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

Financial Report
Including Supplementary Information

June 30, 2016

Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of Kent State University, Portage County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

December 5, 2016

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KENT STATE UNIVERSITY
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KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited)
As of June 30, 2016 and 2015

This section of Kent State University's ("University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2016 and 2015. This discussion should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes and this discussion are the responsibility of University management.

Using the Annual Financial Report

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

The financial statements have been prepared in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This standard requires examination of significant operational or financial relationships with the University and establishes criteria for identifying and presenting component units of the organization. Based on this examination and application of the criteria, the University has identified two component units: The Kent State University Foundation and the KSU Foot and Ankle Clinic. The Kent State University Foundation is discretely presented in the University's financial statements; however, they are excluded from Management's Discussion and Analysis. The KSU Foot and Ankle Clinic is a blended component unit, and therefore indirectly included in Management's Discussion and Analysis. See Note 11 for further discussion on component units.

Noteworthy Financial Activity

In fiscal year 2015, the University implemented GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* These statements require governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with these statements, the University recorded $410.2 million as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014, thus restating the University's beginning net position from $827.2 million to $417.0 million, of which the entire impact was on unrestricted net position. During fiscal year 2015, the University recognized a decrease in pension expense of $5.9 million and a deferred outflow of resources of $33.7 million and a deferred inflow of resources of $54.0 million, of which $45.6 million will be amortized in future years and the remaining deferred outflow of resources of $25.3 million will be recognized in pension expense in fiscal year 2016. It should be noted that the impact to pension expense is allocated to each functional category based on applicable salary expense. The University's net pension liability as of June 30, 2015 was $384.0 million. In fiscal year 2016, the University recognized the second year impacts of GASB 68 in its financial statements. This resulted in an increase in the net pension liability of $90.0 million to $474.0 million at the end of June 30, 2016. In addition, the University recognized an $8.1 million increase in pension expense, an increase of $54.2 million in deferred outflow of resources and a decrease of $27.7 million in deferred inflow of resources. Due to the overall impacts of GASB 68, the University's unrestricted net position as of June 30, 2016 is $19.0 million.

The University's overall financial position decreased when comparing fiscal year 2016 to fiscal year 2015. The University's total assets and deferred outflows of resources increased over the prior year by $91.7 million to $1,644.7 million while total liabilities and deferred inflows of resources increased $100.2 million to $1,212.0 million. Of the $100.2 million increase in liabilities and deferred inflows of resources, $90.0 million represented an increase in the net pension liability.

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

- Increase in state appropriations of 6.8% due to an increase of 4.5% in the state appropriation funding pool and better relative performance in course and degree completions. Tuition rates were frozen for two fiscal years (FY2016 and FY2017).

- Decrease in investment income due to the recognition of a total investment loss of $(11.9) million.

- Capital assets increased 10.3% primarily due to the continued construction programs associated with the Foundations of Excellence initiative.

- The 2016 General Receipts bonds were issued to partially advance refund the 2009B Series general receipts bonds, resulting in an increase of deferred amortization on bond refunding of $15.5 million. The advance refunding will result in debt service savings of $12.6 million over the term of the bond.

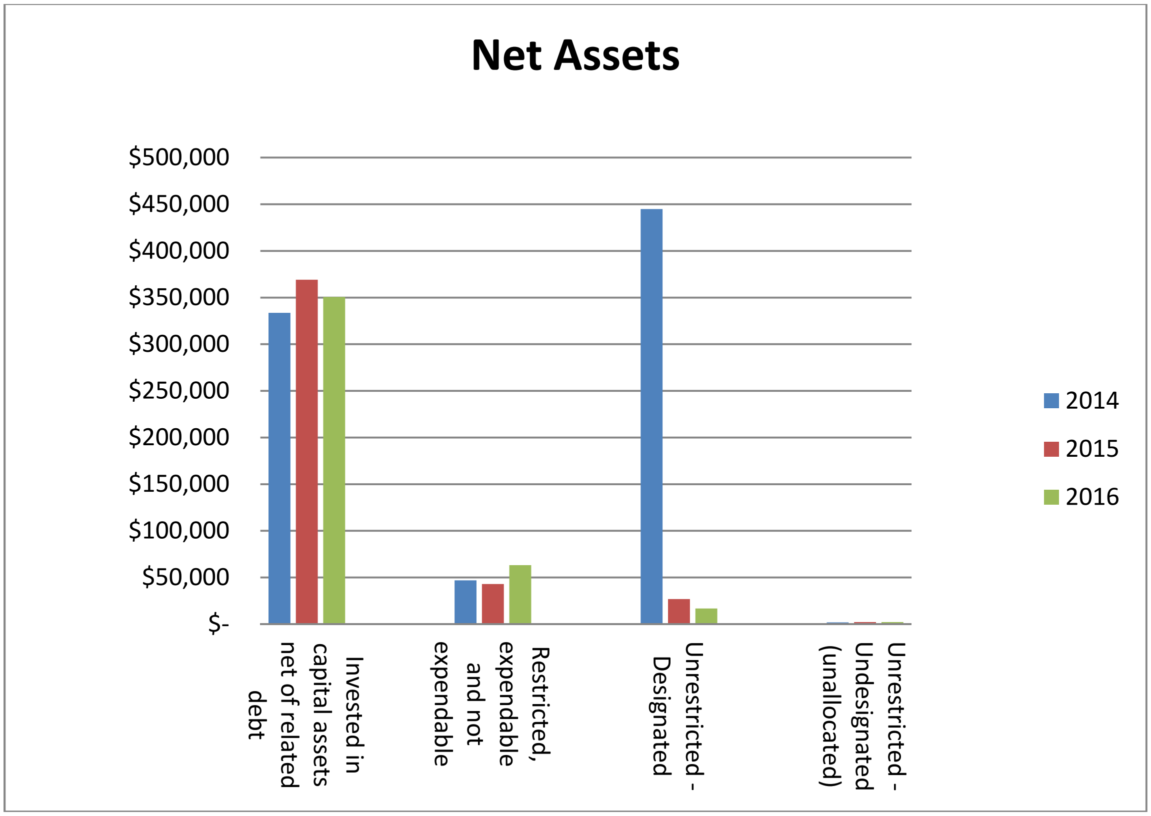
- Increase in the debt liability of $19.8 million due to the capital lease agreement with Banc of America Public Capital Corp. for financing the second phase of energy and conservation initiatives on the Kent campus.

Statement of Net Position

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

Kent State University
Condensed Statement of Net Position
as of June 30, 2016, 2015 and 2014
(in thousands)

ASSETS	2016	2015	2014
Current and other assets	$ 657,018	$ 717,173	$ 765,830
Capital assets	882,708	800,521	735,946
Total assets	$ 1,539,726	$ 1,517,694	$ 1,501,776
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amortization on bond refundings	$ 12,545	$ 1,568	$ 1,678
Accumulated change in the fair value of hedging derivatives	4,546	-	-
Deferred outflows of resources arising from GASB 68	87,861	33,674	-
Total deferred outflows of resources	$ 104,952	$ 35,242	$ 1,678
LIABILITIES			
Long-term debt	$ 534,503	$ 524,603	$ 527,828
Other	651,224	532,534	145,851
Total liabilities	$ 1,185,727	$ 1,057,137	$ 673,679
DEFERRED INFLOWS OF RESOURCES			
Accumulated change in the fair value of hedging derivatives	$ -	$ 639	$ 2,529
Deferred inflows arising from GASB 68	26,266	53,973	-
Total deferred inflows of resources	$ 26,266	$ 54,612	$ 2,529
NET POSITION			
Net investment in capital assets	$ 370,364	$ 369,078	$ 333,623
Restricted, expendable and not expendable	43,355	42,959	46,902
Unrestricted:			
Designated	16,708	26,938	444,834
Undesignated (unallocated)	2,258	2,212	1,887
Total net position	$ 432,685	$ 441,187	$ 827,246



<u>Comparison of Fiscal Year 2016 to Fiscal Year 2015</u>

At June 30, 2016, the University's current assets of $386.9 million were sufficient to cover current liabilities of $163.1 million (current ratio of 2.4). At June 30, 2015, current assets of $306.0 million were sufficient to cover current liabilities of $130.9 million (current ratio of 2.3).

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

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

Total Net Position decreased by $8.5 million to $432.7 million. Unrestricted Net Position totaled $19.0 million, 88.0% of which ($16.7 million) is designated for ongoing academic and research programs, capital projects and other initiatives. The decrease in net position is due to recognizing an additional $8.1 million in pension expense as a result of applying the second year of GASB 68. Without this impact, the University would have recognized an overall decrease in net position of $384.0

Comparison of Fiscal Year 2015 to Fiscal Year 2014

At June 30, 2015, the University's current assets of $306.0 million were sufficient to cover current liabilities of $130.9 million (current ratio of 2.3). At June 30, 2014, current assets of $318.7 million were sufficient to cover current liabilities of $128.0 million (current ratio of 2.5).

At June 30, 2015, total University assets and deferred outflows of resources were $1,552.9 million, compared to $1,503.4 million at June 30, 2014. The increase of $49.5 million is attributed to an increase of $64.6 million in capital assets offset by a $46.5 million decrease in restricted cash due to additional buildings and construction in progress related to the Foundation of Excellence initiative and the completion of the Tri-Towers residence hall remodeling projects. In addition, a deferred outflow of resources totaling $33.7 million was recorded in connection with the implementation of GASB 68.

University liabilities and deferred inflows of resources total $1,111.7 million at June 30, 2015 compared to $676.2 million at June 30, 2014. This increase is primarily due to the recognition of a net pension liability of $384.0 million and a related deferred inflow of resources of $54.0 million from the adoption of GASB 68. Without the adoption of GASB 68, total liabilities and deferred inflows of resources would have slightly decreased.

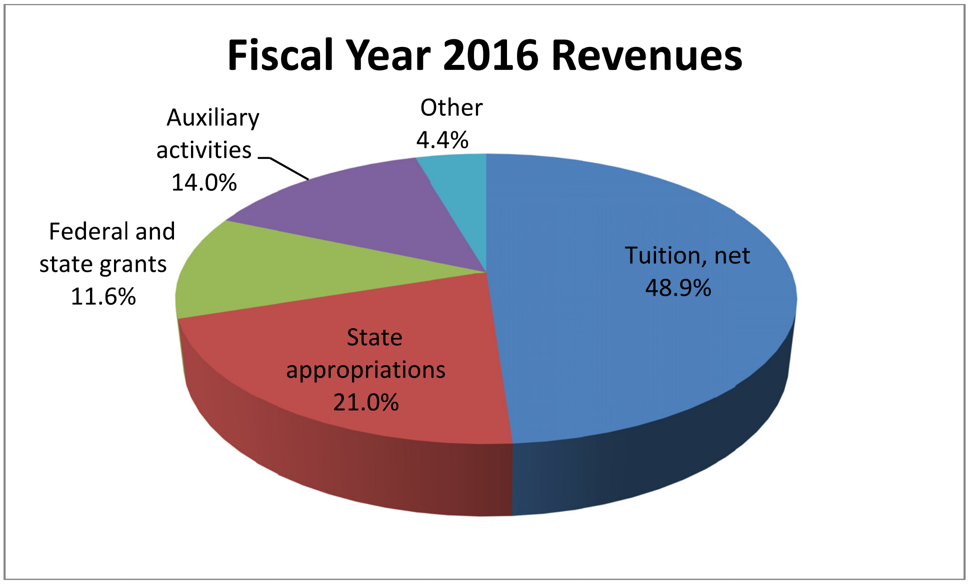
Statement of Revenues, Expenses and Changes in Net Position

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

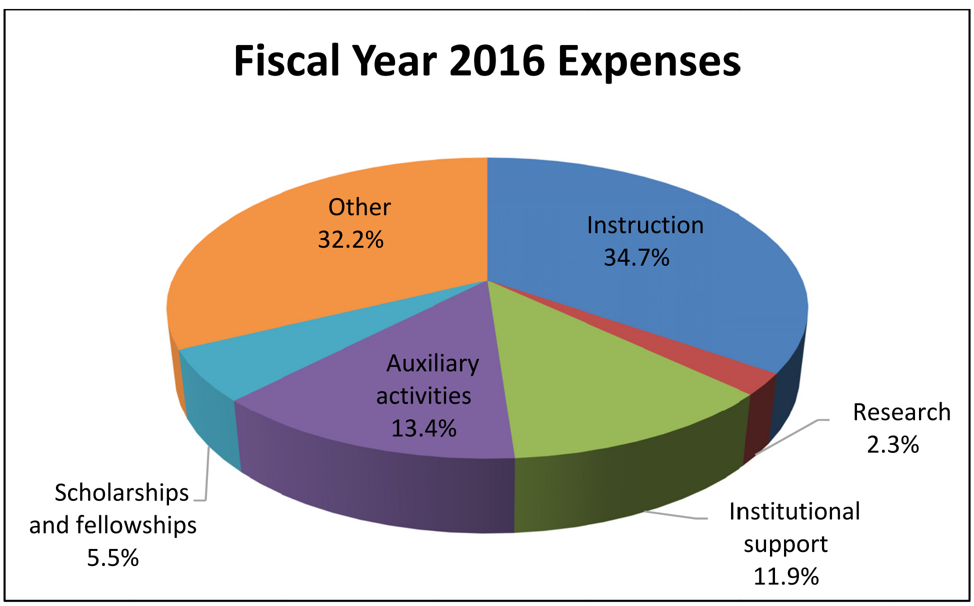
Kent State University
Condensed Statement of Revenues, Expenses and Changes in Net Position
for the years ended June 30, 2016, 2015 and 2014
(in thousands)

	2016	2015	2014
Revenues			
Tuition, net	$ 338,653	$ 337,424	$ 331,380
State appropriations	145,595	136,310	136,774
Federal and state grants	80,492	87,041	94,637
Auxiliary activities	97,262	94,354	92,198
Other	30,807	45,158	83,534
Total revenues	$ 692,809	$ 700,287	$ 738,523
Expenses			
Instruction	$ 243,339	$ 231,851	$ 227,721
Research	16,220	16,732	17,539
Institutional support	83,169	76,356	74,575
Scholarships and fellowships	38,505	40,458	43,025
Auxiliary activities	94,070	92,935	82,128
Other	226,008	217,782	217,019
Total expenses	$ 701,311	$ 676,114	$ 662,007

The following chart shows the breakdown of total revenues. Tuition is the largest source of revenue at 48.9% followed by State appropriations at 21.0%.



The following chart shows the breakdown of total expenses. Instruction is the largest source of revenue at 34.7% followed by Other at 32.2%.



Management's Discussion and Analysis (unaudited) (Continued)
As of June 30, 2016 and 2015

During the year ended June 30, 2016:

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

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

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

During the year ended June 30, 2015:

The most significant sources of operating revenues for the University are tuition and fees, auxiliary services, and grants and contracts. Revenue from tuition and fees increased during the current year due primarily due to a 2% increase in tuition. Auxiliary revenue increased 2.3% primarily due to a combined increase in room and board rates of 3.9%

State appropriations were the most significant non-operating revenue. During 2015, state appropriations totaled $136.3 million which was consistent with the prior year. Other revenue declined significantly from 2014 to 2015 due to investment performance. During 2015, the University recognized a net investment gain totaling $6.7 million, whereas in 2015, the University recognized a net investment gain of $44.3 million.

Operating expenses, including depreciation of $45.3 million, totaled $658.5 million. Of the operating expenses, instruction expense and auxiliary expense had the most significant increases. As a result of implementing GASB 68 in fiscal year 2015, the University recognized a decrease in pension expense of $5.9 million which was allocated across all the functional expense categories and ultimately did not have an overall significant impact on operating expenses.

Statement of Cash Flows

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

Kent State University
Condensed Statement of Cash Flows
for the years ended June 30, 2016, 2015 and 2014
(in thousands)

	2016	2015	2014
Cash (used in)/provided by:			
Operating activities	$ (125,758)	$ (135,270)	$ (137,717)
Investing activities	(23,604)	(5,212)	29,248
Capital and related financing activities	(131,124)	(119,579)	(87,900)
Non-capital financing activities	205,856	204,493	207,285
Net increase in cash	(74,630)	(55,568)	10,916
Cash and cash equivalents, beginning of year	259,757	315,325	304,409
Cash and cash equivalents, end of year	$ 185,127	$ 259,757	$ 315,325

During the year ended June 30, 2016:

Major sources of cash included student tuition and fees ($270.5 million), state appropriations ($145.6 million), auxiliary activities ($97.5 million), and Federal Pell grants ($51.0 million). The largest payments were for suppliers ($180.8 million) and employees ($341.5 million). The decline in cash and cash equivalents is primarily in restricted cash as construction continues under the Foundations of Excellence initiative.

During the year ended June 30, 2015:

Major sources of cash included student tuition and fees ($253.6 million), state appropriations ($136.3 million), auxiliary activities ($94.7 million), and Federal Pell grants ($56.0 million). The largest payments were for suppliers ($222.7 million) and employees ($311.7 million).

Capital Asset and Debt Administration

Capital Assets

At the end of 2016, the University had invested $882.7 million in a broad range of capital assets, including equipment, buildings, building improvements and land. This amount represents a net increase (including additions and deductions) of $82.2 million, or 10.3 percent, over last year.

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

	2016	2015	2014
Land	$ 30.4	$ 30.2	$ 29.6
Equipment	37.9	40.5	43.2
Buildings and improvements	687.7	602.4	563.3
Construction in progress	126.7	127.4	99.8
Total	$ 882.7	$ 800.5	$ 735.9

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

Long-term Debt

At year end, the University had $534.5 million in bonds and notes outstanding—an increase of $9.9 million over last year. In fiscal year 2016, the University entered into a capital lease agreement with Banc of America Public Capital Corp. totaling $19.8 million to fund energy-related projects on the Kent campus. This increase in debt was offset by the recognition of $11.2 million for the reacquisition price on the Series 2009B bonds which were partially advance refunded during fiscal year 2016. The reacquisition price was recognized as a deferred outflow of resources on the statement of net position and will be amortized over 30 years. More detailed information about the University's long-term liabilities is presented in Note 7 to the financial statements.

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

	2016	2015	2014
General receipts bonds (backed by the University)	$ 437.4	$ 442.1	$ 459.1
Tax Revenue Energy Bonds	37.8	41.2	44.5
Capital leases	59.3	41.3	24.2
	$ 534.5	$ 524.6	$ 527.8

Factors Affecting Future Periods

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

The University has continued to experience enrollment increases on the Kent campus offset by declines in the regional campus enrollment as the economy has improved. The University has also continued to focus on improving student retention and graduation with a goal of 85% for first-year retention and 65% for six-year graduation. First-year retention is currently at 81.2% and the six-year graduation rate is at 55.8%. Student success continues to be a focus as noted in the Kent State Strategic Roadmap which was approved by the Board of Trustees during fiscal year 2016.

As previously noted, state appropriations increased during fiscal year 2016 and are anticipated to increase 4.5% in the next fiscal year. The increase has been the result of increases in the overall state appropriation pool as well as the University's performance related to course and degree completions. Tuition was held constant in both years. As the University approaches the next state biennium, there is uncertainty related to the level of both state appropriations and tuition.

Also included in the state's budget bill was a requirement to all Ohio institution's board of trustees to complete an efficiency review by July 1, 2016 and an implementation plan within 30 days of submission. It is clear that Ohio's legislature is actively searching for ways Ohio's institutions can continue to cut its overall costs and ultimately pass along those savings to the students in an effort to improve the affordability of higher education in Ohio. The University completed its review and submitted the implementation plan on July 29, 2016. A number of initiatives are currently being implemented with savings being directed toward student savings and success. Future areas of focus will include a comprehensive office print initiative, shared service opportunities, a cell phone stipend review, a revised strategy for healthcare plans and review of strategic partnerships for dining services and beverage sponsorships.

Another significant area of focus in current and future years is deferred capital maintenance. Due to the age of the buildings and the decline in capital funding, many of the buildings throughout the campus are in critical need of repair. In fiscal year 2012, the University issued $170 million in General Receipts bonds to begin to address the deferred maintenance. The University also allocated $34.5 million in capital appropriations from the State to be used in renovations to facilities for the science programs. A number of projects have been completed with the construction continuing into the next year. The deferred maintenance estimated at $353 million in fiscal year 2010 has been reduced to $284 million. The University also entered into a capital lease in 2016 for the second phase of energy efficiency projects which will address deferred maintenance and generate cash flow savings from energy efficiencies. The University will continue to look for options to address the remaining deferred maintenance.

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

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Independent Auditor's Report

To the Board of Trustees
Kent State University

Report on the Financial Statements

We have audited the accompanying financial statements of Kent State University (the "University") and its discretely presented component unit as of and for the years ended June 30, 2016 and 2015 and the related notes to the financial statements, which collectively comprise Kent State University's basic financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Kent State University Foundation (the "Foundation") which represents all of the balances and activity of the discretely presented component unit. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Trustees
Kent State University

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the of Kent State University and its discretely presented component unit as of June 30, 2016 and 2015 and the changes in its financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, as of July 1, 2015. Our opinion is not modified with respect to this matter.

As explained in Note 4, the financial statements include investments valued at $122,724,000 (28.4 percent of net position) at June 30, 2016 and at $117,323,000 (26.6 percent of net posiiton) at June 30, 2015, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by fund managers or the general partners.

Other Matters

Required Supplementary Information

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

Other Information

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

To the Board of Trustees
Kent 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 the Kent State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kent State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 14, 2016

KENT STATE UNIVERSITY
STATEMENT OF NET POSITION
as of June 30, 2016 and 2015
(in thousands)

	University		University Related Foundation	
	2016	2015	2016	2015
ASSETS				
Current assets:				
Cash and cash equivalents	$ 106,959	$ 133,446	$ 1,030	$ 2,203
Short-term investments	242,111	133,270	142,934	147,927
Accounts and pledges receivable, net	30,185	31,953	4,393	3,646
Inventories	1,395	1,516	-	-
Deposits and prepaid expenses	5,925	5,481	-	-
Accrued interest receivable	276	361	539	436
Total current assets	386,851	306,027	148,896	154,212
Noncurrent assets:				
Restricted cash	78,168	126,311	-	-
Student loans receivable, net	33,471	28,635	-	-
Note receivable	-	-	14,426	14,426
Long-term investments	158,504	255,537	-	-
Long-term pledges receivable, net	-	-	4,789	5,255
Capital assets, net	882,708	800,521	12,192	1,306
Derivative instrument - swap asset	-	639	-	-
Other assets	24	24	4,120	4,265
Total noncurrent assets	1,152,875	1,211,667	35,527	25,252
Total assets	$ 1,539,726	$ 1,517,694	$ 184,423	$ 179,464
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amortization on bond refundings	$ 12,545	$ 1,568	$ -	$ -
Accumulated change in FV of hedging derivati	4,546	-	-	-
Deferred outflows arising from GASB 68	87,861	33,674	-	-
Total deferred outflows of resources	104,952	35,242	-	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	$ 69,781	$ 41,068	$ 664	$ 641
Accrued payroll	13,381	12,581	-	-
Payroll taxes and accrued fringe benefits	16,903	21,222	-	-
Unearned revenue and deposits	32,840	33,386	-	-
Derivative instrument - swap liability	4,546	-	-	-
Current portion of long-term debt	25,692	22,666	375	-
Total current liabilities	163,143	130,923	1,039	641
Noncurrent liabilities:				
Accrued compensated absences	22,846	23,380	-	-
Accrued liabilities	15,912	15,912	3,556	3,683
Net pension liability	474,020	384,008	-	-
Long-term unearned fees and deposits	995	977	8,591	9,039
Long-term debt	508,811	501,937	9,359	-
Total noncurrent liabilities	1,022,584	926,214	21,506	12,722
Total liabilities	$ 1,185,727	$ 1,057,137	$ 22,545	$ 13,363
DEFERRED INFLOWS OF RESOURCES				
Accumulated change in the fair value of hedging derivatives	$ -	$ 639	$ -	$ -
Net deferred inflows arising from GASB 68	26,266	53,973	-	-
Total deferred inflows of resources	$ 26,266	$ 54,612	$ -	$ -
NET POSITION				
Net investment in capital assets	$ 370,364	$ 369,078	$ 12,192	$ 1,306
Restricted, nonexpendable	5,883	5,883	44,419	41,006
Restricted, expendable	37,472	37,076	95,393	112,791
Unrestricted	18,966	29,150	9,874	10,998
Total net position	$ 432,685	$ 441,187	$ 161,878	$ 166,101

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

KENT STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
for the years ended June 30, 2016 and 2015
(in thousands)

	University		University Related Foundation	
	2016	2015	2016	2015
OPERATING REVENUES				
Student tuition and fees	$ 420,718	$ 417,946	$ -	$ -
Less scholarship allowances	(82,065)	(80,522)	-	-
Net student tuition and fees	338,653	337,424	-	-
Federal grants and contracts	21,062	22,703	-	-
State grants and contracts	8,476	8,344	-	-
Local grants and contracts	269	207	-	-
Nongovernmental grants and contracts	4,835	4,275	-	-
Sales and services of educational departments	11,681	11,563	-	-
Auxiliary activities - Net	97,262	94,354	-	-
Total operating revenues	$ 482,238	$ 478,870	$ -	$ -
OPERATING EXPENSES				
Instruction	243,339	231,851	-	-
Research	16,220	16,732	-	-
Public service	15,885	14,639	-	-
Academic support	65,515	63,449	-	-
Student services	35,291	32,746	-	-
Institutional support	83,169	76,356	10,514	12,138
Scholarships and fellowships	38,505	40,458	4,639	3,949
Operation and maintenance of plant	46,293	43,953	-	-
Auxiliary activities	94,070	92,935	-	-
Depreciation	48,856	45,339	127	-
Total operating expenses	687,143	658,458	15,280	16,087
Operating loss	$ (204,905)	$ (179,588)	$ (15,280)	$ (16,087)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	145,595	136,310	-	-
Federal Pell Grant revenue	50,954	55,994	-	-
Gifts	9,361	12,190	15,080	18,263
Investment income/(loss)	(11,881)	6,731	(4,189)	3,427
Interest on capital asset-related debt	(14,168)	(17,656)	-	-
Other nonoperating revenues/expenses	9,137	6,347	166	47
Net nonoperating revenues	188,998	199,916	11,057	21,737
Income before other revenues, expenses, gains or losses	(15,907)	20,328	(4,223)	5,650
Capital appropriation	7,405	3,845	-	-
Increase/(Decrease) in net position	$ (8,502)	$ 24,173	$ (4,223)	$ 5,650
NET POSITION				
Net position, beginning of year	441,187	827,246	166,101	160,451
Adjustment to beginning net position related to GASB 68 (Note 2)	-	(410,232)	-	-
Adjusted net position, beginning of year	441,187	417,014	166,101	160,451
Net position, end of year	$ 432,685	$ 441,187	$ 161,878	$ 166,101

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

KENT STATE UNIVERSITY
STATEMENT OF CASH FLOWS
for the years ended June 30, 2016 and 2015
(in thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	$ 270,463	$ 253,621
Cash received from auxiliary activities	97,488	94,715
Cash received from other sources	2,271	19,407
Grants and contracts	31,551	34,339
Federal student loan funds received	3	14
Student loans granted, net of repayments	(5,260)	(2,973)
Cash paid to employees	(341,481)	(311,709)
Cash paid to suppliers	(180,793)	(222,684)
Net cash used in operating activities	(125,758)	(135,270)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	45,877	88,812
Purchases of investments	(76,528)	(108,434)
Interest received	7,047	14,410
Net cash used in investing activities	(23,604)	(5,212)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net proceeds from capital lease	19,800	-
Principal payments under debt obligations, net	(18,802)	(17,015)
Interest paid	(19,863)	(21,028)
Capital appropriations	198	-
Loss on disposal of capital assets	745	1,062
Purchases of capital assets	(122,339)	(88,945)
Other payments	9,137	6,347
Net cash used in capital and related financing activities	(131,124)	(119,579)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from State appropriations	145,595	136,310
Gifts received from KSU Foundation	9,307	12,189
Cash received from Federal Pell grants	50,954	55,994
Net cash provided by noncapital financing activities	205,856	204,493
Net decrease in cash and cash equivalents	(74,630)	(55,568)
CASH AND CASH EQUIVALENTS, (INCLUDING RESTRICTED CASH), BEGINNING OF YEAR	259,757	315,325
CASH AND CASH EQUIVALENTS, (INCLUDING RESTRICTED CASH), END OF YEAR	$ 185,127	$ 259,757

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

KENT STATE UNIVERSITY
STATEMENT OF CASH FLOWS--CONTINUED
for the years ended June 30, 2016 and 2015
(in thousands)

	2016	2015
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	$ (204,905)	$ (179,588)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	48,856	44,278
Change in assets and deferred outflows and liabilities and deferred inflows:		
Accounts receivable, net	1,822	2,185
Inventories	121	306
Deposits and prepaid expenses	(444)	3,366
Student loans receivable, net	(4,836)	(2,716)
Deferred outflows of resources	(54,187)	-
Accounts payable and accrued liabilities	30,091	(3,658)
Net pension liability	90,012	(5,925)
Accrued payroll	800	566
Payroll taxes and accrued fringe benefits	(4,319)	6,993
Unearned fees and deposits	(528)	(2,131)
Accrued compensated absences	(534)	1,054
Deferred inflows of resources	(27,707)	-
Total change in assets and deferred outflows and liabilities and deferred inflows	30,291	40
Net cash used in operating activities	$ (125,758)	$ (135,270)

Noncash Capital and Financing Activities
In April 2016, the University issued $103,590 in Series 2016 General Receipts bonds. The proceeds of the bond sale were used for a partial advanced refunded the Series 2009B General Receipts bonds, resulting in a retirement of these bonds of $108,790. See note 7 for further discussion on this noncash transaction.

(1) Reporting Entity and Basis of Presentation

(a) Reporting Entity

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

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

On July 1, 2012, the University merged with the Ohio College of Podiatric Medicine (OCPM). Under this merger, the University acquired substantially all of the OCPM assets related to the podiatric medicine program in exchange for the assumption of OCPM debt and other liabilities. This transaction was entered into in order to provide expanded academic options for students in areas such as public health, biomedical sciences, medical ethics, and sports medicine. All financial transactions for OCPM are included in the University's financial statements. Included in the merger with OCPM is the KSU Foot and Ankle Clinic dba the Cleveland Foot and Ankle Clinic. The Cleveland Foot and Ankle Clinic is a separate 501(c)(3) organization that is included as a blended component unit of the University. See Note 11 for further discussion on component units.

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

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

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

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

(b) Basis of Presentation

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

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

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

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

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

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

(c) Upcoming Accounting Pronouncements

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

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

(2) Summary of Significant Accounting Policies

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

(a) Cash and Cash Equivalents

The University considers cash, time deposits and all other highly liquid investments with an original maturity of three months or less to be cash equivalents. Restricted cash is the unspent bond proceeds held in trust related to various campus enhancements and energy conservation projects.

(b) Investments

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

As of June 30, 2016, the University prospectively 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.

(c) Accounts Receivable

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

(d) Inventories

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

(e) Capital Assets

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

(f) Accrued Liabilities

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

(g) Unearned Revenue

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

(h) Deferred Outflows of Resources and Deferred Inflows of Resources

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

(i) Estimates

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

(j) Revenue Recognition

State appropriations are recognized when received or made available. Restricted funds are recognized as revenue only to the extent expended. Gifts and interest on student loans are recognized when received. The University's policy for defining operating activities as reported on the statement of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the University's expenses are from exchange transactions.

(k) Scholarship Discount and Allowances

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

(l) Pensions

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

(m) Operating Versus Non-operating Revenues and Expenses

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

(n) 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. The Statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statement, the University has recorded $410,232 as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014.

(o) Reclassification

Certain amounts from the prior year have been reclassified to conform with the current year's presentation. The deferred outflows of resources and deferred inflows of resources arising from GASB 68 were presented as a total net deferred inflow of resources in the prior year and reclassified to show separately in the current year. In the fiscal year 2016 financial statements for fiscal year 2015, $33,674 was reclassified to deferred outflows of resources.

(3) Investments

The University's investment policy authorizes the University to invest non-endowment funds in the following investments:

- Obligations of the U.S. Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- Certificates of deposit
- Mutual funds and mutual fund pools
- Money market funds

U.S. Government and Agency securities are invested through trust agreements with banks that internally designate the securities as owned by or pledged to the University. Common stocks, corporate bonds, money market instruments, mutual funds and other investments are invested through trust agreements with banks that keep the investments in their safekeeping accounts at the Depository Trust Company or Huntington Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University.

Custodial credit risk on deposits with banks is the risk that in the event of a bank failure, the University's deposits may not be available or returned. The University does not have a deposit policy for custodial credit risk. At June 30, 2016 and 2015, the bank amount of the University's deposits was $138,694 and $209,335 respectively. Of that amount, $85,242 and $96,092, respectively, was insured. The remaining $53,452 and $113,243 at June 30, 2016 and 2015, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized.

(in thousands)

The values of investments at June 30, 2016 and 2015 are as follows:

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

	2015	
	Market Value	**Cost**
Common stock	$ 201,663	$ 151,582
U.S. government agency obligations	13,312	13,434
U.S. government obligations	2,772	2,806
Corporate bonds and notes	9,814	9,293
Mutual funds	135,031	132,316
State Treasury Asset Reserve of Ohio	26,215	26,215
Total	$ 388,807	$ 335,646

Net appreciation/depreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the year ended June 30, 2016, the University realized a net loss of $162. During the year ended June 30, 2015, the University realized a net gain of $8,182. The calculation of realized gains and losses is independent of the net appreciation in the fair value of investments held at year end. Realized gains and losses on investments that had been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year. The net depreciation in the fair value of investments during the year ended June 30, 2016 was ($19,005). The net appreciation in the fair value of investments during the year ended June 30, 2015 was $662. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year.

The unrealized depreciation on investments for the year ended June 30, 2016 was ($18,843). The unrealized depreciation on investments for the year ended June 30, 2015 was ($7,520).

The components of the net investment income are as follows:

	Interest and dividends, net	Net appreciation/(depreciation) in market value of investments	Net investment income
Total 2016	$7,124	($19,005)	($11,881)
Total 2015	$6,069	$662	$6,731

(in thousands)

Additional Disclosures Related to Interest-bearing Investments

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

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

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

		Investment Maturities (in years)			
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	$ 5,368	$ 1,424	$ 2,724	$ 1,220	$ -
U.S. government agency obligations	5,422	59	802	1,358	3,203
Corporate bonds and notes	5,831	760	2,045	1,310	1,716
Bond mutual funds	87,961	14,426	41,556	21,573	10,406
Total	$ 104,582	$ 16,669	$ 47,127	$ 25,461	$ 15,325

The maturities of the University's interest-bearing investments at June 30, 2015 are as follows:

		Investment Maturities (in years)			
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	$ 2,772	$ -	$ 2,272	$ 500	$ -
U.S. government agency obligations	13,312	1,551	5,718	2,049	3,994
Corporate bonds and notes	9,814	2,478	3,885	1,161	2,290
Bond mutual funds	74,934	4,008	27,503	14,980	28,443
Total	$ 100,832	$ 8,037	$ 39,378	$ 18,690	$ 34,727

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

Notes to the Financial Statements
June 30, 2016 and 2015
(in thousands)

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

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

The credit ratings of the University's interest-bearing investments at June 30, 2015 are as follows:

Credit Rating (S&P)	Total	Government Obligations	U.S. Agency Obligations	Corporate Bonds	Bond Mutual Funds
AAA	$ 32,705	$ 2,772	$ 33	$ -	$ 29,900
AA+	6,354	-	5,696	658	-
AA	15,125	-	-	149	14,976
AA-	782	-	-	782	-
A+	489	-	-	489	-
A	13,411	-	-	2,728	10,683
OTHER	31,966	-	7,583	5,008	19,375
Total	$ 100,832	$ 2,772	$ 13,312	$ 9,814	$ 74,934

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2016 and 2015, the University had no exposure to foreign currency risk.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University held the following investments that had fair values of 5 percent or more of total investments as of June 30, 2016 and 2015:

	June 30, 2016	June 30, 2015
FPA Crescent	$ 19,754	$ 20,131
IVA Worldwide	20,044	20,230

(in thousands)

(4) Fair Value Measurements

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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 June 30, 2015:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt Securities				
U.S.Government obligations	$ 5,368	$ -	5,368	$ -
U.S. Government Agency securities	5422	-	5,422	
Corporate bonds	5,831	-	5,831	-
Debt mutual funds	94,012	94,012	-	-
Other	260	-	260	-
Total debt securities	110,893	94,012	16,881	-
Equity Securities	140,698	140,698		
Private equity funds - international	5,449	-	-	5,449
Total investmets by fair value level	257,040	$ 234,710	$ 16,881	$ 5,449
Investments measured at the net asset value (NAV)				
Equity funds	16,225			
Equity long/short hedge funds	49,002			
Global opportunities hedge funds	12,381			
Multi-strategy hedge funds	39,667			
Total investments measured at the NAV	117,275			
Total investments measured at fair value	$ 374,315			
Derivative instruments				
Interest rate swaps (liabilities)	$ (4,546)		$ (4,546)	

(in thousands)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2015	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt Securities				
U.S.Government obligations	$ 2,772	$ -	$ 2,772	$ -
U.S. Government Agency securities	13,312	-	13,312	-
Corporate bonds	9,814	-	9,814	-
Debt mutual funds	70,926	70,926	-	-
Other	180	-	180	-
Total debt securities	97,004	70,926	26,078	-
Equity Securities	148,265	148,265		
Private equity funds - international	2,561	-	-	2,561
Total investmets by fair value level	247,830	$ 219,191	$ 26,078	$ 2,561
Investments measured at the net asset value (NAV)				
Equity funds	16,520			
Equity long/short hedge funds	52,180			
Global opportunities hedge funds	9,779			
Multi-strategy hedge funds	36,283			
Total investments measured at the NAV	114,762			
Total investments measured at fair value	$ 362,592			
Derivative instruments				
Interest rate swaps (liabilities)	$ 639		$ 639	

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

The fair value of debt securities at June 30, 2016 and 2015 was determined primarily based on Level 2 inputs. Inputs within Level 2 of the fair value hierarchy include inputs that are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are not directly observable for the asset or liability. The University records the fair value of these investments using estimated values from statements obtained from third-party administrators. These third-party administrators are responsible for the custody, accounting, fund administration and shareholder record keeping for the investments.

(in thousands)

The fair value of private equity securities at June 30, 2016 and 2015 was determined primarily based on Level 3 inputs. Level 3 inputs are unobservable inputs for an asset or a liability and may require significant judgement when estimating their value. These inputs may be derived using one or more of the following: information received from the Investee Funds (such as monthly net asset values, investor reports and audited financial statements), discounted cash flow analysis or a market-multiple based approach. The University records the fair value of these investments using estimated values obtained from the fund managers. These fund managers are responsible for the custody, accounting, fund administration and shareholder record keeping for the investments. Investments in the private equity class above can never be redeemed with the funds. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

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

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

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

Investments Held at June 30

	June 30, 2016	June 30, 2015	June 30, 2016		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Equity funds	$ 16,225	$ 16,520	$ -	Daily/Weekly	None
Equity long/short hedge fund	49,002	52,180	-	Quarterly	45-90 days
Global opportunities hedge fund	12,381	9,779	-	Daily	None
Multi-strategy hedge fund	39,667	36,283	-	Quarterly	90-95 days
Total	$ 117,275	$ 114,762	$ -		

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

The global opportunities hedge fund class includes investments in hedge funds that transact in a diversified mix of securities based on global economic trends and may invest in various instruments including, but not limited to U.S. and non-U.S. stocks, fixed income, credit instruments, commodities, currencies and hedging instruments. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

(in thousands)

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

None of the above investments include restrictions that do not allow for redemption in the first few months after acquisition. The remaining restriction period for these investments ranged from daily to quarterly at June 30, 2016.

(5) Accounts Receivable

Accounts receivable consist of the following as of June 30, 2016 and 2015:

	2016	2015
Sponsor accounts	$ 4,105	$ 5,494
Student accounts	22,613	25,655
Other	11,228	9,769
	37,946	40,918
Less allowances for loss on accounts receivable	(7,761)	(8,965)
Accounts receivable, net	$ 30,185	$ 31,953

In addition, the University has student loans receivable of $40,945 and $35,685 as of June 30, 2016 and 2015, respectively. The related allowances as of June 30, 2016 and 2015 are $7,474 and $7,050, respectively.

(in thousands)

(6) Capital Assets

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

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

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

Included in depreciation expense of $48,856 for the year ended June 30, 2016 is a loss of $745 from the disposal of obsolete capital assets. As of June 30, 2016, assets totaling $43,868 were acquired under a capital lease obligation and the associated amortization expense on those assets are included in depreciation expense. During fiscal year 2016, amortization of $992 was recorded.

Capital assets consist of the following as of June 30, 2015:

	2014	Additions/ Transfers	Net Retirements	2015
Land	$ 29,594	$ 636	$ -	$ 30,230
Infrastructure	114,703	1,735	-	116,438
Buildings	858,939	72,858	(669)	931,128
Equipment	221,830	7,535	(3,925)	225,440
Construction-in-progress	99,840	27,632	(120)	127,352
	1,324,906	110,396	(4,714)	1,430,588
Less accumulated depreciation				
Infrastructure	(65,448)	(5,123)	(95)	(70,666)
Buildings	(344,916)	(29,250)	(325)	(374,491)
Equipment	(178,596)	(9,905)	3,591	(184,910)
	(588,960)	(44,278)	3,171	(630,067)
Capital assets, net	$ 735,946	$ 66,118	$ (1,543)	$ 800,521

Included in depreciation expense of $45,339 for the year ended June 30, 2015 is a loss of $1,061 from the disposal of obsolete capital assets. As of June 30, 2015, assets totaling $43,868 were acquired under a capital lease obligation and the associated amortization expense on those assets are included in depreciation expense. During fiscal year 2015, amortization of $700 was recorded.

(7) Long-term Liabilities

Long-term Debt

In April 2016, the University issued $103,590 in Series 2016 General Receipts bonds. The proceeds from the bond sale were used for a partial advanced refunding of the Series 2009B General Receipts bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the University's long-term obligations. The partial advance refunding was undertaken to achieve debt service savings. This refunding transaction reduced debt service payments by $12,607 and resulted in an economic gain of $11,300. For this partial advance refunding, the reacquisition price exceeded the net carrying amount of the old debt by $11,211. This amount was recorded as a deferred outflow of resources and will be amortized over the remaining life of the new debt. As of June 30, 2016, the outstanding principal of the 2016 General Receipts bond was $103,590. As a result of the partial advance refunding, the outstanding principal of the remaining 2009B General Receipts bonds as of June 30, 2016 was $53,080. In connection with the issuance of the Series 2016 General Receipts bonds, the University also recognized a net bond premium totaling $21,825 which will be amortized against interest expense over the life of the bond. As of June 30, 2016, the unamortized net bond premium was $21,803. As a result of the partial advance refunding, the remaining premium on the 2009B General Receipts bonds as of June 30, 2016 was $922.

During fiscal year 2014, the University issued $28,415 in Series 2014A General Receipts bonds. The proceeds from the bond sale will be used for renovating, equipping and furnishing University residence hall facilities at the University's Tri-Towers complex. As of June 30, 2016, the outstanding principal of the 2014A bonds was $26,360. In connection with the bond issuance, the University also recognized a net bond premium totaling $1,894 which will be amortized against interest expense over the life of the bond. As of June 30, 2016, the unamortized net bond premium was $1,236.

In April 2013, the University issued $60,000 in Series 2013A General Receipts bonds. The proceeds from the bond sale were used for the early redemption of Series 2008B General Receipts bond with an outstanding principal balance of $60,000. As of June 30, 2016, the outstanding principal of the 2013A General Receipts bonds was $60,000.

In June 2012, the University issued $170,000 in Series 2012 General Receipts bonds. The proceeds from the bond sale will be used for constructing, renovating, equipping and furnishing various University academic, administrative and other campus buildings. As of June 30, 2016, the outstanding principal of the 2012A bonds was $160,925. In connection with the bond issuance, the University also recognized a net bond premium totaling $16,185 which will be amortized against interest expense over the life of the bond. As of June 30, 2016, the unamortized net bond premium was $9,455.

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

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

During fiscal year 2013, the University entered into a loan agreement with the Ohio Air Quality Development Authority for a total of $24,947, with $17,447 in Series A bonds and $7,500 in Series B bonds. The proceeds will be used to fund the University's energy efficiency and conservation projects at its Kent campus. As of June 30, 2016, the outstanding principal of Series A and Series B bonds was $11,889 and $7,500, respectively.

During fiscal year 2011, the University entered into two loan agreements with the Ohio Air Quality Development Authority. The first loan agreement totals $5,388, with $2,694 in Series A bonds and $2,694 in Series B bonds. The proceeds will be used to fund the University's energy efficiency and conservation projects at its Ashtabula, East Liverpool, Geauga, Salem and Trumbull campuses. As of June 30, 2016, the outstanding principal of the Series A and Series B bonds was $967 and $2,694, respectively. The second loan agreement totals $20,000, with $13,000 in Series A bonds and $7,000 in Series B bonds. The proceeds will be used to fund the University's energy efficiency and conservation projects for its Residence Hall and Dining Services auxiliary units. As of June 30, 2016, the outstanding principal of Series A and Series B bonds was $7,206 and $7,000, respectively.

During fiscal year 2010, the University entered into a loan agreement with the Ohio Air Quality Development Authority for a total of $1,344. The Ohio Air Quality Authority has issued $672 in 2010 Series A bonds and $672 in 2010 Series B bonds, the proceeds of which will be used to fund the University's energy efficiency and conservation project at its Stark campus. As of June 30, 2016, the outstanding principal of the Series A and Series B bonds was $0 and $578, respectively.

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

In fiscal year 2015, the University entered into a capital lease with the Portage County Port Authority to finance the construction of the Center for Philanthropy and Alumni Engagement for $17,025. The University had a capital lease with the Portage County Port Authority for 3.75 acres of property near the northwest edge of the Kent campus for $3,680 beginning in fiscal year 2013. This is the land where the new building resides. The two leases were combined totaling $20,460 with principal payments beginning in fiscal year 2016. As of June 30, 2016 the principal balance was $19,135. The building was completed and occupied in December 2015. The University and the Foundation entered into a sublease agreement in January 2016. The sublease meets the capitalization criteria and is recorded as an asset and liability on the Foundation's financial statements (see Note 10 for additional information on this related party transaction).

Notes to the Financial Statements
June 30, 2016 and 2015
(in thousands)

In fiscal year 2013, as part of the merger with OCPM, the University assumed the debt from a pooled financing program for State of Ohio Higher Educational Facility Rate Demand Revenue Bonds. The proceeds were recorded as an obligation under capital lease by OCPM for the construction related to the improvement of the new main campus building. The University recorded this debt as a capital lease in the amount of $5,380. As of June 30, 2016, the principal balance for this lease was $4,610.

In fiscal year 2011, the University entered into an agreement with Fairmount Properties, LLC to construct a building for its Twinsburg location (programs are operated out of the University's Geauga campus) which the University will lease for a period of 30 years. The total capital lease is $13,992. As of June 30, 2016, the total outstanding principal on the capital lease was $13,290.

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

	Rates	Maturity	2015	Additions	Retirements	2016
General Receipts Bonds of 2009B	2.0 - 5.0	2009-2032	$ 171,170	$ -	$ (118,090)	$ 53,080
General Receipts Bonds of 2013A	3.79	2028-2032	60,000	-	-	60,000
General Receipts Bonds of 2012A	3.0 - 5.0	2014-2042	164,080	-	(3,155)	160,925
General Receipts Bonds of 2014A	2.0 - 5.0	2014-2033	27,400	-	(1,040)	26,360
General Receipts Bonds of 2016	5.0	2016-2030	-	103,590	-	103,590
Air Quality Dev. Tax Exempt Rev. Bond - Stark (A)	2.99	2010-2016	45	-	(45)	-
Air Quality Dev. Tax Credit Rev. Bond - Stark (B)	5.63	2010-2020	672	-	(94)	578
Air Quality Dev. Tax Exempt Rev. Bond - Regional Campuses (A)	2.75	2012-2019	1,333	-	(366)	967
Air Quality Dev. Tax Credit Rev. Bond - Regional Campuses (B)	4.86	2012-2019	2,694	-	-	2,694
Air Quality Dev. Tax Exempt Rev Bond Residence Halls & Dining Svcs (A)	2.62	2012-2025	8,444	-	(1,238)	7,206
Air Quality Dev. Tax Credit Rev Bond Residence Halls & Dining Svcs (B)	5.32	2019-2025	7,000	-	-	7,000
Air Quality Dev. Tax Exempt Rev Bond Kent Campus (A)	1.38	2013-2023	13,496	-	(1,607)	11,889
Air Quality Dev. Tax Exempt Rev Bond Kent Campus (B)	3.65	2024-2027	7,500	-	-	7,500
Other	various	various	41,339	19,915	(1,956)	59,298
			505,173	123,505	(127,591)	501,087
Plus unamortized discount and premium			19,430	21,825	(7,839)	33,416
Subtotal			524,603	$ 145,330	$ (135,430)	534,503
Less current portion long-term debt			22,666			25,692
			$ 501,937			$ 508,811

(in thousands)

Long-term debt consists of the following as of June 30, 2015:

	Rates	Maturity	2014	Additions	Retirements	2015
General Receipts Bonds of 2009B	2.0 - 5.0	2009-2032	$ 180,105	$ -	$ (8,935)	$ 171,170
General Receipts Bonds of 2013A	3.79	2028-2032	60,000	-	-	60,000
General Receipts Bonds of 2012A	3.0 - 5.0	2014-2042	167,085	-	(3,005)	164,080
General Receipts Bonds of 2014A	2.0 - 5.0	2014-2033	28,415	-	(1,015)	27,400
Air Quality Dev. Tax Exempt Rev. Bond - Stark (A)	2.99	2010-2016	180	-	(135)	45
Air Quality Dev. Tax Credit Rev. Bond - Stark (B)	5.63	2010-2020	672	-	-	672
Air Quality Dev. Tax Exempt Rev. Bond - Regional Campuses (A)	2.75	2012-2019	1,689	-	(356)	1,333
Air Quality Dev. Tax Credit Rev. Bond - Regional Campuses (B)	4.86	2012-2019	2,694	-	-	2,694
Air Quality Dev. Tax Exempt Rev Bond Residence Halls & Dining Svcs (A)	2.62	2012-2025	9,650	-	(1,206)	8,444
Air Quality Dev. Tax Credit Rev Bond Residence Halls & Dining Svcs (B)	5.32	2019-2025	7,000	-	-	7,000
Air Quality Dev. Tax Exempt Rev Bond Kent Campus (A)	1.38	2013-2023	15,081	-	(1,585)	13,496
Air Quality Dev. Tax Exempt Rev Bond Kent Campus (B)	3.65	2024-2027	7,500	-	-	7,500
Other	various	various	24,216	17,901	(778)	41,339
			504,287	17,901	(17,015)	505,173
Plus unamortized discount and premium			23,541	-	(4,111)	19,430
Subtotal			527,828	$ 17,901	$ (21,126)	524,603
Less current portion long-term debt			21,373			22,666
			$ 506,455			$ 501,937

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

(in thousands)

Hedging derivative instrument payments and hedged debt

As of June 30, 2016, aggregate debt service requirements of the University's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are shown below. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer below for information on derivative instruments (interest rate swap).

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

Year	Principal	Interest	Hedging Derivatives, Net	Total
2017	$ 20,574	$ 17,175	$ 2,014	$ 39,763
2018	21,760	16,766	2,005	40,531
2019	22,058	16,414	1,996	40,468
2020	12,975	16,056	1,986	31,017
2021	22,945	15,148	1,975	40,068
2022-2026	121,473	62,063	9,710	193,246
2027-2031	164,124	37,582	6,236	207,942
2032-2036	55,029	20,977	137	76,143
2037-2041	48,867	10,189	-	59,056
2042-2046	11,282	547	-	11,829
Total	$ 501,087	$ 212,917	$ 26,059	$ 740,063

Interest Rate Swap

The University has entered into a 30-year interest rate swap agreement for $60,000 of the variable-rate 2002 Series General Receipts bonds. The University entered into this agreement at the same time and for the same amount of the variable rate debt, with the intent of creating a synthetic fixed-rate debt, at an interest rate that was lower than if fixed-rate debt would have been issued directly. During 2009, the interest rate swap agreement was re-identified in connection with refunding of the 2002 Series General Receipt bonds through the issuance of 2008B Series General Receipt bonds. During fiscal year 2010, the counterparty on the agreement was changed from Woodlands Commercial Bank (formerly known as Lehman Brothers Commercial Bank) to Loop Financial Products LLP. Based on the swap agreement, the University owes interest calculated at a fixed rate to the counter party to the swap. In return, the counter party owes the University interest based on a variable rate. The $60,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The University continues to pay interest to the bondholders at the variable rate provided by the bonds. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. The notional amount on the swap is $60,000 as of June 30, 2015.

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

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

As a result of the July 1, 2012 merger with the Ohio College of Podiatric Medicine (OCPM), the University assumed the OCPM capital lease and the associated swap. Based on the swap agreement, the University owes interest calculated at a fixed rate to the counter party to the swap. In return, the counter party owes the University interest based on a variable rate. The debt service requirements for the term of the capital lease, as presented in this note, are based on that fixed rate. The notional amount on the swap is $4,610 as of June 30, 2016. The interest rate swap has been determined to be an effective hedge and the fair value was estimated using the regression analysis method. The regression analysis method evaluates effectiveness by considering the statistical relationship between the cash flows or fair values of the potential hedging derivative instrument and the hedgeable item.

As of June 30, 2016, the University has recorded a deferred outflow of resources and a related swap liability in the amount of $4,546, accounting for the at-the-market swap of $4,515 and the former OCPM swap of $31. The change in fair value totaled $5,185 in 2016 and resulted in a deferred outflow of resources. Due to the termination of hedge accounting from the refunding of the 2008B General Receipts bonds in fiscal year 2013, the University recognized $1,398 as a deferred cost of refunding (included in deferred outflows of resources) and increased its accrued liability from $14,514 to $15,912. The deferred cost of refunding is being amortized over the life of the swap and has a balance of $1,176 at June 30, 2016. The accrued liability of $15,912 will be amortized as principal payments are made.

The interest rate swaps are subject to the following risks:

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

Basis risk - The University is exposed to basis risk due to variable-rate payments received being based on a rate or index other than interest rates that the University pays on its variable-rate debt. As of June 30, 2016, the interest rate on the University's Series 2013A hedged variable-rate debt is 0.781 percent, while 67 percent of LIBOR is 0.31 percent and the interest rate on the University's hedged variable rate capital lease is 0.53 percent, while the weekly BMA Municipal Swap Index was 0.41 percent.

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

(in thousands)

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

Accrued Compensated Absences

Per University policy, faculty and staff earn vacation up to a maximum of 25 days per year with a maximum accrual of 75 days. Upon termination, they are entitled to a payout of their accumulated balance. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2016 and 2015 is $17,123 and $16,861, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro-rata monthly basis for salaried employees and on a pro-rata hourly basis for classified hourly employees). Employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25% of unused days (maximum of 30 days). The liability for accrued sick leave at June 30, 2016 and 2015 is $5,723 and $6,519, respectively.

A summary of accrued compensated absences at June 30, 2016 and 2015 is as follows:

For the year ended	Beginning Balance	Additions	Reductions	Ending Balance
June 30, 2016	$ 23,380	$ 2,172	$ 2,706	$ 22,846
June 30, 2015	$ 22,326	$ 3,625	$ 2,571	$ 23,380

(8) Retirement Benefits

(a) Basic Retirement Benefits

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

(in thousands)

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

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

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

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

Member contributions are 10 percent of gross wages for OPERS and 13 percent for STRS, set at the maximums authorized by the ORC. The plans' 2016 contribution rates on covered payroll to each system were:

	Employer Contribution Rate			
	Pension	Postretirement Healthcare	Death Benefits	Total
STRS	14.00%	0.00%	0.00%	14.00%
OPERS	12.00%	2.00%	0.00%	14.00%
OPERS - Law Enforcement & Public Safety	16.10%	2.00%	0.00%	18.10%

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

	Employer Contribution Rate			
	Pension	Postretirement Healthcare	Death Benefits	Total
STRS	14.00%	0.00%	0.00%	14.00%
OPERS	12.00%	2.00%	0.00%	14.00%
OPERS - Law Enforcement & Public Safety	16.10%	2.00%	0.00%	18.10%

(in thousands)

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

	For the years ended 6/30	
	2016	2015
STRS	$ 16,959	$ 17,022
OPERS	16,680	16,360
	$ 33,639	$ 33,382

Benefits Provided

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

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

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

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

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

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

(in thousands)

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

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

Net Pension Liability, Deferrals, and Pension Expense – At June 30, 2016, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. The net pension liability was measured as of July 1, 2015 for the STRS plan and December 31, 2015 for the OPERS plan. At June 30, 2015, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. The net pension liability was measured as of July 1, 2014 for the STRS plan and December 31, 2014 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	July 1	$ 322,106	$ 281,426	1.17%	1.16%	0.01%
OPERS	December 31	$ 151,914	$ 102,582	0.88%	0.85%	0.03%

For the years ended June 30, 2016 and 2015, the University recognized pension expense of $41,757 and $27,458, respectively. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

(in thousands)

At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,709	$ 1,908
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	5,511	52,065
Changes in proportion and differences between University contributions and proportionate share of contributions	203	-
University contributions subsequent to the measurement date	25,251	-
Total	$ 33,674	$ 53,973

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

Year Ended June 30	Amount
2017	$ 7,853
2018	$ 8,547
2019	$ 8,630
2020	$12,350
2021	$ (21)
Thereafter	$ 50

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

(in thousands)

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

	STRS - as of 6/30/15	OPERS - as of 12/31/15
Valuation date	July 1, 2015	December 31, 2015
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	2.0 percent	3.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	4.25 percent - 10.05 percent
Inflation	2.75 percent	3.75 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended July 1, 2012	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022–Scale AA)	RP-2000 mortality table projected 20 years using Projection Scale AA

For the June 30, 2015 financial statements, the total pension liability is based on the results of actuarial valuations and determined using the following actuarial assumptions, applied to all periods included in the measurement:

	STRS - as of 6/30/14	OPERS - as of 12/31/14
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	3.00 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended July 1, 2012	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022–Scale AA)	RP-2000 mortality table projected 20 years using Projection Scale AA

Discount Rate – As of June 30, 2016 and June 30, 2105, the discount rate used to measure the total pension liability 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.

(in thousands)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for the June 30, 2016 financial statements are summarized in the following table:

	STRS - as of 6/30/15			OPERS - as of 12/31/15	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	31.00%	8.00%	Fixed Income	23.00%	2.31%
International Equity	26.00%	7.85%	Domestic Equities	20.70%	5.84%
Alternatives	14.00%	8.00%	Real Estate	10.00%	4.25%
Fixed Income	18.00%	3.75%	Private Equity	10.00%	9.25%
Real Estate	10.00%	6.25%	International Equity	18.30%	7.40%
Liquidity Reserves	1.00%	3.00%	Other Investments	18.00%	4.59%
Total	100%		Total	100%	

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the June 30, 2015 financial statements are summarized in the following table:

	STRS - as of 6/30/14			OPERS - as of 12/31/14	
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%		Total	100%	

Sensitivity of the net pension liability to changes in the discount rate – For the June 30, 2016 financial statements, the following presents the net pension liability of the University, calculated using the discount rate listed below, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

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

(in thousands)

For the June 30, 2015 financial statements, the following presents the net pension liability of the University, calculated using the discount rate listed below, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

Plan	1.00 percent decrease		Current Discount Rate		1.00 percent increase	
STRS	6.75%	$ 402,894	7.75%	$ 281,426	8.75%	$ 178,707
OPERS	7.00%	189,370	8.00%	102,582	9.00%	29,505
		$ 592,264		$ 384,008		$ 208,212

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 $5,234 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016. The payable reported as of June 30, 2015 was $5,286.

(b) Post-Retirement Health Care Benefits

OPERS - Plan Description

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

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

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

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

OPERS - Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14% of earnable salary and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three healthcare trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide healthcare funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015.

As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%

The University's contributions used to fund health care for the years ended June 30, 2016, 2015 and 2014 were $2,343, $2,298 and $1,670, respectively.

STRS - Plan Description

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

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

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

STRS - Funding Policy

Under Ohio law, funding for postemployment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 0% of covered payroll was allocated to post-employment health care for the year ended June 30, 2015. For the years ended June 30, 2014 and 2013, 1% of covered payroll was allocated to postemployment health care. The 14% employer contribution rate is the maximum rate established under Ohio law.

The University's contribution to postemployment health care for the years ended June 30, 2015, 2014, and 2013 was $0, $0, and $1,076, respectively.

(c) Ohio Public Employees Deferred Compensation Program

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

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

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

At June 30, 2016 and 2015, the amounts on deposit with the Ohio Public Employees Deferred Compensation Board were $14,991 and $14,840, respectively, which represent the fair market value at such dates.

(9) Contingencies and Commitments

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

The University is also self-insured for workers' compensation, unemployment compensation and substantially all employee health benefits. The University's risk exposure is limited to claims incurred. Total claims paid during the years ended June 30, 2016 and 2015 were $60,192 and $56,261, respectively. A liability for unpaid claims (including incurred but not reported claims) in the amount of $10,248 and $10,280 has been accrued as of June 30, 2016 and 2015, respectively. This estimate is based on an analysis of historical claims paid. A summary of self-insured activity for the three years ended June 20, 2016, June 30, 2015, and June 30, 2014 is as follows:

(in thousands)

For the Years Ended	Balance	Additions	Reductions	Balance
June 30, 2016	$ 10,280	$ 60,160	$ (60,192)	$ 10,248
June 30, 2015	$ 9,032	$ 57,509	$ 56,261	$ 10,280
June 30, 2014	$ 8,088	$ 54,272	$ 53,328	$ 9,032

The University has operating leases for the use of real property and moveable equipment. Total expenditures during 2016 and 2015 for operating leases amounted to approximately $823 and $1,080, respectively.

Future minimum payments on non-cancelable operating leases subsequent to June 30, 2015 are as follows:

Year	Operating Leases
2017	$ 605
2018	467
2019	308
2020	279
2021	279
Total future minimum payments	$ 1,938

As of June 30, 2016, the University had commitments related to construction projects totaling $59,443. Of this amount, $35,330 or 59% will be funded from bond proceeds.

The Federal Perkins Loan Program is scheduled to expire on September 30, 2017. As of June 30, 2016, the University has made $4,432 in institutional capital contributions, which are reflected as part of the University's net position. Under current guidance issued by the Department of Education, at the time the University liquidates the loan portfolio and assigns the student loans to the Department of Education, the University will be forgoing its institutional capital contributions not yet received back through loan collections.

(10) Related Party Transactions

In January 2016, the University and the Foundation entered into a sublease agreement for building space in the Center of Philanthropy and Alumni Engagement. The lease meets the capitalization criteria and is recorded as an asset and liability at fair value on the Foundation's financial statements. The value of the building and the balance of the liability as of June 30, 2016 are $9,794 and $9,734, respectively.

(in thousands)

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

(11) Component Unit

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

Assets totaling approximately $184,423 and $179,464 at June 30, 2016 and 2015 respectively, most of which have been restricted by donors for specific purposes, are presented separately. Amounts received by the University from the Foundation are included in the accompanying financial statements. The University received approximately $9,200 and $11,813 of financial support during the years ended June 30, 2016 and 2015, respectively, from gifts to the Foundation specifically restricted by donors for University use and from private grants. Additionally, at June 30, 2016 and 2015, the University had outstanding receivables from the Foundation of approximately $111 and $57, respectively.

The value of investments for the Foundation at June 30, 2016 and 2015 is as follows:

	Market Value 2016	Market Value 2015
Corporate stocks	$ 4,420	$ 5,053
Limited partnership hedge fund	8,321	5,045
Private equity	345	-
ETFs	10,701	5,472
Mutual funds:		
Large capitalization equity funds	36,663	42,350
Small/middle capitalization equity funds	8,177	9,522
International equity funds	30,297	30,607
Other mutual funds	12,796	19,383
Fixed-income funds	31,214	30,495
	$ 142,934	$ 147,927

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

(in thousands)

The following tables present information about the investments measured at fair value on a recurring basis as of June 30, 2016 and 2015:

	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate stocks	$ 4,419	$ 4,419	$ -	$ -
Limited partnership hedge funds	8,321	-	-	8,321
Private equity	345	-	-	345
Exchange Traded Funds ("ETFs")	10,701	10,701	-	-
Mutual funds				
Large capitalization equity funds	36,663	36663	-	-
Small/middle capitalization equity funds	8,177	8,177	-	-
International equity funds	30,297	30,297	-	-
Other mutual funds	12,796	12,796	-	-
Fixed income funds	31,214	19,680	11,535	-
	$ 142,933	$ 122,733	$ 11,535	$ 8,666

	Balance at June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate stocks	$ 5,053	$ 5,053	$ -	$ -
Limited partnership hedge funds	5,045	-	-	5,045
Exchange Traded Funds ("ETFs")	5,472	5,472	-	-
Mutual funds				
Large capitalization equity funds	42,350	42350	-	-
Small/middle capitalization equity funds	9,522	9,522	-	-
International equity funds	30,607	30,607	-	-
Other mutual funds	19,383	19,383	-	-
Fixed income funds	30,495	19,429	11,066	-
	$ 147,927	$ 131,816	$ 11,066	$ 5,045

(in thousands)

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

The Foundation invests in alternative investments which include investments in limited partnerships. Fair value represents the Foundation's proportionate interest in the net assets of these funds. Fair values are supplied to the Foundation by third party administrators, and audited information about these funds is available annually. Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility (Level 3 inputs). At June 30, 2016 and 2015, the Foundation has no unfunded commitments to either of these investment alternatives.

During fiscal year 2016, the Foundation entered into multiple private equity investments. The Foundation has estimated fair value of these investments using net asset values provided by the underlying private investment companies and/or their administrators. Due to market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility (Level 3 inputs). There are no redemption options on these funds. Commitments outstanding on these funds are approximately $10,155 at June 30, 2016. The investment objective of these funds is to obtain long-term growth capital.

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

As of June 30, 2016:

Statement of Net Position (condensed):	
Total assets	$ 51
Total liabilities	$ 51
Net position	$ 0

As of June 30, 2015:

Statement of Net Position (condensed):	
Total assets	$ 70
Total liabilities	$ 70
Net position	$ 0

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

(in thousands)

For the year ended June 30, 2016:

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

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

For the year ended June 30, 2015:

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

Operating revenues	$ 765
Operating expenses	(893)
Operating income (loss)	(128)
Transfers	128
Change in net position	$ 0

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

(12) Subsequent Events

The state of Ohio's fiscal year 2016-2017 budget bill has included several provisions that will have an impact on higher education in the future; the most notable provision is the freeze on tuition increases for both fiscal year 2016 and 2017. With the freeze on tuition increases, the bill also includes an overall increase in state support for Ohio's public universities of 4.5% in fiscal year 2016 and 4% in fiscal year 2017 which will be distributed based on a performance based formula.

In September 2016, the University paid in full the total amount of the debt that was assumed as part of the merger with OCPM. The outstanding principal paid was $4,610. The payment of this debt also terminated the swap agreement that was assumed. The swap liability associated with this debt as of June 30, 2016 was $31.

Required Supplementary Information

KENT STATE UNIVERSITY

Required Supplementary Information for GASB 68
(in thousands)

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

	2015		2014	
	OPERS	STRS	OPERS	STRS
Plan year end	December 31	June 30	December 31	June 30
University's proportion of the collective net pension liability:				
As a percentage	0.87943%	1.16549%	0.85325%	1.57020%
Amount	$ 151,914	$ 322,106	$ 102,582	$ 281,426
University's covered employee payroll	$ 140,497	$ 145,798	$ 136,758	$ 142,396
University's proportionate share of the collective pension liability (amount), as a percentage of the University's covered employee payroll	108.13%	220.93%	75.01%	197.64%
Fiduciary net position as a percentage of the total pension liability	81.19%	72.10%	86.53%	74.70%

Schedule of University's Contributions

	2016		2015	
	OPERS	STRS	OPERS	STRS
Statutorily required contribution	$ 16,680	$ 16,959	$ 16,360	$ 17,022
Contributions in relation to the actuarially determined contractually required contribution	$ 16,680	$ 16,959	$ 16,360	$ 17,022
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 142,041	$ 145,798	$ 139,224	$ 142,396
Contributions as a percentage of covered employee payroll	11.74%	11.63%	11.75%	11.95%

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

Independent Auditor's Report

To Management and the Board of Trustees
Kent State University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kent State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 14, 2016. Our report includes a reference to other auditors who audited the financial statements of Kent State University Foundation, as described in our report onKent State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

To Management and the Board of Trustees
Kent State University

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as Finding 2016-001 in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kent State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Kent State University's Response to Findings

Kent State University's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Kent State University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 14, 2016

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

Independent Auditor's Report

To the Board of Trustees
Kent State University

Report on Compliance for Each Major Federal Program

We have audited Kent State University's (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Kent State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

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

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

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

To the Board of Trustees
Kent State University

Opinion on Each Major Federal Program

In our opinion, Kent State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Plante & Moran, PLLC

October 14, 2016

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed Through To Subrecipients	Expenditures
Student Financial Aid Cluster				
Department of Education -				
Direct Programs:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A		$ 1,119,850
Federal Work-Study Program	84.033	N/A		1,836,197
Federal Perkins Loan Program	84.038	N/A		40,858,210
Federal Pell Grant Program	84.063	N/A		50,954,431
Federal Direct Student Loans	84.268	N/A		232,918,629
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A		1,896,672
Total Department of Education				329,583,989
Department of Health and Human Services -				
Direct Programs:				
Health Professional	93.342	N/A		2,257,721
Loans for Disadvantaged Students	93.342	N/A		352,320
Nursing Student Loans	93.364	N/A		2,099,477
Total Department of Health and Human Services				4,709,518
TOTAL STUDENT FINANCIAL AID CLUSTER				334,293,507
Research and Development Cluster				
Department of Agriculture:				
Direct Programs:				
Agreements and collaborations	10.250	N/A		4,340
Agriculture and Food Research Initiative (AFRI)	10.310	N/A	$ 125,526	334,308
				338,648
Pass-through Programs -				
The Ohio State University - Integrated Programs (B)	10.303	2010-51110-21080		14,745
Total Department of Agriculture				353,393
Department of Commerce:				
Direct Programs -				
Measurement and Engineering Research and Standards	11.609	N/A		432
Pass-through Programs:				
The Ohio State Research Foundation - Sea Grant Support	11.417	60043509		25,476
The Ohio State Research Foundation - Sea Grant Support	11.417	60049633		9,345
Total				34,821
The Ohio State University - Coastal Zone Management Administration Awards	11.419	60053890		3,385
Total Department of Commerce				38,638
Department of Defense:				
Direct Program -				
Basic Scientific Research	12.431	N/A		129,466
Pass-through Programs:				
Geisinger Medical Center - Military Medical Research and Development (IDEA) and Results for Children with Disabilities	12.420	6917961		447
University of Central Florida - Basic and Applied Scientific Research	12.300	65016248		2,334
Case Western Reserve - Air Force Defense Research Sciences Program	12.800	RE5506637		42,239
Azimuth Corp - Cholesteric Liquid Crystal Polymers	12.RD	FA8650-D-09-5434		30,504
Holoeye Corp - Color Ultrahigh Definition Microdisplay	12.RD	FA8650-13-M-6409		2,617
Hitron Technologies, Inc. - Electro-Optic and Infrared Situational Awareness Display	12.RD	KSU412027		5,915
Lincoln Lab-MIT - Beam Steering Project	12.RD	PO 7000337307		28,675
Lincoln Lab-MIT - New Technology Initative Program Liquid Crystal Tehermal Imager	12.RD	MIT PURCHASE ORDER 7000205259		43,737
Riverside Research Institute - Control of Metamaterial	12.RD	KSU412016		2,029
UES, Inc. - Synthesis of Hairy Nanoparticles	12.RD	S-875-183-001		31,933
U.S. Civilian Research & Development Foundation - Afghanistan Bioscience Fellowship Program	12.RD	CSEX-15-61749-0		7,475
U.S. Civilian Research & Development Foundation - Iraq Bioscience Fellowship Program	12.RD	IBEX-14-60833		1,694
Universal Technology Corporation - Liquid Crystalline	12.RD	15-S7411-03-C1		101,912
Total Department of Defense				430,977
Department of Housing and Urban Development -				
Pass-through Programs -				
City of Cleveland - Community Development Block Grants/Entitlement Grants	14.218	CT5005-SG-2016-049		7,500
Total Department of Housing and Urban Development				7,500

See Notes to Schedule of Expenditures of Federal Awards.

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed Through To Subrecipients	Expenditures
Research and Development Cluster (continued):				
Department of the Interior -				
Pass-through Programs:				
The Ohio State University - Assistance to State Water Resources Research Institutes	15.805	60049012		$ 9,772
The Ohio State University - Assistance to State Water Resources Research Institutes	15.805	60049013		23,067
The Ohio State University - Assistance to State Water Resources Research Institutes	15.805	60054049		2,701
Total Department of the Interior				35,540
Department of Justice:				
Direct Programs -				
Justice Research Development and Evaluation Project	16.560	N/A	$ 11,403	165,166
Pass-through Programs:				
City of Cleveland - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	2014-262		5,142
City of Cleveland - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	2013-PS-PSN-366		46,154
City of Cleveland - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	2015-175		51,298
City of Cleveland - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	CT6002SG 2015-198		22,010
Ohio Criminal Justice Studies - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	2013-JG-A02-V6947		23,379
Total				147,983
Total Department of Justice				313,149
National Aeronautics and Space Administration:				
Direct Programs:				
Science	43.001	N/A	17,054	43,089
Ground Data Acquisition	43.RD	N/A		46,253
Pass-through Programs:				
College of Charleston - Education	43.008	521202-KENT		8,070
Boston Applied Technologies, Inc - Novel to Near-to-Mid IR Imaging Sensors	43.RD	NNX13CP39P		638
Yanhai Power LLC - Phase II SBIR	43.RD	NNX15CC12C-KSU		32,932
Yanhai Power LLC - Fabrication of T-SOFC	43.RD	0002-14-SBIR		5,844
Ohio Space Grant Consortium - Robotic Mining Competition	43.RD	KSU418723		9,321
Ohio Space Grant Consortium - Robotic Mining Competition	43.RD	KSU418733		1,347
				50,082
Total National Aeronautics and Space Administration				147,494
National Endowment for the Humanities -				
Pass-through Programs:				
Ohio Humanities Council - Promotion of the Humanities Federal-State Partnership	45.129	MA15-003		9,000
Ohio Humanities Council - Promotion of the Humanities Federal-State Partnership	45.129	MA15-003		8,790
Total National Endowment for the Humanities				17,790
National Science Foundation:				
Direct Programs:				
Engineering Grants	47.041	N/A		309,460
Mathematical and Physical Sciences	47.049	N/A		2,063,801
Geosciences	47.050	N/A		76,634
Computer and Information Science and Engineering	47.070	N/A		152,162
Biological Sciences	47.074	N/A		261,659
Social Behavioral and Economic Sciences	47.075	N/A	11,064	218,720
Education and Human Resources	47.076	N/A	12,747	501,110
Office of International and Integrative Activities	47.079	N/A		80,234
NSF 1456188 IPA Assignment	47.RD	N/A		212,026
Pass-through Programs:				
LXD Inc., - Engineering Grants	47.041	LXD 1010368		122
LXD Inc., - Engineering Grants	47.041	1046893		1,549
Kent Displays, - Engineering Grants	47.041	2015-1		29,327
Washington State University - Engineering Grants	47.041	120239 G003233		66,304
Total				97,302
The Institute for Complex Adaptive Matter - Mathematical and Physical Sciences	47.049	UCD 104389		4,387
Case Western Reserve University - Mathematical and Physical Sciences	47.049	DMR-0423914		30,914
The University of Wisconsin - Madison - Mathematical and Physical Sciences	47.049	364K291		64,738
University of California Davis - Mathematical and Physical Sciences	47.049	UCD179515		3,262
Total				103,301
Penn State University - Geosciences	47.050	5058-KSU-NSF-1726		3,660

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed Through To Subrecipients	Expenditures
Research and Development Cluster (continued):				
National Science Foundation (continued):				
Pass-through Programs (continued):				
The University of Akron - Computer and Information Science and Engineering	47.070	KSU 1-535326		$ 106
The University of Akron - Computer and Information Science and Engineering	47.070	KSU 2-535326		3,000
The University of Akron - Computer and Information Science and Engineering	47.070	KSU3-535326		2,500
Total				5,606
University of Maryland - Biological Sciences	47.074	28311-Z3708012		25,391
Clemson University - Biological Sciences	47.074	1735-206-2010169		48,939
Total				74,330
Ball State University - Social Behavioral and Economic Sciences	47.075	G474A		15,683
San Diego State University - Social Behavioral and Economic Sciences	47.075	SA0000404		85,869
Total				101,552
Michigan State University - Education and Human Resources	47.076	RC100753KSU/PRIME DRL-119327		9,260
Cuyahoga Community College - Education and Human Resources	47.076	KSU411508		20,186
Missouri State University - Education and Human Resources	47.076	11052-011		7,913
Missouri State University - Education and Human Resources	47.076	16043-002		32,714
Total				70,073
The University of Akron - Office of Cyberinfrastructure	47.080	KSU4-535326		2,280
Total National Science Foundation				4,333,910
Environmental Protection Agency -				
Direct Program -				
P3 Award: National Student Design Competition for Sustainability (B)	66.516	DIR		8,242
Total Environmental Protection Agency				8,242
Department of Energy:				
Direct Program -				
Basic Energy Sciences University and Science Education	81.049	N/A	$ 106,361	1,031,934
Pass-through Programs:				
OPTRA, Inc. - Basic Energy Sciences University and Science Education	81.049	16088		18
UT-Battelle, LLC - Electron Beam Grafting	81.RD	4000095139		14,552
Total Department of Energy				1,046,504
Department of Education:				
Direct Program -				
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	N/A		128,440
Pass-through Programs:				
Ohio Department of Education - Special Education Grants to States	84.027	EDU-01-0000004703		999
Ohio Department of Education - Special Education Grants to States	84.027	EDU01-0000003002		5,898
Ohio Department of Education - Special Education Grants to States	84.027	EDU01-0000007585		4,328
Ohio Department of Education - Special Education Grants to States	84.027	EDUR201450200		65,555
Ohio Department of Education - Special Education Grants to States	84.027	CSP909314		361,467
Total				438,247
Akron Public Schools - 21st Century Community Learning Centers Program	84.287	KSU415123		16,483
Akron Public Schools - School Improvement Grants	84.377	KSU415120		13,172
Akron Public Schools - School Improvement Grants	84.377	14011254-00033		21,396
Total				34,568
ARRA - Akron Public Schools - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act	84.395	KSU448034		15,665
ARRA - Akron Public Schools - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act	84.395	KSU448035		798
Akron Public Schools - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act	84.395	506 1459 410 000000 033 00 003		9,936
ARRA - Ohio Department of Education - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act	84.395	14417		1,014
Total				27,413
ARRA - Sisters of Charity Foundation of Canton - Race to the Top - Early Learning Challenge	84.412	KSU448051		33,308
Virginia Commonwealth University - National Institute on Disability and Rehabilitation	84.133	PT101165-SC100174		5,011
The University of Akron - English Language Acquisition State Grants	84.365	00773-KSU ED-T365Z120262		18,426
Total Department of Education				701,896

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed Through To Subrecipients	Expenditures
Research and Development Cluster (continued):				
Department of Health and Human Services:				
Direct Programs:				
Mental Health Research Grants	93.242	N/A		$ 115,472
Nursing Research	93.361	N/A	$ 116,477	580,946
Cancer Detection and Diagnosis Research	93.394	N/A		1,929
ACL National Institute on Disability, Independent Living and Rehabilitation Research	93.433	N/A	277,014	476,574
Cardiovascular Diseases Research	93.837	N/A	366,009	765,341
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	N/A	79	110,582
Pharmacology Physiology and Biological Chemistry	93.859	N/A	4,503	170,687
Child Health and Human Development Extramural Research	93.865	N/A		246,838
Aging Research	93.866	N/A		2,993
National Institute for Occupational Safety & Health - Determining the Impact of Inspiratory Resistance	93.RD	N/A		11,673
Pass-through Programs:				
Case Western Reserve University - Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077	RES510625		9,861
Canton City Health Department - Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	KSU415134		7,757
Mental Health and Recovery Services Board of Stark County - Comprehensive Community Mental Health Services for	93.104	KSU416335		22,991
Mental Health and Recovery Services Board of Stark County - Comprehensive Community Mental Health Services for	93.104	KSU416336		55,807
Total				78,798
The University of Akron - Mental Health Research Grants	93.242	1R01MH095767-01A1		7,331
Mental Health and Recovery Services Board of Stark County - Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)	93.243	KSU 440522		10,600
Mental Health and Recovery Services Board of Stark County - Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)	93.243	KSU416402		2,945
Mental Health and Recovery Services Board of Stark County - Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)	93.243	KSU416404		5,035
Mental Health and Recovery Services Board of Stark County - Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)	93.243	KSU416405		7,928
Oriana House, Incorporated - Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)	93.243	T1024476		2,511
Mental Health and Recovery Services Board of Stark County - Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)	93.243	KSU416419		3,722
Total				32,741
Neuropsychiatric Research Institute - Alcohol Research Programs	93.273	51-2028-5032-0		11,412
Hospital Council of Northwest Ohio - Partnerships to Improve Community Health	93.331	1U58DP005639-01		27,002
Hospital Council of Northwest Ohio - Partnerships to Improve Community Health	93.331	5NU58DP005639-02-00		39,310
Total				66,312
Case Western Reserve University - National Center for Advancing Translational Sciences	93.350	RES510676		14,994
Case Western Reserve University - Nursing Research	93.361	RES510270		3,764
Case Western Reserve University - Nursing Research	93.361	RES509404		5,210
Total				8,974
Duke University - Cancer Cause and Prevention Research	93.393	2034252		11,861
Ohio State Research Foundation - Developmental Disabilities Basic Support and Advocacy	93.630	60039025		5,708
Cleveland Clinic - Cardiovascular Diseases Research	93.837	617SUB		14,314
Translational Genomics Research Institute - Allergy Immunology and Transplantation Research	93.855	PRICE-11-03		26,194
The University of Akron - Pharmacology Physiology and Biological Chemistry	93.859	02301-KSU		39,931
California State University San Marcos Foundation - Pharmacology Physiology and Biological Chemistry	93.859	F-77330		1,118
The University of Oregon - Pharmacology Physiology and Biological Chemistry	93.859	215250C PRIME1R01GM103309-01A1		19,833
Total				60,882

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed Through To Subrecipients	Expenditures
Research and Development Cluster (continued):				
Department of Health and Human Services (continued):				
Pass-through Programs (continued):				
The MetroHealth System - Special Projects of National Significance	93.928	7411061199		$ 20,728
Ohio Department of Mental Health and Addiction Services - Block Grants for Prevention and Treatment of Substance	93.959	99-3402-HEDUC-P-15-0007		4
Ohio Department of Mental Health and Addiction Services - Block Grants for Prevention and Treatment of Substance	93.959	99-3402-HEDUC-P-16-0007		3,379
Total				3,383
Children's Hospital Medical Center of Akron - Preventive Health and Health Services Block Grant	93.991	KSU411721		1,395
Children's Hospital Medical Center of Akron - Preventive Health and Health Services Block Grant	93.991	KSU411730		15,744
Total				17,139
Total Department of Heath and Human Services				2,881,424
TOTAL RESEARCH AND DEVELOPMENT CLUSTER				10,316,457
CDBG - Entitlement Grants Cluster				
Department of Commerce -				
Pass-through Programs -				
Stark County Regional Planning Commission - Community Development Block Grants/Entitlement Grants	14.218	B-15-UC-39-0005		30,251
TOTAL CDBG - ENTITLEMENT GRANTS CLUSTER				30,251
Special Education Cluster (IDEA)				
Department of Education -				
Pass-through Program:				
University of Dayton Research Institute - Special Education Grants to States	84.027	RSC14037		(171)
Ohio Department of Education - Special Education Grants to States	84.027	13943		330
University of Dayton Research Institute - Special Education Grants to States	84.027	RSC16024		27,072
University of Dayton Research Institute - Special Education Grants to States	84.027	RSC16017		39,892
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				67,123
TRIO Cluster				
Department of Education -				
Direct Programs:				
TRIO Student Support Services	84.042	N/A		370,918
TRIO Upward Bound	84.047	N/A		970,153
McNair Post-Baccalaureate Achievement	84.217	N/A		240,910
TOTAL TRIO CLUSTER				1,581,981
Medicaid Cluster				
Department of Health and Human Services -				
Pass-through Program:				
The Ohio State University - Medical Assistance Program	93.778	G-1617-05-0003/OMD201609		23,625
Northeast Ohio Medical University - Medical Assistance Program	93.778	G0065A		24,654
TOTAL MEDICAID CLUSTER				48,279
SUBTOTAL OF CLUSTERS				346,337,598
OTHER PROGRAMS				
Department of Agriculture -				
Direct Program -				
Rural Technology Development Grants	10.771	N/A		103,852
Total Department of Agriculture				103,852
National Security Agency				
Direct Program -				
Language Grant Program	12.900	N/A		211,310
Total National Security Agency				211,310
Department of Justice				
Pass-through Program -				
Ohio Attorney General - Crime Victim Assistance	16.575	2016-VOCA-22895892		10,437
Total Department of Justice				10,437
Department of Labor				
Pass-through Program -				
West Central Job Partnership - Workforce Innovation Fund	17.283	10512-J403		2,662
Total Department of Labor				2,662

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed Through To Subrecipients	Expenditures
Department of State				
Pass-through Programs:				
International Research & Exchange Board, Incorporated - Academic Exchange Programs - Undergraduate Programs	19.009	418602		$ 200
International Research & Exchange Board, Incorporated - Educational Exchange-Teachers from Secondary and Postsecondary Levels and School Administrators (B)	19.408	FY15-ILEP-KENT STATE-01		(2,930)
International Research & Exchange Board, Incorporated - Educational Exchange-Teachers from Secondary and Postsecondary Levels and School Administrators (B)	19.408	FY16-ILEP-KENT-STATE-01		178,617
International Research & Exchange Board, Incorporated - Educational Exchange-Teachers from Secondary and Postsecondary Levels and School Administrators (B)	19.408	FY15-ILEP-KENT STATE-01 SUPPL.		19,356
Total				195,043
Total Department of State				195,243
Department of Transportation				
Direct Program -				
Airport Improvement Program	20.106	N/A		242,095
Total Department of Transportation				242,095
National Aeronautics and Space Administration				
Pass-through Programs:				
Ohio Space Grant Consortium - Education	43.008	KSU415646		1,128
Ohio Space Grant Consortium - Education	43.008	KSU418726		2,495
Ohio Space Grant Consortium - Education	43.008	KSU411808		15,000
Ohio Space Grant Consortium - Education	43.008	KSU411814		9,500
Total Aeronautics and Space Administration				28,123
National Endowment for the Arts				
Pass-through Program -				
Ohio Arts Council - Promotion of the Arts-Partnership Agreements	45.025	150192		1,783
Total National Endowment for the Arts				1,783
National Endowment for the Humanities				
Pass-through Program -				
Promotion of the Humanities Professional Development	45.163	N/A		69,695
Total National Endowment for the Arts				69,695
Institute of Museum and Library Services				
Pass-through Program:				
State Library of Ohio - State Library Program (A)	45.310	VIII-4-15		1,103
University of Washington - National Leadership Grants	45.312	763729		14,868
Total Institute of Museum and Library Services				15,971
Small Business Administration				
Pass-through Programs:				
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-16-327		37,058
Ohio Development Services Agency - Small Business Development Centers	59.037	KSU445004		27,084
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG 14-126B		28,377
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-16-321		56,817
Ohio Development Services Agency - Small Business Development Centers	59.037	KSU487908		9,618
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-15-222		84,804
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-16-322		84,515
Total				328,273
Ohio Aerospace Institute - Federal and State Technology Partnership Program	59.058	PO # 0006368		5,968
Total Small Business Administration				334,241

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed Through To Subrecipients	Expenditures
Department of Education				
Direct Programs:				
Adult Education National Programs	84.191	N/A		$ 328,302
Special Education-Personnel Preparation to Improve Services	84.325	N/A	$ 44,100	635,948
Pass-through Programs:				
Ohio Board of Regents - Adult Education - Basic Grants to States	84.002	BOR01-0000003953		36,421
The Ohio State University - Adult Education - Basic Grants to States	84.002	60046172		15,623
Ohio Board of Regents - Adult Education - Basic Grants to States	84.002	AB-SL-2016		894,819
Total				946,863
Ohio Department of Education - Career and Technical Education - Basic Grants to States	84.048	VEPD-CB-14-11474		(5,534)
Ohio Department of Education - Career and Technical Education - Basic Grants to States	84.048	EDU20A01566451		97,888
Ohio Department of Education - Career and Technical Education - Basic Grants to States	84.048	PO# 15182		9,878
Ohio Board of Regents - Career and Technical Education - Basic Grants to States	84.048	BORO1-0000003949		1,200
Ohio Board of Regents - Career and Technical Education - Basic Grants to States	84.048	BOR01-0000004024		3,500
Total				106,932
Opportunities for Ohioans with Disabilities - Rehabilitation Services Vocational Rehabilitation Grants	84.126	15S1898PI-15		752
Ohio Rehabilitation Services Commission - Special Projects and Demonstrations for Providing	84.235	H235U070024		4,428
Northeast Ohio Medical University - 21st Century Community Learning Centers Program	84.287	34528-B		161
Summit County Educational Service Center - Foreign Languages Assistance	84.293	FLAP GRANT		3,549
Summit County Educational Service Center - Foreign Languages Assistance	84.293	KSU411704		3,797
Total				7,346
Ohio Department of Education - Special Education - State Personnel Development	84.323	15499		9,116
University of Dayton Research Institute - Special Education-Personnel Preparation to Improve Services and Results for Children with Disabilities (B)	84.325	RSC15068		27,500
Ohio Board of Regents - Gaining Early Awareness and Readiness for Undergraduate Programs (B)	84.334	KSU417202		13,425
Total				50,041
Ohio Department of Education - Mathematics and Science Partnerships (B)	84.366	13708		85,108
Ohio Department of Education - Mathematics and Science Partnerships (B)	84.366	15246		164,834
Total				249,942
National Writing Project - Improving Teacher Quality State Grants (A)	84.367	97-OH03-SEED2012		13,839
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	13-20		4,927
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	13-18		7,265
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	14-23		103,946
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	14-22		64,987
Ohio Department of Education Improving Teacher Quality State Grants (A)	84.367	15055		160,415
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	15-21		12,133
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	15-23		8,551
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	KSU467915		(4,435)
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	14-26		99,458
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	KSU487926		1,016
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	15-24		68,377
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	15-24		175
National Writing Project - Improving Teacher Quality State Grants (A)	84.367	97-OH03-SEED2012		2,962
Total				543,616
Cleveland State University - College Access Challenge Grant Program	84.378	1002670669		392
Ohio Board of Regents - Statewide Data Systems, Recovery Act	84.384	CFDA 84.384 ARCHIVED 2011		(34,465)
Total				(34,073)
Total Department of Education				2,840,258

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Passed Through To Subrecipients	Expenditures
Vietnam Education Foundation				
Direct Program -				
VEF Fellowship Program	85.802	N/A		$ 3,163
Total Vietnam Education Foundation				3,163
National Archives and Records Administration				
Pass-through Program -				
National Historical Publications and Records Grants	89.003	KSU418724		1,770
Total National Archives and Records Administration				1,770
Department of Health and Human Services				
Direct Program -				
Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)	93.243	N/A		64,259
Pass-through Programs:				
Tuscarawas County General Health District - Public Health Emergency Preparedness	93.069	KSU 444503		4,090
Summit County Heath District - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	KSU416423		2,079
Tuscarawas County Health Department - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	KSU416219		24,608
Total				26,687
Summit County Health District - Immunization Cooperative Agreements	93.268	KSU416424		790
Logan County Health District - PPHF 2012 National Public Health Improvement Initiative	93.507	KSU416428		2,956
Summit County Health District - Preventive Health and Health Services Block Grant	93.991	KSU416422		2,598
Summit County Health District - Maternal and Child Health Services Block Grant to the States	93.994	KSU416425		2,871
Total				9,215
Total Department of Health and Human Services				104,251
TOTAL OTHER PROGRAMS				4,164,854
TOTAL SUBRECIPIENTS			**$ 1,092,337**	
TOTAL FEDERAL AWARDS				**$ 350,502,452**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Kent State University (the "University") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Kent State University, it is not intended to and does not present the financial position, changes in net position, or cash flows of Kent State University.

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

Note 2 - Summary of Significant Accounting Policies

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

Facilities and Administrative Costs - The University has approved predetermined facilities and administrative cost rates, which are 49.5 percent from July 1, 2015 to June 30, 2016 for on-campus research and instruction and 26 percent from July 1, 2014 to June 30, 2018 for other on-campus sponsored activities and off-campus programs.

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

Note 3 - Loans Balances

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balances of loans outstanding at June 30, 2016 consist of:

Cluster/Program Title	CFDA Number	Loan Balances
Perkins Loan Program	84.038	$ 36,134,992
Nursing Student Loan Program	93.364	1,775,249
Health Professional Student Loans	93.342	2,137,232
Loans for Disadvantaged Students	93.342	305,166
	Total	$ 40,352,639

Note 4 - Adjustments and Transfers

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

During the 2015-2016 award year, the University transferred and spent $39,902 from SEOG to FWS. The University also carried back and spent $16,348 of SEOG funds from the 2015-2016 year to the 2014-2015 award year. From the 2016-2017 award year, the University carried back and spent $37,277 of SEOG funds and $141,576 of FWS funds to the 2015-2016 award year.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? __X__ Yes ____ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? ____ Yes __X__ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364	Student Financial Aid Cluster
Various	Research and Development
84.042, 84.047, 84.217	TRIO
84.002	Adult Education

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? __X__ Yes ____ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
2016-001	**Finding Type** - Material weakness

Criteria - Because of the liquid nature of cash and the ability for unauthorized individuals to access bank accounts and withdraw cash from them, controls surrounding cash warrant a heightened attention. Controls should be in place that prevent an individual from initiating and approving their own wire transfer transactions.

Condition - One individual has the ability to create and approve wire transfer templates, as well as initiate and approve individual wire transfers with no second approval required.

Context - Wire transfer access noted above is for the majority of the cash accounts maintained by the University. The individual's access did not include a transfer limit.

Cause - While there are many detective controls in place to identify unauthorized wire transfers, there is no control in place to prevent an unauthorized wire transfer from being performed for one individual at the University.

Effect - When an individual can complete a wire transfer with no second, independent, approval needed, an unauthorized transfer could result in a misappropriation of assets.

Recommendation - The University should require dual authorization on all wire transfer requests.

Views of Responsible Officials and Planned Corrective Actions - Due to lack of resources in the Treasury management area, it has been challenging to obtain appropriate segregation of duties. With this knowledge, Kent State placed reliance on various detective controls as well as available insurance coverage. During fiscal year 2016 a second employee was hired in the Treasury Services department. With the hire of another employee, appropriate controls have been put in place to ensure adequate segregation of duty. Kent State University has implemented the following changes immediately in the Treasury management area. Dual controls have been put in place for both the initiation and approval of all wire transfer templates, as well as the initiation and approval of all wire transfer transactions. All wire transfer transactions are processed via a wire template in the banking application. Once a template is created for the vendor, wire transfers can be initiated by changing the wire amount and purpose of the payment. A second person is now required to review and approve all wire transfers. Kent State has also implemented procedures to allow for back-up personnel in the event an employee of the Treasury management area is absent.

Section III - Federal Program Audit Findings

None

Prior Year Finding Number	Fiscal Year in Which the Finding Initially Occurred	Federal Program, CFDA Number, and Name	Original Finding Description	Status/Partial Corrective Action (as Applicable)	Planned Corrective Action (if Finding Not Corrected)
2015-001	2015	Student Financial Aid Cluster (Federal Perkins Loan Program - 84.038)	There was a population of students (214) who did not receive exit counseling in accordance with 34 CFR section §674.42 upon separation because of a lack of control over the process between the University and the third-party servicer provider to ensure that those were completed.	Fully corrected - Of the 214 students identified, 55 students had paid their OCPM Perkins loan in full, one student had passed away, and 158 were still making payments on their loan. All 158 students have been sent exit interview for their OCPM Perkins loan portion by the University's new loan servicer ECSI. The Manager of the Collection Division has developed a process to ensure that all students that have ceased to be at least half-time status at the University receive an exit interview per 34 CFR section §674.42	N/A
2015-002	2015	Student Financial Aid Cluster (Pell - 84.063, Federal Direct Loans - 84.268)	The University did not have a process in place to appropriately report graduated status for certain students, which resulted in some students showing as active instead of graduated.	Fully corrected - Given the National Student Clearinghouse's (NSC) restrictive criteria for calculating the graduated enrollment record, the University no longer relies on the NSC process. The University now provides its own final graduated enrollment file to NSC which contains the correct campus and program statuses for all graduated students.	N/A

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Kent State University
National Collegiate Athletics Association

Agreed-upon Procedures Report
Related to NCAA Constitution 3.2.4.15
June 30, 2016

Kent State University
National Collegiate Athletics Association Report

Contents

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Independent Accountant's Report on
the Application of Agreed-upon Procedures

Dr. Beverly J. Warren, President
Kent State University

We have performed the procedures enumerated below, which were agreed to by the president of Kent State University (the "University"), solely to assist you in evaluating whether the accompanying Intercollegiate Athletics Program statement of revenue and expenses (the "Statement") of Kent State University is in compliance with the National Collegiate Athletics Association (NCAA) Constitution 3.2.4.15 for the year ended June 30, 2016. Kent State University's management is responsible for the statement of revenue and expenses and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-upon Procedures Related to the Statement of Revenue and Expenses

The procedures that we performed and our results are as follows:

Internal Control Structure

A. In preparation for our procedures related to the University's internal control structure:

1) We met with the director of intercollegiate athletics and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the University, the competence of personnel, and the protection of records and equipment.

2) We obtained the audited financial statements for the year ended June 30, 2016 and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the internal control structure.

3) We obtained any documentation of the accounting systems and procedures unique to the Intercollegiate Athletics Department (Athletics) that were not addressed in connection with the audit of the University's financial statements.

4) We then performed the following procedure:

   Procedure: We selected three games and traced ticket collections per the receipting process for such games to the reconciliation and documentation of the related cash deposit amount with the bank.

   Result: We concluded that the intercollegiate athletics department's internal control structure was the same as the University's internal control for the cash disbursement, general cash receipt, and employee pay processes. Therefore, the only procedure listed that is unique to intercollegiate athletics is the ticket collection receipt process. We selected two football games and one men's basketball game during the year and agreed the gate sales for such events, as documented by the University's ticket reconciliation procedures, to deposit slips of the related cash deposit amount with the bank. The games selected for testing were football versus Bowling Green State University on October 24, 2015, football versus Central Michigan University on November 18, 2015, and men's basketball versus Oberlin College on January 2, 2016. We noted a $40 difference between the Veritix report and the University's records for the Central Michigan University game.

<u>NCAA Reporting</u>

B. **Procedure:** The financial report submission to the NCAA is now due on January 16, 2017. We obtained the financial data detailing operating revenue, expenses, and capital related to the University's intercollegiate athletics program that will be submitted to the NCAA and agreed the amounts to the Intercollegiate Athletics Program statement of revenue and expenses included in the agreed-upon procedures for the reporting period.

   Results: We noted no discrepancies.

C. **Procedure:** We agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the University. The NCAA Membership Financial Reporting System populates the sports from the NCAA membership database as they are reported by the University.

   Results: We noted no discrepancies in the sports sponsored between the NCAA Membership Financial Reporting System and the squad lists.

D. **Procedure:** We obtained the University's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports reported by the University meet the minimum requirements set forth in NCAA Bylaw 20.9.6.3. We agreed the sports reported as countable for revenue distribution purposes to the NCAA Membership Financial Reporting System.

   Results: Procedures were performed without exception.

<u>Notes and Disclosures</u>

E. **Procedure**: We obtained and described the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets in Note 2. We agreed the data provided for athletics and institutional debt service and debt balance fields in the miscellaneous information screen for the submission to the NCAA to the University's general ledger, including additions, deletions, and book values as disclosed in Notes 2 and 3.

   Result: We noted no exceptions.

F. **Procedure**: We noted that changes in loan, endowment or plant funds related to intercollegiate athletics were not to be included in the Statement.

   1) We obtained and disclosed significant additions to restricted funds related to intercollegiate athletics, as well as significant changes to endowment and plant funds. Significant is defined as exceeding 10 percent of total revenue or expense in the Statement.
   2) We obtained and disclosed the value of endowments at the fiscal year end that are dedicated to the sole support of athletics.
   3) We obtained and disclosed the value of all pledges at the fiscal year end that support athletics.
   4) We obtained and disclosed the athletics department fiscal year-end fund balance.

   Results: We disclosed all items in Note 4.

<u>Statement of Revenue and Expenses</u>

G. **Procedure:** We obtained the Intercollegiate Athletics Program statement of revenue and expenses for the reporting period, prepared by the senior fiscal manager of intercollegiate athletics (management), and agreed all amounts back to the University's general ledger.

   Result: We noted no exceptions.

Procedure: We compared each major revenue and expense account over 10 percent of the total revenue or expenses to prior period amounts and budget estimates. We obtained and documented an understanding of any variations over the lesser of $1 million or 10 percent.

Result: There were no variances that exceeded the lesser of $1 million or 10 percent of total revenue or expense.

H. **Procedure:** We performed additional procedures on the following revenue and expense categories unless the specific reporting category is less than 0.5 percent of total revenue or expenses.

Results: See procedures below.

Revenues

I. **Procedure:** We agreed each revenue reported in the statement during the reporting period to supporting schedules provided by the University.

Result: The supporting schedules provided by the University agreed to the statement without exception.

We performed the following procedures for the indicated revenue category:

1) Ticket Sales

Procedure: We agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the statement and related attendance figures and recalculated totals. The games chosen for testing included football versus Bowling Green State University on October 24, 2015, football versus Central Michigan University on November 18, 2015, and men's basketball versus Oberlin College on January 2, 2016.

Result: We completed the procedure steps, including agreeing revenue receipts for the sample of the three games listed to the bank deposit slips. We noted no exceptions.

2) Student Fees

Procedure: We agreed student fees reported by the University in the Statement for the reporting period to student enrollments during the same reporting period. We obtained the University's methodology for allocating student fees to intercollegiate athletics programs and recalculated totals.

Result: We noted no exceptions.

3) Direct Institutional Support

Procedure: We agreed the direct institutional support recorded by the University during the reporting period with state appropriations, institutional authorizations, and other corroborative supporting documentation and recalculated totals.

Result: We obtained and reviewed the calculation for direct institutional support, recalculated, and tied out components of the calculation to the general ledger. We noted no exceptions.

4) Indirect Institutional Support

Procedure: We requested the indirect institutional support recorded by the University during the reporting period.

Result: Per discussion with management, no indirect institutional support exists relative to the fiscal year ended June 30, 2016.

5) Guarantees

Procedure: We selected a sample of three contractual agreements pertaining to revenue derived from guaranteed contests during the reporting period and agreed each to the University's general ledger. We also recalculated totals. We agreed a sample of three settlement reports obtained from the above revenue supporting schedules to the supporting revenue receipts. For the three aforementioned samples, we selected the following games: football versus the University of Minnesota on November 13, 2015, women's volleyball versus the University of Wisconsin on September 22, 2015, and field hockey versus the University of Iowa on October 8, 2015.

Result: We completed the above procedure steps, noting no exceptions.

6) Contributions

Procedure: We obtained supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals that constitute 10 percent or more of all contributions received for intercollegiate athletics during the reporting periods. We disclosed the source and dollar value of these contributions in the report.

Result: We completed the procedure steps without exception. See Note 1 for contributions over 10 percent.

7) In-kind

Procedure: We requested the related revenue and the University's general ledger detail of in-kind revenue, as well as other corroborative supporting documents.

Result: Per review of general ledger and discussion with management, we noted no items that would fall under the category of in-kind revenue.

8) Media Rights

Procedure: We obtained and inspected all agreements related to the University's participation in revenue from broadcast, television, radio, and Internet rights. We agreed related revenue to the University's general ledger and/or the Statement. We also recalculated totals.

Result: Per discussion with management, no media rights contracts or agreements exist regarding broadcast, television, radio, or Internet rights. The University records media rights as an allocation of 12.5 percent of total conference distributions.

9) NCAA Distributions

Procedure: We selected a sample of distributions and agreed the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculated totals. The distributions selected for testing were $54,624 on May 25, 2016, $170,319 on June 27, 2016, and $500,666 on August 6, 2015.

Result: We traced the amount of the disbursement per the general ledger detail to the related ACH bank deposit. We noted no exceptions.

10) Conference Distributions

Procedure: We obtained and inspected all agreements related to the University's conference distributions and participation in revenue from tournaments during the reporting period to gain an understanding of the relevant terms and conditions. We compared the related revenue to the University's general ledger and the Statement.

Result: Procedures were performed without exception.

11) Program Sales, Concessions, Novelty Sales, and Parking

Procedure: We requested the related revenue and the University's general ledger detail of program sales, concessions, novelty sales, and parking, as well as other corroborative supporting documents.

Result: We reviewed the schedule and noted no items reported in this category.

12) Royalties, Licensing, Advertisements, and Sponsorships

Procedure: We obtained and inspected all agreements related to the University's participation in revenue from royalties, advertisements, and sponsorships during the reporting period. We agreed the related revenue to the University's general ledger and/or the Statement. We also recalculated totals.

Result: We obtained and inspected the sponsorship contract in place between International Sports Properties and Kent State University dated July 1, 2007. We agreed the related revenue for the contract back to the general ledger. We noted no exceptions.

13) Sports Camp Revenue

Procedure: We requested all sports camp contracts between the University and persons conducting the University sports camps or clinics during the reporting period. We obtained schedules of camp participants. We selected a sample of one individual camp participant cash receipts from the schedule of sports camp participants and agreed the selection to the University's general ledger and/or the Statement, and recalculated totals.

Result: Per discussion with management, there are no sports camp contracts. We selected one individual participant for the University's gymnastic camp and agreed the payment of $525 on February 25, 2016 to the related check and deposit. No exceptions were noted.

14) Athletics Restricted Endowment and Investment Income

Procedure: We obtained and inspected all endowment agreements. We agreed the classification and use of endowment and investment income reported in the Statement during the reporting period to the uses of income defined within the related endowment agreement. We also recalculated totals.

Result: We noted that there was no endowment or investment income reported separately on the Statement. The University records all endowment income as contributions from the Kent State University Foundation.

15) Other

Procedure: We agreed other revenue to the University's general ledger and/or the Statement and recalculated totals.

Result: We noted no exceptions.

Expenses

J. **Procedure:** We agreed each expense reported in the Statement during the reporting period to supporting schedules provided by the University.

Result: The supporting schedules provided by the University agreed to the Statement without exception.

We performed the following procedures for the indicated expense category:

1) Athletic Student Aid

Procedure: We selected a sample of 40 students from the listing of institutional student aid recipients during the reporting period (at least 10 percent of the total student athletes since the University uses the NCAA's Compliance Assistant software to prepare athletic aid detail). We obtained individual student account detail for each selection and agreed total aid allocated from the related aid award letter to the student's account and recalculated totals.

a. We performed a check of each student selected to ensure that their information was reported accurately in either the NCAA's Compliance Assistant software or entered directly into the NCAA Membership Financial Reporting System using the following criteria:

i. The equivalency value for each student-athlete in all sports, including head-count sports, needs to be converted to a full-time equivalency value. The full-time equivalency value is calculated using the athletic grant amount reported on the squad list as the numerator and the full grant amount which is the total cost for tuition, fees, books, and room and board for an academic year as the denominator. If using the NCAA Compliance Assistant software, this equivalency value should already be calculated on that squad list labeled "Rev. Dist. Equivalent Award".

ii. A student athlete can only be included in one sport. NCAA Compliance Assistant software will place an asterisk by the student athlete within the sport that is not countable toward grants-in-aid revenue distribution per sport hierarchy listed in the Division I manual.

iii. All equivalency calculations should be rounded to two decimal places. The NCAA Compliance Assistant software and the on-line summary form will automatically round to two decimal places.

iv. The full grant amount should be the full cost of tuition for an academic year, not semester. The "Period of Award" column on the NCAA Compliance Assistance squad list can identify those student athletes receiving aid for a particular semester.

v. If a sport is discontinued and the grant(s) are still being honored by the University, the grant(s) are included in the student athlete aid for revenue distribution purposes.
vi. Student athletes receiving athletic aid who have exhausted their athletic eligibility or are inactive due to medical reasons should be included in the student athlete aid total and correctly noted on the squad list.
vii. Only athletic aid awarded in sports in which the NCAA conducts championship competitions, emerging sports for women, and football should be included in the calculations.

b. We recalculated totals for each sport and overall.

Result: For the sample of 40 students selected, each student's account detail agreed to the student's award letter and was recalculated except for the book award amount, which is offered but not disbursed through the student's account. No exceptions were noted.

The students' accounts tested are summarized below:

Student Accounts Tested

Student Tested	Amount Disbursed	Student Tested	Amount Disbursed	Student Tested	Amount Disbursed
1	$ 4,800	**15**	$ 6,000	**29**	$ 21,712
2	7,800	**16**	3,200	**30**	2,000
3	17,000	**17**	15,100	**31**	30,500
4	3,600	**18**	16,200	**32**	10,012
5	9,525	**19**	11,200	**33**	31,400
6	20,686	**20**	30,956	**34**	12,500
7	20,686	**21**	10,000	**35**	8,800
8	14,112	**22**	17,200	**36**	29,800
9	10,012	**23**	5,000	**37**	19,118
10	24,786	**24**	17,200	**38**	11,700
11	24,786	**25**	32,026	**39**	3,309
12	16,623	**26**	15,550	**40**	7,898
13	25,926	**27**	2,866		
14	14,112	**28**	21,826		

2) Guarantees

Procedure: We obtained and inspected a sample of three contractual agreements pertaining to expenses recorded by the University from guaranteed contests during the reporting period. We agreed related amounts expensed by the University during the reporting period to the University's general ledger. We also recalculated totals. We agreed a sample of three expenses obtained from the above expense supporting schedules to supporting documentation. For the aforementioned samples, we selected the following games or tournaments: football versus Delaware State University on September 12, 2015, women's basketball versus Hiram College on November 8, 2015, and men's basketball in Las Vegas Tournaments on December 22, 2015.

Result: We agreed the sample of three contractual agreements to copies of checks paid out, without exception.

3) Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

Procedure: We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period. We selected a sample of five coaches' contracts that includes football, and men's and women's basketball from the above listing. We agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the Statement during the reporting period. We obtained and inspected payroll summary registers for each selection. We agreed related payroll summary registers to the related coaching salaries, benefits, and bonuses paid by the University and related entities' expense recorded by the University in the Statement during the reporting period and recalculated totals. We compared and agreed the totals recorded to any employment contracts executed for the sample selected.

Result: We noted no exceptions. We agreed the sample of five to the coach's contract, payroll summary register, and payroll personnel action form.

The coaches tested are summarized below:

Coach	Team
1	Football
2	Men's Basketball
3	Women's Basketball
4	Baseball
5	Women's Volleyball

4) Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities

Procedure: We selected a sample of one support staff/administrative personnel employed by the University and related entities during the reporting period. We obtained and inspected payroll summary registers for each selection. We agreed related payroll summary registers to the related support staff/administrative salaries, benefits, and bonuses paid by the University and related entities' expense recorded by the University in the Statement during the reporting period. We also recalculated totals.

Result: We performed the procedures above for the assistant athletic director and reviewed the total payroll listed in the individual's labor distribution report. We noted no exceptions.

5) Recruiting

Procedure: We obtained the University's recruiting expense policies. We agreed to existing Institutional- and NCAA-related policies. We obtained general ledger detail and agreed to the total expenses reported.

Result: We obtained and reviewed the University's recruiting expense policies. We agreed total recruiting expenses to a detail list of recruiting expenses by sport. We noted no exceptions.

6) Team Travel

Procedure: We obtained the University's team travel policies. We agreed to existing Institutional- and NCAA-related policies. We obtained general ledger detail and agreed to the total expenses reported.

Result: We obtained and reviewed the University's team travel policies. We agreed total expenses reported to a detail list of travel expenses by sport. We noted no exceptions.

7) Equipment, Uniforms, and Supplies

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Result: We agreed total expenses reported to a detail list of equipment, uniform, and supplies expenses by sport. We selected one sample, a purchase of supplies for $1,862 on December 4, 2015, and agreed to the supporting receipt of purchase. We noted no exceptions.

8) Game Expenses

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Result: We agreed total expenses reported to a detail list of game expenses. We selected one sample, a heater rental of $7,062, and agreed to the related invoice. We noted no exceptions.

9) Fundraising, Marketing, and Promotion

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Result: We obtained a detail listing of fundraising, marketing, and promotion by sport and agreed to the total expenses reported. We agreed a sample of one transaction, a payment to a publishing company for postcards on February 19, 2016 for $531, to the related invoice. We noted no exceptions.

10) Sports Camp Expenses

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Result: We agreed total expenses reported to detail listings of sports camp expenses. We agreed a sample of one transaction, a gymnastics camp supplies purchase for $1,003 on June 1, 2016, to the supporting invoice. We noted no exceptions.

11) Spirit Groups

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Result: We agreed total expenses reported to detail listings of spirit group expenses. We agreed a sample of one transaction, a cheerleading shoes purchase for $1,035 on October 31, 2015, to the supporting invoice. We noted no exceptions.

12) Athletic Facility Debt Service, Leases, and Rental Fees

Procedure: We requested a listing of debt service schedules, lease payments, and rental fees for athletic facilities for the reporting year. We agreed a sample of facility payments including the top two highest facility payments to additional supporting documentation (e.g., debt financing agreements, leases, and rental agreements). We agreed amounts recorded to amounts listed in the general ledger detail and recalculated totals.

Result: We obtained a listing of internal leases, including the amounts charged to athletics for the year. We recalculated and agreed the total per the listing to the general ledger, noting no exceptions. There were no facility payments made by athletics, so no testing was performed on a sample of individual payments.

13) Direct Overhead and Administrative Support

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Result: We discussed the sample chosen with management and obtained and reviewed the related journal entry for $530,805 on July 25, 2015. We noted no exceptions.

14) Indirect Institutional Support

Procedure: We tested this with the revenue section, Indirect Institutional Support.

Result: We noted no exceptions. See revenue section Indirect Institutional Support.

15) Medical Expenses and Medical Insurance

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Result: We reviewed the sample of one medical expense for $2,194 on August 25, 2015 and agreed to the related invoice and check request. We noted no exceptions.

16) Memberships and Dues

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Result: We reviewed the invoice related to subscription database services dated September 2, 2015 for $12,000 and traced to the general ledger. We noted no exceptions.

17) Other Operating Expenses

Procedure: We agreed other expenses to the University's general ledger and/or the statement and recalculated totals.

Result: We noted no exceptions.

Affiliated and Outside Organizations

K. In preparation for our procedures related to the University's affiliated and outside organizations, we:

1) Inquired of management as to whether they have identified any affiliated and outside organizations that meet any of the following criteria:

   i. Booster organizations established by or on behalf of an intercollegiate athletics program

   ii. Independent or affiliated foundations or other organizations that have as a principal purpose, generating or maintaining of grants-in-aid or scholarships funds, gifts, endowments or other monies, goods, or services to be used entirely or in part by the intercollegiate athletics program

   iii. Alumni organizations that have as one of their principal purposes the generating of monies, goods, or services for or on behalf of an intercollegiate athletics program and that contribute monies, goods, or services directly to an intercollegiate athletics program, booster group, or independent or affiliated foundation as previously noted.

2) Obtained documentation on the University's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. We inquired of management on the procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the University's intercollegiate athletic program.

3) Obtained and inspected audited financial statements of the University and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the control environment that were provided to us by management.

   Procedure: For expenses for or on behalf of intercollegiate athletic programs by affiliated and outside organizations not under the University's accounting control, we requested those organizations' financial statements for the reporting period.

   Result: Per discussion with management as well as review of documentation, we did not note any affiliated organizations that would be considered not under the University's accounting control. We noted that there were no audited financial statements available for affiliated or outside organizations. No additional procedures were performed.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Intercollegiate Athletics Program statement of revenue and expenses. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Kent State University management and the National Collegiate Athletics Association and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 1, 2016

Intercollegiate Athletics Program Statement of Revenue and Expenses
Year Ended June 30, 2016

Operating Revenue	Men's Football	Men's Basketball	Women's Basketball	Other Sports	Nonprogram- Specific	Total
Ticket sales	$ 293,005	$ 171,319	$ 11,418	$ 31,764	$ 2,224	$ 509,730
Student fees	-	-	-	-	14,581,536	14,581,536
Guarantees	1,380,000	90,000	-	24,850	-	1,494,850
Contributions	312,945	153,506	91,192	349,721	13,921	921,285
Direct institutional support	-	-	-	-	4,706,690	4,706,690
NCAA distributions	-	-	-	-	1,036,763	1,036,763
Conference distributions	-	-	-	-	1,051,299	1,051,299
Media rights	-	-	-	-	150,186	150,186
Royalties, licensing, advertisements, and sponsorships	-	-	-	-	561,597	561,597
Sports camp revenue	6,604	31,645	8,008	509,730	-	555,987
Other	-	-	-	-	448,685	448,685
Total operating revenue	1,992,554	446,470	110,618	916,065	22,552,901	26,018,608
Operating Expenditures						
Athletic student aid	2,138,668	520,866	432,054	3,311,072	9,068	6,411,728
Guarantees	450,000	316,000	4,200	250	-	770,450
Coaching salaries, benefits, and bonuses paid by the University and related entities	1,369,391	691,941	475,740	1,886,167	1,743,261	6,166,500
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	-	-	-	-	4,220,435	4,220,435
Severance payments	98,312	-	-	-	-	98,312
Recruiting	147,205	92,538	55,156	148,402	-	443,301
Team travel	789,868	247,085	97,927	1,094,024	657,554	2,886,458
Equipment, uniforms, and supplies	360,853	90,139	74,255	491,182	639,525	1,655,954
Game expenses	286,826	213,602	110,397	89,434	-	700,259
Fundraising, marketing, and promotion	-	-	-	-	1,089,160	1,089,160
Sports camp expenses	7,697	28,088	11,262	511,137	-	558,184
Spirit groups	-	-	-	-	145,623	145,623
Athletic facilities debt service, leases, and rental fees	-	-	-	-	530,805	530,805
Direct overhead and administrative support	-	-	-	-	654,024	654,024
Medical expenses and medical insurance	-	-	-	-	213,335	213,335
Memberships and dues	2,064	1,185	1,585	10,226	325,974	341,034
Other operating expenses	-	-	-	-	1,374,066	1,374,066
Total operating expenditures	5,650,884	2,201,444	1,262,576	7,541,894	11,602,830	28,259,628
(Deficiency) Excess of Revenue (Under) Over Expenditures	**$ (3,658,330)**	**$ (1,754,974)**	**$ (1,151,958)**	**$ (6,625,829)**	**$ 10,950,071**	**$ (2,241,020)**

See Notes to Intercollegiate Athletics Program Statement of Revenue and Expenses.

Note 1 - Contributions

Individual contributions of monies, goods, or services received directly by the University's intercollegiate athletics program from any affiliated or outside organization, agency, or individuals (e.g., contributions by corporate sponsors) that constitute 10 percent or more of all contributions received for intercollegiate athletics during the year ended June 30, 2016 are as follows:

Source of Funds, Goods, and Services	Value
Private donor	$201,272.10

Note 2 - Intercollegiate Athletics-related Assets

Property and equipment are recorded at cost or, if donated, the fair value at the time of donation. Expenses for maintenance and repairs are charged to current expense as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land. Expenses for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 3-40 years depending on class.

The current year capitalized additions and deletions to facilities during the year ended June 30, 2016 are as follows:

	Current Year Additions	Current Year Deletions
Athletics facilities	$ 781,441	$ -
Other University faciliites	$ 134,847,730	$ 7,046,432

The total estimated book values of property, plant, and equipment, net of depreciation, of the University as of the year ended June 30, 2016 are as follows:

	Estimated Book Value
Athletically related property, plant, and equipment balance	$ 16,257,858
University's total property, plant, and equipment balance	$ 882,707,796

Note 3 - Intercollegiate Athletics-related Debt

The annual debt service and debt outstanding for the University as of June 30, 2016 are as follows:

	Annual Debt Service	Debt Outstanding
Athletics-related facilities	$ -	$ -
University's total	$ 29,766,625	$ 534,503,000

Note 4 - Restricted and Endowment and Plant Funds

During the year, the University did not have any significant changes in loan, endowment, or plant funds related to intercollegiate athletics.

In addition, at June 30, 2016, the University had $5,358,555 of endowments and $1,967,743 in pledges receivable dedicated to the sole support of athletics not reported in the Statement. The athletics department's fund balance is $2,007,959 at June 30, 2016.

Dave Yost • Auditor of State

KENT STATE UNIVERSITY

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 15, 2016

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