Cleveland State University

(a component unit of the State of Ohio)

Financial Report

with Supplemental Information

June 30, 2019

CLEVELAND STATE UNIVERSITY

Contents

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Independent Auditor's Report

To the Board of Trustees
Cleveland State University

Report on the Financial Statements

We have audited the accompanying financial statements of Cleveland State University (the "University") and its discretely presented component units, The Cleveland State University Foundation, Inc. and Euclid Avenue Development Corporation, as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise Cleveland State University's basic financial statements, as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Cleveland State University Foundation, Inc. (the "Foundation") and Euclid Avenue Development Corporation (the "Corporation"), which represent all of the balances of the assets, net assets, and revenue of the discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and the Corporation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

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 Cleveland State University and its discretely presented component units as of June 30, 2019 and 2018 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.

To the Board of Trustees
Cleveland State University

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the University's proportionate share of the net pension liability, the schedule of the University's pension contributions, the schedule of the University's proportionate share of the net OPEB liability, and the schedule of the University's OPEB contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Cleveland State University's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019 on our consideration of Cleveland State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cleveland State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 11, 2019

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Cleveland State University (the "University") as of and for the year ended June 30, 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

Using the Annual Financial Report

The University's financial report includes financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. These principles require that financial statements be presented on a consolidated basis to focus on the financial condition, the changes in financial condition, and the cash flows of the University as a whole. Many other nonfinancial factors also must be considered in assessing the overall health of the University, such as enrollment trends, student retention, strength of the faculty, condition of the buildings, and the safety of the campus.

The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Position, the Statement of Revenue, Expenses and Changes in Net Position, and the Statement of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenue and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

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

Financial Highlights

The University's financial position remained strong with assets of $718.8 million, deferred outflows of $62.9 million, liabilities of $532.0 million and deferred inflows of $26.7 million at June 30, 2019. Net position, which represents the residual interest in the University's assets and deferred outflow of resources after liabilities and deferred inflows of resources are deducted, totaled $223.0 million, after the implementation of GASB Statement No. 75 on July 1, 2017 and the implementation of GASB Statement No. 68 on July 1, 2014.

Statement of Net Position

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

	2019	2018	2017
Current assets	$188,947,513	$179,117,948	$160,728,479
Noncurrent assets:			
Capital assets, net	516,393,214	497,104,489	487,778,055
Other	13,477,618	14,966,306	36,099,931
Deferred outflows of resources	62,877,571	56,156,612	63,269,112
Total assets and deferred outflows	781,695,916	747,345,355	747,875,577
Current liabilities	43,012,702	42,946,226	46,451,288
Noncurrent liabilities	489,014,013	462,731,299	493,648,140
Deferred inflows of resources	26,710,953	28,123,522	826,155
Total liabilities and deferred inflows	558,737,668	533,801,047	540,925,583
Net position	$222,958,248	$213,544,308	$206,949,994

In accordance with the University's implementation of GASB Statement No. 68 and GASB Statement No. 75, deferred outflow of resources has been recorded. "Deferred outflow of resources" is defined as the consumption of net assets applicable to a future reporting period. The deferred outflows have a positive effect on net position similar to assets. The University's deferred outflows in 2019 increased from 2018 by $6.7 million, or 12.0%, primarily due to changes in assumptions related to GASB Statement No. 68. The University's deferred outflows in 2018 decreased from 2017 by $7.1 million, or 11.2%, primarily due to the implementation of GASB Statement No. 75 and changes in assumptions related to GASB Statement No. 68.

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

Current assets increased in 2019 from 2018 and in 2018 from 2017, primarily due to an increase in short-term investments.

Net capital assets increased in 2019 from 2018 by $19.3 million, or 3.9% and increased in 2018 from 2017 by $9.2 million, or 1.9%. The increase in 2019 is attributable to a new capital lease on a building net of retirement of assets and depreciation. The increase in 2018 is primarily due to the Washkewicz College of Engineering renovation.

Other assets decreased in 2019 from 2018 by $1.5 million, or 9.9%, and decreased in 2018 from 2017 by $21.1, or 58.5%. The decrease in 2019 is primarily due to the pay down of Perkins Loans receivable. The decrease in 2018 is primarily due to spending of restricted investments (bond proceeds) and a decrease in long-term endowment investments.

In conjunction with the University's implementation of GASB Statement No. 68 and GASB Statement No. 75, deferred inflows of resources have been recorded. "Deferred inflows of resources" is defined as the current acquisition of net assets that is applicable to a future period. The deferred inflows have a negative effect on net position similar to liabilities. The University's deferred inflows in 2019 decreased from 2018 by $1.4 million, or 5.0%, primarily due to the difference between projected and actual earnings on the OPERS and STRS Pension Plans. The deferred inflows in 2018 increased from 2017 by $27.3 million, or 3,304.1%, primarily due to the implementation of GASB Statement No. 75 and the difference between expected and actual experience and projected and actual earnings on the OPERS and STRS Pension Plans.

Liabilities increased in 2019 from 2018 by $26.3 million, or 5.2%, primarily due to increase in long term debt and the increase in net pension and OPEB liabilities in conjunction with GASB 68 and 75, and decreased in 2018 from 2017 by $33.9 million, or 6.3%, primarily due to the decrease in net pension liability in conjunction with GASB 68.

Capital and Debt Activities

One critical factor affecting the quality of the University's programs is the development and renewal of its capital assets. Capital additions totaled $49.3 million in 2019, $37.8 million in 2018, and $26.1 million in 2017. Capital additions and retirements for 2019, 2018, and 2017 exclude transfers from construction in progress to buildings in the amount of $6.8 million in 2019, $24.6 million in 2018, and $6.4 million in 2017. Capital additions include construction of new facilities, repair and renovation of existing facilities, and acquisition of equipment and library books. Capital asset additions are funded, in part, by capital appropriations from the State. These appropriations amounted to $17.2 million in 2019, $20.9 million in 2018, and $7.4 million in 2017. Capital retirements totaled $1.2 million in 2019, $1.9 million in 2018, and $39.7 million in 2017. Capital retirements in 2017 include disposal of fully depreciated library periodicals and electronic subscriptions.

In February 2016, the University issued $32.5 million of general receipts bonds, Series 2016A. The bonds bear interest rates ranging from 3.0% to 5.0% and mature beginning June 1, 2016 through June 1, 2036. The proceeds of the issuance were used to decrease a portion of the Series 2007A bonds and pay issuance costs. The purpose of this transaction was to refund future callable maturities to achieve debt service savings of approximately $3.9 million over the life of the bonds.

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

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

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

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

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

In June 2019, the University issued Series 2019 Limited Available Receipts Bonds to PNC Bank, NA, in the principal amount of $27.7 million. The Series 2019 Limited Available Receipts Bonds were issued as fixed rate bonds maturing on June 21, 2022. Interest is payable semi-annually at the rates of 2.31 to 2.87%. The transaction was a Direct Purchase by the bank. The proceeds of the bonds were used to finance a lease balloon payment.

Net Position

The University's net position at June 30 is summarized as follows:

	2019	2018	2017
Net investment in capital assets	$274,545,601	$267,433,706	$252,071,032
Restricted - Expendable	31,213,310	30,549,317	32,092,753
Restricted - Nonexpendable	1,434,709	1,456,277	1,438,658
Unrestricted	(84,235,372)	(85,894,992)	(78,652,449)
Total net position	$222,958,248	$213,544,308	$206,949,994

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

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

Unrestricted net position is not subject to externally imposed stipulations. This category includes funds functioning as endowment (quasi-endowment) of $5.8 million at June 30, 2019, $6.0 million at June 30, 2018, and $5.8 million at June 30, 2017.

For the year ended June 30, 2019, the University had an increase in total net position of $9.4 million or 4.4%. Net investment in capital assets increased by $7.1 million or 2.7% because capital additions exceeded depreciation and deductions. Unrestricted net position (deficit) decreased by $1.7 million or 1.9% primarily because the positive investment returns were offset by the increase in pension expense related to GASB Statement No. 68.

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

Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, expenses, and changes in net position presents the revenue earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. As a public institution, the University is dependent on State assistance. This dependency contributed toward an operating deficit because the financial reporting model classifies State appropriations as nonoperating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Summarized revenue, expenses, and changes in net assets for the years ended June 30 are as follows:

	2019	2018	2017
Operating revenue:			
Net student tuition and fees	$142,863,095	$146,339,500	$154,187,752
Grants and contracts	15,008,892	18,743,925	16,113,107
Other	34,036,038	34,361,502	34,178,337
Total operating revenue	191,908,025	199,444,927	204,479,196
Operating expenses:			
Educational and general	250,493,737	202,853,279	269,515,958
Auxiliary enterprises	33,620,883	30,188,987	40,689,667
Depreciation and amortization	30,610,604	28,782,708	27,587,367
Total operating expenses	314,725,224	261,824,974	337,792,992
Operating loss	(122,817,199)	(62,380,047)	(133,313,796)
Nonoperating revenue, net of interest:			
State appropriations	77,597,317	75,489,568	74,979,638
Other	37,480,459	39,368,820	43,907,936
Gain (loss) before other changes	(7,739,423)	52,478,341	(14,426,222)
Other changes	17,153,363	20,926,089	7,374,197
Increase (Decrease) in net assets	9,413,940	73,404,430	(7,052,025)
Net position - Beginning of year	213,544,308	206,949,994	214,002,019
Adjustment for change in accounting principle	-	(66,810,116)	-
Net position - Beginning of year (as restated*)	-	140,139,878	-
Net position - End of year	$222,958,248	$213,544,308	$206,949,994

Total revenue and other changes, net of interest on debt, in the fiscal years ended 2019 was $332.8 million, 2018 was $344.4, and 2017 was $339.9 million. The most significant sources of 2019 operating revenue for the University, as reflected in the statement of revenues, expenses, and changes in net position, were student tuition and fees of $142.9 million, grants and contracts of $15.0 million, and auxiliary services of $22.2 million.

Revenue from tuition and fees (net of scholarship allowances) decreased slightly in 2019 from 2018 by $3.5 million, or 2.4%, due to tuition decreases in certain graduate programs. Headcount enrollment decreased by 3.6% while full-time equivalent enrollment decreased by 1.0% over the prior year.

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

Other operating revenue decreased slightly in 2019 from 2018 primarily due to auxiliary enterprises and increased in 2018 from 2017 primarily due to increased grant revenue.

Total expenses for the years ended 2019, 2018, and 2017 were $323.3 million, $271 million, and $347.0 million, respectively. Operating expenses include the costs of instruction, research, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also include depreciation and amortization. Expenses increased by $51.9 million (19.1%) in 2019, decreased by $76 million (21.7%) in 2018, and increased by $20.1 million (6.2%) in 2017. The increase in 2019 from 2018 and the decrease in 2018 from 2017 is primarily attributable to change in pension and Other Post-Employment Benefits (OPEB) expense related to GASB Statement No. 68 and No. 75. The $51.9 million increase in total expenses from 2018 to 2019 and the $76 million decrease in total expenses from 2017 to 2018 was attributable to Pension and OPEB expense fluctuation of $50.4 million.

Sources of nonoperating revenue include State appropriations of $77.6 million in 2019, $75.5 million in 2018, and $75.0 million in 2017; grants and contracts of $28.8 million in 2019, $29.1 million in 2018, and $26.4 million in 2017; gifts of $12.3 million in 2019, $10.8 million in 2018, and $10.9 million in 2017; and investment income of $5.0 million in 2019, $8.6 million in 2018, and $15.8 million in 2017.

Net nonoperating revenue increased slightly in 2019 from 2018 by $0.2 million, or 0.2%, primarily due to an increase in gifts offset by a decrease in investment returns due to market fluctuations as compared to 2018. Net nonoperating revenue decreased in 2018 from 2017 by $4.0 million, or 3.4%, primarily due to a decrease in investment returns as compared to 2017.

Other changes consist primarily of State capital appropriations of $17.1 million in 2019, $20.9 million in 2018, and $7.37 million in 2017.

Statement of Cash Flows

The statement of cash flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and investing activities, and helps measure the ability to meet financial obligations as they mature. A summary of the statement of cash flows for the years ended June 30 is as follows:

	2019	2018	2017
Net cash (used in) provided by:			
Operating activities	$ (82,514,770)	$ (92,371,733)	$ (89,323,158)
Noncapital financing activities	115,869,478	118,413,828	112,144,696
Capital financing activities	(28,345,838)	(39,441,197)	(39,288,344)
Investing activities	(2,645,179)	12,200,145	14,501,449
Net decrease in cash	2,363,691	(1,198,957)	(1,965,357)
Cash - Beginning of year	2,424,307	3,623,264	5,588,621
Cash - End of year	$ 4,787,998	$ 2,424,307	$ 3,623,264

Major sources of cash included student tuition and fees of $143.2 million in 2019, $147.6 million in 2018, and $158.1 million in 2017; State appropriations of $77.6 million in 2019, $75.5 million in 2018, and $75.0 million in 2017; grants and contracts (operating and noncapital) of $42.7 million in 2019, $44.3 million in 2018, and $42.7 million in 2017; and auxiliary activities of $23.4 million in 2019, $24.9 million in 2018, and $27.1 million in 2017.

The largest payments were for employee compensation and benefits totaling $182.9 million in 2019, $192.2 million in 2018, and $170.4 million in 2017; suppliers of goods and services totaling $93.8 million in 2019, $98.4 million in 2018, and $128.3 million in 2017; and purchases of capital assets totaling $49.9 million in 2019, $38.1 million in 2018, and $22.2 million in 2017.

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

Credit Rating

The University's bonds are rated "A+" stable by Standard & Poor's, with the most recent rating published on August 5, 2019. An "A" rating indicates a strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances. This rating is consistent with the years ended June 30, 2018 and 2017. The highest achievable rating is "AAA." The University's capacity to meet its financial obligations is considered strong. The University's bonds are rated "A1" stable by Moody's Investors Service, with the most recent rating published on July 26, 2019. Obligations rated "A" by Moody's are judged to be upper-medium grade and are subject to low credit risk. The highest achievable rating is "AAA".

Looking Ahead

The primary challenges facing Ohio's four-year universities, including the University, continue to be (1) maintaining the quality of academic instruction, (2) increasing enrollment and assisting students in degree completion, (3) growing revenue, and (4) controlling costs. The State of Ohio continues to make college affordability cornerstones of its policies for public higher education in the state. The state will continue to monitor progress on these initiatives through reporting by the state's universities to the Department of Higher Education's Efficiency Advisory Committee. As part of this process, each university was required to commit to a five-year efficiency goal for "re-deployable" savings to assist in lowering the cost of a degree. The University's five-year goal, fiscal year 2017 to fiscal year 2021, is $11.5 million. The University is tracking ahead of these goals based on efficiencies for lowering the cost of a degree and cost reductions necessary to balance its operating budget. State universities have now completed several fiscal years operating under the state's outcome-based funding formula model. This model places more emphasis on outcome-based metrics such as degree completion and course completion in allocating funding to universities as opposed to awarding funding based only on the number of students enrolled and the physical size of campuses. The State of Ohio's recently approved fiscal year 2020 and fiscal year 2021 operating budget contains an overall increase in state funding for 4-year public universities of 2% in fiscal year 2020 and an additional increase of 1% in fiscal year 2021. The University has conservatively budgeted an allocation of $77.0 million in State Share of Instruction (SSI) funding, compared to the $77.6 million received in fiscal year 2019. The SSI is the major state funding source for state colleges and universities. Revenue from student instruction fess tuition is budgeted at $149.5 million in fiscal year 2020, compared to fiscal year 2019's result of $142.9 million.

In fiscal year 2019, the University implemented a tuition guarantee program that increases undergraduate tuition by 6% for the first cohort. Authority for implementing this plan came from legislation passed by the Ohio General Assembly. Under this plan, the University has been granted the authority to (1) establish annual "cohorts" of new undergraduate students; (2) establish tuition rates for each cohort under state guidelines; and (3) maintain each cohorts' tuition rate for a period of four academic years. The University has continued its plan for qualifying existing undergraduate students to receive a rebate of any increase in tuition by showing progress toward a degree while remaining in academic good standing. The program, known as the Graduation Incentive Plan, commenced in fiscal year 2014 (Fall 2013), but did not require funding by the University until fiscal year 2015 (Fall 2014). Although no new students were admitted to the program after fiscal year 2016 (Fall 2015), we continue to offer it to students who began in fiscal year 2014 and 2015. Preliminary Fall 2019 (fiscal year 2020) credit hour enrollment and the resulting tuition revenue is below the budget plan. There will be the expected Fall-to-Spring semester attrition in credit hour enrollment. Spring 2020 tuition revenue is expected to be slightly lower than the Spring 2020 budget plan.

As in prior years, the ability of the University to finance its mission and execute its strategic plan continues to be dependent upon student enrollment and tuition revenue. The state's fiscal year 2020 to 2021 operating budget tuition policy provides some assistance in meeting our revenue targets. After freezing undergraduate tuition rates for the previous five academic years, Ohio's public 4-year universities have the authority to increase tuition up to 2% in fiscal year 2020 with an additional 2% increase authorized in fiscal year 2021.

The University continues to pursue enrollment growth on a regional and international level to supplement continued success in growing freshmen enrollment statewide. At the same time, the University is focusing on retention that has substantially improved results in both retention and graduation rates. New majors in high-demand healthcare professions are positioned for strong enrollment growth in the next 5 years. The latest Fall to Fall retention rate (Fall 2018 to Fall 2019) is 73.5% up from 69.7% five years ago. Strategies to improve retention include an automated early warning system, intrusive advising of freshmen by employing "success" coaches, and better employment of residence life and student affairs data to track students' academic performance. In March 2019, the University announced the CSU Global Initiative that is based upon strategic partnership with Shorelight Education, LLC. This collaboration will allow more international students to obtain access to the University's undergraduate and graduate programs. The relationship leverages Shorelight's reach and experience in serving international students with the University's emphasis on experiential and practical learning leading to tangible post-graduation outcomes. International student enrolment from the program began in Fall 2019.

The University is also affected by decisions at the state level regarding capital funding through the biennial capital appropriations bill. In April 2018, the State of Ohio passed a two-year capital appropriations budget (fiscal year 2019 to fiscal year 2020). The University received an allocation of $15.4 million for the two-year period. $7.3 million of the allocation is dedicated to Phase II of the Engaged Learning Laboratories and the balance dedicated toward renovation and modernization of existing buildings. The state is expected to propose a capital spending bill to the legislature for the two-year period fiscal year 2021 and fiscal year 2022 in January 2020. Details regarding the amount proposed for higher education and the University's specific share of the higher education appropriation will not be available until then.

The University will continue to face significant cost pressures in the future. The University has taken measures to address ongoing operating cost challenges, such as attracting and retaining high quality faculty and staff; increased costs of employee benefits and the rising costs of energy. In September 2018, the University retained Huron Consulting to conduct a financial review of the University for the Senior Leadership Team and the Board of Trustees.

The report was delivered in January 2019, and addressed topics such as financial ratio performance, processes and controls, overall budget and financial management and reserve funds. The review confirmed the University's sound financial foundation while suggesting strategies to weather the all-to-familiar enrollment challenges existing throughout higher education.

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

CLEVELAND STATE UNIVERSITY

Statement of Net Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 4,787,998	$ 2,424,307
Investments (Note 2)	154,187,555	146,160,905
Accounts receivable, Net (Note 4)	26,780,012	26,863,160
Notes receivable, Net (Note 4)	1,409,812	1,433,765
Prepaid expenses and inventories	1,782,136	2,235,811
Total current assets	188,947,513	179,117,948
Noncurrent assets:		
Long-term and endowment investments (Note 2)	3,447,330	3,420,465
Notes receivable, Net (Note 4)	10,030,288	11,545,841
Capital assets, Net (Note 6)	516,393,214	497,104,489
Total noncurrent assets	529,870,832	512,070,795
Total assets	718,818,345	691,188,743
Deferred Outflows of Resources		
Deferred outflow - Pension plans (Note 8)	56,742,154	49,903,657
Deferred outflow - OPEB benefits (Note 8)	4,891,268	4,935,260
Deferred outflow - Bond refunding (Note 7)	1,244,149	1,317,695
Total deferred outflows of resources	62,877,571	56,156,612
Liabilities		
Current liabilities:		
Accounts payable	6,424,187	5,206,348
Construction accounts payable	52,934	780,466
Accrued liabilities	12,792,608	12,299,041
Accrued interest payable	759,222	879,017
Unearned revenue	8,964,150	8,668,466
Compensated absences - Current portion (Note 7)	905,641	1,312,991
Obligations under capital leases - Current portion (Note 7)	5,915,360	6,191,297
Long-term debt - Current portion (Note 7)	7,198,600	7,608,600
Total current liabilities	43,012,702	42,946,226
Noncurrent liabilities:		
Accrued liabilities (Note 7)	11,653,272	11,367,311
Compensated absences (Note 7)	8,847,684	8,719,884
Net pension liability (Note 8)	210,259,303	178,351,808
Net OPEB liability (Note 8)	42,781,469	63,336,890
Obligations under capital leases (Note 7)	23,678,636	29,589,611
Long-term debt (Note 7)	191,793,649	171,365,795
Total noncurrent liabilities	489,014,013	462,731,299
Total liabilities	532,026,715	505,677,525
Deferred Inflows of Resources		
Deferred inflow - Pension plan net amount (Note 8)	13,082,936	22,464,515
Deferred inflow - OPEB plan net amount (Note 8)	13,628,017	5,659,007
Total deferred inflows of resources	26,710,953	28,123,522
Net Position		
Net investment in capital assets	274,545,601	267,433,706
Restricted, expendable - Gifts, grants, and student loans	31,213,310	30,549,317
Restricted, nonexpendable - Endowments	1,434,709	1,456,277
Unrestricted (deficit)	(84,235,372)	(85,894,992)
Total net position	**$ 222,958,248**	**$ 213,544,308**

CLEVELAND STATE UNIVERSITY

Statement of Revenue, Expenses, and Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	2018
Revenue		
Operating revenue:		
Student tuition and fees	$ 175,608,822	$ 176,783,163
Less scholarship allowances	32,745,727	30,443,663
Net student tuition and fees	142,863,095	146,339,500
Federal grants and contracts	8,243,522	7,836,318
State grants and contracts	2,400,530	4,603,097
Local grants and contracts	406,924	253,087
Private grants and contracts	3,957,916	6,051,423
Sales and services	6,866,398	7,073,061
Auxiliary enterprises	22,245,600	25,500,769
Other	4,924,040	1,787,672
Total operating revenue	191,908,025	199,444,927
Expenses		
Operating expenses:		
Instruction	107,193,680	86,722,914
Research	9,382,622	7,416,281
Public service	6,593,438	5,373,136
Academic support	29,691,846	22,661,380
Student services	18,676,988	15,187,001
Institutional support	30,860,822	24,774,446
Operation and maintenance of plant	30,652,688	22,920,510
Scholarships and fellowships	17,441,653	17,797,611
Auxiliary enterprises	33,620,883	30,188,987
Depreciation and amortization	30,610,604	28,782,708
Total operating expenses	314,725,224	261,824,974
Operating loss	(122,817,199)	(62,380,047)
Nonoperating Revenue (Expenses)		
State appropriations	77,597,317	75,489,568
Federal grants and contracts	23,218,264	23,257,293
State grants and contracts	5,592,550	5,877,469
Gifts	12,296,415	10,799,332
Investment income	4,984,195	8,586,967
Interest on debt	(8,610,965)	(9,152,241)
Net nonoperating revenue	115,077,776	114,858,388
Increase (Decrease) before other changes	(7,739,423)	52,478,341
Other Changes		
State capital appropriations	17,153,363	20,926,089
Increase in net position	9,413,940	73,404,430
Net Position		
Net position - Beginning of year	213,544,308	206,949,994
Adjustment for change in accounting principle	-	(66,810,116)
Net position - Beginning of year as restated	-	140,139,878
Net position - End of year	**$ 222,958,248**	**$ 213,544,308**

See Notes to Financial Statements.

Statement of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Tuition and fees	$ 143,243,343	$ 147,615,869
Grants and contracts	13,904,042	15,157,984
Payments to or on behalf of employees	(182,908,571)	(192,190,385)
Payments to vendors	(93,804,476)	(98,375,106)
Loans issued to students	(293,079)	(249,136)
Collection of loans to students	2,182,024	1,927,905
Auxiliary enterprises charges	23,371,509	24,880,403
Other receipts	11,790,438	8,860,733
Net cash used in operating activities	(82,514,770)	(92,371,733)
Cash Flows from Noncapital Financing Activities		
State appropriations	77,597,317	75,489,568
Grants and contracts	28,810,814	29,134,762
Gifts	12,296,415	10,799,332
Cash provided by Stafford and PLUS loans	113,154,694	102,902,641
Cash used by Stafford and PLUS loans	(116,000,000)	(100,000,000)
Cash provided by Agency Fund activities	(184,715)	(87,525)
Cash used by Agency Fund activities	194,953	175,050
Net cash provided by noncapital financing activities	115,869,478	118,413,828
Cash Flows from Capital Financing Activities		
Proceeds from capital debt and leases	27,704,385	2,870,560
Capital appropriations	17,153,363	20,926,089
Purchases of capital assets	(49,899,329)	(38,077,932)
Principal paid on capital debt and leases	(13,799,897)	(15,082,649)
Interest paid on capital debt and leases	(9,504,360)	(10,077,265)
Net cash used in capital financing activities	(28,345,838)	(39,441,197)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	22,276,419	34,506,212
Purchase of investments	(30,329,934)	(31,302,755)
Interest on investments	5,408,336	8,996,688
Net cash (used in) provided by investing activities	(2,645,179)	12,200,145
Net increase (decrease) in cash	2,363,691	(1,198,957)
Cash and Cash Equivalents - Beginning of Year	2,424,307	3,623,264
Cash and Cash Equivalents - End of Year	**$ 4,787,998**	**$ 2,424,307**
Reconciliation of Operating Loss to Cash Used by Operating Activities		
Operating loss	$ (122,817,199)	$ (62,380,047)
Adjustments:		
Depreciation and amortization	30,610,604	28,782,708
Changes in assets and deferred outflow of resources and liabilities and deferred inflow of resources:		
Accounts receivable, Net	83,148	(2,489,896)
Notes receivable, Net	1,888,945	1,678,769
Inventories	666,479	(595,949)
Prepaid expenses	(212,784)	112,377
Deferred outflow of resources	(6,794,505)	7,038,954
Accounts payable	512,782	(889,052)
Accrued liabilities	3,312,571	(5,760,250)
Net pension liability	31,907,495	(81,225,130)
Net OPEB Liability	(20,555,421)	(3,473,224)
Unearned revenue	295,684	(468,360)
Deferred inflow of resources	(1,412,569)	27,297,367
Cash used by operating activities	**$ (82,514,770)**	**$ (92,371,733)**

See Notes to Financial Statements.

The Cleveland State University Foundation, Inc.
Statement of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 3,102,158	$ 4,171,983
Accounts receivable	61,578	276,674
Contributions receivable, net of allowance for uncollectible contributions	14,629,791	17,328,931
Other receivable	3,961	220,588
Cash surrender value of life insurance	243,970	229,938
Long-term investments	89,993,950	85,894,999
Funds held on behalf of others:		
Cleveland State University	3,447,330	3,430,446
Cleveland State University Alumni Association	578,503	558,439
Total Assets	$ 112,061,241	$ 112,111,998
Liabilities		
Accounts payable & accrued expenses	$ 22,092	$ 20,502
Payable to Cleveland State University	4,368,311	3,187,534
Annuities payable	114,803	157,764
Funds held on behalf of others:		
Cleveland State University	3,447,330	3,430,446
Cleveland State University Alumni Association	578,503	558,439
Total Liabilities	8,531,039	7,354,685
Net Assets (Deficit)		
Without donor restrictions	(133,783)	(242,348)
With donor restrictions	103,663,985	104,999,661
Total Net Assets	103,530,202	104,757,313
Total Liabilities and Net Assets	$ 112,061,241	$ 112,111,998

Euclid Avenue Development Corporation
Statement of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	$ 2,812,957	$ 2,343,623
Cash held by the university	-	114,045
Total Cash	2,812,957	2,457,668
Student accounts receivable, Net	56,350	24,579
Other receivables	406,708	284,855
Investments	15,413,477	14,991,080
Prepaid expenses	14,147	34,460
Total current assets	18,703,639	17,792,642
Property and equipment		
Land	128,000	128,000
Building	70,632,179	70,632,179
Building improvements	1,943,537	1,310,947
Furniture, fixtures, and equipment	3,246,824	3,214,465
	75,950,540	75,285,591
Less: accumulated depreciation	(21,758,290)	(19,744,695)
Property and equipment, Net	54,192,250	55,540,896
Other assets:		
Restricted investments	4,656,136	4,848,695
Leases receivable, net of current portion	19,605,000	19,605,000
Total other assets	24,261,136	24,453,695
Total assets	$ 97,157,025	$ 97,787,233
Liabilities		
Current liabilities		
Current portion of bonds payable	$ 1,745,000	$ 1,660,000
Accounts payable	725,595	411,540
Accrued interest	1,724,065	1,758,643
Accrued other	50,589	48,537
Deferred revenue	232,823	341,327
Security deposits	232,096	204,166
Total current liabilities	4,710,168	4,424,213
Noncurrent liabilities		
Deferred revenue	1,051,093	1,088,629
Bonds payable, net		
Bonds payable	81,010,000	82,755,000
Add: bond premium, net	7,331,121	7,707,226
Less: bond issuance costs, net	(906,724)	(952,367)
Bond payable, net	87,434,397	89,509,859
Total noncurrent liabilities, net of current portion	88,485,490	90,598,488
Total liabilities	93,195,658	95,022,701
Net Assets		
Without donor restrictions	3,961,367	2,764,532
Total net assets	3,961,367	2,764,532
Total liabilities and net assets	$ 97,157,025	$ 97,787,233

See Notes to Financial Statements.

The Cleveland State University Foundation
Statement of Activities
Years Ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Revenues				
Contributions	$ 186,236	10,077,500	$ 10,263,736	$ 16,470,903
Management fees related to funds held on behalf of others	37,850	-	37,850	37,046
Management fees related to internal funds	798,355	(798,355)	-	-
Net assets released from restrictions:	14,498,343	(14,498,343)	-	-
Total revenues	15,520,784	(5,219,198)	10,301,586	16,507,949
Expenses				
Program services:	14,312,843	-	14,312,843	14,452,494
Supporting services:				
Management and general	760,492	-	760,492	847,279
Fund raising	178,325	-	178,325	168,756
Total supporting services	938,817	-	938,817	1,016,035
Total expenses	15,251,660	-	15,251,660	15,468,529
Gains/(Losses):				
Investment income and unrealized gains (losses), net	57,351	3,766,818	3,824,169	5,842,010
Provision for uncollectible contributions	(217,910)	116,704	(101,206)	12,281
Total gains, net	(160,559)	3,883,522	3,722,963	5,854,291
Change in Net Assets	108,565	(1,335,676)	(1,227,111)	6,827,341
Net Assets (Deficit) - Beginning of Year	(242,348)	104,999,661	104,757,313	97,929,972
Net Assets (Deficit) - End of Year	$ (133,783)	$ 103,663,985	$ 103,530,202	$ 104,757,313

See Notes to Financial Statements.

Euclid Avenue Development Corporation
Statement of Activities
Years Ended June 30, 2019 and 2018

	2019	2018
Revenues		
Rental Income:		
Students	$ 8,111,351	$ 7,963,466
University	1,734,736	1,734,741
Other	94,358	100,634
Maintenance fee - University	212,498	222,350
Investment income, net	757,930	704,351
Other	624,730	696,416
Total revenues	11,535,603	11,421,958
Expenses		
Contracted personnel	1,317,815	1,308,900
Occupancy	2,147,121	1,515,496
Management	309,826	301,183
Other operating costs	298,105	294,638
Administrative costs	310,872	291,121
Accounting	34,152	22,586
Advertising and promotions	29,727	38,925
Insurance	8,520	7,785
Interest expense	3,869,034	3,951,141
Depreciation and amortization	2,013,596	2,094,775
Total expenses and losses	10,338,768	9,826,550
Change in Net Assets	1,196,835	1,595,408
Net Assets - Beginning of Year	2,764,532	1,169,124
Net Assets - End of Year	$ 3,961,367	$ 2,764,532

See Notes to Financial Statements.

Note 1 – Summary of Significant Accounting Policies

Organization and Basis of Presentation

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

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

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

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

- **Restricted, Expendable:** Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Income generated from these funds may be restricted for student scholarships, loans, instruction, research, and other specific university needs.

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Operating Activities

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

Summary of Significant Accounting Policies

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

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

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

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2019.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

Deferred Outflows of Resources. In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The University reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8. The University has also recorded deferred outflows of resources for the unamortized bond refundings. More detailed information can be found in Note 7.

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The University reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 8.

Change in Accounting Pronouncement. Effective for the fiscal year ended June 30, 2019, the University adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement*, ("GASB 88"). This statement requires additional information related to debt be disclosed in the financial statements. The adoption of GASB 88 has been applied retroactively and impacts note 6 of the financial statements.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, Fiduciary Activities. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The University is currently assessing the impact the new standard will have on its financial statements. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2021.

Note 1 – Summary of Significant Accounting Policies (Continued)

In June 2018, the Governmental Accounting Standards Board issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expenses in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical costs of a capital asset reported in a business-type activity or enterprise fund. The requirements of the standards will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2021.

Note 2 – Deposits and Investments

Deposits

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

At June 30, 2019, the cash and cash equivalents balance of $4,787,998 is after the University recorded an overdraft consisting of items in transit of $3,280,977 in accounts payable. The bank balance at June 30, 2019 was $4,571,397, of which $902,490 was covered by federal depository insurance, and $3,668,907 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

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

Note 2 – Deposits and Investments (Continued)

Investments

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

STAR Ohio is an investment pool managed by the Ohio State Treasurer's office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. The investment is valued at STAR Ohio's share price on June 30, 2019 and 2018.

As of June 30, 2019, the University had the following types of investments and maturities:

		Investment Maturities (in Years)	
Investment Type	Market Value	Less Than 1	1-5
Commercial paper	$ 22,183,229	$ 22,183,229	$ -
U.S. obligation mutual fund	86,671,312	86,671,312	-
Government Obligation	32,549	32,549	
Certificates of deposit	267,500	267,500	-
STAR Ohio	20,193,697	-	-
Bond mutual funds	13,643,660	-	13,643,659
Stock mutual funds	14,642,938	-	-
Total	$ 157,634,885	$ 109,154,590	$ 13,643,659

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

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

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

Note 2 – Deposits 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.

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

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment securities that are in the possession of an outside party. The University does not have a policy for custodial credit risk. At June 30, 2019 and 2018, none of the investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the University's name.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. As of June 30, 2019 and 2018, not more than 5% of the University's total investments were invested in any one issuer except those which are obligations of, or fully guaranteed as to both principal and interest by, the U.S. Government or its agencies.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2019 and 2018, investments include approximately $16.5 million and $19.6 million, respectively, managed by international equity managers that are subject to foreign currency risk. Although the University's investment policy does not specifically address foreign currency risk, it does limit foreign investments to no more than 20% of the portfolio.

Note 3 – Fair Value Measurements

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

Note 3 – Fair Value Measurements (Continued)

The University has the following recurring fair value measurements as of June 30, 2019 and 2018:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2019	Fair Value Measurements Using Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasuries	$ 5,758,960	$ -	$ 5,758,960	$ -
Corporate bonds	4,185,466	-	4,185,466	-
Other - Agency bonds	1,027,348	-	1,027,348	-
Total debt securities	10,971,774	-	10,971,774	-
Equity securities:				
Stocks	13,471,709	13,471,709	-	-
Exchange traded funds	20,194,209	20,194,209	-	-
Total equity securities	33,665,918	33,665,918	-	-
Mutual funds:				
Equities	20,101,535	20,101,535	-	-
Fixed income	10,980,750	10,980,750	-	-
Alternative strategies	9,856,695	9,856,695	-	-
Total mutual funds	40,938,980	40,938,980	-	-
Asset-backed securities	1,818,072	-	1,818,072	-
Pooled investments - CSU Foundation*	3,447,329	2,723,390	723,939	-
Others	1,025,410	-	1,025,410	-
Total investments by fair value level	$ 91,867,483	$ 77,328,288	$ 14,539,195	$ -

Assets Measured at Fair Value on a Recurring Basis

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

*See Note 11 for detail

Note 3 – Fair Value Measurements (Continued)

Equity securities and mutual funds are valued using prices quoted in active markets for those securities.

The fair value of corporate and agency bonds and debt and asset-backed securities at June 30, 2019 and 2018 was determined primarily based on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

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

Short-term investments and investments on the statement of net position at June 30, 2019 and 2018 include investments in STAR Ohio of $20,193,697 and $10,865,424, respectively. The investments in STAR Ohio are measured at amortized cost; therefore, they are not included in the tables above. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

Note 4 – Receivables

The composition of accounts receivable at June 30, 2019 and 2018 is summarized as follows:

	2019	2018
Student accounts	$ 8,194,645	$ 9,707,990
Grants	19,068,702	17,963,851
Other	616,252	910,931
Total accounts receivable	27,879,599	28,582,772
Less allowance for uncollectible accounts	1,099,587	1,719,612
Accounts receivable - Net	$ 26,780,012	$ 26,863,160

Note 4 – Receivables (Continued)

Notes receivable consist primarily of loans to students under the Federal Perkins Loan Program. The composition of notes receivable at June 30, 2019 and 2018 is summarized as follows:

	2019	2018
Perkins Loan Program	$ 11,523,277	$ 13,190,888
Other	575,973	581,756
Total notes receivable	12,099,250	13,772,644
Less allowance for uncollectible accounts	659,150	793,038
Notes receivable - Net	11,440,100	12,979,606
Less current portion	1,409,812	1,433,765
Total noncurrent notes receivable	$ 10,030,288	$ 11,545,841

The Federal Perkins Loan Program expired on September 30, 2017. As of June 30, 2019 and 2018, the University has made $2,588,775 in institutional capital contributions, which are reflected as part of the University's net position. As if June 30, 2019 and 2018, the University has federal capital contributions of $10,516,267 and $10,263,020, respectively which are reflected as part of the University's noncurrent accrued liabilities. Under current guidance issued by the Department of Education, at the time the University liquidates the loan portfolio and assigns the student loans to the Department of Education, the University will be forgoing its institutional capital contribution not yet received back through loan collections.

Note 5 – State Support

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

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

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

Note 6 – Capital Assets

Capital assets activity for the years ended June 30, 2019 and 2018 is summarized as follows:

	2019 Beginning Balance	Additions/ Transfers	Retirements/ Transfers	2019 Ending Balance
Capital assets:				
Nondepreciable:				
Land	$ 58,631,512	4,385	-	$ 58,635,897
Construction in progress	7,036,158	1,070,782	6,788,181	1,318,759
Capitalized collections	7,102,155	-	-	7,102,155
Depreciable:				
Land improvements	24,658,643	-	-	24,658,643
Buildings	760,190,126	52,165,716	-	812,355,842
Equipment	60,620,368	2,284,728	1,022,051	61,883,045
Library books	37,191,480	595,543	164,056	37,622,967
Intangible assets	483,059	-	-	483,059
Total capital assets	955,913,501	56,121,154	7,974,288	1,004,060,367
Less accumulated depreciation:				
Land improvements	18,587,499	501,986	-	19,089,485
Buildings	360,451,417	22,942,718	-	383,394,135
Equipment	44,412,863	5,529,739	978,863	48,963,739
Library books	34,874,174	862,561	-	35,736,735
Intangible assets	483,059	-	-	483,059
Total accumulated depreciation	458,809,012	29,837,004	978,863	487,667,153
Capital assets, net	$ 497,104,489	$ 26,284,150	$ 6,995,425	$ 516,393,214

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

As of June 30, 2019, the University had commitments related to construction projects totaling $1,275,615.

Note 7 – Noncurrent Liabilities Excluding Net Pension Liability

Noncurrent liabilities, excluding net pension and OPEB liabilities, consist of the following as of June 30, 2019 and June 30, 2018:

	Due Dates	Interest Rate-%	2019 Beginning Balance	Additions	Reductions	2019 Ending Balance	Current
2011 bonds payable	2013-42	5.32	$ 5,205,000	$ -	$ 120,000	$ 5,085,000	$ 120,000
2012 bonds payable	2013-37	5.00	126,850,000	-	5,550,000	121,300,000	5,095,000
2012 bond premium			11,776,200	-	619,800	11,156,400	619,800
2016A bonds payable	2017-2036	3.00-5.00	31,070,000	-	1,165,000	29,905,000	1,210,000
2016A bond premium			2,755,500	1,244,148	153,800	3,845,848	153,800
2019 direct purchase bonds	2022	2.31-2.87	-	27,700,000	-	27,700,000	-
Capital leases - direct placement	2010-45	0.2-13.35	35,780,908	4,385	6,191,297	29,593,996	5,915,359
Total debt			213,437,608	28,948,533	13,799,897	228,586,244	13,113,959
Perkins student loans			10,263,019	253,248	-	10,516,267	-
Deposits			1,104,292	3,252,365	3,219,652	1,137,005	-
Compensated absences			10,032,875	-	279,550	9,753,325	905,641
			234,837,794	32,454,146	17,299,099	249,992,841	$ 14,019,600
Less current portion long-term liabilities			(15,112,888)			(14,019,600)	
Long-term liabilities			$ 219,724,906			$ 235,973,241	

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

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

In February 2016, the University issued $32,475,000 of general receipts bonds, Series 2016A. The bonds bear interest rates ranging from 3.0% to 5.0% and began maturing June 1, 2016 through June 1, 2036. The proceeds of the issuance were used to decrease a portion of the Series 2007A bonds and pay issuance costs. The purpose of this transaction was to refund future callable maturities to achieve debt service savings of approximately $3,900,000 over the life of the bonds. As a result of the refunding, $1,493,588 has been recorded as a loss on refunding within the deferred outflows section on the statement of net position and is being amortized into income from 2016 through 2036. Amortization expense for both 2019 and 2018 was $73,546.

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

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

The University's Trust Agreement governing all outstanding general receipts bonds contains a provision that in an event of default, the Trustee shall, within five days after having knowledge of that event of default, give written notice to the University. The Trustee shall also give the original purchasers of each series of Bonds then outstanding, and to the bondholders and any other paying agents notice of each event of default within 90 days after having knowledge of the occurrence thereof. The Trust Agreement also contains a provision, that in the case an event of default has occurred, the Trustee may, upon written request of the holders of at least 25% in aggregate principal amount of the bonds then outstanding, declare the principal of all bonds outstanding and the interest accrued to be due and payable immediately.

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

The following constitutes an event of default under the Trust Agreement:

a) Failure to pay any interest on any Bond, when it becomes due and payable;
b) Failure to pay the principal of or any redemption premium on any Bond, when it becomes due and payable, whether at maturity or by acceleration or call for redemption;
c) Failure to perform or observe any other covenant, condition or agreement contained in the Bonds or the Trust Agreement and to be performed by the University, which failure shall have continued for a period of 60 days after written notice of it to the University given by the Trustee or the holders of at least 25% in aggregate principal amount of the bonds then outstanding.

In June 2019, the University issued Series 2019 Limited Available Receipts Bonds to PNC Bank, NA, in the principal amount of $27,700,000. The Series 2019 Limited Available Receipts Bonds were issued as fixed rate bonds maturing on June 21, 2022. Interest is payable semi-annually at the rates of 2.31 to 2.87%. The transaction was a Direct Purchase by the bank. The proceeds of the bonds were used to finance a lease balloon payment. The direct purchase bond agreement contains a provision that, in an event of default, the bank may, in its discretion, declare the outstanding obligation immediately due and payable.

Interest expense on indebtedness for the years ended June 30, 2019 and 2018 was $8,610,965 and $9,152,241, respectively. On construction-related debt, for the years ended June 30, 2019 and 2018, there was $0 and $26,355 (net of $4,535 interest income) interest cost capitalized, respectively.

The University leases various pieces of equipment and parking garages, which have been recorded under various capital leases in amounts representing the present value of future minimum lease payments. Capital lease principal payments for two parking garage leases begin in August 2040. Capital lease direct placement obligations are collateralized by equipment with a gross cost of $81,634,928 at both June 30, 2019 and June 30, 2018 and gross accumulated depreciation of $79,241,323 and $78,114,973 at June 30, 2019 and 2018, respectively. The capital leases have varying maturity dates through 2045.

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

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

	Bonds Payable		Direct Placement Bonds		Capital Leases-Direct Placements	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	6,425,000	7,613,377	-	719,059	5,915,360	1,186,039
2021	6,730,000	7,303,843	-	761,357	3,365,346	811,931
2022	6,995,000	7,023,509	27,700,000	803,654	498,190	740,621
2023	7,330,000	6,679,625			148,708	732,961
2024	7,695,000	6,312,741			52,622	730,403
2025-2029	44,655,000	25,499,693			8,770	3,644,047
2030-2034	54,850,000	13,251,517			-	3,644,000
2035-2039	20,590,000	2,174,918			-	3,644,000
2040-2044	1,020,000	79,136			15,280,000	3,420,750
2045	-	-			4,325,000	108,125
	$ 156,290,000	$ 75,938,358	$ 27,700,000	$ 2,284,070	$ 29,593,996	$ 18,662,877

The University has entered into various lease agreements for office equipment, and office and classroom space, which are considered operating leases. The University has leased space in the Fenn Tower building from the Corporation, which it uses for classrooms and meeting rooms. Total rental expense under operating leases during the years ended June 30, 2019 and 2018 amounted to $3,635,290 and $3,616,754, respectively. The operating leases have varying maturity dates through 2049.

Future minimum operating lease payments as of June 30, 2019 are as follows:

Years Ending June 30	Operating Leases
2020	$ 2,417,843
2021	2,349,601
2022	2,349,601
2023	2,169,484
2024	2,329,774
2025-2029	13,705,372
2030-2034	14,272,572
2035-2039	13,313,647
2040-2044	10,312,181
2045-2049	9,743,566
	$ 72,963,642

Note 8 – Employment Benefit Plans

Retirement Plans

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

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

Defined Benefit Plans

The University participates in STRS and OPERS, statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of the University. Each system has multiple retirement plan options available to its members, ranging from three in STRS and three in OPERS.

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

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

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

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

Note 8 – Employment Benefit Plans (Continued)

Member contributions are set at the maximums authorized by the ORC. The plans' 2019 employer and member contribution rates on covered payroll to each system are:

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

The plans' 2018 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate					Member Contribution Rate
	Pension	Post-Retirement Healthcare	Death Benefits	Medicare B	Total	Total
STRS	14.00%	0.00%	0.00%	0.00%	14.00%	14.00%
OPERS - State/Local (through 12/31/17)	13.00%	1.00%	0.00%	0.00%	14.00%	10.00%
OPERS - State/Local (beginning 1/1/18)	14.00%	0.00%	0.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement (through 12/31/17)	17.10%	1.00%	0.00%	0.00%	18.10%	13.00%
OPERS - Law Enforcement (beginning 1/1/18)	18.10%	0.00%	0.00%	0.00%	18.10%	13.00%

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

	Year Ended June 30			
	2019		2018	
	Pension	OPEB	Pension	OPEB
STRS	$ 7,818,028		$ 7,802,860	
OPERS	8,073,431	-	6,961,758	1,160,293
	$ 15,891,459	$ -	$ 14,764,618	$ 1,160,293

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

Note 8 – Employment Benefit Plans (Continued)

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

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

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

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

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

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

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

Note 8 – Employment Benefit Plans (Continued)

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, or an amount based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Net Pension Liability, Deferrals, and Pension Expense. At June 30, 2019 and 2018, the University reported a liability for its proportionate share of the net pension liability of STRS and OPERS. For the year ended June 30, 2019, the net pension liability was measured as of July 1, 2018 for the STRS plan and December 31, 2018 for the OPERS plan. For June 30, 2018, the net pension liability was measured as of June 30, 2017 for the STRS plan and December 31, 2017 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, except the STRS net pension liability's actuarial valuation was dated July 1, 2018 and 2017, respectively, which was rolled forward to the measurement date. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

	Measurement	Net Pension Liability		Proportionate Share		Change	Change
Plan	Date	2019	2018	2019	2018	2018-19	2017-18
STRS	6/30	$ 107,685,334	$ 117,377,358	0.4897%	0.4941%	0.0044%	0.0044%
OPERS	12/31	$ 102,573,969	$ 60,974,450	0.3766%	0.3936%	0.0170%	0.0159%

For the years ended June 30, 2019 and 2018, the University recognized pension expense of $19,063,463 and pension income of $32,847,940, respectively. At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 8 – Employment Benefit Plans (Continued)

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,545,333	$ (2,289,492)
Changes of assumptions	28,194,555	-
Net difference between projected and actual earnings on pension plan investments	14,127,573	(6,529,920)
Changes in proportion and differences between University contributions and proprotionate share of contributions	72,649	(4,263,524)
University contributions subsequent to the measurement date	11,802,044	-
Total	$ 56,742,154	$ (13,082,936)

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

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

Years Ending June 30	Amount
2020	$ 16,134,341
2021	9,193,810
2022	1,522,843
2023	5,000,126
2024	(4,807)
Thereafter	10,861
Total	$ 31,857,174

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2020).

Note 8 – Employment Benefit Plans (Continued)

Net OPEB Liability/(Asset), Deferrals, and OPEB Expense – At June 30, 2019, the University reported a liability/(asset) for its proportionate share of the net OPEB liability of STRS/OPERS. For June 30, 2019, the net OPEB liability/(asset) was measured as of June 30, 2018 for STRS, and December 31, 2018 for the OPERS plan. For June 30, 2018, the net OPEB liability/(asset) was measured as of June 30, 2017 for STRS and December 31, 2017 for the OPERS plan. The total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of those dates, except OPERS which used an actuarial December 31, 2017 and 2016, respectively rolled forward to the measurement date by incorporating the expected value of health care cost accruals, the actual health care payments and interest accruals during the year for the defined benefit health care plans.

Typically, the University's proportion of the net OPEB liability/(asset) would be based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined, except as noted below.

For plan years ending June 30, 2018 and 2017, STRS did not allocate employer contributions to the OPEB plan. Therefore the STRS calculation of the employers' proportionate share is based on total contributions to the plan for both pension and OPEB.

For plans ending December 31, 2018 and 2017, OPERS allocated 0.0% and 1% of the total 14% employer contributions to the OPEB plan. Therefore, the OPERS calculation of the employers' proportionate share is based on total contributions to the plan for both pension and OPEB.

	Measurement	Net OPEB Liability/(Asset)		Proportionate Share		
Plan	Date	2019	2018	2019	2018	Change
STRS	6/30	$ (7,869,805)	$ 19,278,426	0.4897%	0.4941%	0.0044%
OPERS	12/31	$ 50,651,274	$ 44,058,464	0.3885%	0.4057%	0.0172%

For the years ended June 30, 2019 and 2018, the University recognized OPEB expense of $0 and $1,160,293, respectively. At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Note 8 – Employment Benefit Plans (Continued)

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 936,152	$ (596,432)
Changes of assumptions	1,633,056	(10,723,000)
Net difference between projected and actual earnings on pension plan investments	2,322,060	(899,000)
Changes in proportion and differences between University contributions and proprotionate share of contributions	-	(1,409,585)
University contributions subsequent to the measurement date	-	-
Total	$ 4,891,268	$ (13,628,017)

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

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

Years Ending June 30	Amount
2020	$ (826,459)
2021	(2,174,821)
2022	(1,660,615)
2023	(650,294)
2024	(1,748,437)
Thereafter	(1,676,123)
Total	$ (8,736,749)

Note 8 – Employment Benefit Plans (Continued)

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

Actuarial Assumptions. The total pension liability and OPEB liability is based on the results of an actuarial valuation determined using the following actuarial assumptions for the University's current year:

	STRS as of June 30, 2018	OPERS as of December 31, 2018
Valuation date-Pension	July 1, 2018	December 31, 2018
Valuation date-OPEB	June 30, 2018	December 31, 2017
Actuarial cost method	Entry age normal	Individual entry age
Costs of living	None	2.15 percent - 3.0 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.50 percent	2.50 percent
Investment rate of return-Pension	7.45 percent, investment expense, including inflation	7.20 percent, net of investment expense, including inflation
Investment rate of return-OPEB	7.45 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
Health care cost trend rates	-5.23 percent to 9.62 percent initial 4 percent ultimate	10.0 percent initial 3.25 percent ultimate in 2029
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Morality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016	RP-2014 Healthy Annuitant Mortality Table

The following are actuarial assumptions the University's prior year:

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

Note 8 – Employment Benefit Plans (Continued)

Pension Discount Rate. 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 invective employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rates used to measure the total pension liabilities for STRS were 7.45 percent for the plan years ended June 30, 2018 and 2017. The discount rates used to measure the total pension liability for STRS were 7.50 percent for the plan years ended June 30, 208 and 2017. The discount rates used to measure the total pension liability for OPERS were 7.20 percent and 7.50 percent for the plan years ended December 31, 2018 and 2017, respectively.

OPEB Discount Rate. 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. Plans that project fiduciary net position to be insufficient to make all projected future benefit payments for current active and inactive employees used a blended discount rate between the long-term expected rate of return on plan investments and a 20-year municipal bond rate applied to all periods of projected benefit payments to determine the total OPEB liability/(asset).

STRS-OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities/(assets) were 7.45 percent and 4.13 percent for the plan years ended June 30, 2018 and 2017, respectively. At June 30, 2018, the plans' 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability/(asset). At June 30, 2017 the plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent. At June 30, 2017, the long-term expected rate of return on health care investments was applied to projected costs through the year 2037, and the municipal bond rate was applied to all health care costs after that date.

OPERS-OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities/(assets) were 3.96 percent and 3.85 percent for the plan years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments of 6.00 and 6.50 percent and the Fidelity 20-year Municipal General Obligation AA Index rate of 3.71 percent and 3.31 percent at December 31, 2018 and December 31, 2017, respectively.

Note 8 – Employment Benefit Plans (Continued)

At December 31, 2018, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date. At December 31, 2017, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

	STRS as of July 1, 2018			OPERS as of December 31, 2018			
				Portfolio		Health Care Portfolio	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	28.00%	7.35%	Fixed Income	23.00%	2.79%	34.00%	2.42%
International Equity	23.00%	7.55%	Domestic Equities	19.00%	6.21%	21.00%	6.21%
Alternatives	17.00%	7.09%	Real Estate	10.00%	4.90%	0.00%	0.00%
Fixed Income	21.00%	3.00%	Private Equity	10.00%	10.81%	0.00%	0.00%
Real Estate	10.00%	6.00%	International Equity	20.00%	7.83%	22.00%	7.83%
Liquidity Reserves	1.00%	2.25%	REITs	0.00%	0.00%	6.00%	5.98%
Total	100%		Other Investments	18.00%	5.50%	17.00%	5.57%
			Total	100%		100%	

	STRS as July 1, 2017			OPERS as of December 31, 2017			
				Defined Benefits		Health Care Portfolio	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	28.00%	5.10%	Fixed Income	23.00%	2.20%	34.00%	1.88%
International Equity	23.00%	5.30%	Domestic Equities	19.00%	6.37%	21.00%	6.37%
Alternatives	17.00%	4.84%	Real Estate	10.00%	5.26%	0.00%	0.00%
Fixed Income	21.00%	0.75%	Private Equity	10.00%	8.97%	0.00%	0.00%
Real Estate	10.00%	3.75%	International Equity	20.00%	7.88%	22.00%	7.88%
Liquidity Reserves	1.00%	0.00%	REITs	0.00%	0.00%	6.00%	5.91%
Total	100%		Other Investments	18.00%	5.26%	17.00%	5.39%
			Total	100%		100%	

Note 8 – Employment Benefit Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the University at June 30, 2019 and 2018, 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:

2019

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.45%	$ 157,260,255	7.45%	$ 107,685,334	8.45%	$ 65,726,890
OPERS	6.20%	152,195,807	7.20%	102,573,969	8.20%	61,374,563
		$ 309,456,062		$ 210,259,303		$ 127,101,453

2018

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

Sensitivity of the net OPEB liability (asset) to changes in the discount rate – The following presents the net OPEB liability (asset) of the University, calculated using the discount rate listed below, as well as what the University's net OPEB liability (asset) 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:

2019

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.45%	$ (6,745,160)	7.45%	($7,869,805)	8.45%	$ (8,815,016)
OPERS	2.96%	64,801,800	3.96%	50,651,274	4.96%	39,397,785
		$ 58,056,640		$ 42,781,469		$ 30,582,769

2018

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

Note 8 – Employment Benefit Plans (Continued)

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

2019

Plan	1.00 Percent Decrease	Current Trend Rate	1.00 Percent Increase
STRS	$ (8,761,657)	$ (7,869,805)	$ (6,964,059)
OPERS	48,686,820	50,651,274	52,913,700
	$ 39,925,163	$ 42,781,469	$ 45,949,641

2018

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

Assumption Changes. During the current measurement period, the STRS Board adopted certain assumption changes which impacted the annual actuarial valuations prepared as of June 30, 2018. The most significant changes were an increase in the OPEB discount rate from 4.13 percent to 7.45 percent and a reduction in the health care cost trend rates.

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

Payable to the Pension Plan. At June 30, 2019, the University reported a payable of $2,118,313 for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2019. As June 30, 2018, the University reported a payable of $2,034,690 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

Defined Contribution Plan

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

Note 8 – Employment Benefit Plans (Continued)

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

The University is required to contribute to STRS 4.50% of earned compensation for those employees participating in the ARP. The University's contributions for the years ended June 30, 2019 and 2018 were $737,208 and $728,899, respectively, which equal 4.5% of earned compensation.

The University also contributes what would have been the employer's contribution under STRS or OPERS, less the aforementioned percentage, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting. The ARP does not provide disability benefits, survivor benefits, or postretirement health care. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options. STRS and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan. For the year ended June 30, 2018 and 2018, employee contributions totaled $7,818,028 and $8,073,431, respectively.

Note 9 – Risk Management

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

Note 9 – Risk Management (Continued)

The University maintains a self-insured medical plan for its employees. The University's risk exposure is limited to claims incurred. There is a $250,000 specific stop loss for any given individual. The changes in the total liability for actual and estimated medical claims for the years ended June 30, 2019 and 2018 are summarized below:

	2019	2018	2017
Liability - Beginning of year	$ 2,128,598	$ 3,487,608	$ 3,208,620
Claims incurred	17,087,120	16,580,970	15,804,991
Claims paid	(17,215,881)	(16,580,425)	(17,858,558)
IBNR - Increase (Decrease) in estimated claims	343,812	(1,359,555)	1,894,471
Liability - End of year	$ 2,343,649	$ 2,128,598	$ 3,049,524

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

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the "Bureau") based on estimates that incorporate past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the workers' compensation liability based on rates set by the Bureau to collect cash needed in subsequent fiscal years to pay the workers' compensation claims of participating State agencies and universities. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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

Note 10 – Grant Contingencies

The University receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. However, in the opinion of the University administration, any such disallowed claims will not have a significant effect on any of the financial statements of the University at June 30, 2019 and 2018.

Note 11 – Component Units

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

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

During the years ended June 30, 2019 and 2018, the Foundation paid $14,498,343 and $14,452,494, respectively, to the University. At June 30, 2019 and 2018, the University had receivables from the Foundation totaling $4,368,311 and $3,187,534, respectively.

As authorized by the board of trustees, beginning in fiscal year 1998, the University placed Endowment and Quasi-Endowment funds on deposit with the Foundation for investment. At June 30, 2019 and 2018, the amount on deposit with the Foundation totaled $3,447,329 and $3,420,465, respectively.

Note 11 – Component Units (Continued)

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

	2019	
	Cost	Carrying Value
Cash and cash equivalents	$ 4,685,999	$ 4,685,999
Stocks - Domestic	578,185	758,139
Mutual funds - International	13,776,629	16,090,478
Mutual funds - Domestic	32,507,131	38,973,334
Balance fund	3,063,331	3,134,255
Fixed income securities	18,888,611	18,834,273
Alternative investments	9,750,000	11,543,305
Investments carried at fair value	$ 83,249,886	$ 94,019,783

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

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

	2019			
	Level 1	Level 2	Level 3	Total
Common stocks	$ 758,139		$ -	$ 758,139
Mutual funds - International	16,090,478		-	16,090,478
Mutual funds - Domestic	38,973,334		-	38,973,334
Balanced fund	3,134,255		-	3,134,255
Fixed income	-	18,834,273	-	18,834,273
	$ 58,956,206	$ 18,834,273	$ -	77,790,479
Investments valued at NAV				11,543,305
Total				$ 89,333,784

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

Note 11 – Component Units (Continued)

The donor restricted net assets of the Foundation are balances whose use by the Foundation has been limited by the donors to a specific time period or purpose as of June 30:

	2019	2018
	With donor restriction	With donor restriction
Instruction and academic support	$ 24,278,077	$ 23,756,775
Research	1,613,547	1,553,271
Public service	5,261,520	5,341,075
Financial aid	69,085,979	66,296,539
Institutional support	1,701,802	1,695,997
Restricted for time	-	5,212,364
Capital and other projects	1,723,060	1,143,640
Total	$103,663,985	$104,999,661

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

As of June 30, 2019 and 2018, the Corporation had the following types of investments:

	2019	2018
Commercial paper	$ 4,656,136	$ 4,848,695
Money market funds	80,404	51,310
Exchange traded funds	4,918,831	4,958,733
Mutual funds	10,414,242	9,981,037
Total	$ 20,069,613	$ 19,839,775

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

Note 11 – Component Units (Continued)

On June 1, 2008, the Corporation leased land, owned by the University and located on its campus, from the University. On August 22, 2008, the Corporation entered into a design-build agreement to construct a 623-car parking garage on the site. On July 1, 2008, the Corporation entered into a lease agreement with the University to operate the garage once construction is completed.

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

On August 24, 2009, the Corporation entered into a development agreement with ACC to plan, design and construct 600 beds of student housing and a 300-car parking garage on this land. In addition, the Corporation entered into a management agreement with ACC to manage the student housing.

On December 9, 2014, the Corporation issued $88,945,000 of Cleveland-Cuyahoga County Port Authority Development Revenue Bonds (2014 bonds). The proceeds were used by the Corporation to refund bonds issued in 2005 through 2009. A portion of the 2014 bonds matured as of June 30, 2019. The remaining 2014 bonds mature at various dates from August 1, 2019 through August 1, 2044 with a fixed interest rate of 5%. At the time of refunding, the Corporation chose to utilize funds held by the trustee to pay a portion of the outstanding principal on all existing bonds.

During the years ended June 30, 2019 and 2018, the Corporation paid rent on the land leases in the amount of $770,000 and $400,000, respectively, to the University.

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

	Principal	Interest
2020	$ 2,130,000	$ 3,708,250
2021	1,745,000	4,094,125
2022	1,830,000	4,004,750
2023	1,925,000	3,910,875
2024	2,025,000	3,812,125
2025-2029	12,395,000	15,270,500
2030-2034	15,920,000	12,146,125
2035-2039	20,440,000	8,134,375
2040-2044	20,020,000	3,539,250
2045	4,325,000	108,125
	$ 82,755,000	$ 58,728,500

Note 11 – Component Units (Continued)

On August 8, 2019, the Corporation issued Development Refunding Revenue Bonds in the principal amount of $18,220,000. The Series 2019 Bonds were issued by the Cleveland-Cuyahoga County Port Authority as fixed rate bonds with a maturity of August 1, 2044 and a coupon rate of 4%. The proceeds of the bonds were issued to (1) refund a portion of the outstanding principal amount of the Series 2014 Bonds; and (2) to pay certain costs of issuance of the Series 2019 Bonds.

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

Required Supplemental Information

Schedule of Pension Funding Progress:

	2019		2018		2017		2016		2015	
	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS
Plan year end	December 31	June 30	December 31	June 30	December 31	June 30	December 31	June 30	December 31	June 30
University's proportion of the Universities' collective net pension liability: As a percentage	0.3766%	0.4897%	0.3936%	0.4941%	0.4095%	0.4985%	0.4038%	0.4990%	0.4026%	0.4989%
Amount	$ 102,573,969	$ 107,685,334	$ 60,974,449	$ 117,377,358	$ 92,716,335	$ 166,860,603	$ 69,702,983	$137,916,400	$ 48,402,809	$ 121,356,821
University's covered payroll	$ 53,932,003	$ 50,503,155	$ 57,194,215	$ 49,431,335	$ 55,581,291	$ 47,227,159	$ 55,463,590	$ 48,272,044	$ 53,202,254	$ 44,789,568
University's proportional share of the collective pension liability (amount), as a percentage of the University's covered payroll	190.19%	213.22%	106.61%	237.46%	166.81%	353.31%	125.67%	285.71%	90.98%	270.95%
Fiduciary net position as a percentage of the total pension liability	74.91%	77.30%	84.85%	75.29%	77.39%	66.80%	81.19%	72.10%	86.53%	74.70%

Schedule of Contributions

	2019		2018		2017		2016		2015	
	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS	OPERS	STRS
Statutorily required contribution	$ 8,073,431	$ 7,818,028	$ 6,961,758	$ 7,802,860	$ 8,322,520	$ 7,653,361	$ 7,990,496	$ 7,292,553	$ 7,760,107	$ 7,359,961
Contributions in relation to the actuarially determined contractually required contribution	$ 8,073,431	$ 7,818,028	$ 6,961,758	$ 7,802,860	$ 8,322,520	$ 7,653,361	$ 7,990,496	$ 7,292,553	$ 7,760,107	$ 7,359,961
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 55,587,366	$ 50,575,390	$ 53,778,459	$ 50,503,155	$ 56,151,077	$ 49,431,335	$ 56,133,087	$ 47,227,159	$ 54,452,664	$ 48,272,044
Contributions as a percentage of covered payroll	14.52%	15.46%	12.95%	15.45%	14.82%	15.48%	14.23%	15.44%	14.25%	15.25%

Changes in Benefit Terms.

There were no changes in benefit terms affecting the STRS and OPERS plans.

Changes in Assumptions.

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

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.

Schedule of University's Proportionate Share of the Net OPEB Liability/(Asset)

	2019		2018	
	OPERS	STRS	OPERS	STRS
Plan year end	December 31	June 30	December 31	June 30
University's proportion of the Universities' collective net OPEB liability/(asset):				
As a percentage	0.3885%	0.4897%	0.4057%	0.4941%
Amount	$ 50,651,274	$ (7,869,805)	$ 44,058,464	$ 19,278,426
University's covered payroll	$ 53,932,003	$ 50,503,155	$ 57,194,215	$ 49,431,335
University's proportional share of the collective OPEB liability/(asset) (amount), as a percentage of the University's covered payroll	106.48%	-641.73%	129.81%	256.41%
Fiduciary net position as a percentage of the total OPEB liability /(asset)	46.33%	176.00%	54.14%	47.11%

Schedule of OPEB Contributions

	2019		2018	
	OPERS	STRS	OPERS	STRS
Statutorily required contribution	$ -	$ -	$ 1,160,293	$ -
Contributions in relation to the actuarially determined contractually required contribution	$ -	$ -	$ 1,160,293	$ -
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 55,587,366	$ 50,575,390	$ 53,778,459	$ 50,503,155
Contributions as a percentage of covered payroll	0.00%	0.00%	2.16%	0.00%

Changes in Benefit Terms. There were no significant changes in benefit terms affecting the STRS and OPERS plans for the plan years June 30, 2018 and December 31, 2018.

Changes in Assumptions.

STRS: During the plan year ended June 30, 2018, there were changes to several assumptions for STRS. The investment rate of return increased from 4.51 percent to 7.45 percent. The health care cost trend rates decreased from 6.00 percent to 11.00 percent initial and 4.50 percent ultimate to -5.23 percent to 9.62 percent initial and 4 percent ultimate. The discount rate increased from a blended rate between the long-term expected rate of return and a 20-year municipal bond rate of 4.13 percent to the investment rate of return of 7.45 percent.

OPERS: There were no significant changes in assumptions for the SERS and OPERS plans for the years ended June 30, 2018 and December 31, 2018, respectively.