Bowling Green State University
(a component unit of the State of Ohio)

Financial Report

with Supplemental Information

June 30, 2017

Dave Yost • Auditor of State

Board of Trustees
Bowling Green State University
907 Administration Building
Bowling Green, Ohio 43403

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

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

Dave Yost
Auditor of State

October 25, 2017

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Independent Auditor's Report

To Management, the Audit Committee, and
the Board of Trustees
Bowling Green State University

Report on the Financial Statements

We have audited the accompanying financial statements of Bowling Green State University, a component unit of the State of Ohio (the "University"), and its discretely presented component units as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise Bowling Green State University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Bowling Green State University Foundation, Inc. and Subsidiary which represents 66 percent, 81 percent, and 98 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Bowling Green State University, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To Management, the Audit Committee, and
the Board of Trustees
Bowling Green State University

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Bowling Green State University and its discretely presented component units as of June 30, 2017 and 2016 and the changes in its financial position and, where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension funding progress, and 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bowling Green State University and its discretely presented component units' basic financial statements. The other supplemental information, the schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements.

The other supplemental information, 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 other supplemental information, the schedule of expenditures of federal awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

To Management, the Audit Committee, and
the Board of Trustees
Bowling Green State University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2017 on our consideration of Bowling Green State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bowling Green State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 6, 2017

Bowling Green State University

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

This section of Bowling Green State University's (the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2017, 2016, and 2015. This discussion provides an overview of the University's financial activities and should be read in conjunction with the accompanying financial statements and footnotes.

Using the Annual Financial Statements

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*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* 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 (the 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.

Under the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Bowling Green State University Foundation, Inc. (the "Foundation") and Centennial Falcon Properties, Inc. and Subsidiaries (the "Corporation") have been determined to be component units of the University. Accordingly, the Foundation and the Corporation are discretely presented in the University's financial statements. The Foundation and the Corporation are excluded from management's discussion and analysis. Complete financial statements for the Foundation can be obtained from the vice president for university advancement at Mileti Alumni Center, Bowling Green, Ohio 43403. Complete financial statements for The Falcon Foundation and the Corporation can be obtained from the vice president, 230 McFall Center, Bowling Green, Ohio 43403.

Noteworthy Financial Activity

The University's financial position remained strong at June 30, 2017, with total assets of $837 million, net deferred outflows of $60.4 million, and total liabilities of $552.3 million, for a total net position of $345.0 million. Net position increased from $332.6 million at June 30, 2016, reflecting an increase of $12.4 million.

In October 2011, the University's Board of Trustees approved the planning, programming and schematic design work supporting a $200 million reinvestment in core academic buildings on the Bowling Green campus. The scope of the capital project renewal included renovations in four of the campus' oldest, historical buildings.

Initial funding for this major capital project renewal was approved by the Board of Trustees in February 2013. On May 7, 2014, the University issued $40,000,000 General Receipts Bonds, Series 2014, tax exempt, variable interest rate bonds.

Additional funding for this major project was approved by the Board of Trustees in September, 2015. On February 11, 2016, the University issued $70,000,000 General Receipts Bonds, Series 2016A, tax exempt, fixed rate bonds.

In December 2016, the Board of Trustees approved additional funding for the project. On June 29, 2017, the University issued $35,000,000 General Receipts Bonds, Series 2017A, tax exempt, fixed rate bonds.

In June 2015 the University adopted 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 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 supplemental information (RSI). In accordance with the statement, the University reported a net pension liability of $195 million as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014. Throughout the following discussion, the impact of GASB 68 is highlighted for the initial year of adoption, 2015, and the second and third years after implementation, 2016 and 2017.

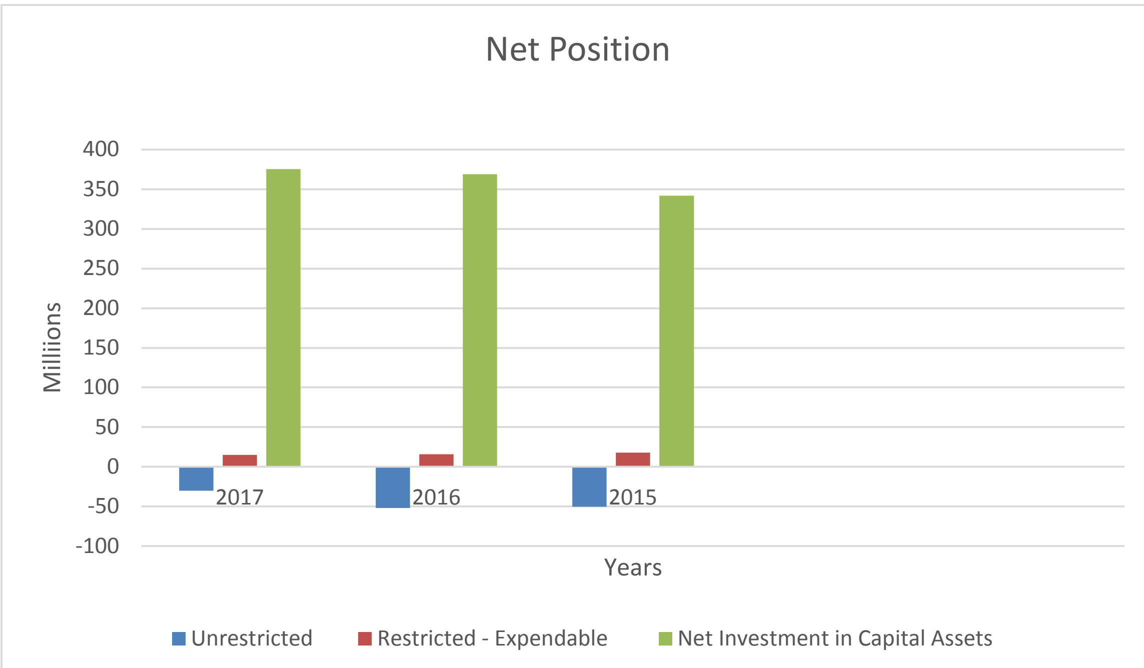
Statement of Net Position

The statement of net position includes all assets and liabilities. Over time, an increase or decrease in net position (the difference between assets and liabilities) is 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.

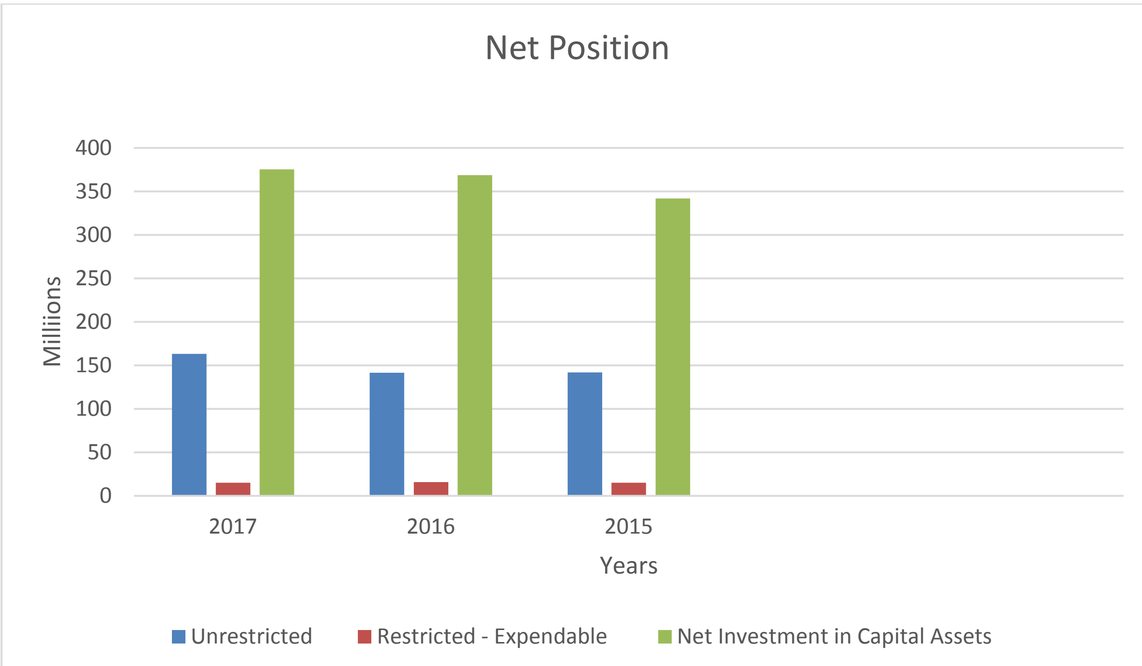
Bowling Green State University
Condensed Statement of Net Position
as of June 30, 2017, 2016, and 2015 (in thousands)

	2017	2016	2015
Assets			
Current assets	$ 222,332	$ 207,690	$ 210,604
Non-current assets:			
Capital assets	559,591	525,970	453,597
Other	55,034	56,721	35,275
Total non-current assets	614,625	582,691	488,872
Total assets	836,957	790,381	699,476
Deferred Outflows	64,799	38,072	14,063
Liabilities			
Current liabilities	49,680	57,941	61,479
Non-current liabilities	502,613	423,087	317,411
Total liabilities	552,293	481,028	378,890
Deferred Inflows	4,420	14,822	25,092
Net position			
Net investment in capital assets	375,303	368,871	341,937
Restricted, expendable	15,045	15,726	18,006
Unrestricted	(45,307)	(51,994)	(50,386)
Total net position	$ 345,041	$ 332,603	$ 309,557

The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2017, 2016, and 2015 – ***with*** the impact of GASB 68 adoption:



The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2017, 2016, and 2015 – ***without*** the impact of GASB 68 adoption:



2017 Versus 2016

University assets totaled $837.0 million at June 30, 2017, compared to $790.4 million at June 30, 2016, reflecting an increase of $46.6 million.

- Current assets: In fiscal year 2017, the University's current assets of $222.3 million were sufficient to cover current liabilities of $49.7 million (current ratio of 4.5).

- Accounts receivable, net of allowance for doubtful accounts, were $12.0 million at June 30, 2017, reflecting an overall increase of $0.2 million from the prior year.

- University current investments were $196.9 million, or 23.5% of total assets at June 30, 2017, and increased by $18.1 million over 2016. Net investment gains of $10.1 million were recorded during the year.

- Cash and cash equivalents were $8.4 million at June 30, 2017, and decreased $2.6 million over 2016 primarily due to the timing of transfers between the investment pool and the operating cash account at the fiscal year end.

- Restricted assets are funds held by trustees from long-term debt issues. At June 30, 2017, restricted investments were $42.1 million and decreased by $1.0 million over 2016. Bond draws of $36.0 million were made during the year. This was offset by the Series 2017A bond issue in June 2017 of $35 million, which was held by the trustee at June 30, 2017 and is available for future construction draws.

- Capital assets (net of depreciation) were $559.6 million (66.9% of total assets) at June 30, 2017 compared to $526.0 million (66.5% of total assets) at June 30, 2016, reflecting an increase of $33.6 million. The annual increases reflect the University's continued strategic focus on capital improvements, related infrastructures, and capital renewals.

- The University reported net deferred outflows of $60.4 million at June 30, 2017 related to GASB 68 (adopted in fiscal 2015). Certain amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are subject to amortization and will be expensed through recognition of annual amortization amounts in subsequent years' pension expense. Employer contributions subsequent to the measurement date are recognized as a reduction in the net pension liability balance in the following year.

University liabilities totaled $552.3 million at June 30, 2017 compared to $481.0 million at June 30, 2016.

- Total current liabilities at June 30, 2017 of $49.7 million reflect a decrease over June 30, 2016 of $8.3 million primarily due to the reduction in accounts payable and accrued expenses.

- Long-term debt and other obligations increased in 2017 overall by $27.1 million. Additions of $35 million in debt principal were offset by $7.5 million in annual principal payments on outstanding debt.

- Pension obligations at June 30, 2017 were $269.1 million compared to $216.6 million at June 30, 2016. The increase of $52.5 million is the result of the increase in the net pension liability directly related to GASB 68. The University reported a liability at June 30, 2015 for the first time of $181.4 million for its proportionate share of the net pension liability of OPERS/STRS due to the adoption of GASB 68.

The University's total net position at June 30, 2017 is $345.0 million, compared to the prior year of $332.6 million, for an increase of $12.4 million. This increase is attributable to a number of factors including:

- The change in net position for 2017 included $15.3 million expense reflecting the current year change in net pension liability related to GASB 68.
- An increase in operating revenue directly related to enrollment level increases in 2017 of approximately $4.1 million, and an increase of approximately $2.5 million in auxiliary enterprises net revenue.
- A $30.8 million increase in operating expenses in 2017 compared to 2016. Approximately $14.0 million of the increase in educational and general categories and $1.3 million of the increase in auxiliary enterprises is directly related to GASB 68 pension expense. The remaining $6.6 million is directly related to enrollment level increases. Depreciation and amortization expense increased approximately $2.7 million directly related to the significant ongoing construction initiatives. An approximate $1.1 million is related to auxiliary enterprises. Other expenses increased by $5.1 million related to disposal of plant facilities.
- An increase in state appropriations of approximately $4.4 million.
- A $10.5 million increase in net investment earnings due to an improvement in investment market conditions.

Of the total net assets, $390.3 million is invested in capital assets or is restricted. The remaining ($45.3) million in unrestricted net assets has been designated or allocated for specific for specific academic, research, and support purposes, reserves, and quasi-endowments.

2016 Versus 2015

University assets totaled $790.4 million at June 30, 2016, compared to $699.5 million at June 30, 2015, reflecting an increase of $90.9 million.

- Current assets: In fiscal year 2016, the University's current assets of $207.7 million were sufficient to cover current liabilities of $57.9 million (current ratio of 3.6).

- Accounts receivable, net of allowance for doubtful accounts, were $11.8 million at June 30, 2016, reflecting an overall increase of $2.2 million from the prior year. The increase is primarily attributable to business process changes relating to third-party billing for student charges (e.g., College Credit Plus Program) of approximately $1.5 million, an increase in research and sponsored program billings of approximately $240 thousand, and a $360 thousand increase in non-student accounts receivable due to timing and accruals at June 30, 2016 compared to June 30, 2015.

- University investments were $178.9 million, or 22.6% of total assets at June 30, 2016, and decreased by $8.8 million over 2015. Net investment gains of $1.1 million were recorded during the year. The offsetting $10 million decrease is due to transfers to operations during the year and the timing of transfers at the fiscal year end between the operating cash account back to the investment pool.

- Cash and cash equivalents were $11.1 million at June 30, 2016, and increased $3.8 million over 2015 primarily due to the timing of transfers between the investment pool and the operating cash account at the fiscal year end.

- Restricted assets are funds held by trustees for long-term debt issues. At June 30, 2016, restricted investments were $43.1 million and increased by $20.2 million over 2015. Bond draws of $21.0 million were made during the year, reflecting the final draws related to the Series 2014 bond issue. This was offset by the Series 2016A bond issue in February 2016 of $70 million, where $43.0 million was held by the trustee at June 30, 2016 and is available for future construction draws.

- Capital assets (net of depreciation) were $526.0 million (66.5% of total assets) at June 30, 2016 compared to $453.6 million (64.8% of total assets) at June 30, 2015, reflecting an increase of $72.4 million. The annual increases reflect the University's continued strategic focus on capital improvements, related infrastructures, and capital renewals.

- The University reported net deferred outflows of $23.3 million at June 30, 2016 related to GASB 68 (adopted in fiscal 2015). Certain amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are subject to amortization and will be expensed through recognition of annual amortization amounts in subsequent years' pension expense. Employer contributions subsequent to the measurement date are recognized as a reduction in the net pension liability balance in the following year.

University liabilities totaled $481.0 million at June 30, 2016 compared to $378.9 million at June 30, 2015.

- Total current liabilities at June 30, 2016 of $57.9 million reflect a decrease over June 30, 2015 of $3.5 million primarily due to the reduction in the current portion of long-term debt and other obligations resulting from scheduled debt maturities.

- Long-term debt and other obligations increased in 2016 overall by $70.5 million. Additions of $70 million in principal and $9.5 million in bond premiums were offset by $12.4 million in annual principal payments on outstanding debt.

- Pension obligations at June 30, 2016 were $216.6 million compared to $181.4 million at June 30, 2015. The increase of $35.2 million is the result of the increase in the net pension liability directly related to GASB 68. The University reported a liability at June 30, 2015 for the first time of $181.4 million for its proportionate share of the net pension liability of OPERS/STRS due to the adoption of GASB 68.

The University's total net position at June 30, 2016 is $332.6 million, compared to the prior year of $309.6 million, for an increase of $23.0 million. This increase is attributable to a number of factors including:

- The change in net position for 2016 included $915 thousand expense reflecting the current year change in net pension liability related to GASB 68.

- An increase in operating revenue directly related to enrollment level increases in 2016 of approximately $7.4 million, and an increase of approximately $1.9 million in auxiliary enterprises net revenue.

- An increase of approximately $2.2 million in federal, state, local, and nongovernmental grants and contracts.

- A $6.0 million increase in operating expenses in 2016 compared to 2015. Approximately $7.5 million of the increase is attributable to educational and general categories and is directly related to enrollment level increases, and an approximate $877 thousand increase is related to auxiliary enterprises. Depreciation and amortization expense increased approximately $1.3 million directly related to the significant ongoing construction initiatives. These increases are offset by reductions of approximately $3.0 million in other operating expenses, and includes a reduction of $582 thousand in operations and maintenance of plant.

- An increase in state appropriations of approximately $4.3 million.

- A $4.0 million increase in net investment earnings due to an improvement in investment market conditions.

- A $7.7 million increase in state capital appropriations related to the master plan construction project, and a $3.1 million increase in other capital grants and gifts (primarily from the BGSU Foundation for gifts directly related to construction projects).

Of the total net assets, \$384.6 million is invested in capital assets or is restricted. The remaining (\$52.0) million in unrestricted net assets has been designated or allocated for specific for specific academic, research, and support purposes, reserves, and quasi-endowments. Due to the 2015 implementation of GASB 68, (\$194.7) million was recorded as an adjustment for change in accounting principle.

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 typically results 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.

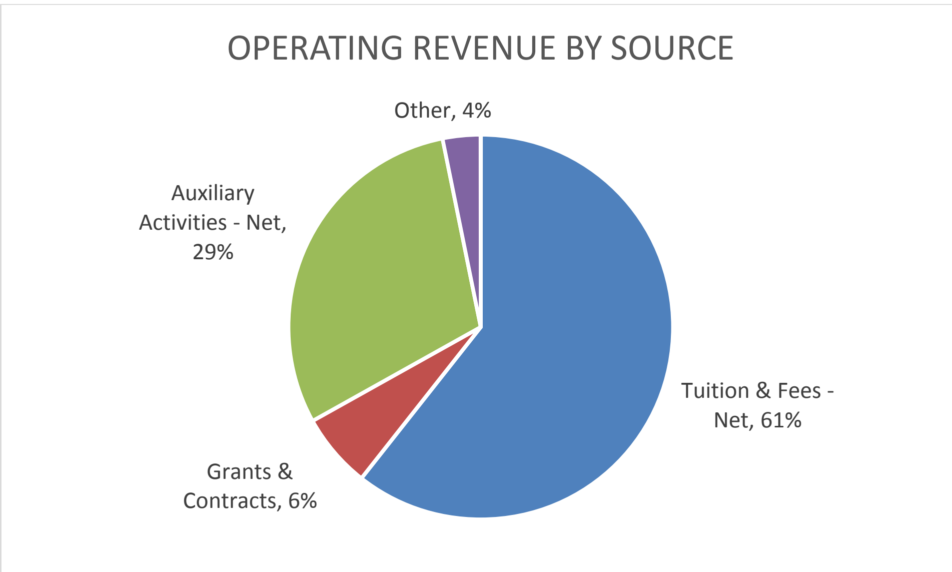
Bowling Green State University
Condensed Statement of Revenues, Expenses, and Changes in Net Position
as of June 30, 2017, 2016, and 2015 (in thousands)

	2017	2016	2015
Operating revenues:			
Student tuition and fees	$ 158,146	$ 154,070	$ 146,714
Auxiliary enterprises	74,832	72,379	70,486
Grants and contracts	16,319	18,619	16,401
Sales and service	3,202	3,418	3,748
Other operating revenues	8,314	5,026	3,630
Total operating revenues	260,813	253,512	240,979
Operating expenses:			
Educational and general	235,531	214,802	207,242
Scholarships and fellowships	17,065	17,844	18,001
Auxiliary enterprises	72,808	70,397	69,520
Operations of maintenance of plant	20,555	19,898	20,480
Depreciation and amortization	30,225	27,538	26,267
Other expenses	8,394	3,328	6,316
Total operating expenses	384,578	353,807	347,826
Operating loss	(123,765)	(100,295)	(106,847)
Non-operating revenues (expenses):			
State appropriations	75,950	71,526	67,233
Other non-operating revenues and expenses	35,918	27,577	23,204
Total non-operating revenues	111,868	99,103	90,437
Loss before other changes	(11,897)	(1,192)	(16,410)
Capital appropriations, grants, and gifts	24,336	24,238	13,377
Change in net position	12,439	23,046	(3,033)
Net position			
Net position at the beginning of the year	332,603	309,557	507,249
Adjustment for change in accounting prinicple - GASB 68	-	-	(194,659)
Net position at the end of year	$ 345,042	$ 332,603	$ 309,557

Operating Revenues

Operating revenues include all transactions that result from the sales and/or receipts of goods and services such as tuition and fees, student housing, and other auxiliary units. In addition, certain federal, state, and private grants are considered operating if they are a contract for services and not for capital purposes.

Following is a graphic illustration of operating revenue by source at June 30, 2017:



<u>2017 versus 2016</u>

The most significant sources of operating revenues for the University are tuition and fees of $158.1 million, an increase of $4.1 million, or 2.6% over 2016. Increases in student tuition and fees are due to overall enrollment level increases experienced in all semesters in 2017 compared to the prior year. Overall tuition rates and fees remained flat for FY 2017.

Auxiliary enterprises, another significant source of University revenues, increased from $72.4 million in 2016 to $74.8 million in 2017. Consistent with enrollment increases, revenue increases were experienced in certain auxiliary units such as residence life and dining.

Grants and contracts of $16.3 million at June 30, 2017 reflect a decrease of $2.3 million over June 30, 2016 that is primarily due to timing fluctuations of grant expenditures year over year and the timing of grant end dates and the beginning dates of renewals/new grants.

<u>2016 versus 2015</u>

The most significant sources of operating revenues for the University are tuition and fees of $154.1 million, an increase of $7.4 million, or 5.0% over 2015. Increases in student tuition and fees are due to overall enrollment level increases experienced in all semesters in 2016 compared to the prior year. Overall tuition rates and fees remained flat for FY 2016.

Auxiliary enterprises, another significant source of University revenues, increased from $70.5 million in 2015 to $72.4 million in 2016. Consistent with enrollment increases, revenue increases were experienced in certain auxiliary units such as residence life and dining.

Grants and contracts of $18.6 million at June 30, 2016 reflect an increase of $2.2 million over June 30, 2015 that is primarily due to timing fluctuations of grant expenditures year over year and the timing of grant end dates and the beginning dates of renewals/new grants.

Operating Expenses

Operating expenses are all costs necessary to perform and conduct the programs and primary purposes of the University.

<u>2017 versus 2016</u>

Total operating expenditures of $384.6 million at June 30, 2017 increased overall by $30.8 million, or 8.7% over 2016.

- Educational and general expenditures consist of instruction, research, public services, academic support, student services, and institutional support and total $235.5 million at June 30, 2017 compared to $214.8 million at June 30, 2016, reflecting an overall increase of $20.7 million, of which $15.3 million is related to pension expense due to GASB 68 (adopted in 2015). An additional $4.2 million is attributable to salary adjustments and required by the faculty collective bargaining agreement.

- In other operating expense categories, depreciation and amortization expense increased approximately $2.7 million directly related to the significant ongoing construction initiatives. An increase of approximately $5.1 million in other operating expenses was recognized and is primarily related to disposals of plant facilities.

<u>2016 versus 2015</u>

Total operating expenditures of $353.8 million at June 30, 2016 increased overall by $6.0 million, or 1.7% over 2015.

- Educational and general expenditures consist of instruction, research, public services, academic support, student services, and institutional support and total $214.8 million at June 30, 2016 compared to $207.2 million at June 30, 2015, reflecting an overall increase of $7.6 million that is directly related to enrollment level increases. Auxiliary enterprises expenditures increased approximately $877 thousand, also related to 2016 enrollment increases.

- A pension expense increase of $915 thousand due to GASB 68 (adopted in 2015) was recorded and allocated proportionally to these areas in 2016. A pension expense reduction of $2.2 million was allocated proportionally to these areas in 2015.

- In other operating expense categories, depreciation and amortization expense increased approximately $1.3 million directly related to the significant ongoing construction initiatives. These increases are offset by reductions of approximately $3 million in other operating expenses and include a reduction of $582 thousand in operations and maintenance of plant.

Non-operating Revenues

Non-operating revenues are all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, Pell grant reimbursements, and investment income (including realized and unrealized gains and losses).

Non-operating revenue was impacted by the following factors:

- State appropriations, the most significant source of non-operating revenue, totaled $75.9 million in the current year, reflecting an increase of $4.4 million, or 6.2% over 2016. State appropriations increased in 2016 by $4.3 million, or 6.4% over 2015.

- Non-exchange grants and contracts had an overall decrease of $1.7 million in 2017. Pell grant funds experienced a reduction of $1.8 million in 2017, and $257 thousand reduction in Ohio Opportunity Grants, offset by increases of $149 thousand in TEACH and $159 thousand in Ohio War Orphans grants.

- Net investment income of $14.0 million reflects an increase over prior year of $10.5 million due to beneficial market performance during fiscal year 2017.

Capital Assets and Debt Administration

At June 30, 2017, the University had $559.6 million of capital assets, net of accumulated depreciation of $428.0 million, compared to $526.0 million of net capital assets for the prior fiscal year. The current year investment in capital assets represents a net increase (including additions and deductions) of $33.6 million or 6.4% over last year. This increase is reflective of the continued strategic focus on campus capital renewal. The charges for depreciation and amortization included in the statement of revenues, expenses, and changes in net position were $30.2 million for 2017 and $27.5 million for 2016. Detailed information about the University's capital assets is presented in Note 5 to the financial statements.

On June 29, 2017, the University issued $35,000,000 of fixed rate General Receipts Bonds, Series 2017A, with a fixed interest rate of 1.60 percent and a maturity in 2049. The proceeds will be used to finance the cost of various improvements to the University's campus including (i) improvements to fully or partially renovate five academic classroom and instruction laboratory buildings and the supporting campus infrastructure, and also including improved replacement parking; (ii) partial renovation of the campus recreation and wellness facility; (iii) demolition, utility relocation, and other site preparation work associated with one or more existing academic and residential buildings in preparation for future site-specific capital projects; and (iv) acquisition and installation of all related fixtures, furnishings, and equipment.

More detailed information about the University's long-term debt is presented in Note 7 to the financial statements.

Statement of Cash Flows

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

Bowling Green State University
Condensed Statement of Cash Flows
For years ended June 30, 2017, 2016, and 2015 (in thousands)

	2017	2016	2015
Cash (used) provided by:			
Operating activities	$ (76,524)	$ (73,147)	$ (77,153)
Noncapital financing activities	102,409	98,828	94,475
Capital financing activities	(25,956)	(13,225)	(53,409)
Investing activities	(2,554)	(8,645)	36,161
Net (decrease) increase in cash	(2,625)	3,811	74
Cash and cash equivalents, beginning of year	11,093	7,282	7,208
Cash and cash equivalents, end of year	$ 8,468	$ 11,093	$ 7,282

For the year ended June 30, 2017:

- Major sources of cash provided by operating activities included student tuition and fees of $159.5 million, auxiliary enterprises of $83.1 million, and research grants and contracts of $16.4 million. Major uses of cash in operations included payments to employees and benefits of $214.8 million, payments to vendors for supplies and services of $105.2 million, and payments for scholarships and fellowships of $17.1 million.

- Noncapital financing activities included cash provided from state appropriations of $75.9 million and grants received for other than capital purposes (primarily from the Federal Pell Grant Program) of $26.5 million.

- Primary sources of cash from capital financing activities were from state capital appropriations of $22.1 million, other capital grants (gifts) received of $2.3 million, and proceeds from capital debt issuance of $35.0 million. Cash used to purchase capital assets was $70.5 million, principal paid on long-term debt was $8.8 million, and interest paid on long-term debt was $6.0 million.

- Investing activities included proceeds from sales and maturities of investments of $115.3 million and investment income of $20.4 million. Purchases of investments were $138.3 million.

For the year ended June 30, 2016:

- Major sources of cash provided by operating activities included student tuition and fees of $152.2 million, auxiliary enterprises of $81.2 million, and research grants and contracts of $18.8 million. Major uses of cash in operations included payments to employees and benefits of $205.1 million, payments to vendors for supplies and services of $101.3 million, and payments for scholarships and fellowships of $17.8 million.

- Noncapital financing activities included cash provided from state appropriations of $71.5 million and grants received for other than capital purposes (primarily from the Federal Pell Grant Program) of $28.2 million.

- Primary sources of cash from capital financing activities were from state capital appropriations of $20.3 million, other capital grants (gifts) received of $4.0 million, and proceeds from capital debt issuance of $79.4 million. Cash used to purchase capital assets was $99.0 million, principal paid on long-term debt was $13.5 million, and interest paid on long-term debt was $4.4 million.

- Investing activities included proceeds from sales and maturities of investments of $82.1 million and investment income of $5.8 million. Purchases of investments were $96.5 million.

Economic Factors That Will Affect the Future

The University’s ability to successfully fulfill its mission and execute its strategic plan is directly influenced by enrollment, legislative restrictions on tuition, changes in state support, and the cost of employee compensation, health care, and utilities.

The economic position of the University is closely tied to the economic condition of the State, as all state universities in Ohio receive state financial support for both operations and capital improvements through appropriations by the legislature. These appropriations contribute substantially to the successful maintenance and operation of the University. The economic outlook for the State of Ohio has flattened over the course of the past twelve months. Although Ohio’s unemployment rates have mostly gradually improved since January 2015, the State experienced a 0.2 percent increase in unemployment in July 2017.

In 2011, Bowling Green State University embarked upon a significant capital reinvestment effort. Since that time, numerous capital projects continue in core academic buildings on the Bowling Green campus. Funding has been and will continue to be provided from a combination of University-issued debt financing, private donor funds, and state capital appropriations. Since July 1, 2011, University capital assets have grown from $703.6 million to $987.5 million, an increase of $283.9 million reflecting the significant capital reinvestment and progress that has occurred.

Since last year, renovation of two of the University’s original historical academic buildings has been completed. Moseley Hall, BGSU’s original laboratory building, reopened in July 2017 serving as the home for undergraduate instructional teaching laboratories. University Hall also reopened in July 2017 and houses six large, multipurpose classrooms, the Office of Admissions, and administrative offices for student services, including student advising, service learning, undergraduate research, and campus learning communities.

The University launched several significant initiatives during FY 2013 and FY 2014 intended to improve freshmen to sophomore retention. Fall 2013 freshman to sophomore retention was approximately 70 percent; fall 2017 freshman to sophomore retention was 76.9 percent. The University has set a goal of achieving an 80 percent freshman to sophomore retention rate by 2020.

Enrollment for fall 2017 has declined after two consecutive years of enrollment growth. Fifteen day enrollment numbers indicate that the Bowling Green campus undergraduate headcount has decreased by more than 1.2 percent and graduate headcount has decreased by 4.1 percent from the prior academic year. University-wide total student head count is down 2.4 percent while total student credit hours are down 1 percent. The decline in graduate enrollment is mostly attributable to a decline in the number of international students enrolling in the fall 2017 semester. The decline in undergraduate enrollment is largely attributable to a continued decline in the pool of traditional, college-aged Ohioans.

In addition to previously reported retention efforts, the University will be creating a new winter session during fiscal year 2019 to be added to the existing spring semester. This session will provide one additional opportunity for students to "catch up or get ahead" by taking a needed course during this three-week session. Winter session will also provide students an opportunity to participate in an international experience that otherwise would not have been previously feasible without disrupting the progress of a student's normal academic program plan.

Bowling Green State University

Statements of Net Position

	June 30 2017	June 30 2016
Assets		
Current assets:		
Cash and cash equivalents	**$ 8,467,969**	$ 11,092,529
Investments	**196,946,373**	178,868,750
Accounts receivable, net	**11,965,854**	11,759,060
Inventories	**1,485,637**	2,037,240
Notes receivable	**1,455,226**	1,589,964
Prepaid and other assets	**2,010,884**	2,342,435
Total current assets	**222,331,943**	207,689,978
Noncurrent assets:		
Investments - non-restricted	**5,209,935**	5,655,933
Assets - restricted	**42,061,447**	43,112,895
Cash surrender value of life insurance and annuities	**485,981**	469,969
Notes receivable	**7,276,567**	7,482,131
Capital assets, net	**559,590,737**	525,970,029
Total noncurrent assets	**614,624,667**	582,690,957
Total assets	**836,956,610**	790,380,935
Deferred Outflows of Resources	**64,798,691**	38,071,649
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**22,450,386**	29,957,388
Unearned revenue	**12,063,017**	11,197,587
Deposits	**1,032,969**	1,573,707
Current portion of long-term debt and other obligations	**14,133,166**	15,212,119
Total current liabilities	**49,679,538**	57,940,801
Noncurrent liabilities:		
Long-term debt and other obligations	**233,540,858**	206,445,106
Net pension liability	**269,072,210**	216,642,205
Total noncurrent liabilities	**502,613,068**	423,087,311
Total liabilities	**552,292,606**	481,028,112
Deferred Inflows of Resources	**4,420,597**	14,821,172
Net Position		
Net investment in capital assets	**375,303,497**	368,871,244
Restricted for expendable:		
Loans	**2,547,728**	2,430,440
Capital projects	**12,497,549**	13,295,727
Unrestricted (deficit)	**(45,306,676)**	(51,994,111)
Total net position	**$ 345,042,098**	$ 332,603,300

See accompanying notes.

Bowling Green State University

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2017	**2016**
Revenues		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of $61,853,835 for 2017 and $61,706,782 for 2016)	**$ 158,145,538**	$ 154,070,071
Federal grants and contracts	**6,207,560**	7,136,566
State grants and contracts	**3,597,685**	3,695,301
Local grants and contracts	**4,546**	106,230
Nongovernmental grants and contracts	**6,509,426**	7,681,439
Sales and services of educational departments	**3,201,889**	3,417,923
Auxiliary enterprises (net of scholarship allowances of $2,960,321 for 2017 and $2,807,116 for 2016)	**74,832,146**	72,378,493
Other operating revenues	**8,314,156**	5,026,030
Total operating revenues	**260,812,946**	253,512,053
Expenses		
Operating expenses:		
Educational and general:		
Instruction	**139,217,048**	125,133,730
Research	**7,619,699**	7,415,782
Public services	**5,052,624**	4,350,287
Academic support	**29,771,182**	27,048,516
Student services	**17,766,583**	16,745,573
Institutional support	**36,104,113**	34,107,590
Operations and maintenance of plant	**20,554,497**	19,898,191
Student aid	**17,064,818**	17,844,397
Auxiliary enterprises	**72,807,555**	70,396,877
Depreciation and amortization	**30,225,394**	27,537,664
Other expenses	**8,394,322**	3,328,326
Total operating expenses	**384,577,835**	353,806,933
Operating loss	**(123,764,889)**	(100,294,880)
Nonoperating revenues (expenses):		
State appropriations	**75,949,995**	71,525,901
Non-exchange grants and contracts	**26,522,010**	28,182,440
Investment income, net	**14,042,429**	3,536,666
Interest on capital asset-related debt	**(4,049,833)**	(3,544,862)
In-kind support – Centennial Falcon Properties, Inc.	**(596,800)**	(596,800)
Net nonoperating revenues	**111,867,801**	99,103,345
Loss before other changes	**(11,897,088)**	(1,191,535)
Other changes:		
Capital appropriations	**22,076,887**	20,281,333
Capital grants and gifts	**2,258,999**	3,956,147
Total other changes	**24,335,886**	24,237,480
Change in net position	**12,438,798**	23,045,945
Net Position		
Net position at the beginning of year	**332,603,300**	309,557,355
Net position at the end of year	**$ 345,042,098**	$ 332,603,300

See accompanying notes.

Bowling Green State University

Statements of Cash Flows

	Year Ended June 30	
	2017	**2016**
Operating activities		
Tuition and fees	**$ 159,483,076**	$ 152,198,568
Research grants and contracts	**16,441,531**	18,809,794
Payments to vendors for supplies and services	**(105,229,991)**	(101,307,727)
Payments to employees and benefits	**(214,755,767)**	(205,103,492)
Payments for scholarships and fellowships	**(17,064,818)**	(17,844,397)
Student loans granted, net of repayments	**299,676**	(377,555)
Agency payments to Centennial Falcon Properties, Inc.	**(9,105,587)**	(9,045,943)
Auxiliary enterprises	**83,107,031**	81,193,497
Sales and services of educational departments	**3,201,889**	3,417,923
Other receipts	**7,099,003**	4,912,698
Net cash used in operating activities	**(76,523,957)**	(73,146,634)
Noncapital financing activities		
State appropriations	**75,949,995**	71,525,901
Direct lending receipts	**133,930,235**	131,487,394
Direct lending disbursements	**(133,396,745)**	(131,771,265)
Grants received for other than capital purposes	**26,522,010**	28,182,440
Payment on behalf of Centennial Falcon Properties, Inc.	**(596,800)**	(596,800)
Net cash provided by noncapital financing activities	**102,408,695**	98,827,670
Capital financing activities		
Proceeds from capital debt	**35,000,000**	79,446,467
Capital appropriations	**22,076,887**	20,281,333
Capital grants received	**2,258,999**	3,956,147
Purchases of capital assets	**(70,481,658)**	(98,986,453)
Principal paid on long-term debt	**(8,832,008)**	(13,485,561)
Interest paid on long-term debt	**(5,977,758)**	(4,436,792)
Net cash used in capital financing activities	**(25,955,538)**	(13,224,859)
Investing activities		
Proceeds from sales and maturities of investments	**115,329,097**	82,136,024
Purchase of investments	**(138,299,134)**	(96,546,700)
Investment income	**20,416,277**	5,765,327
Net cash used in investing activities	**(2,553,760)**	(8,645,349)
Net (decrease) increase in cash	**(2,624,560)**	3,810,828
Cash and cash equivalents at beginning of year	**11,092,529**	7,281,701
Cash and cash equivalents at end of year	**$ 8,467,969**	$ 11,092,529

See accompanying notes.

Bowling Green State University

Statements of Cash Flows (continued)

	Year Ended June 30	
	2017	**2016**
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	**$ (123,764,889)**	$ (100,294,880)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	**30,225,395**	27,537,664
Pension expense	**15,302,389**	914,854
Disposal expense	**8,540,341**	–
Amortization of bond premium	**(542,476)**	(169,986)
Changes in assets and liabilities:		
Accounts receivable, net	**(206,908)**	(2,156,480)
Inventories	**551,603**	(4,513)
Other assets	**331,551**	(41,903)
Accounts payable and accrued liabilities	**(7,483,750)**	810,433
Unearned revenue	**865,430**	163,088
Deposits held for others	**(1,074,228)**	128,556
Compensated absences	**391,283**	292,881
Loans to students	**340,302**	(326,348)
Net cash used in operating activities	**$ (76,523,957)**	$ (73,146,634)

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position

	June 30	
	2017	**2016**
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,154,260**	$ 1,170,091
Contributions receivable, net of allowance for uncollectible contributions of $5,935,578 in 2017 and $4,934,017 in 2016	**3,052,099**	3,079,345
Total current assets	**4,206,359**	4,249,436
Investments:		
Fixed income funds	**36,554,078**	39,018,569
Mutual funds	**76,999,246**	73,311,173
Alternative investments	**47,844,523**	27,450,462
Corporate stocks	**78,324**	265,024
Money market funds	**1,726,242**	2,934,747
Total investments	**163,202,413**	142,979,975
Prepaid and other assets	**113,662**	557,808
Long-term contributions receivable, net of allowance for uncollectible contributions of $492,020 in 2017 and $414,300 in 2016	**8,827,950**	7,759,362
Beneficial interest in trust held by others	**152,408**	250,724
Cash value of life insurance	**1,650,362**	1,597,924
Total assets	**$ 178,153,154**	$ 157,395,229
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 213,368**	$ 132,631
Total current liabilities	**213,368**	132,631
Annuities payable	**2,803,689**	2,952,821
Total liabilities	**3,017,057**	3,085,452
Net assets:		
Unrestricted	**10,082,301**	5,688,780
Temporarily restricted	**71,686,719**	57,894,897
Permanently restricted	**93,367,077**	90,726,100
Total net assets	**175,136,097**	154,309,777
Total liabilities and net assets	**$ 178,153,154**	$ 157,395,229

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
Contributions and gifts (net)	$ 1,182,787	$ 15,331,301	$ 2,821,128	$ 19,335,216
Provision for uncollectible contributions	–	(1,035,459)	(152,374)	(1,187,833)
University support	3,617,400	–	–	3,617,400
Interest and dividends	749,812	1,776,995	–	2,526,807
Net realized and unrealized gains	3,779,098	8,595,643	–	12,374,741
Other revenue	24,961	998,442	26,706	1,050,109
Transfers	137,564	59,580	(197,144)	–
Net assets released from restriction	11,934,680	(11,934,680)	–	–
Total support, revenue, and gains	21,426,302	13,791,822	2,498,316	37,716,440
Expenses				
Program services	11,413,991	–	–	11,413,991
Fundraising	3,123,875	–	–	3,123,875
Operating	2,494,915	–	–	2,494,915
Total expenses	17,032,781	–	–	17,032,781
Change in net assets from operations	4,393,521	13,791,822	2,498,316	20,683,659
Change in split interest agreements	–	–	142,661	142,661
Change in net assets	4,393,521	13,791,822	2,640,977	20,826,320
Net assets at beginning of year	5,688,780	57,894,897	90,726,100	154,309,777
Net assets at end of year	$ 10,082,301	$ 71,686,719	$ 93,367,077	$ 175,136,097

See accompanying notes.

The Bowling Green State University Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue, and gains				
Contributions and gifts (net)	$ 615,510	$ 15,542,538	$ 4,781,890	$ 20,939,938
Provision for uncollectible contributions	–	(834,000)	(170,819)	(1,004,819)
University support	3,529,174	–	–	3,529,174
Interest and dividends	456,221	1,800,613	–	2,256,834
Net realized and unrealized losses	(250,559)	(989,124)	–	(1,239,683)
Other revenue	19,774	1,242,216	–	1,261,990
Transfers	–	(641,561)	641,561	–
Net assets released from restriction	14,438,492	(14,438,492)	–	–
Total support, revenue, and gains	18,808,612	1,682,190	5,252,632	25,743,434
Expenses				
Program services	12,925,756	–	–	12,925,756
Fundraising	3,586,641	–	–	3,586,641
Operating	2,832,548	–	–	2,832,548
Total expenses	19,344,945	–	–	19,344,945
Change in net assets from operations	(536,333)	1,682,190	5,252,632	6,398,489
Change in split interest agreements	(1,491)	(304,897)	89,048	(217,340)
Change in net assets	(537,824)	1,377,293	5,341,680	6,181,149
Net assets at beginning of year	6,226,604	56,517,604	85,384,420	148,128,628
Net assets at end of year	$ 5,688,780	$ 57,894,897	$ 90,726,100	$ 154,309,777

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	June 30			
		2017		**2016**
Assets				
Current assets:				
Cash and cash equivalents	**$**	**895,452**	$	561,847
Funds held by Bowling Green State University		**267,138**		285,232
Funds held by trustee – current portion		**1,485,225**		1,348,643
Other receivable, net of allowance for doubtful accounts of $7,150 in 2017 and $15,670 in 2016		**4,289**		38,844
Prepaid expense		**15,520**		14,444
Total current assets		**2,667,624**		2,249,010
Other assets:				
Funds held by trustee – net of current portion		**19,302,047**		18,034,952
Capital assets, net		**70,249,698**		73,523,543
Total other assets		**89,551,745**		91,558,495
Total assets	**$**	**92,219,369**	$	93,807,505
Liabilities and net assets				
Short-term liabilities:				
Accounts payable	**$**	**48,392**	$	25,977
Payroll liabilities		**11,872**		8,298
Unearned income		**55,226**		52,715
Accrued interest payable		**380,225**		383,643
Accrued expenses		**82,884**		83,163
Bonds and construction payable – current portion and current unamortized discount and issuance costs		**1,583,990**		1,442,507
Total short-term liabilities		**2,162,589**		1,996,303
Long-term liabilities:				
Bonds payable – net of current portion and unamortized discount and issuance costs of $2,124,079 in 2017 and $2,243,372 in 2016		**74,593,731**		75,580,921
Construction funding payable – net of current portion		**12,344,618**		12,941,418
Total long-term liabilities		**86,938,349**		88,522,339
Total liabilities		**89,100,938**		90,518,642
Net assets:				
Unrestricted		**3,118,431**		3,288,863
Total liabilities and net assets	**$**	**92,219,369**	$	93,807,505

See accompanying notes.

Centennial Falcon Properties, Inc. and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets

	June 30	
	2017	**2016**
Revenues:		
Operating revenue	**$ 9,100,205**	$ 8,999,437
In-kind support from Bowling Green State University	**35,000**	32,000
Total revenues	**9,135,205**	9,031,437
Expenses:		
Payroll, benefits, and taxes	**682,978**	638,395
Management fees	**265,245**	260,052
Utilities	**295,159**	294,816
Building maintenance	**176,534**	129,393
Operating and administrative	**151,293**	135,950
Insurance	**61,483**	57,635
Interior unit expenses	**141,206**	156,425
Common area expenses	**53,054**	60,092
Bad debt expense	**4,324**	15,580
Ground expenses	**26,414**	22,618
Marketing and advertising	**34,818**	25,819
Depreciation	**3,275,226**	3,749,150
Total operating expenses	**5,167,734**	5,545,925
Operating income	**3,967,471**	3,485,512
Nonoperating revenue (expense):		
Investment income	**2,245**	2,091
In-kind support from Bowling Green State University	**596,800**	596,800
Loss on disposal of assets	**(17,360)**	(98,044)
Amortization of discount and issuance costs-related debt	**(119,293)**	(120,576)
Interest on capital asset-related debt	**(4,600,295)**	(4,634,329)
Net nonoperating loss	**(4,137,903)**	(4,254,058)
Change in net assets	**(170,432)**	(768,546)
Net assets:		
Net assets at the beginning of year - unrestricted	**3,288,863**	4,057,409
Net assets at the end of year - unrestricted	**$ 3,118,431**	$ 3,288,863

See accompanying notes.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Nature of Operations

Bowling Green State University is an instrumentality of the State of Ohio that serves the state, national, and international communities by providing its students with opportunities in learning, leadership, and research by providing expert faculty, premier facilities, and modern resources.

Reporting Entity

Bowling Green State University (the "University"), founded in 1910, is a component unit of the State of Ohio as established by the General Assembly of the State of Ohio under Chapter 3341 of the Revised Code of the State of Ohio. The University offers degrees at the undergraduate, masters, and doctoral levels.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*: *Omnibus*, in that the financial statements include those activities and functions over which the University is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the University's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the University.

Financial Statement Presentation

The accompanying financial statements consist of the University, Bowling Green State University Foundation, Inc. and subsidiary (collectively, the "Foundation") and Centennial Falcon Properties, Inc. and subsidiaries (collectively, the "Corporation"). GASB Statement No. 61, *Determining Whether Certain Organizations Are Component Units*, requires the University to reflect the Foundation and the Corporation as discretely presented component units in the financial statements based on the significance of their respective relationships with the University. The Foundation and the Corporation are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards that have been codified in Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's or Corporation's financial information in the University's financial reporting entity for these differences.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

The Foundation is a legally separate, tax-exempt component unit of 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. The 26-member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing and amount of receipts from the Foundation, the majority of resources or income the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the years ended June 30, 2017 and 2016, the Foundation distributed $8,398,088 and $10,597,119, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the controller, Huntington Building, Bowling Green, Ohio 43403.

The Corporation is a legal, separate component unit of the University formed in 2010 as a nonprofit corporation under the laws of the State of Ohio and determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation is further classified as a public charity type II supporting organization under Section 509(a)(3) of the Internal Revenue Code. The Corporation was organized for the benefit of the University for various purposes, including acquiring, developing, and maintaining property to be used for University purposes. Complete financial statements for the Corporation can be obtained from the vice president, McFall Center, Bowling Green, Ohio 43403.

CFP I LLC (CFP I) is a nonprofit single-member limited liability company formed in 2010 under the laws of the State of Ohio. The Corporation organized CFP I specifically to develop, own, and manage certain housing for students of the University. The Corporation is the sole member of CFP I. On June 9, 2010, the City of Bowling Green, Ohio issued $81,610,000 Student Housing Revenue Bonds (Series 2010 Bonds) and loaned the proceeds of the Series 2010 Bonds to CFP I for the purpose of providing funds to finance the cost of acquiring, constructing, furnishing, and equipping a 1,318-bed, two-building student housing facility (the Series 2010 Project). Interest rates range from 3.0% to 6.0% over the scheduled redemption period of December 1, 2011 to June 1, 2045.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

On May 3, 2010, CFP I entered into a Development Agreement with Capstone Development Corporation (the "Developer") for the design, construction, and equipping of the Series 2010 Project to serve as residential housing for students at the University. The Developer completed the Series 2010 Project for occupancy in August 2011. In addition, CFP I and the University entered into a Management Agreement with Capstone On-Campus Management, LLC to manage, operate, and maintain the Series 2010 Project. This Management Agreement was effective July 1, 2011.

The Series 2010 Project was completed and a permanent occupancy permit was granted on August 1, 2011. The two-building housing facilities, Falcon Heights and Centennial Hall, were opened on August 19, 2011.

The Corporation is also the sole member of CFP II LLC (CFP II). CFP II is a nonprofit single-member limited liability company formed in 2010 under the laws of the State of Ohio. On January 31, 2011, CFP II entered into a Project Agreement with Compass Group USA Inc., Chartwells Division (Chartwells). Chartwells was engaged to design, finance, construct, and equip a full-service dining facility on the main campus of the University, known as The Oaks dining facility (The Oaks). The Oaks replaced the existing McDonald Hall dining facility.

Pursuant to an Amended and Restated Food Service Agreement, dated June 25, 2010 (the "Management Agreement"), by and between Chartwells and the University, Chartwells has provided funds for The Oaks in the amount of $10,350,000, which is recorded as capital assets of the Corporation to be paid back to Chartwells through the construction funding payable in Note 7. The loan does not have an interest component and matures on June 30, 2039. The Corporation has provided funds of approximately $23,000 and CFP II has provided funds of approximately $1,125,000.

The Corporation is also the sole member of CFP III LLC (CFP III). CFP III is a nonprofit single-member limited liability company formed in 2010 under the laws of the State of Ohio. On May 12, 2011, CFP III entered into a Development Agreement with Capstone Development for the design, construction, and equipping of a full-service dining facility on the main campus of the University, known as Carillon Place dining facility (Carillon). Carillon replaced the existing Commons dining facility.

On March 31, 2011, CFP III entered into a funding agreement with the manager of The Oaks, Chartwells. Pursuant to an Amended and Restated Food Service Agreement dated June 25, 2010 (the "Management Agreement"), by and between Chartwells and the University, Chartwells has provided funds for the project in the amount of $6,062,000, which are recorded as capital assets of the Corporation to be paid back to Chartwells through the construction funding payable in Note 7. The loan does not have an interest component and matures on June 30, 2039. The Corporation provided funds of approximately $707,000, and CFP III has provided funds of approximately $1,973,000.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant inter-fund transactions have been eliminated.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System/State Teachers Retirement System of Ohio Pension Plan (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.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Upcoming Pronouncements

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under GASB 75 and similar to GASB 68 (pensions), the University, as a cost-sharing employer, will be required to recognize its proportionate share of the collective unfunded net other postemployment benefits (OPEB) liability, OPEB expense, and deferred OPEB outflows (inflows) of the State's retirement system plan within its financial statements. This will be a significant change for every participating employer in all cost-sharing plans around the country. Institutions will see a significant liability reflected on their balance sheets along with an impact to OPEB expenses and a corresponding reduction to unrestricted net position. There are also expanded disclosures and required supplemental information to be added to the University's financial statements. The institution will also be required to track certain components of the net OPEB liability (deferred inflows/outflows) and amortize over the appropriate periods in accordance with the standard. The University has not yet determined what its share of the unfunded net OPEB liability is, but it is expected to be significant and material to the University's financial statements. The provisions of this statement are effective for financial statements for the year ending June 30, 2018.

Cash and Cash Equivalents

The University considers funds immediately available to be cash and cash equivalents. All investments with maturities less than 90 days are considered cash equivalents. Cash and cash equivalents totaled $8,467,969 and $11,092,529 at June 30, 2017 and 2016, respectively.

Accounts Receivable

Accounts receivable are reported at net realizable value and consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of average cost or market (net realizable value) on a first-in, first-out basis (FIFO).

Investments

All investments are stated at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Investments in publicly traded securities are stated at fair value as established by major securities markets. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

Limited partnerships, hedge funds, and collective equity funds are also included in investments and are not necessarily readily marketable. The components of the individual investments within these funds are not readily determinable. The estimated fair value is based on valuations provided by external investment managers. The valuation is based on independent appraisals and estimates that represent the net asset value of shares held by the University or based on periodic financial information (including annual audited financial statements) obtained from the funds. The University believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may significantly differ from the value that would have been used had a ready market for such investments existed.

Restricted Assets

Restricted assets represent unspent bond proceeds and consist of money markets and certificates of deposits.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. For equipment, the University’s capitalization policy includes all items with a cost of $3,500 or more and an estimated useful life of greater than one year. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds $100,000. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred. Interest cost related to construction is not expensed, but capitalized. Capitalized interest will be depreciated when the corresponding asset is placed in service.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain, nor encumbered in any way. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Unearned Revenue

Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Summer term revenue and expenditures are allocated to the appropriate accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue and general receipts bonds and notes payable with contractual maturities greater than one year, (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year, and (3) federal student loan deposits.

Deferred Outflows/Inflows of Resources

Deferred Inflows: In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The University's deferred inflows of resources related to the net pension liability (see Note 8 for more details).

Deferred Outflows: In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a reduction of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The University's deferred outflows of resources related to the net pension liability (see Note 8 for more details).

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Compensated Absences

University employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death.

Unused hours exceeding their limitations are forfeited. The liability and expense incurred are recorded at year end as long-term liabilities in the statements of net position and as a component of operating expense in the statements of revenues, expenses, and changes in net position.

Scholarship Discounts and Allowances

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

Income Tax

The University, as an instrumentality of the State of Ohio, is excluded from federal income taxes under Section 115 of the Internal Revenue Code, as amended. Certain activities of the University may be subject to taxation as unrelated business income.

Eliminations

In preparing the financial statements, the University eliminates inter-fund assets and liabilities that would otherwise be reflected twice in the statements of net position. Similarly, revenues and expenses related to internal activities are also eliminated from the statements of revenues, expenses, and changes in net position.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Auxiliary Enterprises

Auxiliary activities mainly represent revenues generated from certain residence halls and dining services, intercollegiate athletics, bookstore, and various other activities that provide services to the student body, faculty, staff, and general public.

Net Position

In accordance with GASB Statement No. 35 guidelines, the University's resources are classified into the following four net position categories:

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted - Expendable: Component of net position that includes resources the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties for loans, capital projects, and debt service.

Restricted - Nonexpendable: Component of net position whose use is subject to externally imposed stipulations that may be maintained permanently by the University.

Unrestricted: Component of net position that is not subject to externally imposed restrictions and includes resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general obligations of the University and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose. These resources also include auxiliary enterprises that are substantially self-supporting activities that provide services for students, faculty, and staff.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

Revenues

The University has classified its revenues as either operating or nonoperating according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of agency payments; and (3) most federal, state, and local grants and contracts.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, such as state appropriations for instruction, state capital grants, federal Pell grant revenue, and investment income.

Subsequent Events

On August 10, 2017, Bowling Green State University (University) issued $73,560,000 of General Receipts Bonds, Series 2017B (Bonds). Proceeds from the Bonds, together with certain debt service reserve funds, will be used to acquire United States Treasury Obligations to establish a cash deposit to provide funds to advance refund serial bonds held by CFP I, LLC maturing on June 1, 2020 and term bonds due on June 1, 2019, June 1, 2031, and June 1, 2045 of the City of Bowling Green, Ohio's Student Housing Revenue Bonds (CFP I LLC – Bowling Green State University Project) Series 2010 dated June 16, 2010. As a result of the transaction, the University will acquire the student housing facilities and their contents known as Falcon Heights and Centennial Hall from CFP I, LLC. On the same date, the University recorded the net book value of the student housing facilities of approximately $55 million and also provided an additional transfer of approximately $13 million to CFP I for future interest payments on the defeased bonds. As a result of the advance refunding of the Series 2010 bonds, CFP I recorded a loss on extinguishment of debt of approximately $12 million on August 10, 2017.

2. Cash and Investments

Deposits

Amounts available for deposit at June 30, 2017 and 2016 are as follows:

	2017	2016
Cash (carrying amounts)	$ 8,281,559	$ 10,911,187
Reconciling items (net) to arrive at bank balances of deposit	(180,349)	(2,151,694)
Total available for deposit and investment (bank balances of deposits)	$8,101,210	$ 8,759,493

The carrying amount shown above does not include $186,410 and $181,342 held in cash funds at June 30, 2017 and 2016, respectively.

Any public depository, at the time it receives a University deposit or investment in a certificate of deposit, is required to pledge to the University as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation, equals or exceeds the amount of University funds deposited. Of the bank balance, $532,904 and $398,392 at June 30, 2017 and 2016, respectively, was covered by federal depository insurance, and $7,568,306 and $8,361,101 at June 30, 2017 and 2016, respectively, was collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

Investments

The University's investment policy authorizes the University to invest operating funds. The University has no endowment funds in the following investments:

- Obligations of the U.S. Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- State Treasury Asset Reserve (STAR Ohio)
- Certificates of deposit (domestic and foreign)
- Repurchase agreements
- Mutual funds

2. Cash and Investments (continued)

- Commercial paper
- Banker's acceptances
- Corporate bonds and notes
- Common and preferred stock
- Real estate
- Collateralized mortgage obligations
- Collective equity funds
- Asset-backed securities
- Private equity funds
- Hedge fund

The University operates with a long-term investment goal of preserving the purchasing power of the principal in a diversified portfolio.

All common stocks, corporate bonds, money market instruments, mutual funds, and other investments are invested through a trust agreement with US Bank Institutional Trust and Custody, which is the custodian and money manager. Short-term investments with Huntington Bank are secured with internally designated securities as pledged to the University.

The University invests in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants,* which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investment at amortized cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2017.

2. Cash and Investments (continued)

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The current market value of the pool of securities so pledged together with the amount covered by federal insurance must be at least equal to 105% of all public monies on deposit with the depository.

The values of investments held by the University at June 30 are as follows:

	2017	2016
Equity mutual funds	$ 80,758,639	$ 68,721,883
Fixed income mutual funds	60,674,424	56,417,303
U.S. government obligations	-	21,607,582
U.S. government agencies	-	11,295,752
Money market funds	49,871,966	15,205,568
Municipal bonds	5,232,933	5,678,260
Common and preferred stocks	432,793	315,367
STAR Ohio	110,975	110,127
Alternative investments:		
Collective trust funds	15,799,169	19,349,652
Hedge funds	31,336,856	28,936,074
Limited partnerships	-	-
Total	$ 244,217,755	$ 227,637,568

The components of net investment income at June 30 are as follows:

	2017	2016
Interest and dividends, net	$ 3,937,669	$ 4,631,570
Net appreciation (depreciation) in market value of investments	10,104,760	(1,094,904)
Total	$ 14,042,429	$ 3,536,666

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. During the years ended June 30, 2017 and 2016, the University realized a net gain from the sale of investments of $16,478,609 and $1,133,757, respectively. The unrealized depreciation during the years ended June 30, 2017 and 2016 was ($6,373,849) and ($2,228,661), respectively. This resulted in net appreciation (depreciation) in the fair value of investments during the years ended June 30, 2017 and 2016 of $10,104,760 and ($1,094,904), respectively.

2. Cash and Investments (continued)

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.

As of June 30, 2017, the University had the following interest-bearing investments and maturities:

Investment Type	Fair Value	Less Than 1 Year	Less Than 1–5 Years	Less Than 6–10 Years	Greater Than 10 Years
Municipal bonds	$ 5,232,933	$ 22,998	$ 48,085	$ -	$ 5,161,850
STAR Ohio	110,975	110,975	-	-	-
Total	$ 5,343,908	$ 133,973	$ 48,085	$ -	$ 5,161,850

As of June 30, 2016, the University had the following interest-bearing investments and maturities:

Investment Type	Fair Value	Less Than 1 Year	Less Than 1–5 Years	Less Than 6–10 Years	Greater Than 10 Years
U.S. government obligations	$ 21,607,582	$ 21,607,582	$ -	$ -	$ -
U.S. government agencies	11,295,752	11,295,752	-	-	-
Municipal bonds	5,678,260	22,327	71,083	-	5,584,850
STAR Ohio	110,127	110,127	-	-	-
Total	$ 38,691,721	$ 33,035,788	$ 71,083	$ -	$ 5,584,850

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 the 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.

2. Cash and Investments (continued)

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

Credit Rating (Standard & Poor's)	Other Investments
AAA	$ 110,975
AA	5,161,850
Not rated	71,083
Total	$ 5,343,908

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

Credit Rating (Standard & Poor's)	Other Investments
AAA	$ 110,127
AA+	32,903,334
AA	5,584,850
Not rated	93,410
Total	$ 38,691,721

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. The University facilitates several study abroad programs in Austria and Spain with a total cash balance of $158,095 and $160,967 at June 30, 2017 and 2016, respectively.

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 whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

2. Cash and Investments (continued)

The University has the following recurring fair value measurements as of June 30, 2017 and 2016:

Assets Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
International coporate stock	$ 432,793	$ 432,793	$ -	$ -
Debt securities:				
U.S. Treasury securities	-	-	-	-
U.S. government agencies	-	-	-	-
Municipal bonds	5,232,933	-	5,232,933	-
Total debt securities	5,232,933	-	5,232,933	-
Equity securities:				
Mutual funds:				
Domestic	107,536,835	107,536,835	-	-
International	33,896,228	33,896,228	-	-
Alternative investments:				
Limited partnership	15,799,169	-	-	15,799,169
Collective equity	-	-	-	-
Total equity securities	157,232,232	141,433,063	-	15,799,169
Total investments by fair value level	162,897,958	$ 141,865,856	$ 5,232,933	$ 15,799,169
Investments measured at the net asset value (NAV)				
Multi-strategy hedge funds	31,336,856			
Total investments measured at the NAV	31,336,856			
Total investments measured at fair value	$ 194,234,814			

2. Cash and Investments (continued)

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	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				
International coporate stock	$ 315,367	$ 315,367	$ -	$ -
Debt securities:				
U.S. Treasury securities	21,607,582	21,607,582	-	-
U.S. government agencies	11,295,751	-	11,295,751	-
Municipal bonds	5,678,260	-	5,678,260	
Total debt securities	38,581,593	21,607,582	16,974,011	-
Equity securities:				
Mutual funds:				
Domestic	99,399,913	99,399,913	-	-
International	25,739,284	25,739,284	-	-
Alternative investments:				
Limited partnership	14,227,722	-	-	14,227,722
Collective equity	5,121,930	-	-	5,121,930
Total equity securities	144,488,849	125,139,197	-	19,349,652
Total investments by fair value level	183,385,809	$ 147,062,146	$ 16,974,011	$ 19,349,652
Investments measured at the net asset value (NAV)				
Multi-strategy hedge funds	28,936,074			
Total investments measured at the NAV	28,936,074			
Total investments measured at fair value	$ 212,321,883			

International corporate stock, equity securities, and U.S. Treasury debt securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The remaining debt securities at June 30, 2017 and 2016 were determined primarily based on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The fair value of alternative investments at June 30, 2017 and 2016 was determined primarily based on Level 3 inputs. The University estimates the fair value of these investments using the fund manager's financial statements and calculation of the University's proportionate ownership share of the fund.

Short-term investment and investments on the statement of net position at June 30, 2017 and 2016 include investments in STAR Ohio of $110,975 and $110,127, respectively. The investments in STAR Ohio are measured at amortized cost; therefore, they are not included in the tables above. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transactions to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

2. Cash and Investments (continued)

Investments in Entities that Calculate Net Asset Value per Share

The University holds shares or interests in investment companies whereby the fair value of the investments is 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 are as follows:

	June 30, 2017	June 30, 2016	June 30, 2017		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if	Redemption Notice Period
Multi-strategy hedge fund	$31,336,856	$28,936,074	$ -	Quarterly	100 days
Total	$31,336,856	$28,936,074	$ -		

The multi-strategy hedge funds class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investments in this class have been estimated using the net asset value per share of the investment or its equivalent. 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.

Concentration Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's cash investment policy provides that investment pool direct placements are to be sufficiently diversified and provides that no more than 10 percent of its assets can be in any particular issue. The foregoing restrictions do not apply to securities that are issued or fully guaranteed by the United States government. The University did not have investments in any single issuer that equaled 10 percent or more in 2017 or 2016.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University's investment in the state treasurer's investment program that is not evidenced by securities that exist in physical or book entry form was $110,975 and $110,127 at June 30, 2017 and 2016, respectively. The remaining investments are uninsured and unregistered with securities held by the counterparty's trust department or agent in the University's name.

2. Cash and Investments (continued)

The values of investments held by the Foundation at June 30 are as follows:

Assets Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Cash equivalents and money market funds	$ 1,573,812	$ 1,573,812	$ -	$ -
Domestic coporate stock	78,324	78,324	-	-
Equity securities				
Mutual funds:				
Domestic funds	46,151,001	46,151,001	-	-
International funds	28,374,881	28,374,881	-	-
Fixed income funds	33,671,839	33,671,839	-	-
Total equity securities	108,197,721	108,197,721	-	-
Alternative investments:				
Hedge funds	25,423,390	-	-	25,423,390
Private investment funds	20,084,511	-	-	20,084,511
Real estate funds and other	2,336,622	-	-	2,336,622
Total alternative investments	47,844,523	-	-	47,844,523
Split interest agreements:				
Cash equivalents and money market funds	152,430	152,430	-	-
Domestic corporate stocks	-	-	-	-
Mutual funds	2,473,364	2,473,364	-	-
Fixed income funds	2,882,239	2,882,239	-	-
Beneficial interest in trust held by others	152,408	-	-	152,408
Total split interest agreements	5,660,441	5,508,033	-	152,408
Total investments by fair value level	$ 163,354,821	$ 115,357,890	$ -	$ 47,996,931

2. Cash and Investments (continued)

Assets 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				
Cash equivalents and money market funds	$ 2,829,103	$ 2,829,103	$ -	$ -
Domestic coporate stock	90,102	90,102	-	-
Equity securities				
Mutual funds:				
Domestic funds	49,122,336	49,122,336	-	-
International funds	22,247,543	22,247,543	-	-
Fixed income funds	36,197,986	36,197,986	-	-
Total equity securities	107,567,865	107,567,865	-	-
Alternative investments:				
Hedge funds	21,101,040	-	-	21,101,040
Private investment funds	3,962,624	-	-	3,962,624
Real estate funds and other	2,386,798	-	-	2,386,798
Total alternative investments	27,450,462	-	-	27,450,462
Split interest agreements:				
Cash equivalents and money market funds	105,645	105,645	-	-
Domestic coporate stock	174,922	174,922	-	-
Mutual funds	1,941,294	1,941,294	-	-
Fixed income funds	2,820,582	2,820,582	-	-
Beneficial interest in trust held by others	250,724	-	-	250,724
Total split interest agreements	5,293,167	5,042,443	-	250,724
Total investments by fair value level	$ 143,230,699	$ 115,529,513	$ -	$ 27,701,186

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheet using significant observable (Level 3) inputs:

	Hedge Funds	Private Investments	Real Estate and Other Funds	Funds Held in Trust by Others	Total
Beginning balance, July 1, 2016	$ 21,101,040	$ 3,962,624	$ 2,386,798	$ 250,724	$ 27,701,186
Contribution	-	-	-	-	-
Total gains or losses (realized/unrealized) included in earnings	1,415,850	1,114,096	(16,446)	-	2,513,500
Change in split interest agreements	-	-	-	(98,316)	(98,316)
Purchases	3,000,000	15,007,791	-	-	18,007,791
Sales	(93,500)	-	(33,730)	-	(127,230)
Ending balance, June 30, 2017	$ 25,423,390	$ 20,084,511	$ 2,336,622	$ 152,408	$ 47,996,931

2. Cash and Investments (continued)

	Hedge Funds	Private Investments	Real Estate and Other Funds	Funds Held in Trust by Others	Total
Beginning balance, July 1, 2015	$ 21,715,158	$ 3,108,450	$ 2,310,585	$ 150,883	$ 27,285,076
Contribution	-	-	-	-	-
Total gains or losses (realized/unrealized) included in earnings	(407,146)	(47,839)	87,343	-	(367,642)
Change in split interest agreements	-	-	-	99,841	99,841
Purchases	22,500	1,224,932	-	-	1,247,432
Sales	(229,472)	(322,919)	(11,130)	-	(563,521)
Ending balance, June 30, 2016	$ 21,101,040	$ 3,962,624	$ 2,386,798	$ 250,724	$ 27,701,186

The Foundation realized a net gain from the sale of investment securities of $15,044,667 and $1,337,031 for the years ended June 30, 2017 and 2016, respectively. The net depreciation on the fair value of investments totaled $2,669,926 and $2,576,714 for the years ended June 30, 2017 and 2016, respectively.

The Foundation has outstanding commitments to invest in various alternative investments at June 30, 2017 and 2016, amounting to approximately $7,332,000 and $8,233,000, respectively.

Certain Foundation investment securities are held by independent custodial and management agents. Custodial and management fees paid approximated $107,000 and $115,000 in 2017 and 2016, respectively.

The investment value of funds held by trustee by the Corporation, which consists of Series 2010 Bond proceeds and capital contributions from the University, for the benefit of the Series 2010 Project of CFP I at June 30 are as follows:

	2017	**2016**
Money market funds	**$ 20,787,272**	$ 19,383,595

3. Accounts Receivable

The composition of accounts receivable for the University at June 30 is as follows:

	2017	2016
Student receivable for fees, room, and board	$ 8,473,385	$ 7,925,412
Research and sponsored programs	3,566,185	3,344,387
Other	1,426,284	1,989,261
	13,465,854	13,259,060
Less allowance for doubtful accounts	1,500,000	1,500,000
Totals	$ 11,965,854	$ 11,759,060

4. Notes Receivable

Principal repayment and interest rate terms of federal and University loans vary considerably. Federal loan programs are funded principally with federal contributions to the University under the Perkins and Nursing Loan programs. All amounts recorded are believed collectible.

The University distributed $117,767,416 and $118,123,902 for student loans in 2017 and 2016, respectively, through the U.S. Department of Education federal direct lending program. These distributions and related funding sources are not included as revenues or expenses in the accompanying financial statements.

5. Capital Assets

Capital assets and accumulated depreciation and amortization of the University as of June 30, 2017 are summarized as follows:

	Beginning Balance	Additions	Retirements or Transfers	Ending Balance
Land (non-depreciable)	$ 9,177,884	$ 393,607	$ -	$ 9,571,491
Buildings	571,028,773	8,993,292	(47,431,401)	627,453,466
Infrastructure	102,647,888	2,921,314	(15,260,042)	120,829,244
Equipment	98,902,277	3,741,630	1,494,292	101,149,615
Library materials	25,903,753	2,011,269	2,593,542	25,321,480
Construction in progress (non-depreciable)	118,059,851	52,420,770	69,741,929	100,738,692
Capital leases	6,316,953	-	6,316,953	-
Capitalized interest	1,583,528	1,904,561	1,008,293	2,479,796
Total capital assets	933,620,907	72,386,443	18,463,566	987,543,784
Less accumulated depreciation and amortization	(407,650,878)	(30,225,394)	(9,923,225)	(427,953,047)
Net capital assets	$ 525,970,029	$ 42,161,049	$ 8,540,341	$ 559,590,737

5. Capital Assets (continued)

The University has commitments of approximately $101 million on various construction projects in progress as of June 30, 2017.

Capital assets and accumulated depreciation and amortization of the University as of June 30, 2016 are summarized as follows:

	Beginning Balance	Additions	Retirements or Transfers	Ending Balance
Land (non-depreciable)	$ 9,177,884	$ –	$ –	$ 9,177,884
Buildings	550,998,030	11,257,914	(8,772,829)	571,028,773
Infrastructure	100,519,021	801,183	(1,327,684)	102,647,888
Equipment	97,466,991	4,019,178	2,583,892	98,902,277
Library materials	26,371,604	2,292,918	2,760,769	25,903,753
Construction in progress (non-depreciable)	47,498,676	80,583,277	10,022,102	118,059,851
Capital leases	6,316,953	–	–	6,316,953
Capitalized interest	788,842	1,098,230	303,544	1,583,528
Total capital assets	839,138,001	100,052,700	5,569,794	933,620,907
Less accumulated depreciation and amortization	(385,541,124)	(27,537,664)	(5,427,910)	(407,650,878)
Net capital assets	$ 453,596,877	$ 72,515,036	$ 141,884	$ 525,970,029

Capital assets and accumulated depreciation of the Corporation as of June 30, 2017 are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land (non-depreciable)	$ 873,499	$ –	$ –	$ 873,499
Land improvements	1,384,056	–	–	1,384,056
Building	85,720,760			85,720,760
Construction in progress	–	6,596	–	6,596
Furniture	3,746,753	12,145	(135,656)	3,623,242
Chartwells renovation	1,588,000	–	–	1,588,000
Total capital assets	93,313,068	18,741	(135,656)	93,196,153
Less accumulated depreciation	(19,789,525)	(3,275,226)	118,296	(22,946,455)
Net capital assets	$ 73,523,543	$ (3,256,485)	$ (17,360)	$ 70,249,698

5. Capital Assets (continued)

Capital assets and accumulated depreciation of the Corporation as of June 30, 2016 are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land (non-depreciable)	$ 873,499	$ –	$ –	$ 873,499
Land improvements	1,384,056	–	–	1,384,056
Building	85,693,095	140,061	(112,396)	85,720,760
Furniture	3,746,625	5,300	(5,172)	3,746,753
Chartwells renovation	1,588,000	–	–	1,588,000
Total capital assets	93,285,275	145,361	(117,568)	93,313,068
Less accumulated depreciation	(16,059,899)	(3,749,150)	19,524	(19,789,525)
Net capital assets	$ 77,225,376	$ (3,603,789)	$ (98,044)	$ 73,523,543

6. Accounts Payable and Accrued Expenses

The composition of accounts payable and accrued expenses of the University at June 30 is as follows:

	2017	2016
Accounts payable	**$ 12,674,688**	$ 19,203,755
Accrued payroll and withholdings	**7,161,134**	7,946,499
Accrued health claims	**2,000,000**	2,000,000
Accrued interest on bonds and capital lease	**614,564**	807,134
Total	**$ 22,450,386**	$ 29,957,388

7. Long-Term Debt and Other Obligations

Long-term debt and other obligations of the University for June 30, 2017 are summarized as follows:

Bonds	Rates	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
2010 Series A Tax-Exempt	2.00-5.00	2010-2039	$ 2,165,000	$ –	$ 805,000	$ 1,360,000	$ 680,000
2010 Series B Build America	4.20-6.73	2015-2039	64,235,000	–	2,390,000	61,845,000	2,390,000
2012 Series A General Receipts Bond – 2003 Advance Refunding	1.92	2011-2019	4,675,000	–	1,530,000	3,145,000	1,555,000
2012 Series B General Receipts Bond – 2004 Advance Refunding	1.92	2011-2019	8,605,000	–	2,815,000	5,790,000	2,865,000
2014 General Receipts Bonds	Variable	2019-2048	40,000,000	–	–	40,000,000	–
2016 Bond Series A	3.75 – 5.00	2021-2046	70,000,000	–	–	70,000,000	–
2017 Bond Series A	1.60	2049	–	35,000,000	–	35,000,000	–
Bond premium			9,634,022	–	542,476	9,091,546	556,876
Total bonds payable			199,314,022	35,000,000	8,082,477	226,231,546	8,046,876
Other liabilities							
Vacation pay			7,481,433	5,489,230	5,443,902	7,526,761	5,645,869
Sick leave			5,251,330	345,955	–	5,597,285	440,421
Capital lease			1,292,008	–	1,292,008	–	–
Federal student loan deposits			8,318,432	–	–	8,318,432	–
Total other liabilities			22,343,203	5,835,185	6,735,910	21,442,478	6,086,290
Total long-term liabilities			$ 221,657,225	$ 40,835,185	$ 14,818,387	$ 247,674,024	$ 14,133,166

7. Long-Term Debt and Other Obligations (continued)

Long-term debt and other obligations of the University for June 30, 2016 are summarized as follows:

Bonds	Rates	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
2005 General Receipts Bonds	4.50-5.30	2005-2016	$ 5,335,000	$ –	$ 5,335,000	$ –	$ –
2010 Series A Tax-Exempt	2.00-5.00	2010-2039	3,685,000	–	1,520,000	2,165,000	805,000
2010 Series B Build America	4.20-6.73	2015-2039	65,335,000	–	1,100,000	64,235,000	2,390,000
2012 Series A General Receipts Bond – 2003 Advance Refunding	1.92	2011-2019	6,175,000	–	1,500,000	4,675,000	1,530,000
2012 Series B General Receipts Bond – 2004 Advance Refunding	1.92	2011-2019	11,370,000	–	2,765,000	8,605,000	2,815,000
2014 General Receipts Bonds	Variable	2019-2048	40,000,000	–	–	40,000,000	–
2016 Bond Series A	3.75 – 5.00	2021-2046	–	70,000,000	–	70,000,000	–
Bond premium			357,541	9,446,467	169,986	9,634,022	276,914
Total bonds payable			132,257,541	79,446,467	12,389,986	199,314,022	7,816,914
Other liabilities							
Vacation pay			7,300,867	5,172,854	4,992,288	7,481,433	5,664,103
Sick leave			5,139,015	112,315	–	5,251,330	439,094
Capital lease			2,557,569	–	1,265,561	1,292,008	1,292,008
Federal student loan deposits			8,318,432	–	–	8,318,432	–
Total other liabilities			23,315,883	5,285,169	6,257,849	22,343,203	7,395,205
Total long-term liabilities			$ 155,573,424	$ 84,731,636	$ 18,647,835	$221,657,225	$ 15,212,119

7. Long-Term Debt and Other Obligations (continued)

The scheduled maturities and interest of the University's bonds for the five fiscal years subsequent to June 30, 2017 and subsequent periods thereafter are as follows:

	Principal	Interest	Total
2018	$ 7,490,000	$ 6,931,106	$ 14,421,106
2019	7,585,000	6,773,743	14,358,743
2020	16,755,000	6,568,577	23,323,577
2021	4,850,000	5,979,359	10,829,359
2022	5,125,000	5,831,520	10,956,520
2023-2027	27,570,000	26,458,745	54,028,745
2028-2032	32,335,000	21,349,765	53,684,765
2033-2037	38,685,000	15,475,068	54,160,068
2038-2042	36,395,000	8,606,266	45,001,266
2043-2047	33,770,000	2,793,877	36,563,877
2048-2051	6,580,000	125,607	6,705,607
	$ 217,140,000	**$ 106,893,633**	**$ 324,033,633**

On May 7, 2014, the University issued $40,000,000 of variable rate, tax exempt General Receipts Bonds, Series 2014. The proceeds will be used to finance the costs of various improvements to the University's campus, including (i) improvements to fully or partially renovate five academic classroom and instruction laboratory buildings and the supporting campus infrastructure, and also including improved replacement parking; (ii) partial renovation of the campus recreation and wellness facility; (iii) demolition, utility relocation, and other site preparation work associated with one or more existing academic and residential buildings in preparation for future site-specific capital projects; and (iv) acquisition and installation of all related fixtures, furnishings, and equipment.

This Series 2014 Bond has a stated maturity date of June 1, 2048 and bears interest at an adjustable rate, payable on the first business day of each month. The initial interest rate was .3637%; the rate will reset on the first of each month and is determined by a formula utilizing 68.50% of LIBOR plus a number of basis points that are assigned based on the University's then-current bond rating. At no time will the interest rate borne by this Series 2014 Bond exceed a maximum interest rate of 12% per year. The interest calculation for the Series 2014 Bond included in the above table of scheduled maturities is based upon the initial interest rate of .3637% per year.

7. Long-Term Debt and Other Obligations (continued)

This Series 2014 Bond is subject to redemption at the option of the University prior to the stated maturity date in whole or in part, at the redemption price of 100% of the principal amount redeemed, plus accrued interest up to the redemption date. This Series 2014 Bond is subject to a mandatory tender by the registered owner, in whole but not in part, for purchase by the University in an amount equal to the outstanding principal amount of this Series 2014 Bond plus any accrued and unpaid interest on December 1, 2017.

On February 11, 2016, the University issued $70,000,000 of fixed rate General Receipts Bonds, Series 2016A with interest rates ranging from 3.75 percent to 5.00 percent, and maturities ranging from 2021 to 2046. The proceeds will be used to finance the costs of various improvements to the University's campus, including (i) improvements to fully or partially renovate five academic classroom and instruction laboratory buildings and the supporting campus infrastructure, and also including improved replacement parking; (ii) partial renovation of the campus recreation and wellness facility; (iii) demolition, utility relocation, and other site preparation work associated with one or more existing academic and residential buildings in preparation for future site-specific capital projects; and (iv) acquisition and installation of all related fixtures, furnishings, and equipment.

On June 29, 2017, the University issued $35,000,000 of fixed rate General Receipts Bonds, Series 2017A with a fixed interest rate of 1.60 percent and a maturity in 2049. The proceeds will be used to finance the cost of various improvements to the University's campus including (i) improvements to fully or partially renovate five academic classroom and instruction laboratory buildings and the supporting campus infrastructure, and also including improved replacement parking; (ii) partial renovation of the campus recreation and wellness facility; (iii) demolition, utility relocation, and other site preparation work associated with one or more existing academic and residential buildings in preparation for future site-specific capital projects; and (iv) acquisition and installation of all related fixtures, furnishings, and equipment.

The principal and interest payments of all General Receipts Bonds are collateralized by the pledge of the general receipts of the University under a master trust agreement. The master trust agreement has various restrictive covenants with which the University is in compliance.

Interest expense related to long-term debt of the University for the years ended June 30, 2017 and 2016 was $5,977,758 and $4,436,792, respectively. Of this amount, $1,904,560 and $794,686 was capitalized by the University at June 30, 2017 and 2016, respectively.

The University had unspent bond proceeds, which are classified as restricted assets, at June 30, 2017 and 2016 of $42,061,447 and $43,112,895, respectively.

7. Long-Term Debt and Other Obligations (continued)

In December 2012, the University entered into a master tax-exempt lease/purchase agreement with Key Government Finance, Inc. in the amount of $6,595,039. As of June 30, 2017, the University has relieved capital lease obligation which matured in December 2016. The master tax-exempt lease has a 0% stated interest rate and a 2.07% effective rate. Lease arrangements are used to provide financing for digital telecommunication equipment.

Capital lease at June 30, 2017 is summarized as follows:

Capital Lease	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**	**Due in One Year**
Master Tax-Exempt Lease/ Purchase Agreement	$ 1,292,008	$ –	$ 1,292,008	$ –	$ –

Long-term liabilities of the Corporation for June 30, 2017 are summarized as follows:

	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**	**Due in One Year**
Bonds payable	$ 78,670,000	$ -	$ (965,000)	$ 77,705,000	$ 1,105,000
Less unamortized discount and issuance costs	(2,243,372)	-	119,293	(2,124,079)	(117,810)
Construction funding payable	13,538,218	-	(596,800)	12,941,418	596,800
Total long-term liabilities	$ 89,964,846	$ -	$ (1,442,507)	$ 88,522,339	$ 1,583,990

Long-term liabilities of the Corporation for June 30, 2016 are summarized as follows:

	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**	**Due in One Year**
Bonds payable	$ 79,505,000	$ -	$ (835,000)	$ 78,670,000	$ 965,000
Less unamortized discount and issuance costs	(2,363,948)	-	120,576	(2,243,372)	(119,293)
Construction funding payable	14,135,018	-	(596,800)	13,538,218	596,800
Total long-term liabilities	$ 91,276,070	$ -	$ (1,311,224)	$ 89,964,846	$ 1,442,507

7. Long-Term Debt and Other Obligations (continued)

The interest and scheduled maturities of the Corporation's Series 2010 Bonds for the five fiscal years subsequent to June 30, 2016 and subsequent periods thereafter are as follows:

	Interest Rate	Principal	Interest	Total
2018	4.50%	$ 1,105,000	$ 4,562,700	$ 5,667,700
2019	4.50	1,260,000	4,512,975	5,772,975
2020	5.00	1,315,000	4,456,275	5,771,275
2021	5.75	1,380,000	4,390,525	5,770,525
2022	5.75	1,460,000	4,311,175	5,771,175
2023-2027	5.75	8,655,000	20,196,287	28,851,287
2028-2032	5.75	11,445,000	17,404,950	28,849,950
2033-2037	6.00	15,250,000	13,601,700	28,851,700
2038-2042	6.00	20,410,000	8,443,500	28,853,500
2043-2045	6.00	15,425,000	1,887,000	17,312,000
Total		$ 77,705,000	$ 83,767,087	$ 161,472,087

The trustee for the Corporation's Series 2010 Bonds held unspent bond proceeds and capital contributions from the University of $7,050,957 plus $13,736,315 of net operating revenue and investment income for a total of $20,787,272 as of June 30, 2017, which are classified as funds held by trustee. At June 30, 2016, the trustee held unspent bond proceeds and capital contributions from the University of $7,050,957 plus $12,332,638 of net operating revenue and investment income for a total of $19,383,595, which are classified as funds held by trustee.

The construction funding payable amounts of the Corporation for the five fiscal years subsequent to June 30, 2017 and thereafter are as follows:

Year	The Oaks (CFP II)	Carillon (CFP III)	Chartwells Renovation	Total Due
2018	$ 376,364	$ 220,436	$ –	$ 596,800
2019	376,364	220,436	–	596,800
2020	376,364	220,436	–	596,800
2021	376,364	220,436	–	596,800
2022	376,364	220,436	_	596,800
Thereafter	6,210,000	3,747,418	–	9,057,418
	$ 8,091,820	$ 4,849,598	$ –	$ 12,941,418

8. Retirement Benefits

Employee benefits are available for substantially all employees under contributory retirement plans. The University faculty is covered by the State Teachers Retirement System of Ohio (STRS Ohio). All other employees are covered by the Ohio Public Employees Retirement System of Ohio (OPERS). Both plans provide retirement, disability, annual cost-of-living adjustments, death benefits, and healthcare benefits to vested retirees.

STRS Ohio and OPERS offer three separate retirement plans:

> Defined benefit plan – traditional pension plan. This is a cost-sharing, multiple-employer plan. This plan provides disability, annual cost-of-living adjustments, death benefits, and healthcare benefits. Healthcare benefits are based on years of service.
>
> Defined contribution plan – member-directed plan. Employee contributions are invested in self-directed investments. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost-of-living adjustments, death benefits, or healthcare benefits.
>
> Combined plan – has elements of the traditional pension plan and member-directed plan. Employee contributions are invested in self-directed investments. The employer contributions are used to fund a reduced defined benefit plan. This plan provides disability, annual cost-of-living adjustments, death benefits, and healthcare benefits. Healthcare benefits are based on years of service.

Both STRS Ohio and OPERS issue separate, publicly available financial reports that include financial statements and required supplemental information. Reports can be obtained by contacting the two agencies.

8. Retirement Benefits (continued)

The STRS Ohio Comprehensive Annual Financial Report can be downloaded from the STRS website at www.strsoh.org. The Ohio Revised Code provides statutory authority for employer and employee contributions. The University contributes 14% of covered payroll and the employee pretax contribution rate is 14% of covered payroll. A portion of employer contributions was allocated to post-employment healthcare benefits as disclosed in Note 9.

The OPERS Comprehensive Annual Financial Report can be downloaded from the OPERS website at www.opers.org. The Ohio Revised Code provides statutory authority for employer and employee contributions. The University contributes 14% of covered payroll and the employee pretax contribution rate is 10% of covered payroll. A portion of employer contributions was allocated to post-employment healthcare benefits as disclosed in Note 9.

Employees may opt out of STRS Ohio or OPERS and participate in the Alternative Retirement Program (ARP), a defined contribution plan. The University contributes 14% of covered payroll and the employee pretax contribution rate is 10% of covered payroll for employees who opt out of OPERS and 14% for employees who opt out of STRS. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost-of-living adjustments, death benefits, or healthcare benefits.

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

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

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing the 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.

8. Retirement Benefits (continued)

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

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

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

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

Employer contributions to the following retirement benefit programs for June 30 are summarized as follows:

	2017	**2016**
STRS Ohio	**$ 6,577,000**	**$ 6,398,000**
OPERS	**8,294,000**	**7,934,000**
ARP	**6,203,000**	**5,884,000**
Total	**$ 21,074,000**	**$ 20,216,000**

8. Retirement Benefits (continued)

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

		Net Pension Liability		Proportionate Share		Percent
Plan	Date	2017	2016	2017	2016	Change
STRS	July 1	$ 172,801,506	$ 145,252,543	0.5162%	0.5256%	-1.79%
OPERS	December 31	96,270,704	71,389,662	0.4250%	0.4131%	2.88%

For the years ended June 30, 2017 and 2016, the University recognized pension expense of $36,376,389 and $21,240,181, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2017 and 2016:

	University Total	
June 30, 2017	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 7,949,059	$ 1,410,099
Changes of assumptions	15,368,514	-
Net difference between projected and actual earnings on pension plan investments	28,780,244	-
Changes in proportion and differences between University contributions and proportionate share of contributions	992,715	3,010,498
University contributions subsequent to the measurement date	11,708,159	-
Total	$ 64,798,691	$ 4,420,597

8. Retirement Benefits (continued)

June 30, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,632,036	$ 1,386,376
Net difference between projected and actual earnings on pension plan investments	21,198,887	10,446,063
Changes in proportion and differences between University contributions and proportionate share of contributions	-	2,988,733
University contributions subsequent to the measurement date	10,240,726	-
Total	$ 38,071,649	$ 14,821,172

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
2018	$ 11,237,506
2019	11,589,842
2020	10,714,509
2021	15,148,451
2022	(5,635)
Thereafter	(14,738)

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

8. Retirement Benefits (continued)

Actuarial Assumptions – The total pension liability in the actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	STRS as of 6/30/16	OPERS as of 12/31/16
Valuation date	July 1, 2016	December 31, 2016
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	2.0 percent	3.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	3.25 percent - 10.75 percent
Inflation	2.75 percent	3.25 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	7.50 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended July 1, 2012	Period of 5 years ended December 31, 2015
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)	RP-2014 Healthy Annuitant mortality table

	STRS as of 6/30/15	OPERS as of 12/31/15
Valuation date	July 1, 2015	December 31, 2015
Actuarial cost method	Early age normal	Individual entry age
Cost of living	2.0 percent	3.00 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	4.25 percent - 10.05 percent
Inflation	2.75 percent	3.75 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended July 1, 2012	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)	RP-2000 mortality table projected 20 years using Projection Scale AA

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent and 7.5 percent for STRS and OPERS, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes Between Measurement Date and Report Date – In March 2017, the STRS Board adopted certain assumption changes which will impact its annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 to 7.45 percent. In April 2017, the STRS Board voted to suspend cost-of-living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the University's net pension liability is expected to be significant.

8. Retirement Benefits (continued)

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 are summarized in the following table:

	STRS as of 6/30/16			OPERS as of 12/31/16	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	31.00%	8.00%	Fixed Income	23.00%	2.75%
International Equity	26.00%	7.85%	Domestic Equity	20.70%	6.34%
Alternatives	14.00%	8.00%	Real Estate	10.00%	4.75%
Fixed Income	18.00%	3.75%	Private Equity	10.00%	8.97%
Real Estate	10.00%	6.75%	International Equity	18.30%	7.95%
Liquidity Reserves	1.00%	3.00%	Other Investments	18.00%	4.92%
Total	100.00%		Total	100.00%	

	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 Equity	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	100.00%		Total	100.00%	

8. Retirement Benefits (continued)

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

June 30, 2017

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.75%	$ 229,639,162	7.75%	$ 172,801,506	8.75%	$ 124,855,596
OPERS	6.50%	147,466,184	7.50%	96,270,704	8.50%	53,624,905
		$ 377,105,346		$ 269,072,210		$ 178,480,501

June 30, 2016

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.75%	$ 201,766,739	7.75%	$ 145,252,543	8.75%	$ 97,461,364
OPERS	7.00%	114,090,501	8.00%	71,389,662	9.00%	35,383,270
		$ 315,857,240		$ 216,642,205		$ 132,844,634

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.

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 Program's 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.

8. Retirement Benefits (continued)

The amounts on deposit with the Program's board at June 30, 2017 and 2016 approximated $16,423,751 and $13,948,531, respectively, which represents the fair value at such dates.

9. Post-Employment Healthcare Benefits

In addition to pension benefits, the Ohio Revised Code provides authority for public employers to fund post-employment healthcare benefits through their contributions to STRS Ohio and OPERS.

STRS Ohio provides access to a cost-sharing, multiple-employer healthcare plan to retirees who participated in the defined benefit or combined plan. Coverage under the current plan includes hospitalization, doctor fees, prescription drug program, and Medicare Part B premium reimbursement. All benefit recipients pay a portion of the healthcare coverage in the form of monthly premiums.

Under Ohio law, post-employment healthcare benefits under STRS are permitted, but not mandated; therefore, a portion of employer contributions is set aside for funding for the post-employment health. Of the 14% employer contribution rate, 0% of covered payroll was allocated to post-employment health care for the years ended June 30, 2017 and 2016. For the year ended June 30, 2014, 1% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law.

OPERS maintains a cost-sharing, multiple-employer healthcare plan to retirees who participated in the defined benefit or combined plan with 10 or more years of qualifying Ohio service credit. Coverage includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement.

Under Ohio law, post-employment healthcare benefits under OPERS are permitted, but not mandated; therefore, a portion of employer contributions is set aside for funding post-employment health care. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2% for both plans and beginning January 1, 2017 decreased to 1.0% for both plans, as recommended by the OPERS actuary. Payment amounts vary depending on the number of covered dependents and coverage selected.

9. Post-Employment Healthcare Benefits (continued)

Employer contributions to the following retirement benefit program for June 30 are summarized as follows:

	2017	2016	2015
STRS Ohio	$ -	$ -	$ -
OPERS	1,191,786	1,124,110	1,088,170
Total	$ 1,191,786	$ 1,124,110	$ 1,088,170

10. Risk Management

The University self insures its healthcare program up to a specific limit of $275,000 per individual event. The University has specific stop-loss coverage.

Changes in the balances of claims liabilities for the years indicated for the health coverage are as follows:

	2017	2016	2015
Unpaid claims, July 1	**$ 2,000,000**	$ 2,000,000	$ 2,000,000
Incurred claims	**16,760,429**	19,049,603	18,948,810
Paid claims	**(16,760,429)**	(19,049,603)	(18,948,810)
Unpaid claims, June 30	**$ 2,000,000**	$ 2,000,000	$ 2,000,000

This actuarially determined liability for estimates of losses retained by the University for outstanding claims and claims incurred but not reported is the University's best estimate based on past experience and current claims outstanding. Actual claims experience may differ from the estimate.

Risk financing methods for property and casualty exposures include a combination of insurance, self-insurance, and risk pooling via a joint program formed with other four-year publicly funded universities in the state. This program is referred to as the Inter-University Council Insurance Consortium (IUC-IC) and it obligates member institutions to realize the first $100,000 per covered loss for nearly all exposures before the claim reaches the pool and eventually the insured layers of the program. All of 14 member institutions participate in the program with the exception of The Ohio State University. The operation of the pool is managed by a Board of Governors consisting of one member representative and one alternate from each institution.

10. Risk Management (Continued)

The University participates in a state pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund (the "Plan") on a pay-as-you-go basis, which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the "Bureau") based on estimates that incorporate the past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the workers' compensation liability based on rates set by the Bureau to collect the cash needed in subsequent fiscal years to pay the workers' compensation claims of participating state agencies and universities.

11. Contingencies

During the normal course of operations, the University has become a defendant in various legal and administrative actions. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of legal counsel and University management, the disposition of all pending litigation will not have a material adverse effect on the financial condition of the University.

The University receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. Revenues from government grants and contracts are recognized when all eligibility requirements have been met. The University records indirect costs related to such grants and contracts at predetermined rates that are negotiated with the University's federal cognizant agency. Both direct and indirect costs charged to the grants or contracts are subject to audit and approval by the granting agencies. University management believes any adjustments of costs resulting from such examination by the granting agency would be insignificant.

12. Foundation Net Assets

The Foundation’s temporarily restricted net assets at June 30, 2017 and 2016 were available for the following purposes:

	2017	2016
Scholarships	$ 24,551,321	$ 26,339,481
General and operational support	30,964,837	19,679,625
Capital and equipment	9,152,405	6,030,704
Professorships	2,874,587	2,210,089
Centers and institutes	1,760,123	1,471,693
Chair	1,360,628	1,236,327
Research	699,251	671,756
Faculty and staff	248,685	183,774
Fellowships	74,882	71,448
Total	$ 71,686,719	$ 57,894,897

The Foundation’s summary of the net assets released from restrictions during the years ended June 30, 2017 and 2016 is as follows:

	2017	2016
General and operational support	$ 6,496,680	$ 8,362,849
Scholarships	3,870,443	3,573,240
Capital and equipment	782,711	1,979,544
Centers and institutes	290,991	203,773
Professorships	287,631	195,328
Chair	117,701	79,431
Faculty and staff	47,434	42,000
Research	39,317	2,327
Fellowship	1,772	-
Total	$ 11,934,680	$ 14,438,492

12. Foundation Net Assets (continued)

The Foundation’s permanently restricted net assets at June 30, 2017 and 2016 are investments in perpetuity, the income from which is expendable to support the following purposes:

	2017	2016
Scholarships	$ 55,924,928	$ 57,793,035
General and operational support	22,478,317	17,896,401
Professorships	8,689,017	8,664,560
Capital and equipment	2,000,687	1,984,830
Centers and institutes	1,281,758	1,397,179
Chair	1,480,629	1,480,629
Faculty and staff	1,011,816	1,011,316
Research	470,716	468,941
Fellowships	29,209	29,209
Total	$ 93,367,077	$ 90,726,100

13. Related Party Transactions

The University leased the land comprising the two sites on which the Series 2010 Project facilities are constructed to the Corporation under a Ground Lease between the State of Ohio, acting by, through, and for the University, as lessor, and the Corporation, as lessee. The lease commenced on May 3, 2010 and will expire on May 2, 2055. The Corporation shall have the right and option to extend this lease for up to two consecutive terms of 15 years each.

The Corporation subleased the two sites to CFP I in consideration of the agreement of CFP I to develop the Series 2010 Project on that land and the payment of nominal lump-sum rent. The lease commenced on June 1, 2010 and will expire on May 2, 2055.

The Series 2010 Project includes two housing facilities, Falcon Heights and Centennial Hall, which were placed in service in August 2011. The University has the resources and processes in place to invoice and collect funds from students for housing and housing-related fees for all other residence halls. The University acts as an agent between the students and CFP I and will invoice, collect the student accounts on behalf of CFP I, and then distribute the monies to CFP I. CFP I records operating revenue from these activities, which totaled approximately $9,100,000 and $8,999,000 for the years ended June 30, 2017 and 2016, respectively. The University owed CFP I student housing and housing-related fees totaling approximately $11,000 and $55,000 for the years ended June 30, 2017 and 2016, respectively.

13. Related Party Transactions (continued)

The University leased land comprising the site on which The Oaks is constructed to the Corporation under a Ground Lease between the State of Ohio, acting by, through, and for the University, as lessor, and the Corporation, as lessee. The Corporation subleased this site to CFP II in consideration of the agreement of CFP II to develop The Oaks on that land and the payment of nominal lump-sum rent. The lease commenced on June 30, 2010 and will expire on June 30, 2045.

The University leased land comprising the site on which Carillon is constructed to the Corporation under a Ground Lease between the State of Ohio, acting by, through, and for the University, as lessor, and the Corporation, as lessee. The Corporation subleased this site to CFP III in consideration of the agreement of CFP III to develop Carillon on that land and the payment of nominal lump-sum rent. The lease commenced on November 1, 2010 and will expire on June 30, 2045.

The University incurred costs during different stages of start-up and implementation of the Corporation and its subsidiaries. The University also incurred costs on behalf of the Corporation and its subsidiaries for various outside services related to the Series 2010 Project, The Oaks, and Carillon. These outside services include consulting, legal, engineering, architectural, and construction. In addition, certain salaries and fringe benefits of financial, accounting, development, and information technology personnel are incurred by the University but relate to the Corporation. These expenses are paid by the University on behalf of the Corporation and are shown in the accompanying financial statements as in-kind support and operating and administrative expense of $35,000 and $32,000 for the fiscal years ended June 30, 2017 and 2016, respectively.

Chartwells provided approximately $18,000,000 of funding for these projects for the year ended June 30, 2012. The Chartwells construction funding payable will be paid in annual installments, ranging from $409,000 to $857,000 over 27.5 years, through June 30, 2039. Due to the University’s Management Agreement with Chartwells for the dining program and in exchange for the use of the dining facilities, the University repays the construction funding payable on behalf of the Corporation, as these are of approximate equal value. As such, the Corporation recognizes this non-cash transaction as a decrease to the construction funding payable and as in-kind support nonoperating revenue. For the years ended June 30, 2017 and 2016, the repayment and in-kind support revenue totaled $596,800 and $596,800, respectively. The University recognized in-kind nonoperating expense of $596,800 and $596,800 for the years ended June 30, 2017 and 2016, respectively.

13. Related Party Transactions (continued)

The University can pay off the construction funding payable of $18,000,000 early without penalty. The University also has a Food Services Agreement with Chartwells in which the University pays a management fee to Chartwells to manage the dining halls through fiscal year 2020. The Food Services Agreement can be renewed for three additional successive five-year periods. If the Food Services Agreement with Chartwells is terminated or not renewed, the University would be required to pay Chartwells interest on the construction funding payable until full payoff at a rate equal to the 12-month U.S. Treasury rate. Payment in full of the construction funding payable would be required in one year from termination of agreement or within 30 days after the University hires another third party to run its dining services.

Required Supplemental Information

Bowling Green State University

Required Supplemental Information

Schedule of Pension Funding Progress

	2017	
	OPERS	STRS
Plan year end	December 31, 2016	June 30, 2016
University's proportion of the plan's collective net pension liability:		
As a percentage	0.4220%	0.5162%
Amount	$ 96,270,704	$ 172,801,507
University's covered employee payroll	$ 74,474,934	$ 46,828,962
University's proportionate share of the plan's collective pension liability (amount) as a percentage of the University's covered employee payroll	129.27%	369.01%
Fiduciary net position as a percentage of the total pension liability	77.38%	66.80%

Schedule of Contributions

	2017	
	OPERS	STRS
	December 31, 2016	June 30, 2016
Statutorily required contribution	$ 8,293,880	$ 6,566,167
Contributions in relation to the actuarily determined contractually required contribution	$ 8,293,880	$ 6,566,167
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 58,800,542	$ 46,901,194
Contributions as a percentage of covered employee payroll	14.11%	14.00%

Schedule of Pension Funding Progress

	2016	
	OPERS	STRS
Plan year end	December 31, 2015	June 30, 2015
University's proportion of the plan's collective net pension liability:		
As a percentage	0.4131%	0.5256%
Amount	$ 71,389,662	$ 145,252,543
University's covered employee payroll	$ 62,112,087	$ 46,225,751
University's proportionate share of the plan's collective pension liability (amount), as a percentage of the University's covered employee payroll	114.94%	314.22%
Fiduciary net position as a percentage of the total pension liability	81.19%	72.10%

Schedule of Contributions

	2016	
	OPERS	STRS
	December 31, 2015	June 30, 2015
Statutorily required contribution	$ 7,934,000	$ 6,284,849
Contributions in relation to the actuarily determined contractually required contribution	$ 7,934,000	$ 6,284,849
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 55,472,339	$ 44,891,777
Contributions as a percentage of covered employee payroll	14.30%	14.00%

Bowling Green State University

Required Supplemental Information

Schedule of Pension Funding Progress

	2015	
	OPERS	STRS
Plan year end	December 31, 2014	June 30, 2014
University's proportion of the plan's collective net pension liability:		
As a percentage	0.4245%	0.5362%
Amount	$ 51,032,379	$ 130,415,104
University's covered employee payroll	$ 53,363,875	$ 46,606,816
University's proportionate share of the plan's collective pension liability (amount), as a percentage of the University's covered employee payroll	95.63%	279.82%
Fiduciary net position as a percentage of the total pension liability	86.53%	74.70%

Schedule of Contributions	2015	
	OPERS	STRS
	December 31, 2015	June 30, 2015
Statutorily required contribution	$ 7,679,000	$ 6,304,000
Contributions in relation to the actuarily determined contractually required contribution	$ 7,679,000	$ 6,304,000
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 61,602,245	$ 46,225,751
Contributions as a percentage of covered employee payroll	12.47%	13.64%

Notes to required supplemental information:

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

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

OPERS: During the plan year ended December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.25-10.75 percent. The mortality tables used changed from RP-2000 to RP-2014.

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

Independent Auditor's Report

To Management, the Audit Committee,
and the Board of Trustees
Bowling Green 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 Bowling Green State University (the "University"), a component unit of the State of Ohio, and its discretely presented component units as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's financial statements, and have issued our report thereon dated October 6, 2017. Our report includes a reference to other auditors who audited the financial statements of Bowling Green State University Foundation, Inc. and Subsidiary, as described in our report on Bowling Green State University's financial statements. The Foundation represents 66 percent, 81 percent, and 98 percent, respectively, of the assets, net position, and revenue of the discretely presented component units. 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 Bowling Green State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

To Management, the Audit Committee,
and the Board of Trustees
Bowling Green State University

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bowling Green 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.*

Bowling Green State University's Response to Finding

Bowling Green State University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Bowling Green 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 6, 2017

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

Independent Auditor's Report

To the Audit Committee and the Board of Trustees
Bowling Green State University

Report on Compliance for Each Major Federal Program

We have audited Bowling Green 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, 2017. Bowling Green 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.

Bowling Green State University's basic financial statements include the operations of Bowling Green State University Foundation, Inc. and Subsidiary, which received $0 in federal awards which is not included in the schedule during the year ended June 30, 2017. Our audit, described below, did not include the operations of Bowling Green State University Foundation, Inc. and Subsidiary because the component unit did not have any federal expenditures.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bowling Green 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 Bowling Green State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Audit Committee and the Board of Trustees
Bowling Green State University

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 Bowling Green State University's compliance.

Opinion on Each Major Federal Program

In our opinion, Bowling Green 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, 2017.

Report on Internal Control Over Compliance

Management of Bowling Green 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 Bowling Green 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2017-002 and 2017-003, that we consider to be significant deficiency.

Bowling Green State University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Bowling Green State University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

To the Audit Committee and the Board of Trustees
Bowling Green State University

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 6, 2017

Bowling Green State University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor, CFDA Title, Project Name	*CFDA Number*	*Pass-through Sponsor*	*Agency Number*	*Passed Through to Subrecipients*	*Expenditures*
STUDENT FINANCIAL AID CLUSTER					
U.S. Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007				$ 689,605
Federal Work-Study Program	84.033				697,099
Federal Perkins Loans	84.038				1,047,908
Federal Pell Grant Program	84.063				20,589,703
Federal Direct Subsidized Student Loans	84.268				31,009,313
Federal Direct Unsubsidized Student Loans	84.268				49,080,356
Federal Direct PLUS Loans	84.268				37,677,747
Teacher Education Assistance for College and Higher Education Grants	84.379				738,337
Federal Nursing Student Loans	93.364				90,922
TOTAL STUDENT FINANCIAL AID CLUSTER					141,620,990
RESEARCH & DEVELOPMENT CLUSTER					
U.S. Department of Agriculture					
Agricultural and Food Research Initiative:					
Integrated Management of Oomycete Diseases of Soybean and Other Crop Plants	10.310	Virginia Polytechnic Institute & State University	0422183-19755/422262		(18)
Development of High Oxygen-Barrier Multilayer Polymer Films for Improved Shelf Life of Foods Processed Using Microwave and High Pressure Technologies	10.310	Washington State University	2016-67017-24597		14,189
Total U.S. Department of Agriculture					14,171
U.S. Department of Commerce					
Economic Development Technical Assistance:					
Rural Universities Consortium University Center	11.303		06-66-05704	$ 47,159	66,373
Rural Universities Consortium University Center	11.303		ED16CHI3030034	45,007	102,033
Sea Grant Support:					
Source Tracking and Toxigenicity of Planktothrix in Sand	11.417	Ohio State University Research Foundation	NA14OAR4170067/60043512		9,201
A Study on Special Event: Annual Walleye Festival at Port Clinton	11.417	Ohio State University Research Foundation	NA14OAR4170067/60052964		3,600
What Makes Planktothrix Bloom? An Examination of Physiological Ecology from a Genomics Perspective	11.417	Ohio State University Research Foundation	NA14OAR4170067/60053686		32,566
Coastal Zone Management Administration:					
Building Resilient Shorelines for a Healthier Lake Erie Phase 1	11.419	University of Toledo	NA13NOS4190057/DNRFH013		7,792
Building Resilient Shorelines for a Healthier Lake Erie Phase 2	11.419	University of Toledo	NA13NOS4190057/DNRFH017		19,281
Monitoring Water Clarity in Sandusky Bay	11.419	Ohio State University Research Fndn/ODNR	DNRFH020 306-15		65,227
Total U.S. Department of Commerce					306,073
U.S. Department of Defense and Research					
Air Force Defense Research Sciences Program:					
Human Deception Detection from Whole Body Motion Analysis	12.800	Infoscitex Corporation	FA8650-12-D-6364		(5,874)
Total U.S. Department of Defense and Research					(5,874)
U.S. Department of the Interior					
Wildlife Without Borders - Latin America & the Caribbean (Central America)					
Kirtland Snake eDNA Test of Concept	15.640	Toledo Zoo	F15AC00041		452
Total U.S. Department of the Interior					452
U.S. Department of Justice					
Promoting Evidence Integration in Sex Offender Mgmt Discretionary Grant Programs:					
Campus Sexual Misconduct: Using Perpetrator Risk Assessment	16.203	Fairleigh Dickinson University	2014-AW-BX-K002		(2)
Second Chance Act Reentry Initiative:					
Lucas County Re-Entry Program Second Chance Act two - Phase	16.812	Lucas County Juvenile Court	2014-BJ-SCA-1416		45,089
National Institute of Justice Research, Evaluation, Development Project Grants:					
Pathways Linking Parental Incarceration and Child Well-Being	16.560		2016-IJ-CX-0012		70,266
Total U.S. Department of Justice					115,353
U.S. Department of Transportation					
University Transportation Centers Program:					
Assessing the Socio-Economic Impacts of Mass Transit System	20.701	San Jose State University	DTRT12-G-UTC21		(1,794)
Total U.S. Department of Transportation					(1,794)

See Notes to Schedule of Expenditures of Federal Awards.

Federal Grantor, CFDA Title, Project Name	*CFDA Number*	*Pass-through Sponsor*	*Agency Number*	*Passed Through to Subrecipients*	*Expenditures*
National Science Foundation					
Engineering Grants:					
Collaborative: Room-Temperature Electrophosphorescence	47.041		ECCS-1202439		$ 5,965
Low-Temperature Assembly of All-Inorganic Solar Cells from Nanocrystal	47.041		CBET-1236355		3,264
Exploring the Feasibility of Plasmonic Nanocrystal Solar Cells Utilizing Strongly Confined Radiation	47.041		CBET-1510503		124,906
Mathematical and Physical Sciences:					
EXTREEMS-QED: Computational Mathematics and Statistics	47.049		DMS-1331036		187,613
CAREER: Iminium Salts as Potential Water Oxidation Catalysts	47.049		CHE-1055397		65,215
Deciphering Light Induced Double Bond Isomerization	47.049		CHE-1152070		(2,331)
Energy Funneling in Plasmonic Nanocrystal Composites for Photocatlytic Production of Solar Fuels	47.049		CHE-1465052		159,301
Photochemistry, Spin, and Molecular Motion: Connections	47.049		CHE-1464817		178,368
Workshop: Photocatalysis, Photoconversion, and Photoelectrochemistry: Fundamentals, Techniques, and Applications for the 21st Century	47.049		CHE-1622670		2,738
SusChEM: Metal-Free Catalysts for Oxygen Evolution and Oxygen Reduction Reactions: From Molecular Models to Graphene-Based Electrocatalysts	47.049		CHE-1565971		351
MRI: Acquisition of Regenerative Laser Amplification Systems for Sensitive, High-Resolution, Multi-Time Scale Spectroscopy	47.049		CHE -1626420		223,750
CAREER: Controlling Mechanical Properties of Materials Using Photoactive Metal-Coordination Bonds	47.049		CHE-1653892		5,590
Geosciences:					
Collaborative Research: Characterizing Arctic Climate	47.050		EAR-1204049		11,256
Investigating Early Miocene Sub-Ice Volcanoes in Antarctica	47.050		PLR-1443576		87,178
Computer and Information Science and Engineering:					
CI-EN: Boa: A Collaboratory for Studying Software	47.070		CNS-1512947		32,058
SHF: Large: Collaborative Research: Inferring Software Specifications from Open Source Repositories by Leveraging Data and Collective Community Expertise	47.070		CCF-1518776		64,903
Building a Cyberlearning Research Program: An Early Career Symposium	47.070		IIS-1541669		1,587
Biological Sciences:					
SG: Microbes Promote Ice Formation in Inland Waters	47.074		DEB-1354707		49,453
Collaborative Research: Navigation and the Neural Integration of Multimodal Sensory Information in the Brain of an Arthropod	47.074		DEB-1457304		69,499
Social, Behavioral, and Economic Sciences:					
Mechanisms Underlying Cessation of IPV Perpetration: A Longitudinal Study of the Desistance Process	47.075		SES-1558755		158,186
Education and Human Resources:					
iEvolve: Inquiry and Engagement to Invigorate and Optimize	47.076		DUE-1238136	$ 143,646	1,088,438
SET-GO: Science, Engineering & Technology Gateway Ohio	47.076		DUE 0757001		130,841
Collaborative Research: AGEP-T: Northern Ohio AGEP Alliance	47.076		HRD-1432921		25,233
Project SEA Change: Using Social Connectivity to Improve	47.076		DUE-1525623	63,767	439,517
MATH: EAGER: Collaborative Research: Implementing a Peer	47.076		DUE-1544342		130,852
Collaborative Research: Visualizing Chemistry with Infrared Imaging	47.076		DUE-1626302		51,342
Collaborative Research: Validity Evidence for Measurement in Mathematics Education (V-M2Ed)	47.076		DRL-1644314		81,922
Office of International Science and Engineering:					
Computational Compositional Mapping of Magnetic and Structural Properties of Heusler Alloys	47.079	CRDF Global	OISE-9531011		17,560
Total National Science Foundation					3,394,555
Department of Energy					
Office of Science and Financial Assessment:					
Chemical Imaging Studies	81.049		DEFG02-06ER15827		76,217
Solution-Processed Photovoltaic Devices Utilizing Semiconductor Excitonic Nanoshells (SENS)	81.049		DE-SC0016872		38,519
From Modules to Atoms: Increasing Reliability/Stability	81.087	National Renewable Energy Laboratory	XEJ-6-62131-01		58,919
Total Department of Energy					173,655

Bowling Green State University

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2017

Federal Grantor, CFDA Title, Project Name	*CFDA Number*	*Pass-through Sponsor*	*Agency Number*	*Passed Through to Subrecipients*	*Expenditures*
U.S. Department of Education					
Mathematics and Science Partnerships:					
Common Core for Mathematical Proficiency in Elementary Schools - (CO)2MP Elementary	84.366	ODE Center for Curriculum and Assessment	S366B140036/PO16432		$ 104,762
Common Core for Achievement & Middle Grades Mathematical	84.366	ODE Center for Curriculum	S366B140036/PO16431		54,820
ONLS in Mathematics - Building a PK-5 Foundation for Success	84.366	ODE Center for Curriculum	S366B140036/PO15249	$ 28,761	28,674
Common Core for Achievement & Middle Grades Mathematical Proficiency - C2AM2P	84.366	ODE Center for Curriculum and Assessment			201,080
Common Core for Mathematical Proficiency in Elementary Schools - (CO)2MP Elementary	84.366	ODE Center for Curriculum and Assessment			302,497
ONLS in Mathematics - Building a PK-5 Foundation for Success	84.366	ODE Center for Curriculum	EDUMJS116	71,230	158,323
Total U.S. Department of Education					850,156
U.S. Department of Health and Human Services					
Occupational Safety and Health Program:					
Post-Retirement Employment Among Nurses: A Case of Planned Behavior	93.262	University of Cincinnati	T42OH008432		8,614
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease					
Public Health Prevention Strategies for Obesity, Diabetes, Heart Disease and Stroke Through Chronic Disease Coordinating Networks	93.757	ProMedica	U580P005453		18,581
Healthy Lenawee 2020: Public Health Prevention Strategies for Obesity, Diabetes, Heart Disease and Stroke Through Chronic Disease Coordinating Networks	93.757	ProMedica	20170170-00		15,555
Biomedical Research and Research Training:					
Single-Molecule Patch-Clamp FRET Imaging Microscopy	93.859		1R01GM098089-01A1		199,023
A Population-Level Analysis of Novel Antimicrobial Products	93.859		1R15GM104834-01		47,847
Integrated Resources to Elucidate RNA Sequence-Structure	93.859		2R01GM085328-05	81,518	287,624
Control Mechanisms of the Nitric Oxide Synthases	93.859		R01GM051491-17A1		63,193
Child Health and Human Development Extramural Research:					
Center for Family and Demographic Research Year 8	93.865		2R24HD050959-08		38,341
Life Course, Relationship, and Situational Contexts of Today's Youth	93.865		1R01HD066087-01A1		(575)
Neighborhood Change and Violence in Adolescence	93.865		1R15HD070098-01A1		9,040
Measuring Marriage & Divorce at the County Level	93.865		1R03HD078653-01		(1,130)
Distal Determinants of Disparities in Unintended Fertility	93.865		1R01HD078412-01A1	175,523	258,355
Social and Interpersonal Environments and Parent-Child Relationships	93.865		R15HD083891		92,128
Archiving County and State Nuptiality Data	93.865		R03HD091474		284
Center for Family and Demographic Research	93.865		P2CHD050959		138,647
Exposure to Violence and Subsequent Weapons Use: Mediating and Moderating Processes	93.865	University of Michigan	R01HD084652-01A1		49,562
Aging Research:					
Health and Well-being Effects on Later-life Divorce	93.866		1R15AG047588-01		117,063
Total U.S. Department of Health and Human Services					1,342,152
TOTAL RESEARCH & DEVELOPMENT CLUSTER				656,611	6,188,899

TRIO CLUSTER					
U.S. Department of Education					
Student Support Services	84.042A		P042A150838		508,475
Educational Talent Search Program	84.044		P044A110535		57,659
Educational Talent Search Program	84.044		P044A160537		188,944
Upward Bound	84.047A		P047A121619		363,173
McNair Post-Baccalaureate Achievement	84.217A		P217A120231		259,832
TOTAL TRIO CLUSTER				-	1,378,083

CHILD NUTRITION CLUSTER					
U.S. Department of Agriculture					
Summer Food Service Program for Children					
Ohio Summer Food Service Program for Upward Bound at BGSU	10.559				19,202
TOTAL CHILD NUTRITION CLUSTER				-	19,202

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2017

Federal Grantor, CFDA Title, Project Name	*CFDA Number*	*Pass-through Sponsor*	*Agency Number*	*Passed Through to Subrecipients*	*Expenditures*
FISH AND WILDLIFE CLUSTER					
Department of the Interior					
Wildlife Restoration and Basic Hunter Education					
Pheasant Ecology in Landscapes with Disparate Habitat Availability:					
Optimizing Landscape for Wildlife and Agricultural Production	15.611	South Dakota State University/	17-0600-029		$ 11,006
Oak Openings Region Biodiversity Model	15.611	The Nature Conservancy	P101081 A102968		13,015
TOTAL FISH AND WILDLIFE CLUSTER				-	24,021
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER					
Department of Transportation					
Highway Planning and Construction:					
Dedolomitization and Alkali Reactions in Ohio-Sourced Dolostone Aggregates	20.205	Ohio Department of Transportation	E150155		20,239
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER				-	20,239
HIGHWAY SAFETY CLUSTER					
Department of Transportation					
State and Community Highway Safety					
Safe Communities - Northwest Ohio	20.600	Ohio Department of Public Safety	SC-2015-87-00-0-00047		2
Safe Communities - Northwest Ohio	20.600	Ohio Department of Public Safety	SC-2016-87-00-0-00541		10,955
Safe Communities - Northwest Ohio	20.600	Ohio Department of Public Safety	SC-2017-87-00-00-00570		35,148
TOTAL HIGHWAY SAFETY CLUSTER				-	46,105
CCDF CLUSTER					
U.S. Department of Health and Human Services					
Child Care Mandatory and Match:					
Ohio Ready to Learn	93.596	Ohio Educational Telecommunications Network	G-1617-17-0242		32,625
TOTAL CCDF CLUSTER					32,625
MEDICAID CLUSTER					
U.S. Department of Health and Human Services					
Medical Assistance Program					
2017 Ohio Medicaid Assessment Survey (OMAS)	93.778	Ohio State Univer Res Fndn/Ohio Dept Medicaid	G-1617-05-0003		6,404
TOTAL MEDICAID CLUSTER					6,404
OTHER GRANTS AND CONTRACTS					
U.S. Department of Defense					
Basic, Applied and Advanced Research:					
Ohio Junior Science and Humanities Symposium 2017	12.630	Academy of Applied Science	W911SR-15-R-003		20,000
Total U.S. Department of Defense					20,000
U.S. Department of the Interior					
National Cooperative Geologic Mapping:					
State View Program Development and Operations for the St	15.810	AmericaView	AV15-OH01/G14AP00002	$ 21,905	39,138
Total U.S. Department of the Interior					39,138
Department of State					
Academic Exchange Programs - Undergraduate Programs:					
Mandela Washington Fellowship Institute For Young African Leaders	19.009	International Research Exchange Board	S-ECAGD-16-CA-1146		11,484
Academic Exchange Programs - Teachers:					
Teaching Excellence & Achievement Program (TEA) at BGSU	19.408	International Research Exchange Board	S-ECAGD-15-CA-1018		(3,715)
Teaching Excellence & Achievement Program (TEA) at BGSU	19.408	International Research Exchange Board	S-ECAGD-16-CA-1019		191,247
Academic Exchange Programs - English Language Programs					
2016 Fall English Access Microscholarship Teacher Workshop(s):					
Integrating Service Learning into EFL Curriculum	19.421	FHI 360	S-ECAGD-13-CA-180		85,694
Public Diplomacy Programs for Afghanistan and Pakistan:					
Pakistan English Access Microscholarship Teacher Exchange	19.501	FHI 360	SPK33014CA064		173,035
Total Department of State					457,745

See Notes to Schedule of Expenditures of Federal Awards.

Bowling Green State University

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2017

Federal Grantor, CFDA Title, Project Name	*CFDA Number*	*Pass-through Sponsor*	*Agency Number*	*Passed Through to Subrecipients*	*Expenditures*
National Endowment for the Humanities					
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development					
Understanding Im/Migration: Local and Global Perspectives	45.162		AK-255394-17		$ 31,793
Total National Endowment for the Humanities					31,793
U.S. Department of Education					
Overseas Group Projects Abroad:					
Walking Witness: Civic Responsibility in the Shadow of the Holocaust	84.021		P021A130073		(3,192)
Vocational Education Basic Grants:					
Career-Technical Education (CTE) Teacher Education Preparation and Retention FY2016-2017	84.048	Ohio Department of Education	EDU20A01566451		(3,460)
Career-Technical Education (CTE) Teacher Education Preparation and Retention FY2016-2017	84.048	Ohio Department of Education	VO48A160035		130,135
Safe and Drug-Free Schools and Communities National Programs:					
Williams County Safe Schools/Healthy Students Initiative	84.184	Northwest Ohio Educational	CFDA 84.184		1,320
Twenty-First Century Community Learnings Centers:					
OASIS - Ottawa Elementary (Ottawa Afterschool Student Intervention Services) Year 3	84.287	Ottawa-Glandorf Local Schools	8920		35
OASIS - Ottawa Elementary (Ottawa Afterschool Student Intervention Services) Year 3	84.287	Ottawa-Glandorf Local Schools	Prime 8920		1,022
OASIS - Ottawa Elementary (Ottawa Afterschool Student Intervention Services) Year 3	84.287	Ottawa-Glandorf Local Schools	Prime 8920		9,197
Evaluation of Continental 21st Century After-School Program	84.287	Putnam County Educational	Prime #9249		829
Evaluation of Leipsic 21st Century After-School Program	84.287	Putnam County Educational	Prime #9195		608
Evaluation of Columbus Grove 21st Century After-School Program	84.287	Putnam County Educational	Prime 9028		580
Evaluation of Leipsic 21st Century After-School Program Year 2	84.287	Putnam County Educational	9195		9,141
Evaluation of Columbus Grove 21st Century After-School Program (Year 2)	84.287	Putnam County Educational Service Center	9028		9,156
Evaluation of Continental 21st Century After-School Program (Year 2)	84.287	Putnam County Educational Service Center	9249		9,456
Special Education - State Personnel Development:					
SPDG Grant - Year 3	84.323	OH Coalition Educ of	CFDA 84.323A		4,717
SPDG Grant - Year 4	84.323	OH Coalition Educ of	CFDA 84.323A		2,260
Supporting Effective Instruction State Grant:					
Science Teaching Advancement through Modeling Physical Science	84.367	Ohio Department of Higher	14-08		(5,550)
ASSETS: Advancing the Science Skill of Elementary Teachers	84.367	Ohio Department of Higher	15-07	$ 9,827	70,010
Science Teaching Advancement through Modeling Physical Sciences	84.367	Ohio Department of Higher	15-06		154,950
Science Teaching Advancement Through Modeling Physical Science - STAMPS VII	84.367	Ohio Department of Higher Education	S367B150030		8,585
Project ASSETS II: Advancing the Science Skills of Elementary Teachers and Students	84.367	Ohio Department of Higher Education	S367B150030		18,113
Total U.S. Department of Education					417,912
U.S. Department of Health and Human Services					
Personal Responsibility Education Program:					
Personal Responsibility Education Program	93.092	Lucas County Regional	04810011PR0516		3,711
Substance Abuse & Mental Health Services Projects of Regional & Natl Significance:					
Suicide Prevention Grant - Empowering a Community	93.243		1U79SM060492-01		4,069
Harbor Primary and Behavioral Health Care Integration (HPBHCI)	93.243	Harbor	1H79SM062202-01		5,322
Williams County Safe Schools/Healthy Students Initiative	93.243	Northwest Ohio Educational	SSHS1700284		37,409
Block Grants for Prevention and Treatment of Substance Abuse:					
BGSU High-Risk Drinking Prevention Program	93.959	Ohio Department of Alcohol	998207-HEDUC-P169854		-
BGSU High-Risk Drinking Prevention Program	93.959	Ohio Department of Alcohol	1700212		4,087
Total U.S. Department of Health and Human Services					54,598
TOTAL OTHER GRANTS AND CONTRACTS				31,732	1,021,186
TOTAL FEDERAL EXPENDITURES				688,343	**$ 150,357,754**

See Notes to Schedule of Expenditures of Federal Awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bowling Green State University under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Bowling Green State University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bowling Green State University.

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.

Note 3 - Indirect Costs

The University recovers indirect costs by means of provisional fixed indirect cost rates. The provisional fixed rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The predetermined fixed rate for on-campus research is 42 percent of modified total direct costs, and the off-campus predetermined rate is 21 percent of modified total direct costs effective July 1, 2016 until June 30, 2019.

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

Note 4 - Federal Direct Student Loans and Other Loans

The University acts as an intermediary for students receiving Federal Direct Student Loans (CFDA #84.268), which include Direct Loans and Parents' Loans for Undergraduate Students, from the federal government. The federal government is responsible for billings and collections of the loans. The University assists the federal government by processing the applications and applying funds to student accounts from the federal government. Since this program is administered by the federal government, new loans made in the fiscal year ended June 30, 2017, related to Federal Direct Loans, are considered current year federal expenditures, whereas the outstanding loan balance is not.

The outstanding balances on the Federal Perkins Loans and the Federal Nursing Student Loans at June 30, 2017 are $8,086,607 and $575,065, respectively.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ Yes ______ 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? __X__ Yes ______ 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)? __X__ Yes ______ 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, 93.364	Student Financial Aid Cluster
84.042A, 84.044, 84.047A, 84.217A	Trio Cluster

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
2017-001	**Finding Type** - Significant deficiency

Criteria - In order for the University to properly state its assets in its financial statements, it must maintain proper schedules for recording property and equipment activity, including additions, disposals, and depreciation. The University's analysis and summary of property and equipment activity should agree to relevant beginning and ending amounts to the general ledger and fixed asset module system reports.

Condition - The University identified a capital lease asset incorrectly recorded in the general ledger twice. The capital lease for phone equipment was put in a separate capital lease account during fiscal year 2013, rather than being put in construction in progress account since it was not yet placed in service. In 2014, the asset was put in service and recorded as an addition in a separate equipment account. As a result, the phone equipment was booked in two fixed asset accounts and remained on the books this way until fiscal year 2017. When the lease obligation and rental payments ceased in December 2016 for this phone equipment, the University identified the asset was incorrectly recorded in two accounts in the general ledger.

Context - Phone equipment capital lease was recorded in the University's general ledger twice for an overstatement of assets for approximately $6.3 million during the years reported 2013 - 2016. Additionally, one asset for $6.3 million was not being depreciated, so there was no impact to depreciation expense or accumulated depreciation.

Cause - In 2013, the University did not have procedures in place for review of journal entries recorded for fixed assets and review of the fixed asset rollforward.

Effect - Lack of review and controls for the property and equipment reconciliation, depreciation and journal entries resulted in an overstatement of assets from 2013 through 2016.

Recommendation - During 2013, the University did not have review procedures in place for entries booked to lower risk areas such as property and equipment. Since then, it has implemented review procedures for entries and multiple levels of review around the fixed asset rollforward. Additionally, we recommend that the University review the output of the fixed asset module system reports for reasonableness to ensure assets are properly set up in the system and being depreciated appropriately.

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2017-001 (cont.)	**Views of Responsible Officials and Planned Corrective Actions** - We concur. Management has put in place an electronic workflow requiring secondary review of all journal entries as well as multiple layers of review of the fiscal year end fixed asset rollforward. In an abundance of caution, the fixed asset module depreciation calculations are replicated in a secondary analysis tool annually to validate final depreciation posting entries.

Section III - Federal Program Audit Findings

Reference Number	Finding
2017-002	**CFDA Number, Federal Agency, and Program Name** - Student Financial Aid Cluster (Pell - 84.063, Federal Direct Loans - 84.268, Federal Supplemental Educational Opportunity Grants - 84.007)

Federal Award Identification Number and Year - Pell, SEOG, and Federal Direct Loans, 2017

Pass-through Entity - N/A - Direct award

Finding Type - Significant deficiency

Repeat Finding - No

Criteria - Awards must be coordinated among the various programs and with other federal and nonfederal aid (need and non-need based aid) to ensure that total aid is not awarded in excess of the student's financial need (34 CFR section 668.42, FPL, FWS, and FSEOG, 34 CFR sections 673.5 and 673.6; Direct Loan, 34 CFR section 685.301; NSL, 42 CFR section 57.306(b)). The determination of student financial aid award amounts is based on financial need. Financial need is generally defined as the student's COA minus financial resources reasonably available. Financial resources reasonably available are much less if the student is independent.

Condition - The University identified one student whose status was changed from dependent to independent without proper supporting documentation to verify the independent status.

Questioned Costs - The student was disbursed federal aid over the course of three semesters including Federal Pell Grants, Federal Supplemental Education Opportunity Grant, Ohio College Opportunity Grant, and the Transfer Opportunity Scholarship that the student should not have been eligible to receive. The total amount of known questioned costs was $15,266.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2017-002 (cont.)	**Identification of How Questioned Costs Were Computed** - The questioned costs were computed by determining the excess amount of aid the student received as a result of the changed dependence status. The University's internal audit department investigated student dependency status changes made by this employee over two years as well as changes made by other student financial aid staff. As a result of the investigation, the internal audit department determined there were no other similar instances. **Context** - One student's status manually changed from dependent to independent without supporting documentation. **Cause and Effect** - The University identified this student's status was changed without proper support due to one of its student financial aid staff having a family relationship with this student. As a result, the student received additional federal aid over the course of three semesters which they were not eligible to receive. The total amount of federal aid disbursed to the student during these three semesters was $15,266, which includes Federal Pell Grants, Federal Supplemental Education Opportunity Grant, Ohio College Opportunity Grant, and the Transfer Opportunity Scholarship. **Recommendation** - The University should consider implementing a manual review procedure to ensure student information is updated in the system appropriately. **Views of Responsible Officials and Planned Corrective Actions** - We concur. The University has implemented a secondary review process for a statistically significant sample size of students for whom dependency status changes have occurred or who indicated independence only due to the following specific answers to the Free Application for Federal Student Aid: having a child or dependent for whom 50 percent of support is provided by the student, orphan or ward of court, emancipated minor, legal guardianship, or homeless risk. The review verifies that valid supporting documentation exists for the status change. The University also has put into place a recurring secondary review of a statistically significant sample population of students for all other student financial aid processes in which professional judgment is used (e.g., special conditions and satisfactory academic progress appeals).

Reference Number	Finding
2017-003	**CFDA Number, Federal Agency, and Program Name** - Student Financial Aid Cluster (Pell - 84.063, Federal Direct Loans - 84.268) **Federal Award Identification Number and Year** - Pell and Federal Direct Loans, 2017

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2017-003 (cont.)	

Pass-through Entity - N/A - Direct award

Finding Type - Significant deficiency

Repeat Finding - No

Criteria - Under the FFEL and Direct Loan programs (FFEL, 34 CFR Section 682.610; Direct Loan, 34 CFR Section 685.309), schools must complete and return within 30 days of receipt the Student Status Confirmation Reports. The institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website.

Condition - During testing, it was identified that the University did not appropriately update the status for one graduated student within the required 30-day timeframe.

Questioned Costs - N/A, no questioned costs

Identification of How Questioned Costs Were Computed - N/A

Context - One student's enrollment status change was not reported appropriately as graduated out of our sample of 25. The student was not enrolled in spring 2017 classes; however, it was determined that the student had met the requirements to graduate in the semester and therefore, the status should have been updated to "graduate." When the University was entering status changes for the spring 2017 graduates, this student was on the listing, but was not updated because she was not enrolled in classes and already reported as withdrawn. All graduates that were not enrolled in classes in the spring 2017 semester were not properly updated in NSLDS in the timeframe they are typically reported. A total of 54 students were identified in the population.

Cause and Effect - The University has one employee responsible for these manual student status changes. This employee was out of the office for medical leave, which resulted in an untimely update to NSLDS. The University did not have review procedures in place to properly ensure all graduated students' statuses were properly updated in NSLDS.

Recommendation - The University should implement a procedure for someone independent of the status update to review the listing of withdrawn and graduated students to ensure each student's status is properly updated in NSLDS.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2017-003 (cont.)	**Views of Responsible Officials and Planned Corrective Actions** - We concur. Access will be given to NSLDS for two additional staff members in records and registration in order to update the student status manually if the situation requires and the normal staff member responsible is out of the office.

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BOWLING GREEN STATE UNIVERSITY

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 9, 2017

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