6/30/2015	OPERS - as of 12/31/2015
Valuation date	July 1, 2015	December 31, 2015
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	2.0 percent	3.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	4.25 percent - 10.05 percent
Inflation	2.75 percent	3.0 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended June 30, 2013	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)	RP-2000 mortality table projected 20 years using Projection Scale AA

	STRS - as of 6/30/2014	OPERS - as of 12/31/2014
Valuation date	July 1, 2014	December 31, 2014
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	2.0 percent	3.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	4.25 percent - 10.05 percent
Inflation	2.75 percent	3.0 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended June 30, 2012	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)	RP-2000 mortality table projected 20 years using Projection Scale AA

Discount Rate. The discount rate used to measure the total pension liability in 2016 and 2015 was 7.75 percent and 8.0 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for 2016 and 2015 are summarized in the following table:

	2016				
	STRS			OPERS	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	31.00%	5.50%	Fixed Income	23.00%	2.31%
International Equity	26.00%	5.35%	Domestic Equities	20.70%	5.84%
Alternatives	14.00%	5.50%	Real Estate	10.00%	4.25%
Fixed Income	18.00%	1.25%	Private Equity	10.00%	9.25%
Real Estate	10.00%	4.25%	International Equity	18.30%	7.40%
Liquidity Reserves	1.00%	0.50%	Other Investments	18.00%	4.59%
Total	100.00%		Total	100.00%	

	2015				
	STRS			OPERS	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	31.00%	5.50%	Fixed Income	23.00%	2.31%
International Equity	26.00%	5.35%	Domestic Equities	19.90%	5.84%
Alternatives	14.00%	5.50%	Real Estate	10.00%	4.25%
Fixed Income	18.00%	1.25%	Private Equity	10.00%	9.25%
Real Estate	10.00%	4.25%	International Equity	19.10%	7.40%
Liquidity Reserves	1.00%	0.50%	Other Investments	18.00%	4.59%
Total	100.00%		Total	100.00%	

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, 2016 and 2015, 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:

2016						
Plan	1.00 percent decrease		Current discount rate		1.00 percent increase	
STRS	6.75%	$191,576,283	7.75%	$137,916,400	8.75%	$92,538,968
OPERS	7.00%	111,427,949	8.00%	69,702,983	9.00%	34,521,299
		$303,004,232		$207,619,383		$127,060,267

2015						
Plan	1.00 percent decrease		Current discount rate		1.00 percent increase	
STRS	6.75%	$173,735,838	7.75%	$121,356,821	8.75%	$77,062,208
OPERS	7.00%	89,353,044	8.00%	48,343,634	9.00%	13,921,908
		$263,088,882		$169,700,455		$90,984,116

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, 2016, the University reported a payable of $3,035,172 for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

Defined Contribution Plan

The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS 3.50% of earned compensation for those employees participating in the alternative retirement program. The University's contributions for the years ended June 30, 2016 and 2015 were $661,998 and $605,591, respectively, which equal 3.5% 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.

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 health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

Combined Plans

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

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

Postemployment Benefits

STRS provides other postemployment benefits (OPEB) to all retirees and their dependents, while OPERS provides postretirement healthcare coverage to age and service retirants (and dependents) with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 0.0% of the total 14.00%, while the OPERS rate was 7.0% of the total 14.00% for the year ended June 30, 2016.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement health care under STRS is financed on a pay-as-you-go basis. The amount contributed by the University to STRS to fund these benefits for the years ended June 30, 2016, 2015 and 2014 was $566,361, $618,792, and 558,035, respectively.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The amount contributed by the University to OPERS for OPEB funding for the years ended June 30, 2016, 2015, and 2014 was $3,985,713, $3,861,613, and $3,811,411, respectively.

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, 2016 and 2015 are summarized below:

Medical

		2015		2014
Liability at beginning of year	$	2,398,878	$	2,246,462
Claims Incurred		14,259,729		14,032,503
Claims Paid		(13,487,190)		(13,610,189)
IBNR- Increase (Decrease) in estimated claims		37,203		(269,898)
Liability at end of year	$	3,208,620	$	2,398,878

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 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, 2016.

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.

During the years ended June 30, 2016 and 2015, the Foundation paid $11,536,112 and $17,004,038, respectively, to the University. At June 30, 2016 and 2015, the University had receivables from the Foundation totaling $1,750,830 and $2,338,741, 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, 2016 and 2015, the amount on deposit with the Foundation totaled $3,046,802 and $3,267,143, respectively.

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

	2016	
	Cost	Carrying Value
Cash and cash equivalents	$ 10,169,372	$ 10,169,372
Stocks - Domestic	373,183	534,502
Mutual Funds - International	12,744,616	12,596,841
Mutual Funds - Domestic	22,413,991	26,927,557
Balance fund	5,609,286	5,237,713
Fixed-income securities	15,718,367	15,645,267
Alternative Investments	10,808,320	12,577,388
Investments carried at fair value	$ 77,837,135	$ 83,688,640

	2015	
	Cost	Carrying Value
Cash and cash equivalents	$ 5,269,334	$ 5,269,334
Stocks-domestic	632,040	758,291
Mutual Funds - International	11,877,566	13,784,998
Mutual Funds - Domestic	19,304,936	27,549,022
Certificates of deposit	1,528,095	1,530,418
US Treasuries	3,288,806	3,297,645
Balance fund	5,121,632	5,070,118
Fixed-income securities	16,424,987	16,134,937
Alternative Investments	10,025,000	12,680,691
Investments carried at fair value	$ 73,472,396	$ 86,075,454

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

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Common Stocks	$ 534,502	$ -	$ -	$ 534,502
Mutual Funds - International	12,596,841	-	-	12,596,841
Mutual Funds - Equity	26,927,557	-	-	26,927,557
Balanced Fund	5,237,713	-	-	5,237,713
Fixed-income	-	15,645,267	-	15,645,267
Alternative investments	-	-	12,577,388	12,577,388
	$45,296,613	$15,645,267	$12,577,388	$73,519,268

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Common Stocks	$ 758,291	$ -	$ -	$ 758,291
Mutual Funds - International	13,784,998	-	-	13,784,998
Mutual Funds - Equity	27,549,022	-	-	27,549,022
Certificates of deposits	-	1,530,418	-	1,530,418
U.S. Treasuries	-	3,297,645	-	3,297,645
Balanced Fund		5,070,118		5,070,118
Fixed-income		16,134,937		16,134,937
Alternative Investments	-		12,680,691	12,680,691
	$42,092,311	$26,033,118	$12,680,691	$80,806,120

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:

	Temporarily Restricted	Permanently Restricted
Instruction and academic support	$ 5,186,508	$ 10,444,816
Research	1,090,609	266,226
Public service	4,548,416	127,759
Financial aid	15,158,410	43,354,576
Institutional support	1,378,473	1,151,050
Capital and other projects	1,102,052	846,058
	$ 28,464,468	$ 56,190,485

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, 2016 and 2015, the Corporation had the following types of investments:

	FY16	FY15
US Treasuries	$ -	$ 30,093,137
Commercial paper	4,831,875	3,766,436
Money Market Funds	729,705	1,805,426
Exchange Traded Funds	4,315,175	4,309,869
Mutual Funds	8,695,072	12,600,468
	$ 18,571,827	$ 52,575,336

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 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. 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 matures 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. The Corporation has elected not to seek recovery of such payment as it related to the Capital Lease Obligation from the University. As such, the Corporation has written down the Capital Lease Obligation with the University in the amount of $745,000.

During the year ended June 30, 2016, the Corporation paid rent on the land leases in the amount of $4,000,000 to the University. There were no rent payments in 2015. At June 30, 2016, the University had a receivable from the Corporation totaling $2,225,000.

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

	Principal	Interest
2017	$ 1,500,000	$ 4,337,000
2018	1,575,000	4,260,125
2019	1,660,000	4,179,250
2020	1,745,000	4,094,125
2021	1,830,000	4,004,750
2022-2026	10,665,000	18,514,875
2027-2031	13,705,000	15,483,875
2032-2036	17,595,000	11,591,125
2037-2041	21,150,000	6,628,750
2042-2045	16,065,000	1,656,875
	$ 87,490,000	$ 74,750,750

During fiscal 2016, management discovered that it had misinterpreted language within lease agreements with the University as it related to conditional rents payable to the University out of net available cash flow, as defined in the agreements. The Corporation initially viewed the conditional rents as payable at the option of the Corporation rather than being mandatory. Management has restated fiscal 2014 ending net assets and fiscal 2015 amounts. Differences resulting from the prior period adjustment on amounts previously reported are shown below.

	As of and for the year ended June 30, 2015		
	As originally reported	Adjustment	Restated
Rent payable to the University	$ -	$ 6,225,000	$ 6,225,000
Total current liabilities	33,897,601	6,225,000	40,122,601
Total liabilities	131,424,380	6,225,000	137,649,380
Net assets, beginning of year	$ 4,612,446	$ (1,600,000)	$ 3,012,446
Net assets (deficit), end of year	3,579,908	(6,225,000)	(2,645,092)
Total net assets (deficit)	3,579,908	(6,225,000)	(2,645,092)
Rent expense	$ -	$ 4,655,611	$ 4,655,611
Other operating expense	124,531	(30,611)	93,920
Total expenses and losses	13,285,358	4,625,000	17,910,358
Change in net assets (deficit)	(1,032,538)	(4,625,000)	(5,657,538)

Complete financial statements for the Corporation can be obtained from the Office of the Vice President for Business Affairs and Finance at 2121 Euclid Avenue, Administration Center Room 209, Cleveland, OH 44115-2214.

Cleveland State University
Required Supplemental Information

Schedule of Pension Funding Progress:

	2016		2015	
	OPERS	STRS	OPERS	STRS
Plan year end	December 31	June 30	December 31	June 30
University's proportion of the Universities' collective net pension liability: As a percentage	0.4038%	0.4990%	0.4026%	0.4989%
Amount	$ 69,702,983	$137,916,400	$ 48,402,809	$ 121,356,821
University's covered-employee payroll	$ 55,463,590	$ 48,272,044	$ 53,202,254	$ 44,789,568
University's proportional share of the collective pension liability (amount), as a percentage of the University's covered-employee payroll	79.57%	35.00%	109.92%	36.91%
Fiduciary net position as a percentage of the total pension liability	81.19%	72.10%	86.53%	74.70%

Schedule of Contributions

	2016		2015	
	OPERS	STRS	OPERS	STRS
Statutorily required contribution	$ 7,990,496	$ 7,292,554	$ 7,760,107	$ 7,359,961
Contributions in relation to the actuarially determined contractually required contribution	$ 7,990,496	$ 7,292,554	$ 7,760,107	$ 7,359,961
Contribution deficiency (excess)	$ 0	$ 0	$ -	$ -
Covered employee payroll	$ 56,133,087	$ 47,227,159	$ 54,452,664	$ 48,272,044
Contributions as a percentage of covered employee payroll	14.23%	15.44%	14.25%	15.25%