WRIGHT STATE UNIVERSITY | 50 YEARS

Annual Report

for the
year ended
June 30, 2017

Office of the Controller

WRIGHT STATE UNIVERSITY
A Component Unit of the State of Ohio
Annual Report
Table of Contents
June 30, 2017

BKD LLP
CPAs & Advisors

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Independent Auditor's Report

Board of Trustees
Wright State University
Dayton, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Wright State University (University), collectively a component unit of the State of Ohio as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Managements 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.

Auditors Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The 2016 financial statements were audited by other auditors and their report thereon, dated October 14, 2016 expressed an unmodified opinion.

Other Matter

Required Supplementary Information

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

BKD, LLP

Cincinnati, Ohio
November 6, 2017

Wright State University's Management Discussion and Analysis (MD&A) presents an overview of its financial condition and assists the reader in focusing on significant financial issues for the year ended June 30, 2017, with selected comparative information for the years ended June 30, 2016 and 2015. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Financial and Other University Highlights

- The Higher Learning Commission (HLC) issued a report in July 2016 reaffirming the university's accreditation. The reaffirmation was a result of the collaborative effort of numerous faculty, staff, and student representatives. The reaccreditation is effective for 10 years beginning with the 2016-2017 academic year. Wright State University (the University) has been continuously accredited since 1968.

- In efforts to pursue the university's mission of transforming the lives of our students and the communities we serve, the University encourages students, faculty and staff to provide their time and skills to engage in significant community service opportunities. It was announced during fiscal year 2017 that the University was named to the 2015 President's Higher Education Community Service Honor Roll for the university's support of volunteering, student community service, service learning and civic engagement.

- The University continues to be recognized nationally for its programs. During the fiscal year 2017, *U.S. News & World Report* included the University in the following rankings: tied for No. 82 in Best Medical Schools: Primary Care; tied for No. 168 in Best Graduate Schools (Nursing and Health); No. 56 in Best Online Graduate Engineering Programs (Master of Industrial and Human Factors Engineering); No. 43 in Best Online Programs – Graduate Educations (Master of Education); No. 63 in Best Online Programs – Graduate Business (Master of Information Systems and Master in Logistics and Supply Chain Management); and No. 115 in Best Graduate Educations Programs – Master of Nursing. *Military Times* named the University to its Best for Vets rankings. Programs in The College of Nursing and Health were recognized by both RegisteredNursing.org and Top RN to BSN, a leading nursing school program resource.

- One of the newest buildings on campus – the Student Success Center – is increasing attention and awareness of the university's efforts for student academic success. The building features high-tech, active learning classrooms; writing and math support labs; careful placement of windows and glass; and an outdoor rain garden. The design has earned a Silver LEED certified designation by the U.S. Green Building Council, a Merit Award for newly completed buildings from the Dayton Chapter of the American Institute of Architects and a mention as an Outstanding Design by *American School and University* magazine. Perhaps more importantly, the building's Academic Success Centers have recorded an increased number of student visits and increased numbers of students served.

- For the 38th consecutive year, the university's Model United Nations team earned a delegation award at the annual national conference in New York City. The team represented Italy this year and was named an Outstanding Delegation – the highest honor. In addition, students won six Outstanding Position Paper awards and two peer-selected Outstanding Delegate in Committee awards.

- While tuition for undergraduate programs and the Boonshoft School of Medicine remained the same in 2017 as in 2016, non-resident fees as well as tuition for graduate programs, the School of Professional Psychology and the Doctor of Nursing Practice programs increased approximately 3.0% for 2017. This compares to a 2.3% tuition increase for graduate level and professional schools in 2016. The University continues to pursue revenue enhancing efforts and expense optimization initiatives in order to mitigate the necessary increases in tuition costs. The University remains the fourth lowest in-state undergraduate tuition rate among Ohio's thirteen four-year public institutions.

- Total state appropriations increased $2.9 million from 2016 to 2017 in addition to a $3.6 million increase from to 2015 to 2016. The 2016 and 2015 increases were primarily a result of a larger pool of state dollars awarded to higher education, as well as the university's continued success in driving course and degree completions in alignment with the university's mission and the priorities of the State's performance funding model.

- The 2017 budget approved by the WSU Board of Trustees in June 2016 called for a planned use of reserves of $15.6 million as part of a two-year budget remediation plan designed to address the university's challenges of unfunded expenses and revenue shortfalls. The plan called for targeted reductions in spending and savings to be attained through personnel attrition. In addition to the budget remediation plan, the University developed a voluntary, enhanced retirement option for retirement-eligible employees during 2017. The plan, referred to as the Voluntary Retirement Incentive Program (VRIP) resulted in 153 employee retirements. Although these positions represented a combined annual base budget of $14.4 million of salaries and benefits, those savings were not realized immediately because retirement schedules varied. In fact, the VRIP increased expenses in 2017 by $10 million due to the payout of accrued vacation and sick leave as well as the accrual for future benefits. Additional strains on the 2017 budget included lower than planned tuition and fee revenue and investment income. Positive variances in state appropriations and lower than expected costs for scholarship and fellowship provided some relief. Unfortunately, the University also incurred some additional negative budget variances attributable to the cancellation of the Presidential Debate. These challenges resulted in a $24.5 million reduction in unrestricted net position. This, combined with the impact of GASB No. 68, reduced unrestricted net position by $44.6 million during 2017. Net investment in capital assets decreased by $2.2 million as a result of the completion of large capital projects and the impact of depreciation on those assets. Relatively small reductions of restricted expendable net position of $0.3 million, combined with the decreases to net investment in capital assets and unrestricted net position, resulted in a total decrease in net position during 2017 of $47.1 million. This is compared to the $37.4 million decrease in 2016 that was driven by negative variances in tuition revenue, state appropriations and investment income, as well as the impact of GASB No. 68.

- Fall 2016 headcount enrollment was 17,775 as compared to 18,059 in fall 2015. Although enrollment at the Lake Campus was up slightly, overall the University experienced a 1.6% decrease in headcount recording lower enrollment in undergraduate and graduate programs. Despite the slight increases to the tuition rates of nonresident, graduate and professional programs mentioned previously, decreased credit hours led to a $10.1 million (5.2%) decrease in gross student tuition for fiscal year 2017. The decrease in gross tuition was offset by a $2.0 million decrease in scholarships, resulting in an overall $8.1 million decrease in net tuition and fees revenue. Fall 2015 headcount enrollment represented an increase of 1.6% from fall 2014. However, increased scholarships negated the impact of increased gross tuition revenue and net tuition and fees decreased $2.2 million in fiscal year 2016.

- In October 2014, The Wright State University Foundation launched a $150 million fundraising campaign known as *Rise. Shine. The Campaign for Wright State University*. Campaign priorities identified included scholarships, endowed chairs/professorships and facility improvements. The campaign concluded on June 30, 2017, having raised $167.7 million. The University is honored to have had Tom Hanks, Hollywood icon, and Amanda Wright Lane, great grandniece of university namesakes Wilbur and Orville Wright, co-chair the campaign.

- A nine-month national search concluded in March 2017 when Dr. Cheryl B. Schrader was named as the university's next president. Dr. Schrader is the university's seventh president; and she took office July 1, 2017. She earned her bachelor's degree in electrical engineering from Valparaiso University and her master's and Ph.D. in electrical engineering from the University of Notre Dame. In her first year at the University, Schrader plans to emphasize financial sustainability, administrative transparency and campus conversation.

Using the Annual Report

This annual report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These financial statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. The three financial statements should help the reader of the annual report understand the university's overall financial condition and how it has changed as a result of the current year's financial activities. These financial statements present similar information to that disclosed in private sector (i.e. corporate) financial statements. The financial statements will also assist the reader in evaluating the ability of the University to meet its financial obligations.

Under the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* and GASB Statement No. 80*, Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, the Wright State University Foundation (the Foundation) and the Wright State Applied Research Corporation (WSARC) have both been determined to be component units of the University. Accordingly, the Foundation and WSARC are discretely presented in the university's financial statements. Management's Discussion and Analysis and information included in this discussion and analysis relate only to the University and not to the Foundation or to WSARC unless specifically noted.

Comparison of the university's financial statements between fiscal years 2017, 2016, and 2015 is complicated by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68,* which significantly revise accounting for pension costs and liabilities and may cause significant fluctuations from year to year. For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the university's actual financial condition by adding deferred inflows of resources related to pension and the net pension liability to the reported net position and subtracting deferred outflows of resources related to pension from the reported net position.

Prior to the adoption of GASB No. 68 and No. 71, the University followed GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* when accounting for pension costs. GASB No. 27 focused on a funding approach limiting pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under GASB No. 68, the net pension liability equals the university's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service,
2. Less plan assets available to pay these benefits.

In Statement No. 68, GASB notes pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading services in exchange for wages, benefits, and the promise of a future pension. GASB noted the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and therefore it should be reported by the government as a liability since it received the benefit of the exchange. However, the University is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by state statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by state statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law and there is a specific, legal limit to its contribution to the pension system. In Ohio, no legal means exists to enforce the unfunded liability of the pension system to governmental employers. Because all parties enter the employment exchange with notice as to the law, state law mitigates the moral obligation of the public employer to the employee. The pension system is responsible for the administration of the plan.

Although most noncurrent liabilities have set repayment schedules, net pension liability has no repayment schedule. As explained above, items affecting net pension liability such as changes in pension benefits, contribution rates, and return on investments are outside the control of the University. In the event contributions, investment returns, and other changes are insufficient to meet required pension payments, state statute does not assign or identify the responsible party for the unfunded portion. Due to the unique nature of net pension liability, it is separately identified within the noncurrent liabilities section of the Statement of Net Position.

In accordance with GASB No. 68, the university's statements - prepared on an accrual basis of accounting - include an annual pension expense for its proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources. The University is also reporting a net pension liability and deferred inflows/outflows of resources related to pensions.

Statements of Net Position

The Statement of Net Position, which reports all assets, liabilities, deferred inflows of resources and deferred outflows of resources of the University, presents the financial position of the University as of June 30th, the end of the fiscal year. The university's net position is simply the residual after subtracting liabilities and deferred inflows of resources from the sum of assets and deferred outflows of resources. The change in net position during the fiscal year is an indicator of the change in the overall financial condition of the University during the year.

Certain amounts from 2016 and 2015 have been reclassified to conform to current-year presentation. This includes reclassifying $4.1 million and $8.9 million for 2016 and 2015, respectively, of restricted cash and cash equivalents representing unspent bond proceeds to be used for capital projects from current to noncurrent assets. These reclassifications had no effect on the change in net position.

A summary of the university's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30 is as follows:

	2017	2016	2015
	(All dollar amounts in thousands)		
Current assets	$ 71,327	$ 61,363	$ 85,601
Noncurrent assets:			
Capital assets, net	369,245	375,898	365,995
Other	20,387	57,365	89,104
Deferred outflows of resources	77,678	50,233	19,322
Total assets and deferred outflows of resources	538,637	544,859	560,022
Current liabilities	66,463	66,595	71,504
Noncurrent liabilities	430,846	377,401	333,513
Deferred inflows of resources	3,957	16,361	33,120
Total liabilities and deferred inflows of resources	501,266	460,357	438,137
Net position:			
Net investment in capital assets	285,387	287,556	275,426
Restricted	16,493	16,821	17,573
Unrestricted	(264,509)	(219,875)	(171,114)
Total net position	$ 37,371	$ 84,502	$ 121,885

The university's total net position decreased $47.1 million in 2017 and $37.4 million in 2016. Net investment in capital assets decreased $2.2 million in 2017 as large capital projects have been completed and related depreciation has been recorded. This compares to a $12.1 million increase in net investment in capital assets related to the significant progress in the renovation and expansion of the Creative Arts Center made during 2016 which was primarily funded by internal resources and some state capital appropriations. Unrestricted net position decreased $44.6 million in 2017 and $48.8 million in 2016 as a result of budget challenges mentioned previously and as a result of the impact of GASB 68.

Total assets and deferred outflows of resources decreased $6.2 million in 2017 from 2016 and decreased $15.2 million in 2016 from 2015. *Current assets*, comprised primarily of cash and operating investments, student and sponsor receivables, and prepaid expenses, increased by $10 million in 2017 and decreased by $24.2 million in 2016. Cash and short term investments increased $10.9 million during 2017 and decreased $20.4 million during 2016. The accounts receivable balance increased $0.3 million in 2017 and decreased $3.6 million during 2016. The 2016 decrease was largely related to the write-off of $4.4 million of outstanding receivables from an affiliated entity.

Other noncurrent assets decreased $37 million from $57.4 million in 2016 to $20.4 million in 2017. This compares to a $31.7 million decrease in 2016. These assets are comprised of restricted cash and cash equivalents, long-term investments, noncurrent student loans receivable, and noncurrent prepaid expenses and advanced charges. Long-term investments represent the majority of the balance in 2017, 2016 and 2015 at $10.3 million, $43.6 million and $69.1 million, respectively. A significant portion of the $33.3 million decrease in long-term investments during 2017 is related to the decrease in unrestricted net position resulting from the university's budgeted use of reserves as well as the other budget challenges previously mentioned. Loans receivable comprise the balance of the noncurrent assets at $8.5 million, $9.4 million and $11 million in 2017, 2016 and 2015, respectively. The decrease in this balance over the past three years is the result of reductions in new loans being initiated and returns of funds to the sponsor.

Capital assets, net of depreciation decreased $6.7 million to $369.2 million in 2017 and increased $9.9 million to $375.9 million in 2016. While gross capital assets increased in 2017 primarily due to the completion of various capital projects, accumulated depreciation increased at a larger amount as the university depreciated newer buildings and renovations. The majority of capital activity in both 2017 and 2016 was for the Creative Arts Center renovation. Routine moveable equipment and library acquisitions were also made during both years.

Deferred outflows of resources includes unamortized loss from the refunding of debt in 2013 and balances related to GASB No. 68. The unamortized loss from refunding balance was $0.4 million in 2017, 2016 and 2015. The deferred outflows of resources balance related to pension was $77.3 million in 2017, $49.8 million in 2016 and $18.9 million in 2015. The increase in these balances is completely outside of the university's control and largely relates to the university's proportionate share of differences between expected and actual experience, changes in assumptions, as well as projected and actual investment earnings recorded by the state retirement plans.

Current liabilities are comprised primarily of accounts payable; accrued liabilities; unearned revenues from both student fees and advance payments for contracts and grants; and the current portion of noncurrent liabilities. These liabilities were relatively unchanged at $66.5 million in 2017, and decreased $4.9 million from $71.5 at June 30, 2015 to $66.6 million at June 30, 2016. The overall change in current liabilities is comprised of changes in a number of balances. In 2017, accounts payable balances decreased $3.5 million to $10.5 million, largely due to decreases related to the completion of various capital projects during the year being partially offset by smaller increases including a $1.9 million accrual for a Department of Education assessment. Accrued liabilities is almost entirely composed of payroll related liabilities and withholding, and remained flat in 2017. In 2017, unearned revenue decreased $1.3 million from $24.4 million in 2016 to $23.1 million in 2017 which compares to a $4 million decrease in 2016. The primary components of unearned revenue are income received in advance of expenditures from project sponsors on contracts and grants as well as summer semester tuition and fees for the subsequent fiscal year received prior to the close of the current year end. In 2017, the unearned revenue balance related to contracts and grants was relatively unchanged at $5.5 million in both years. In 2017, unearned tuition and fees decreased $1.7 million due to lower summer semester revenues in 2017 caused by a significant decrease in enrollment. Current liabilities decreased $4.9 million during 2016 mainly as a result of a $4 million decrease in unearned revenue.

Noncurrent liabilities are comprised of unearned revenue, net pension liability, compensated absences, an accrual for voluntary retirement incentive, and the noncurrent portion of university debt. In total these balances increased $53.4 million from $377.4 million at June 30, 2016 to $430.8 million at June 30, 2017. This increase is primarily attributable to the $60.1 million change in net pension liability which increased from $278.2 million as of June 30, 2016 to $338.3 million as of June 30, 2017. The net pension liability represents the university's proportionate share of the net pension liabilities recorded by the state retirement plans. An accrual for the voluntary retirement incentive program (VRIP) also increased noncurrent liabilities by $3.8 million in 2017. The offsetting reduction in noncurrent liabilities was a result of a $7.4 million decrease as the University continues to service its debt along with a $2.7 million decrease in the compensated absences accrual. Noncurrent liabilities increased $43.9 million from $333.5 million at June 30, 2015 to $377.4 million at June 30, 2016. The increase is attributable to a $50.1 million increase in net pension liability and an offsetting $5.9 million decrease in noncurrent liabilities as the University continued to service its debt.

Deferred inflows of resources includes balances related to GASB No. 68. In 2017, the deferred inflows of resources related to pension decreased $12.4 million from $16.4 million at June 30, 2016 to $4 million at June 30, 2017. The deferred inflows of resources related to pension decreased $16.7 million from $33.1 million at June 30, 2015 to $16.4 million at June 30, 2016. These decreases are completely beyond the university's control and relate to the university's proportionate share of differences between expected and actual experience, as well as projected and actual investment earnings recorded by the state retirement plans.

Net position represents the remaining balance of the university's assets after adding deferred outflows of resources and deducting liabilities and deferred inflows of resources.

A more detailed summary of the university's net position as of June 30 is as follows:

	2017	2016	2015
	(All dollar amounts in thousands)		
Net investment in capital assets	$ 285,387	$ 287,556	$ 275,426
Restricted expendable	16,493	16,821	17,573
Unrestricted:			
Designated	(210,741)	(180,300)	(150,276)
Undesignated	(53,768)	(39,575)	(20,838)
Total net position	$ 37,371	$ 84,502	$ 121,885

Net investment in capital assets represents the university's capital assets after subtracting accumulated depreciation and the principal amount of outstanding debt attributable to the acquisition, construction or improvement of those assets. During 2017, net investment in capital assets decreased $2.2 million as various capital projects were completed and depreciation on those assets ensued. This compares to a $12.1 million increase in 2016 as progress was made on various large capital projects.

Restricted expendable net position represents funds externally restricted to specific purposes, such as student loans or sponsored projects. The majority of the balances for both 2017 and 2016 represents funds restricted for student loans. The net position in these funds has remained relatively constant in recent years with the $0.3 million decrease in 2017 and the $0.8 decrease in 2016 related to lower levels of loans awarded to students and returns of funds to sponsors.

Unrestricted net position represents funds the University has at its disposal to use for whatever purposes it determines appropriate. While these funds are not subject to external restrictions, the University has designated these funds internally for various academic, research, student aid, and capital purposes. Colleges and divisions are permitted to retain the portion of their budgeted funds which remain unspent at the close of each fiscal year. Doing so in past years has accumulated reserves which provided funding for high priority programs and projects during the current year. Unrestricted net position decreased $44.6 million, from ($219.9) million in 2016 to ($264.5) million in 2017. This compares to the $48.8 million decrease in unrestricted net position in 2016, from ($171.1) million in 2015 to ($219.9) million in 2016.

As previously mentioned, GASB No. 68 has had a significant impact on the university's net position. As of June 30, 2017, the cumulative net impact of the implementation of the pension standard is ($264.9) million as presented in the table below:

	2017	2016	2015
	(All dollar amounts in thousands)		
Unrestricted net position			
Balance before reporting for pensions	$ 415	$ 24,883	$ 71,233
Impact of implementation of pension standards			
Deferred outflows of resources - pensions	77,324	49,849	18,909
Net pension liability	(338,291)	(278,246)	(228,136)
Deferred inflows of resources - pensions	(3,957)	(16,361)	(33,120)
Net impact of implementation of pension standards	(264,924)	(244,758)	(242,347)
Total unrestricted net position	$ (264,509)	$ (219,875)	$ (171,114)

Statements of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for the University. A summary of the university's revenues, expenses and changes in net position for the years ended June 30 is as follows:

	2017	2016	2015
	(All dollar amounts in thousands)		
Operating revenues:			
Student tuition & fees - net	$ 140,389	$ 148,460	$ 150,582
Grants and contracts	70,534	69,297	63,845
Sales and services	4,640	4,943	5,571
Auxiliary enterprises	11,418	11,435	10,482
Other	3,338	4,037	2,985
Total	230,319	238,172	233,465
Operating expenses	409,648	408,053	382,245
Operating loss	(179,329)	(169,881)	(148,780)
Nonoperating revenues (expenses):			
State appropriations	92,431	89,548	85,983
Federal grants	19,494	21,329	22,777
State grants	3,886	4,454	3,342
Gifts	10,284	10,000	9,110
Investment income (loss)	3,438	(1,007)	4,304
Interest expense	(3,088)	(3,232)	(3,177)
Other expense	(105)	(1,269)	(2,037)
Capital appropriations	4,394	8,500	5,505
Capital grants and gifts	1,464	4,175	948
Total	132,198	132,498	126,755
Decrease in net position	(47,131)	(37,383)	(22,025)
Net position - beginning of year	84,502	121,885	143,910
Net position - end of year	$ 37,371	$ 84,502	$ 121,885

The university's primary revenue source for its core programs and operations continues to be state appropriations and student tuition and fees, which when combined amounted to over 63.7% of the university's total 2017 revenues. In 2016, state appropriations and student tuition and fees were a similar percentage of the university's total revenue at 63%. Another 25.7% of 2017 revenues, and 28.7% of 2016 revenues, were in the form of grants and contracts, a restricted revenue source received from external sponsors of specific projects. Although the accounting standards classify state appropriations as a nonoperating revenue source in the financial statements, the University continues to manage state funding as an operating revenue item because it is intended to support instructional activities. In 2017, gross tuition and fees decreased $10.1 million, primarily due to a decrease in student credit hours on the Dayton campus. This decrease in revenue was somewhat mitigated by the increase in graduate tuition and fees, but the undergraduate tuition and fees were held constant as required by the State. Lake Campus undergraduate student credit hours increased in 2017, which helped offset the lower Main Campus tuition revenue. Although the University experienced a slight increase in enrollment headcount and credit hours from 2015 to 2016, the resulting $2.2 million increase in gross tuition revenue was offset by an increase in scholarship allowance of $4.3 million, which caused an overall decrease in net student tuition and fees of $2.1 million.

The allocation of subsidy made by the State of Ohio to public higher education institutions is based on degree and course completions. While there are additional influences and factors affecting the actual allocation of the subsidy, this change promotes the importance of the academic success of the student, which aligns with the university's mission and strategy. The University experienced a 3.2% and 4.2% increase in funding from subsidy in 2017 and 2016, respectively. Although the University has experienced slight increases in subsidy in recent years, the table below depicts how declining state funding in the past three decades has forced universities to shift the burden for funding the cost of higher education to students and their families.

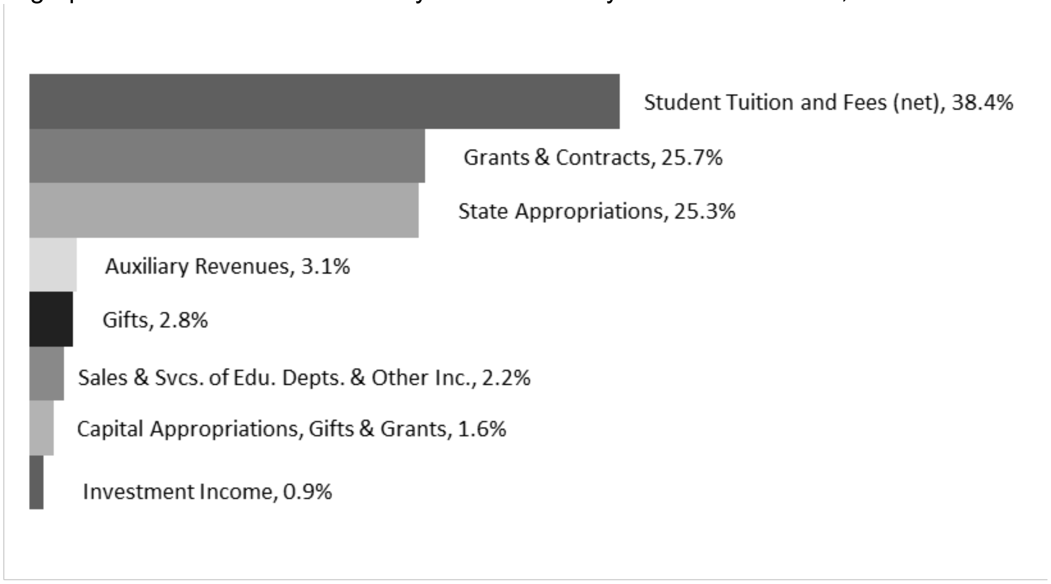
State Appropriations per Dollar of Gross Tuition

Fiscal Year	Gross Tuition	State Appropriations	Net State Appropriations per Dollar of Gross Tuition
1980	$ 13,833,157	$ 29,604,813	$ 2.14
1990	40,939,473	63,889,505	1.56
2001	74,956,371	86,874,854	1.16
2005	121,717,222	84,724,080	0.70
2010	161,383,354	97,498,261	0.60
2015	193,177,031	85,982,652	0.45
2016	195,419,847	89,548,056	0.46
2017	185,271,956	92,430,682	0.50

The net state appropriations received by the University per dollar of gross tuition revenue has declined 76.7% from $2.14 in 1980 to $0.50 in 2017. Despite the efforts and intentions made at the state level to support higher education, the University must find ways to generate substantial amounts of revenue from sources other than state appropriations if it wishes to lessen the financial burden that has been placed upon students and their families. State funding has not kept up with the growth and increased diversity of higher education's mission. Universities are serving a broader role in the educational process not only providing academic programs but also an array of research, community engagement, job creation and additional activities. This has placed a greater share of the total costs of education on the students. In an attempt to reverse this trend, the University continues to pursue supplements to its revenue sources. Research continues to be a focus, as does a strong emphasis on fundraising. Even though the University has raised its tuition in almost all years when allowed by state law, the University continues to maintain its position in the State with a lower than average level of tuition and fees relative to other Ohio four-year public institutions. This has been the case for at least the past decade. The University still ranks as the fourth lowest (out of 13) of the four-year public institutions with respect to undergraduate student tuition rates. It should be noted that two of the three universities with lower tuition receive special state funding for the purpose of subsidizing tuition.

Trends have shown the amount of state appropriations allocated to the University and higher education in general have not kept pace with overall enrollment growth and have in fact been shrinking, requiring the University to rely more on tuition and fees as its primary operating revenue source. In response to this dynamic, the University continues to emphasize the development of alternative revenue sources and reengineering its business model. The University, collaborating with its affiliate – WSARC, continues to expand its applied research portfolio, partnering with neighboring Wright Patterson Air Force Base as well as regional commercial enterprises to help drive and create economic development and jobs in the area. These initiatives have the potential to enhance revenue for the University and should help offset some of the decline in our more traditional revenue sources such as state appropriations.

Below is a graphic illustration of revenues by source for the year ended June 30, 2017.



State appropriations increased $2.9 million from $89.5 million in 2016 to $92.4 million in 2017 compared to the $3.5 million increase from $86 million in 2015 to $89.5 million in 2016. The University does not expect any dramatic changes in its level of funding and is encouraged by the increase in the total pool of funds provided by the State for 2016 and 2017.

Student tuition and fees, net were $140.4 million, $148.5 million, and $150.6 million in 2017, 2016, and 2015, respectively, which provided a 5.4% decrease from 2016 to 2017 and a 1.4% decrease from 2015 to 2016. Undergraduate tuition and fees were held constant in 2017, as mandated by the State, while non-resident fees as well as tuition for graduate, the School of Professional Psychology and the Doctor of Nursing Practice programs increased approximately 3.0% in 2017. This compares to a 2.3% tuition increase for graduate programs and professional schools in 2016. Tuition revenue before the application of scholarships (financial aid applied to students' bills) in 2017 was down $10.1 million, or 5.2%, from 2016 largely due to a decrease in student credit hours - both undergraduate and graduate - at the Dayton campus. The decrease in gross tuition revenue was offset by a lower scholarship allowance so the net impact was an $8.1 million decrease in 2017. Gross tuition revenue reported in 2016 was up $2.2 million, or 1.2%, from 2015 due to increased graduate level tuition rates as well as slight increases in both undergraduate and graduate level credit hours. This increase in gross tuition revenue was offset by a $4.4 million increase in scholarships which resulted in a $2.1 million reduction in net tuition revenue in 2016.

Grants and contracts totaled $93.9 million in 2017, decreasing $1.2 million from $95.1 million in 2016. Although federal grants and contracts increased $4.3 million and state and local contracts and grants increased $0.7 million, nongovernmental grants and contracts decreased $6.2 million during 2017. The $5.1 million increase in 2016 was attributable to a $2.5 million increase in state grants and a $3.3 increase in nongovernmental grants with an offset caused by a reduction in federal grants.

Sales and services, which are primarily revenues generated from specific departmental sales activities to organizations external to the University, were $4.6 million, $4.9 million, and $5.6 million, for the years ended June 30, 2017, 2016, and 2015, respectively. The largest portion of these revenues are clinical income and other services generated by the Boonshoft School of Medicine. Other revenue sources include conferences and events; printing and communication services; as well as computing and telecommunications. The decreases of $0.3 million in 2017, $0.7 million in 2016, and $0.3 million in 2015 were largely driven by a declines in Boonshoft School of Medicine revenue.

Auxiliary revenues were $11.4 million, $11.4 million, and $10.5 million, for the years ended June 30, 2017, 2016, and 2015, respectively. Auxiliary enterprises are comprised of residence life and housing, bookstores, hospitality (dining and catering) services, vending, parking and transportation, intercollegiate athletics, the Student Union, and the Nutter Center.

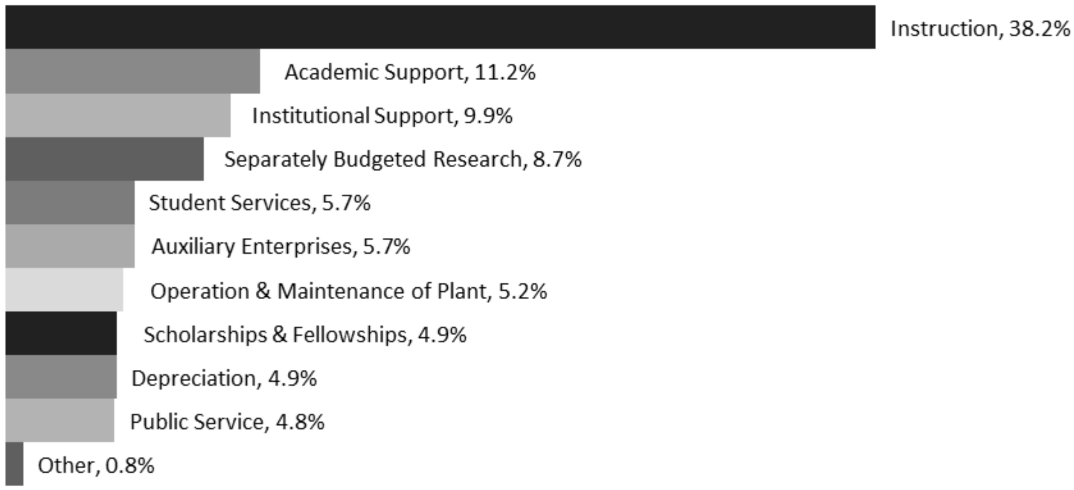
Investment income (loss) was $3.4 million in 2017, ($1) million in 2016, and $4.3 million in 2015. The $4.4 million increase in 2017 was largely attributable to market performance and asset allocation in the portfolio. As additional strain has been placed on the portfolio to fund liquidity needs created by budget deficits, the University has reduced the budget for investment income due to the reduced market value of the assets held.

Capital Appropriations, Gifts and Grants were $5.9 million in 2017, a decrease of $6.8 million from the $12.7 million realized in 2016. The $12.7 million realized in 2016 was an increase of $6.3 million from the $6.4 million realized in 2015. The decrease from 2016 to 2017 was due to the completion of various capital projects during the previous year. The main project supported by capital appropriations in 2017 was for classroom modernization and maintenance ($2.5 million). Additional appropriations were received for IT disaster recovery, and building envelope repairs. The University experienced a $6.3 million increase in capital appropriations, gifts and grants in 2016 compared to 2015 as a result of both greater capital appropriations from the State of Ohio and from capital grants and gifts. The major capital appropriations received in 2016 were for the renovation of the Creative Arts Center, classroom modernization, a shared salt storage facility, and the Neuroscience and Engineering Collaboration Building.

Expenses
A summary of the university's expenses for the years ended June 30 is as follows:

	2017	2016	2015
	(All dollar amounts in thousands)		
Operating expenses			
Instruction and departmental research	$ 157,545	$ 145,335	$ 142,835
Separately budgeted research	36,050	38,949	32,992
Public service	19,835	21,008	16,995
Academic support	46,244	45,921	42,464
Student services	23,341	23,992	23,002
Institutional support	41,100	42,320	37,150
Operation and maintenance of plant	21,604	24,709	23,853
Scholarships and fellowships	20,211	22,221	21,017
Auxiliary enterprises	23,553	22,829	20,988
Depreciation	20,165	20,769	20,949
Total operating expenses	409,648	408,053	382,245
Nonoperating expenses			
Interest on capital asset-related debt	3,088	3,232	3,177
Other nonoperating expenses	105	1,269	2,037
Total nonoperating expenses	3,193	4,501	5,214
Total expenses	$ 412,841	$ 412,554	$ 387,459

The following is a graphic illustration of expenses by function for the year ended June 30, 2017.



Total operating expenses were $409.6 million in 2017 as compared to $408 million in 2016 and to $382.2 million in 2015. The $1.6 million increase in 2017 represents a 0.4% increase in operating expenses. This increase is a combination of a $17.8 million increase in pension-related expenses largely offset by a $16.2 million decrease in university expenditures. University expenditures in 2017 were lower by $4.4 million due to a one-time write-off of outstanding amounts due from an affiliated entity recorded in 2016. As part of its budget remediation efforts, the University intentionally curtailed spending in a number of areas such as overnight travel; catering and local meals; minor construction; memberships and dues; supplies; computers, furniture and office equipment; consulting, etc. At 66% of 2017 operating expenses, salaries and wages represent the largest part of the university's budget. This compares to 67.6% in 2016 and 70% in 2015. Significant steps have been taken to reduce the university's budget in this category. The most notable action was the previously mentioned VRIP which resulted in 153 employee retirements representing $14.4 million in salaries and wages. All position vacancies are reviewed and evaluated for the possibility of filling immediately due to safety, compliance or program requirements, versus delaying the hiring of a replacement or even eliminating the position.

Statements of Cash Flows

The Statement of Cash Flows also provides information about the university's financial health by reporting the cash receipts (inflows) and cash payments (outflows) of the University during the year.

A summary of the Statements of Cash Flows is as follows:

	2017	2016	2015
	(All dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (131,391)	$ (146,118)	$ (131,487)
Noncapital financing activities	125,792	125,231	122,847
Capital and related financing activities	(22,965)	(28,656)	(57,037)
Investing activities	31,854	41,000	50,965
Net increase (decrease) in cash and cash equivalents	3,290	(8,543)	(14,712)
Cash and cash equivalents-beginning of year	21,101	29,644	44,356
Cash and cash equivalents-end of year	$ 24,391	$ 21,101	$ 29,644

Total cash and cash equivalents increased $3.3 million in 2017 as compared to an $8.5 million decrease in 2016. Net cash outflow for operating activities decreased by $14.7 million from $146.1 million in 2016 to $131.4 million in 2017. This is in contrast to the $14.6 million increase in cash outflow for operating activities from 2015 to 2016. Although cash inflow from tuition and fees was down $9.4 million in 2017 from 2016, the University outflows for payments were less as follows: $5.4 million less for employees' salaries and benefits, $11.3 million less for suppliers and $3.8 million less for scholarships to students. Net cash provided by non-capital financing activities remained relatively constant at $125.8 million in 2017 compared to $125.2 million in 2016. Although cash inflows from state appropriations were up $2.9 million in 2017, this increase was offset by a decrease of $2.4 million in cash outflows for grants for noncapital purposes. Net cash used by capital and related financing activities decreased $5.7 million from $28.7 million in 2016 to $23 million in 2017. The impact of debt service on cash outflows remained relatively constant at approximately $10 million for both 2017 and 2016. Capital appropriations and grants and gifts as a source of cash was $4.3 million lower in 2017 than in 2016. However, the outflow of cash for the purchase of capital assets was $10 million less in 2017 than in 2016. Net cash provided by investing activities was $31.9 million in 2017, down $9.1 million from $41 million in 2016. This represents the results of the net impact of investment portfolio activity aimed at maximizing investment income while providing cash to meet the university's liquidity needs.

Capital Assets and Debt

Capital Assets

The University had approximately $369.2 million invested in capital assets, net of accumulated depreciation of $316.3 million at June 30, 2017 and $375.9 million invested in capital assets, net of accumulated depreciation of $302.4 million at June 30, 2016. Depreciation expense for the years ended June 30, 2017 and 2016 was $20.2 million and $20.7 million, respectively.

A summary of net capital assets for the year ended June 30 is as follows:

	2017	2016	2015
	(All dollar amounts in thousands)		
Land, land improvements and infrastructure	$ 41,045	$ 42,427	$ 43,025
Buildings	295,108	282,199	275,849
Machinery and equipment	18,159	18,337	20,488
Library books and publications	14,624	15,131	15,802
Construction in progress	309	17,805	10,831
Total capital assets - net	$ 369,245	$ 375,899	$ 365,995

The university's capital assets net of accumulated depreciation decreased $6.7 million in 2017 compared to a $10 million increase in 2016. The University experienced a slower growth in capital assets in 2016 as compared to the depreciation expense being recorded on large capital assets that were completed and placed in service during the year. During 2017 and 2016, the majority of capital spending related to the continuation of the Creative Arts Center. Minor construction projects and acquisitions of machinery and equipment as well as library books and publications also occurred during the year.

Debt

The University did not enter into any new debt agreements during 2017. Furthermore, the University has no current plans to initiate any new debt in the foreseeable future.

In November 2011, the University issued $55.2 million General Receipts Series 2011A Bonds to fund construction of a new classroom building, replacement of main water lines, renovation of the Student Union, renovation of the Schuster Concert Hall, improvement and addition of the Rinzler Student Sports Complex, construction of the NEC Building, expansion of the Creative Arts Center, replacement of the Nutter Center scoreboard, construction of parking lots and acquisition of a parcel of land adjacent to main campus. As of June 30, 2017 all of the bond proceeds have been utilized for the previously named projects. As of June 30, 2016, $1.7 million of bond proceeds remained unspent and available. Series 2011B bonds, totaling $1.5 million, were also issued as an advance refunding of $1.4 million outstanding Series 2003 General Receipts serial and term bonds. The average coupon rate of the Series A bonds is 4.82%, but the effective interest rate is only 4.13%.

In November 2012, the University issued $23.2 million in General Receipts bonds which were sold at a premium of $2.1 million. These bonds have an effective interest rate of 2.87% and consist of $21.4 million serial bonds and a $1.8 million term bond. Of the total bonds, $9.0 million were issued to pay the associated bond issuance costs and to finance construction of a student academic success center to be located within a new classroom building, a new multi-functional student commons building, and relocation of a grounds storage facility. As of June 30, 2017 and 2016, unspent bond proceeds and premiums provide a balance of $1.4 million and $2.4 million, respectively, of funding for these projects. The remaining $14.2 million Series 2012 bonds were issued as an advance refunding of $14.4 million outstanding Series 2004 General Receipts serial and term bonds. The advance refunding resulted in an economic gain to the University of $1.3 million and a savings of $1.6 million in debt service payments.

In February 2013, the University entered into a $25.5 million Loan Agreement with the Ohio Air Quality Development Authority to fund the second phase of an energy conservation project. This debt was issued as a Series A note backed by a $17.2 million tax exempt revenue bond and a Series B note backed by an $8.3 million tax exempt revenue bond (QECB). The Series A note carries an interest rate of 1.78% and the Series B note carries an interest rate of 4.16%. The QECB qualifies for a large federal rebate that brings the effective interest rate down to .94%. The weighted average interest rate of the entire $25.5 million Loan Agreement is 1.51%. The University expects to reduce energy consumption by nearly 40 percent through the funded energy efficiency investments that include applying state-of-the-art technology to modernize heating/cooling plants in buildings across its Dayton and Celina campuses. The project promises to save the University more than $35 million over a 15-year period which well exceeds the debt service on the notes.

Outstanding debt was $85.7 million, $92.9 million, and $100 million at June 30, 2017, 2016, and 2015, respectively. The 2017 balance of $85.7 million includes $66.4 million of outstanding bonds and $19.3 million of outstanding notes. The 2016 balance of $92.9 million includes $72 million of outstanding bonds and $20.9 million of outstanding notes. The 2015 balance of $100 million includes $77.5 million of outstanding bonds and $22.5 million of outstanding notes. In May 2017, Moody's Investor Service downgraded the rating for the university's outstanding General Receipts bonds from A2 to Baa2 with a negative outlook citing financial stress, operating deficits and decreased liquidity among the reasons for the downgrade.

Concluding Thoughts

As the University celebrates its 50th anniversary during the 2017 – 2018 academic year, we face the same challenges as those experienced by other institutions of higher education: enrollment targets; rapidly evolving technology that impacts our business practices, our students and our delivery methods; continued downward pressure on state appropriations; demands for more affordable tuition and lower student debt; limited budgets and resources; increased compliance requirements at the federal and state levels; and perhaps most importantly ensuring we meet the needs of an ever-evolving student body. The University faces all of these, as well as the very real need to increase public trust and support for our institution.

The dedicated, talented, intelligent, and determined staff and faculty of the University are prepared to face these challenges, conquer the hurdles and move the University forward. The University continues to address budgetary and liquidity constraints through remediation efforts that include active management of personnel attrition; increased unit budget reviews and controls; increased contract and purchasing reviews strengthening policies; continued review and prioritization of programs and services; and persistent efforts to improve efficiencies in processing and delivery of services. The University actively pursues opportunities for cost-reductions such as the recent, significant restructuring of healthcare benefits. The University has begun the process of reviewing the delivery of health related and other educational programs that may ultimately provide for a consolidation or reorganization of colleges. This will increase efficiencies, reduce costs, increase student awareness of these programs and improve the students' education and experience.

The University also continues efforts to pursue increased affordability, student engagement, course-completion and graduation rates, as well as incentives to encourage students to graduate as quickly as possible. The University partners with area high schools to promote the College Credit Plus Program which enables local high school students to earn college credit while completing requirements for their high school diploma. The University offers a Summer Tuition Discount Program during the summer term which provides qualifying students a 20% discount on undergraduate summer tuition for up to three credit hours. This program 1) encourages students to successfully complete at least 12 hours during the fall and spring semesters, thereby shortening the time it takes them to graduate, 2) provides a financial incentive to students to take summer courses, and 3) lowers the overall cost of the students' degrees. The University is also evaluating the possibility of a four-year tuition guarantee program beginning in fiscal 2019. This will promote timely graduation, increase degree completion and lower the cost of the student's degree. The University is piloting a textbook affordability program that encourages faculty to use more affordable textbook options when possible. Additional emphasis is placed on enrollment management strategies and the development of new initiatives to attract and retain students. One such initiative has been the restructuring of academic advising to enhance the student's experience and improve student engagement.

Wright State University President, Dr. Cheryl Schrader, joined the University in July 2017. She encourages the University to be resilient and disciplined and to avoid complacency as we move forward to prepare the University for the next 50 years. Dr. Schrader has provided her focus for her first year which includes financial sustainability, administrative transparency and campus conversation. Dr. Schrader has also started a comprehensive strategic planning process that will result in a plan that provides direction and aligns the university's resources to its mission, values and priorities. As Dr. Schrader has recently indicated in her State of the University Address, "Wright State finds itself on a precipice, ready to soar."

WRIGHT STATE UNIVERSITY
A Component Unit of the State of Ohio
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
Current assets:		
Cash and cash equivalents	$ 22,954,904	$ 16,967,812
Short-term investments	8,655,941	3,764,610
Accounts receivable (net of allowance for doubtful accounts of $1,420,000 in 2017 and $1,655,000 in 2016)	31,816,677	31,497,887
Loans receivable (net of allowance for doubtful loans of $3,278,000 in 2017 and $3,369,000 in 2016)	3,707,359	4,350,723
Inventories	131,312	124,873
Prepaid expenses	1,357,028	1,151,299
Advanced charges	2,703,452	3,505,693
Total current assets	71,326,673	61,362,897
Noncurrent assets:		
Restricted cash and cash equivalents	1,436,316	4,133,030
Loans receivable (net of allowance for doubtful loans of $86,000 in 2017 and $95,000 in 2016)	8,506,568	9,412,710
Other assets	136,000	169,568
Other long-term investments	10,308,226	43,649,395
Capital assets, net	369,244,501	375,898,675
Total noncurrent assets	389,631,611	433,263,378
Total assets	460,958,284	494,626,275
Deferred outflows of resources:		
Bond refunding	354,087	383,594
Pension related	77,324,255	49,849,147
Total assets and deferred outflows of resources	$ **538,636,626**	$ **544,859,016**
Current liabilities:		
Accounts payable trade and other	$ 10,537,285	$ 14,062,116
Accrued liabilities	14,809,409	15,047,433
Unearned revenue	23,135,132	24,428,669
Refunds and other liabilities	1,014,039	854,071
Current portion of noncurrent liabilities	16,967,051	12,202,633
Total current liabilities	66,462,916	66,594,922
Noncurrent liabilities:		
Unearned revenue	1,601,009	1,921,211
Net pension liability	338,291,085	278,245,869
Noncurrent liabilities	90,953,323	97,233,544
Total noncurrent liabilities	430,845,417	377,400,624
Deferred inflows of resources	3,957,061	16,361,428
Total liabilities and deferred inflows of resources	501,265,394	460,356,974
Net Position:		
Net investment in capital assets	285,387,131	287,556,322
Restricted - expendable:		
Instruction and departmental research	9,886	8,461
Separately budgeted research	1,700	
Loans	16,481,781	16,812,605
Unrestricted	(264,509,266)	(219,875,346)
Total net position	37,371,232	84,502,042
Total liabilities and deferred inflows of resources and net position	$ **538,636,626**	$ **544,859,016**

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

WRIGHT STATE UNIVERSITY
A Component Unit of the State of Ohio
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $44,883,000 in 2017 and $46,960,000 in 2016)	$ 140,388,956	$ 148,459,847
Federal grants and contracts	35,696,281	29,560,722
State grants and contracts	6,502,919	5,446,520
Local grants and contracts	819,024	544,873
Nongovernmental grants and contracts	27,515,814	33,745,355
Sales and services	4,639,894	4,942,974
Auxiliary enterprises sales (net of scholarship allowances of $2,466,000 in 2017 and $2,361,000 in 2016)	11,418,116	11,435,491
Other operating revenues	3,338,412	4,037,397
Total operating revenues	**230,319,416**	**238,173,179**
OPERATING EXPENSES		
Educational and general:		
Instruction and departmental research	157,545,483	145,334,728
Separately budgeted research	36,050,052	38,949,072
Public service	19,834,597	21,008,075
Academic support	46,243,898	45,920,598
Student services	23,341,171	23,992,085
Institutional support	41,099,638	42,321,373
Operation and maintenance of plant	21,603,607	24,708,558
Scholarships and fellowships	20,211,247	22,220,978
Total educational and general	365,929,693	364,455,467
Auxiliary enterprises	23,552,642	22,829,464
Depreciation	20,165,432	20,768,503
Total operating expenses	**409,647,767**	**408,053,434**
Operating (loss)	(179,328,351)	(169,880,255)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	92,430,682	89,548,056
Federal grants	19,494,081	21,329,254
State grants	3,885,796	4,454,101
Gifts	10,283,759	10,000,042
Investment income/(loss) (net of investment expenses of $218,000 in 2017 and $420,000 in 2016)	3,438,103	(1,007,093)
Interest on capital asset-related debt	(3,088,446)	(3,231,964)
Other nonoperating (expenses)	(104,987)	(1,269,215)
Net nonoperating revenues (expenses)	126,338,988	119,823,181
(Loss) before other revenues, expenses, gains or losses	(52,989,363)	(50,057,074)
Capital appropriations from the State of Ohio	4,394,239	8,499,639
Capital grants and gifts	1,464,314	4,174,565
(Decrease) in net position	**(47,130,810)**	**(37,382,870)**
NET POSITION		
Net position - beginning of year	84,502,042	121,884,912
Net position - end of year	**$ 37,371,232**	**$ 84,502,042**

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

WRIGHT STATE UNIVERSITY
A Component Unit of the State of Ohio
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

CASH FLOWS FROM OPERATING ACTIVITIES	2017	2016
Student tuition and fees	$ 138,065,293	$ 147,481,060
Federal, state, local, and nongovernmental grants and contracts	71,849,413	66,449,371
Sales and services of educational and other departmental activities	3,070,683	4,943,392
Payments to employees	(207,578,867)	(212,663,091)
Payments for benefits	(62,712,528)	(62,978,926)
Payments to suppliers	(68,921,353)	(80,220,672)
Payments for scholarships and fellowships	(18,614,023)	(22,367,547)
Student loans issued	(1,395,817)	(1,380,539)
Student loans collected	2,945,323	2,984,444
Student loan interest and fees collected	390,166	439,811
Auxiliary enterprise sales	11,510,740	11,194,439
Net cash (used) by operating activities	**(131,390,970)**	**(146,118,258)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	92,430,682	89,548,056
Direct lending receipts	94,569,364	96,119,114
Direct lending disbursements	(94,501,561)	(96,182,433)
Grants for noncapital purposes	23,379,877	25,783,355
Gifts	9,913,819	9,963,178
Net cash provided by noncapital financing activities	**125,792,181**	**125,231,270**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations from the State of Ohio	4,949,310	7,766,347
Capital grants and gifts received	1,340,765	2,821,135
Purchases of capital assets	(19,644,518)	(29,393,285)
Proceeds from sales of capital assets	366,890	48,530
Principal paid on capital debt and leases	(6,882,338)	(6,682,255)
Interest paid on capital debt and leases	(3,408,741)	(3,545,672)
Bond interest subsidy	314,238	329,730
Net cash (used) by capital and related financing activities	**(22,964,394)**	**(28,655,470)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	47,768,754	108,619,135
Interest on investments	507,671	130,470
Purchase of investments	(16,422,864)	(67,749,912)
Net cash provided by investing activities	**31,853,561**	**40,999,693**
Net Increase/(Decrease) in Cash and Cash Equivalents	**3,290,378**	**(8,542,765)**
Cash and Cash Equivalents - Beginning of Year	21,100,842	29,643,607
Cash and Cash Equivalents - End of Year	**$ 24,391,220**	**$ 21,100,842**

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

WRIGHT STATE UNIVERSITY
A Component Unit of the State of Ohio
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

Reconciliation of operating (loss) to net cash (used) by operating activities:	**2017**	**2016**
Operating loss	$ (179,328,351)	$ (169,880,255)
Depreciation and amortization	19,874,737	20,477,808
Provision for doubtful accounts	349,274	677,695
Provision for doubtful loans	164,549	(37,654)
Pension expense	20,165,741	2,411,119
Changes in assets and liabilities:		
Accounts receivable	(935,427)	3,713,224
Inventories	(6,439)	(10,980)
Prepaid expenses	(205,729)	(11,719)
Advanced charges	802,241	273,961
Other assets	33,568	(22,899)
Accounts payable	1,994,672	(1,087,147)
Accrued liabilities	(238,024)	135,281
Unearned revenue	(1,293,537)	(4,027,244)
Compensated absences	(1,700,000)	300,000
Voluntary retirement incentive	7,386,830	
Refunds and other liabilities	159,968	(671,007)
Loans to students and employees	1,384,957	1,641,559
Net cash (used) by operating activities	**$ (131,390,970)**	**$ (146,118,258)**
Noncash transactions:		
Donated capital assets	$ 123,549	$ 1,344,195
Purchases of capital assets in accounts payable	$ 276,826	$ 5,750,831

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

	2017	2016
ASSETS		
Cash and cash equivalents	$ 3,751,810	$ 1,049,283
Pledges receivable (net)	9,980,600	12,381,300
Gifts receivable from trusts held by others	1,410,200	1,314,700
Investment in securities	117,227,326	112,339,191
Other investments	537,568	634,750
Interest and dividends receivable	221,022	160,715
Capital assets (net)	2,410,023	2,532,135
Annuity assets	815,586	744,395
Other assets	882,450	911,754
Total assets	$ 137,236,585	$ 132,068,223
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable		
Wright State University	$ 1,524,729	$ 1,154,789
Trade and other	129,998	184,947
Deposits held in custody for others	2,056,483	1,957,705
Annuities payable	374,600	352,100
Loan payable	400,000	600,000
Total liabilities	4,485,810	4,249,541
NET ASSETS		
Unrestricted		
Designated	2,352,861	1,829,847
Undesignated	5,196,495	3,374,339
Temporarily restricted	80,664,493	78,655,374
Permanently restricted	44,536,926	43,959,122
Total net assets	132,750,775	127,818,682
Total liabilities and net assets	$ 137,236,585	$ 132,068,223

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the year ended June 30, 2017 with comparative 2016 totals

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Revenue and other support					
Gifts and contributions	$ 154,978	$ 3,546,500	$ 568,021	$ 4,269,499	$ 9,408,574
Investment earnings					
Interest and dividends	735,760	1,787,242	-	2,523,002	6,409,866
Net realized and unrealized gains (losses)	2,362,996	7,065,983	-	9,428,979	(8,566,748)
Administrative fee charged to certain restricted accounts	782,438	(782,438)	-	-	-
Change in value of split interest agreements	-	95,500	(30,283)	65,217	(92,111)
Other income	107,044	45,420	112,910	265,374	203,190
Net assets released from restrictions	9,846,832	(9,846,832)	-	-	-
Change in donor restrictions	-	61,144	(61,144)	-	-
Total revenue and other support	13,990,048	1,972,519	589,504	16,552,071	7,362,771
Expenses					
Program services					
Scholarships	3,037,346	-	-	3,037,346	3,368,276
University programs	5,906,322	-	-	5,906,322	5,707,199
Athletic programs	426,541	-	-	426,541	383,793
Research	495,393	-	-	495,393	479,000
Miscellaneous grants	243,545	-	-	243,545	595,295
Other program expenses and losses (gains)	115,268	(36,600)	11,700	90,368	10,400
Fund raising	1,037,528	-	-	1,037,528	1,415,946
Management and general	382,935	-	-	382,935	405,999
Total expenses	11,644,878	(36,600)	11,700	11,619,978	12,365,908
Change in net assets	2,345,170	2,009,119	577,804	4,932,093	(5,003,137)
Net assets					
Beginning of year	5,204,186	78,655,374	43,959,122	127,818,682	132,821,819
End of year	$ 7,549,356	$ 80,664,493	$ 44,536,926	$ 132,750,775	$127,818,682

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
Revenue and other support				
Gifts and contributions	$ 151,419	$ 8,379,149	$ 878,006	$ 9,408,574
Investment earnings				
Interest and dividends	1,617,594	4,792,272	-	6,409,866
Net realized and unrealized gains (losses)	(2,711,807)	(5,854,941)	-	(8,566,748)
Administrative fee charged to certain restricted accounts	845,485	(845,485)	-	-
Change in value of split interest agreements	-	(79,940)	(12,171)	(92,111)
Other income (expense)	205,500	(3,727)	1,417	203,190
Net assets released from restrictions	9,838,213	(9,838,213)	-	-
Change in donor restrictions	-	(107,050)	107,050	-
Total revenue and other support	9,946,404	(3,557,935)	974,302	7,362,771
Expenses				
Program services				
Scholarships	3,368,276	-	-	3,368,276
University programs	5,707,199	-	-	5,707,199
Athletic programs	383,793	-	-	383,793
Research	479,000	-	-	479,000
Miscellaneous grants	595,295	-	-	595,295
Other program expenses and losses (gains)	10,400	-	-	10,400
Fund raising	1,415,946	-	-	1,415,946
Management and general	405,999	-	-	405,999
Total expenses	12,365,908	-	-	12,365,908
Change in net assets	(2,419,504)	(3,557,935)	974,302	(5,003,137)
Net assets				
Beginning of year	7,623,690	82,213,309	42,984,820	132,821,819
End of year	$ 5,204,186	$ 78,655,374	$ 43,959,122	$127,818,682

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

Wright State Applied Research Corporation
Statements of Financial Position
June 30, 2017 and 2016

Assets	2017	2016
Cash and cash equivalents	$ 12,025,250	$ 8,706,781
Billed accounts receivable	2,117,596	3,229,636
Unbilled accounts receivable	2,178,473	1,127,062
Other accounts receivable	28,190	1,248
Prepaid expenses and other	56,112	1,184,661
Due from Wright State University	1,011,637	-
Note receivable	1,303,000	-
Investment	-	202,500
Other assets	300,000	300,000
Property and equipment, net	4,483,023	5,050,671
Total assets	$ 23,503,281	$ 19,802,559
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 4,112,897	$ 1,367,489
Other payables	-	32,788
Due to Wright State University	2,954,955	5,019,168
Deferred revenue	11,413,365	7,503,496
Total liabilities	18,481,217	13,922,941
Unrestricted Net Assets	5,022,064	5,879,618
Total liabilities and net assets	$ 23,503,281	$ 19,802,559

The accompanying notes are an integral part of these financial statements

Wright State Applied Research Corporation

Statements of Activities

Years Ended June 30, 2017 and 2016

	2017	2016
Revenue		
Contract and grant revenue	$ 20,048,161	$ 15,191,206
Commercial revenue	409,001	-
Rental income	821,646	115,390
Interest income	57,449	7,473
Total revenue	21,336,257	15,314,069
Expenses		
Program services		
Direct labor	2,966,706	5,886,830
Travel	130,891	96,796
Subcontract costs	13,676,409	4,136,382
Other direct costs	498,508	409,553
Total program services expenses	17,272,514	10,529,561
Support services		
Overhead	3,452,355	3,873,415
General and administration	1,346,190	2,774,982
Other	122,752	270,732
Total support services	4,921,297	6,919,129
Total expenses	22,193,811	17,448,690
Change in net assets before contributions	(857,554)	(2,134,621)
Contributions	-	1,194,444
Forgiveness of amounts due to Wright State University	-	4,384,460
Change in net assets	(857,554)	3,444,283
Net assets		
Beginning of year	5,879,618	2,435,335
End of year	$ 5,022,064	$ 5,879,618

The accompanying notes are an integral part of these financial statements

(1) Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Wright State University (the University) is a state-assisted institution of higher education created in 1967. The University has an enrollment of approximately 17,700 undergraduate, graduate, and professional students on its two campuses. The financial statements include the university's eight colleges, three schools, and other individual departments. The university's Board of Trustees approves policies and procedures by which the University is governed.

The university's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The University is a political subdivision of the State of Ohio and accordingly, its financial statements are discretely presented in the State of Ohio's Comprehensive Annual Financial Report in accordance with GASB Statement No. 14, and amended by GASB Statement Nos. 39, 61 and 80. These statements provide additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as a component unit of the University based upon the nature and significance of their relationship to the University. Although the Wright State University Foundation (the Foundation) and the Wright State Applied Research Corporation (WSARC) are legally separate, tax-exempt entities, it has been determined they meet the criteria for discrete presentation within the university's financial statements. The Foundation and WSARC are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards that have been codified in Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's or WSARC's financial information in the university's financial reporting entity for these differences.

The Foundation is the primary fund-raising organization for the University and contributions to the Foundation are primarily restricted to the activities of the University. These contributions are relied upon for the on-going operations of the University. The Foundation is exempt for federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Complete financial statements for the Foundation can be obtained by sending a request to the Wright State University Foundation Bldg., 3640 Colonel Glenn Highway, Dayton, OH 45435.

WSARC is the contracting entity for the Wright State Research Institute (WSRI), a department of the University. WSARC maintains a tax-exempt status according to the provisions of Section 501(c)(3) of the Internal Revenue Service. WSARC provides applied research services such as business development, total cost accounting and recovery, Federal Acquisition Regulations based contracting support for large contracts, security support and special facilities for classified contracts to WSU and WSRI. Complete financial statements for WSARC can be obtained by sending a request to the Wright State Applied Research Corporation, 4035 Colonel Glenn Highway, Suite 100, Beavercreek, OH 45431.

No other affiliated organization meets the requirements for inclusion in the university's financial statements.

Summary of Significant Accounting Policies

Basis of Accounting
The financial statements of the University have been prepared using the economic resources measurement focus and on the full accrual basis of accounting, whereby revenue is recognized in the period earned, or in the case of advances from other governments, when all eligibility requirements are met in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Expenses are recognized when the related liabilities are incurred.

Financial Statements
The University reports as a business-type activity, as defined by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

New Accounting Standards Adopted
In fiscal year 2017, the University adopted new accounting standard GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which was issued in January 2017. The statement requires the blending method when presenting component units in the financial statements if the component unit is organized as a not-for-profit corporation and the University is the sole corporate member. This additional criterion does not apply to component units in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. There was no impact on the financial statements related to the implementation of this statement.

In fiscal year 2017, the University adopted new accounting standard GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73,* issued in March 2016. This Statement addresses certain issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. There was no significant impact on the financial statements related to the implementation of this statement.

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

Management believes the implementation of this statement will have a significant impact on the financial statements, but is still evaluating the overall effect.

In March 2016, GASB issued Statement No.81, *Irrevocable Split-Interest Agreements*, effective for the university's fiscal year ending June 30, 2018. This Statement establishes standards for irrevocable split interest agreements in which resources are irrevocably transferred to an intermediary who administers these resources for the benefit of two or more beneficiaries. Under this standard, the University is required to recognize assets, liabilities, and deferred inflows of resources at the inception of such agreements. Additionally, this Statement requires recognition of assets representing a beneficial interest in irrevocable split-interest agreements that are administered by a third party in which the University controls the present service capacity of the beneficial interest. The University is evaluating the impact Statement No. 81 will have on its financial statements; although preliminarily the University believes there will be no impact.

In November 2017, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the university's fiscal year ending June 30, 2019. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The University is evaluating the impact Statement No. 83 will have on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, effective for the university's fiscal year ending June 30, 2020. This Statement establishes criteria for identifying fiduciary activities of the University. The focus of the criteria is generally on (1) whether the University is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The University is evaluating the impact Statement No. 84 will have on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, effective for the university's fiscal year ending June 30, 2018. The purpose of this Statement is to address various topics identified during the implementation and application of certain GASB statements. These topics include issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The University is evaluating the impact Statement No. 85 will have on its financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, effective for the university's fiscal year ending June 30, 2018. This Statement provides guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The University is evaluating the impact Statement No. 86 will have on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, effective for the university's fiscal year ending June 30, 2021. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as deferred inflows of resources or deferred outflows of resources based on the payment provisions of the contract. This pronouncement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. The University is evaluating the impact Statement No. 87 will have on its financial statements.

Net position

- Net investment in capital assets comprises total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, and other borrowings that are attributable to the acquisition, construction, or improvement of those assets, and related debt.
- Restricted net position consists of restricted assets, deferred outflows of resources, liabilities, and deferred inflows of resources related to those assets. Expendable restricted net position represents resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties such as guarantors.
- Unrestricted net position represents the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. This net position is not subject to external restrictions. Management or the Board of Trustees designates most of the unrestricted net position for specific purposes in research, academic, capital acquisition, or other initiatives.

It is the university's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted net position and unrestricted net position are available.

Cash and Cash Equivalents

Cash and cash equivalents include amounts held in the State Treasury Asset Reserve of Ohio (STAROhio). In addition, external investment managers may maintain balances in a money market fund. These balances are included as cash equivalents due to their high liquidity and short-term nature. Other investments purchased with three months or less to maturity are also considered cash equivalents.

Accounts and Loans Receivable

Accounts and loans receivable are recorded net of allowances for uncollectible accounts and loans. These allowances are based on management's judgment of potential uncollectible amounts, based on historical experience and type of receivable. Accounts receivable primarily include tuition and fee charges to students, charges to grant sponsors, and charges for auxiliary enterprise services provided to students, faculty and staff. Loans receivable are mainly funds borrowed by students under various federal and other loan programs.

Investments

All investments are stated at fair value in accordance with GASB statement 72, *Fair Value Measurement and Application.* Investments of publically traded securities are reported at fair value, as established by the major securities markets. Money market investments (U.S. Treasury and Agency obligations) that have a remaining maturity of one year or less at the time of purchase are reported at amortized cost and approximate fair value. Investment income is recognized on an accrual basis. Purchases and sales of investments are accounted for on the trade date basis. Investment trade settlements receivable and payable represent investment transactions occurring on or before June 30, which settle after such date. Realized and unrealized gains and losses are reported as investment income or loss.

All securities purchased by external investment managers in the university's "liquidity" and "diversified" investment pools, with the exception of money market purchases and redemptions, are considered investments regardless of maturity date, as these investment pools are designed more for capital appreciation and have average durations of at least two years. Investments with maturities of less than one year are considered short-term or current.

Alternative investments are generally less liquid than publically traded securities and include private equity, investments in real assets, and other strategies. These alternative investments are intended to reduce market risk, credit risk and interest rate risk. The University believes the carrying amounts of these holdings are reasonable estimates of the fair values as of year-end. Because these investments are not readily marketable, the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investment existed. Such difference could be material.

Inventories
Inventories - which consist principally of publications, general merchandise and other goods - are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Capital Assets and Collections
Capital assets include land, land improvements, infrastructure, buildings, machinery, equipment, software, library books, publications and construction in progress. They are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Building renovations that materially increase the value or extend the useful life of the structure are also capitalized. Normal repairs and maintenance are expensed in the year in which the expenses are incurred. The threshold for capitalizing moveable equipment with an estimated useful life of more than one year is $5,000. Using the straight-line method, capital assets are depreciated over their estimated useful lives; generally, 40 years for buildings, 30 years for land improvements and infrastructure, 15 years for library books and publications, and 5 to 10 years for machinery and equipment. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are not encumbered or sold for financial gain. Consequently, such collections are not recognized in the financial statements.
Effective with the fiscal year ended June 30, 2015, the capitalization threshold for the purchase of moveable equipment may be waived when the acquisition is related to a major project. Moveable equipment items attributable to a major project may be capitalized and depreciated over a 5 year useful life. A major project is defined as a project in which: (1) the total construction cost (building improvement, land improvement, infrastructure, etc.) is anticipated to be $100,000 or more and the moveable capital equipment expenditures are expected to be at least $100,000; or (2) although the construction costs are anticipated to be less than $100,000, the total project costs, including moveable equipment, are anticipated to be at least $200,000.

Compensated Absences
Compensated absences is comprised of vacation and sick leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to service already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes employees currently eligible to receive termination benefits and those identified as probable of receiving payment in the future.

Unearned Revenue
Unearned revenue primarily consists of the amounts received in advance from grant and contract sponsors that have not yet been earned under the terms of the agreement and amounts received in advance for tuition and fees not yet earned. These amounts were $5.5 million and $15.4 million, respectively, for the year ended June 30, 2017 and $5.5 million and $17.2 million, respectively, for the year ended June 30, 2016.

Deferred Outflows and Inflows of Resources
Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period but do not require any further exchange of goods or services. Deferred outflows of resources in the university's financial statements consist of the unamortized deferred refunding balance and pension related balances.

Deferred inflows of resources represent an acquisition of resources that apply to a future period and will not be recognized as revenue until that time. Deferred inflows in the university's financial statements are related to pensions and are further explained in Note 7.

Revenues and Expenses
Revenues and expenses are classified as operating or nonoperating. Operating revenues are resources primarily from exchange transaction activities. These include payments received for services, such as tuition and fees, and most grants and contracts. Nonoperating revenues are from non-programmatic sources and have the characteristics of nonexchange transactions. They include state appropriations, some federal and state grants, gifts, and investment income. Nearly all of the university's expenses are a result of exchange transactions, and therefore classified as operating expenses. The major recurring nonoperating expenses are net losses on the disposition of capital assets and interest expense on capital assets-related debt.

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 (OPERS) and the State Teachers Retirement System of Ohio (STRS) and additions to/deductions from their fiduciary net positions have been determined on the same basis as reported by these pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Scholarship Allowances
Scholarship allowances represent aid awarded to the student in the form of reduced tuition and are computed and reported in the financial statements under the alternate method as prescribed by the National Association of College and University Business Officers (NACUBO). Financial aid in the form of a cash payment to the student is reported as scholarship and fellowship expense in the financial statements. Third party loans such as Federal Direct loans and certain aid awarded to the students by third parties are credited to the student's account as if the student made the payment.

Income Taxes
The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code. However, certain revenues are considered unrelated business income and are taxable under Internal Revenue Code Sections 511 through 513.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Previous Year's Financial Information

Certain amounts from the prior year have been reclassified to conform to current-year presentation. These reclassifications had no impact on the change in net position.

(2) Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments in the financial statements is based on criteria set forth by GASB. Cash equivalents are defined to include investments with original maturities of three months or less. Consistent with this definition, university funds on deposit in the State Treasury Asset Reserve of Ohio are classified as cash equivalents in the Statements of Net Position. However, for GASB Statement No. 3 disclosure purposes (see below), the funds in the State Treasury Asset Reserve of Ohio are classified as investments.

Deposits

Under state law, the university's deposits must be secured by Federal Deposit Insurance and collateralized for amounts in excess of FDIC coverage. Collateral may be pledged or pooled. Pooled collateral may be held on the financial institution's premises or held by its trust department or agent on its behalf. The fair value of the pledged securities plus the federal deposit insurance must at all times equal one hundred five percent of the total amount of public deposits to be secured by the pooled securities. These securities may be held in the name of the University or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. The University does not have a deposit policy for custodial credit risk.

As of June 30, 2017 and 2016, the university's bank balances are $21,617,362 and $22,854,386, respectively. Of these balances, $17,898,807 and $21,002,029, respectively, are uninsured with collateral held by pledging banks not in the university's name.

At June 30, the carrying amount of deposits (book balances) is as follows:

	2017	2016
Petty cash	$ 36,196	$ 39,807
Demand deposits	16,684,692	19,931,911
Money market funds	2,384,681	46,178
Total	$ 19,105,569	$ 20,017,896

The difference in the carrying amount and bank balances is caused by items in-transit (primarily outstanding checks) and by cash on hand.

Investments - Fair Value

Wright State University's Board of Trustees approved a revision to the university's Investment Policy Statement in October 2016. The University utilizes a discretionary model in which a fiduciary manager is responsible for investing the university's portfolio utilizing a fund of funds approach. This Investment Policy provides for the prudent investment of the university's assets in a manner which will meet three main objectives: safety, liquidity and return on investment. The Investment Policy parallels state law which requires an amount equal to at least twenty-five percent of the university's investment portfolio be invested in securities of the United States government or one of its agencies or instrumentalities, the treasurer of the State of Ohio's pooled investment program, obligations of the State of Ohio, or any political subdivision of the State of Ohio, certificates of deposit of any national bank located in the State of Ohio, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds or bankers' acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system.

The University categorizes its investments within the fair value hierarchy established by generally accepting accounting principles. Fair value is the price that would be received for an asset or paid to transfer a liability (an exit price) on the measurement date in the university's principal or most advantageous market. 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. Some investments are valued at net asset value (NAV) and are therefore not subject to the hierarchy classification.

The fair value of university investments at June 30 is as follows:

	2017				
	Totals	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other
Investment in securities:					
Stocks and traded securities	$ 971,376	$ 971,376	$	$	$
State Treasury Asset Reserve of Ohio (STAROhio)	5,285,651	5,285,651			
Mutual funds:					
Equity	77,170	77,170			
Fixed income	2,066,231	2,066,231			
Alternative assets:					
Hedge funds	7,525,594				7,525,594
Private equity partnerships	7,190,249				7,190,249
Distressed debt	773,173				773,173
Private real estate	357,174				357,174
Total investments in securities	24,246,618	8,400,428			15,846,190
Other investments:					
Real estate	3,200			3,200	
Total other investments	3,200			3,200	
Total investments	$ 24,249,818	$ 8,400,428	$	$ 3,200	$ 15,846,190

	2016				
	Totals	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other
Investment in securities:					
Stocks and traded securities	$ 779,013	$ 779,013	$	$	$
State Treasury Asset Reserve of Ohio (STAROhio)	1,082,946	1,082,946			
Mutual funds:					
Equity	15,291,205	15,291,205			
Fixed income	8,925,588	8,925,588			
Alternative assets:					
Hedge funds	6,831,933				6,831,933
Private equity partnerships	5,760,937				5,760,937
Distressed debt	6,337,309				6,337,309
Private real estate	3,484,820				3,484,820
Total investments in securities	48,493,751	26,078,752			22,414,999
Other Investments:					
Real estate	3,200			3,200	
Total other investments	3,200			3,200	
Total investments	$ 48,496,951	$ 26,078,752	$	$ 3,200	$ 22,414,999

The balance of deposits and investments reported above are included in the Statements of Net Position as follows:

		Year Ended June 30	
		2017	2016
Deposits	$	19,105,569	$ 20,017,896
Investments		24,249,818	48,496,951
Total	$	43,355,387	$ 68,514,847
Included in the Statements of Net Position			
Cash and cash equivalents	$	22,954,904	$ 16,967,812
Restricted cash and cash equivalents		1,436,316	4,133,030
Short-term investments		8,655,941	3,764,610
Long-term investments		10,308,226	43,649,395
Total	$	43,355,387	$ 68,514,847

Balances held in the State of Treasury Asset Reserve of Ohio (STAROhio) are included in the total fair value of investments for disclosure purposes. However, these balances are considered cash and cash equivalents for reporting on the Statements of Net Position.

The following presents a reconciliation of the fair value of investments reported above to the investments reported on the Statements of Net Position.

		Year Ended June 30	
		2017	2016
Total fair value of investments	$	24,249,818	$ 48,496,951
State Treasury Asset Reserve (STAROhio)		5,285,651	1,082,946
Fair value of investments less STAROhio	$	18,964,167	$ 47,414,005
Included in the Statements of Net Positions			
Short-term investments	$	8,655,941	$ 3,764,610
Long-term investments		10,308,226	43,649,395
Total	$	18,964,167	$ 47,414,005

Because alternative investments - hedge funds, private equity, distressed debt and private real estate – have no active market, they are valued using NAV which is based on information such as historical and current performance of the underlying assets; cash flow projections; liquidity and credit premiums required by a market participant; and financial trend analysis with respect to the individual fund manager. Furthermore the liquidity of these investments may be impacted by the lack of a present market for the interest in the funds, lock-up periods, redemption notice periods and limits to the frequency of redemptions.

The following table provides additional information for those assets valued using NAV:

	Fair Value June 30 2017	Fair Value June 30 2016	Redemption Frequency	Redemption Notice Period	Lock-up Period	Earliest Redemption Date
Alternative assets:						
Hedge funds	$ 7,525,594	$ 6,831,933	semi- annual	95 days	24 mos.	NA
Private equity partnerships	7,190,249	5,760,937	not liquid	not liquid		
Distressed debt	773,173	6,337,309	quarterly	65 days	24 mos.	NA
Private real estate	357,174	3,484,820	quarterly	65 days		
Total	$ 15,846,190	$ 22,414,999				

The university's hedge fund allocation is invested in a "fund of funds" structured as an offshore company. The fund's investment objective is to achieve high returns balanced against an appropriate level of volatility and directional market exposure over a full market cycle. The fund is broadly diversified and invests in various private funds such as hedge funds that pursue hedged or other alternative investment strategies, private equity funds, hybrid funds and any other alternative investment funds, while also opportunistically investing directly in other securities and financial instruments. The fund's portfolio may be allocated across several hedge fund styles and strategies, including, but not limited to credit hedging, distressed debt, equity long/short and global macro. The fund generally invests in 15-25 funds and the fund of funds manager requires full transparency of each of the underlying funds' investment positions. The University is no longer subject to the fund's initial two-year lock-up period which expired in January 2017. On June 30, 2017, the University gave notice of its desire to redeem this investment and it was subsequently liquidated on July 31, 2017. Therefore the fair value of this investment is considered a current asset in the June 30, 2017 Statement of Net Position. The University has no significant unfunded commitments to this hedge fund allocation as of June 30, 2017 and 2016.

Approximately 67% of the university's private equity partnership is a domestic partnership for the purpose of making private equity investments (the "Investee Funds"). The partnership is typically invested in venture capital, growth equity and buyout funds focusing on oil and gas exploration, technology, healthcare and telecom sectors. The investments consist of nonmarketable limited partnership interests in a select group of nonregistered private investment partnerships for long term capital appreciation. It is estimated the underlying assets of the investments will generally be liquidated in the next 5 to 8 years. Certain of the Investee Funds may take additional time to liquidate which will in turn impact the timing of when the University will be in a position to liquidate itself from the partnership. During the fiscal year ended June 30, 2012, Wright State University made a $5,000,000 original commitment to this fund. As of June 30, 2017 and 2016, the university's outstanding commitment related to this is $850,000 and $1,350,000, respectively.

The remaining 33% of the university's private equity fund investment is structured as a domestic partnership in which the University is a limited partner. The investment objective of the partnership is to achieve an attractive risk-adjusted return relative to other asset class alternatives through the identification and selection of a set of private assets managers across a broad spectrum of private equity, real estate, infrastructure and real assets whose stated terms are 5 to 7 years. Diversification is accomplished by investing 40-60% of committed capital in underlying funds focused on the United States, 20-40% on Europe and 0-30% on emerging markets. Capital commitments of the limited partners are payable to the partnership in installments over a 3–5 year period. During the fiscal year ended June 30, 2015, Wright State University made a $4,900,000 original commitment to this fund. As of June 30, 2017 and 2016, the university's outstanding commitment related to this is $2,799,404 and $3,436,404, respectively.

The university's investment in distressed debt is in the form of a fund that invests in a diversified portfolio of structured credit instruments, the majority of which are Collateralized Debt Obligation (CDO) equity and mezzanine notes. CDOs are structured finance securities that hold a diversified pool of income-generating collateral that is financed through the issuance of debt securities. CDO investors assume the first level of default risk. These notes are lowly correlated to traditional and other alternative investments, have minimal interest rate risk, and are highly transparent. In addition to CDOs, investments in the fund may include fixed income securities, loan participations, credit-linked notes, medium term notes, registered and unregistered investment companies or pooled investment vehicles and derivatives instruments such as credit default swaps and total return swaps. The University is no longer subject to the fund's initial two-year lock-up period which expired in January 2017, and is in the process of liquidating the investment, The University exercised its option to redeem this fund in March 2017. Liquidation occurred in April 2017. The balance reflected above is the contractual holdback (10%) which will be liquidated upon the fund's finalization of its 2017 financial statements. This will occur during the university's next fiscal year. Therefore, this balance is considered a current asset in the June 30, 2017 Statement of Net Position.

The university's investment in private real estate seeks both current and long-term capital appreciation principally through investing in pooled investment vehicles that invest in commercial real estate properties. The investment strategy targets approximately 80–95% of the fund's net assets for investment in open-end core funds focused on high-quality core real estate properties. The remaining 5–25% of the net assets may be invested in liquid real estate strategies for cash management purposes or less liquid higher return strategies and properties focused on value-added and opportunistic real estate opportunities. No more than 25% of the net assets in the funds are focused on investments outside the United States. On June 30, 2016, the University notified the fund of its intent to exercise its redemption option. The fund was subsequently liquidated on July 29, 2016. The fair value represents the 10% holdback which was received in July 2017 and is therefore reported as a current asset in the June 30, 2017 Statement of Net Position.

Investments – Risks

The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the University. The Investment Policy has established asset allocations and permissible asset classes in order to minimize the various risks and the probability of loss. The new Investment Policy provides for a portfolio comprised of mutual funds managed in accordance with the diversification and industry concentration restrictions set forth in the Investment Company Act of 1940 which provides, among other things, protection in terms of concentration of risk for issuers and for industry sectors.

Interest Rate Risk

The university's Investment Policy minimizes the risk of the loss of value due to changing interest rates through the use of target durations for each of the university's investment pools. The Cash Pool is maintained to meet the daily obligations of the University and consists of highly liquid instruments with little to no risk of loss of principal. The Liquidity Pool provides a source of funds in the event the Cash Pool is insufficient to meet the university's cash needs and maintains a weighted average life of less than five years. The Diversified Investment Pool provides the University an opportunity to earn a higher rate of return through investments with longer durations.

The maturities of the university's interest bearing investments at June 30 are as follows:

	2017 Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10
Bond funds	$ 2,066,231	$	$ 1,627,857	$ 438,374

	2016 Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10
Bond funds	$ 8,925,588	$ 279,789	$ 6,320,604	$ 2,325,195

Credit Risk

Credit risk is the risk the issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Credit quality information, commonly expressed in terms of credit ratings issued by nationally recognized rating organizations such as Moody's Investors Service; Standard & Poor's; or Fitch Ratings, provides a current depiction of potential variable cash flows and credit risk. The university's Investment Policy limits exposure to credit risk by limiting purchases of fixed income securities to no lower than AA for the Cash Pool and Liquidity Pool accounts. The vast majority of portfolio mutual fund holdings are required to invest in investment grade funds. The only exception to this represents those funds held as part of the high yield strategy. The allocation for this is targeted at three percent of the overall portfolio.

The university's credit risk at June 30 is as follows:

		2017 Credit Ratings				
Investment Type	Total	AAA/Aaa	AA/Aa	A	BBB/Baa	B
State Treasury Asset Reserve (STAROhio)	$ 5,285,651	$ 5,285,651	$	$	$	$
Bond funds	2,066,231	833,681		1,232,550		
Total	$ 7,351,882	$ 6,119,332	$	$ 1,232,550	$	$

		2016 Credit Ratings				
Investment Type	Total	AAA/Aaa	AA/Aa	A	BBB/Baa	B
State Treasury Asset Reserve (STAROhio)	$ 1,082,946	$ 1,082,946	$	$	$	$
Bond funds	8,925,588	2,527,987	3,792,617	279,789	1,199,029	1,126,166
Total	$ 10,008,534	$ 3,610,933	$ 3,792,617	$ 279,789	$ 1,199,029	$ 1,126,166

Custodial Credit Risk
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2017 and 2016, none of the university's investments were exposed to custodial, counterparty credit risk. The university's Investment Policy minimizes custodial credit risk through the use of mutual funds and other pooled asset portfolios transacted through national reputable brokerage firms protected by the Securities Investor Protection Corporation.

Concentration of Credit Risk
Concentration of credit risk is the risk associated with a lack of diversification. It is the risk of loss attributed to the magnitude of the university's investment in a single issuer. Investments are diversified within asset classes with the intent to minimize the risk of losses to the portfolio. As previously mentioned, concentration of credit risk is managed at the mutual fund level as required by the Investment Company Act of 1940. As of June 30, 2017 and 2016, the University has no reportable concentration of credit risk as no one single issuer constitutes more than five percent of the university's investment portfolio.

Foreign Currency Risk
Foreign currency risk relates to the possible adverse effects changes in exchange rates can have on the fair value of investments. As of June 30, 2017 there is no exposure to foreign currency risk. At June 30, 2016, the university's exposure to foreign currency was limited to its investment in international mutual funds of $6,691,998.

Restricted Cash and Cash Equivalents
The university's restricted cash and cash equivalents at June 30 are as follows:

Debt	Date Issued	Amount Issued	Amount Unspent 2017	Amount Unspent 2016
Unspent debt proceeds:				
Series 2011A	November 2011	$ 55,240,000	$	$ 1,702,798
Series 2012	November 2012	23,195,000	1,436,208	2,379,193
2013 Notes	February 2013	25,000,000		51,039
Total unspent debt proceeds		$ 103,435,000	$ 1,436,208	$ 4,133,030
Trust account:				
Series 2009			$ 22	$
2013 Notes			86	
Total trust account			$ 108	$
Total restricted cash and cash equivalents			$ 1,436,316	$ 4,133,030

The unspent proceeds are held in Project Fund trust accounts as provided for in the bond resolutions approved by the Board of Trustees. The bond resolutions also require the bond proceeds to be held by a bank or trust company which is a member of the Federal Deposit Insurance Corporation. The Bank of New York Mellon acts as the trustee of the bond project funds for the Series 2011 and 2012 bonds. The Huntington National Bank acts as the trustee of the project fund for 2013 Notes Series A and B. As of June 30, 2017 and 2016, $1,436,208 and $4,133,030, respectively, of the unspent debt related proceeds are classified as restricted cash and cash equivalents in the Statements of Net Position.

The June 30, 2017 restricted cash balance includes $108 of interest income earned by and held in the trust account used for making debt service payments.

The unspent bond proceeds and accumulated interest earned and held by the trustee are included in demand deposits in the carrying amount of deposits as of June 30, 2017 and 2016.

Investment Income (Loss)

The composition of investment income (loss) is as follows:

	Year Ended June 30	
	2017	2016
Net interest and dividend income	$ 257,908	$ 969,336
Realized gains (losses) on sales	284,143	(812,393)
Unrealized gains (losses) in fair value	2,896,052	(1,164,036)
Total	$ 3,438,103	$ (1,007,093)

(3) Accounts Receivable

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

	2017	2016
Sponsor receivables	$ 10,698,816	$ 9,970,117
Student and student-related accounts	14,605,902	13,943,220
Wright State University Foundation	1,524,729	1,154,789
Wright State Applied Research Corporation	2,954,955	5,019,168
Interest receivable	41,009	52,127
State appropriations	424,614	1,264,605
Other, primarily departmental sales and services	2,986,652	1,748,861
Total	33,236,677	33,152,887
Less: Allowance for doubtful accounts	1,420,000	1,655,000
Net accounts receivable	$ 31,816,677	$ 31,497,887

(4) Capital Assets

Capital assets activity for the years ended June 30, 2017 and 2016 is summarized as follows:

	Balance 7/1/2016	Additions	Retirements	Transfers	Balance 6/30/2017
Land	$ 4,051,702	$	$ (67,500)	$	$ 3,984,202
Land improvements and infrastructure	60,361,778	727,785			61,089,563
Buildings	466,649,077	6,415,426	(42,138)	17,496,310	490,518,675
Machinery and equipment	75,562,570	5,285,226	(6,048,816)		74,798,980
Library books and publications	53,819,834	1,480,975	(458,127)		54,842,682
Construction in progress	17,805,364			(17,496,310)	309,054
Total	678,250,325	13,909,412	(6,616,581)		685,543,156
Less accumulated depreciation:					
Land improvements and infrastructure	21,986,394	2,042,812			24,029,206
Buildings	184,450,473	10,966,101	(5,485)		195,411,089
Machinery and equipment	57,225,770	5,168,954	(5,754,814)		56,639,910
Library books and publications	38,689,013	1,987,565	(458,128)		40,218,450
Total accumulated depreciation	302,351,650	20,165,432	(6,218,427)		316,298,655
Capital assets, net	$ 375,898,675	$ (6,256,020)	$ (398,154)	$	$ 369,244,501

	Balance 7/1/2015	Additions	Retirements	Transfers	Balance 6/30/2016
Land	$ 4,051,702	$	$	$	$ 4,051,702
Land improvements and infrastructure	58,925,326	1,464,075	(27,623)		60,361,778
Buildings	449,708,100	15,902,161		1,038,816	466,649,077
Machinery and equipment	87,433,105	5,463,777	(17,334,312)		75,562,570
Library books and publications	54,389,003	1,472,878	(2,042,047)		53,819,834
Construction in progress	10,831,408	8,012,772		(1,038,816)	17,805,364
Total	665,338,644	32,315,663	(19,403,982)		678,250,325
Less accumulated depreciation:					
Land improvements and infrastructure	19,952,003	2,034,467	(76)		21,986,394
Buildings	173,858,649	10,591,824			184,450,473
Machinery and equipment	66,945,530	5,998,502	(15,718,262)		57,225,770
Library books and publications	38,587,350	2,143,710	(2,042,047)		38,689,013
Total accumulated depreciation	299,343,532	20,768,503	(17,760,385)		302,351,650
Capital assets, net	$ 365,995,112	$ 11,547,160	$ (1,643,597)	$	$ 375,898,675

(5) Noncurrent Liabilities

Noncurrent liabilities consist of bonds payable, notes payable, equipment lease purchase obligations, compensated absences, unearned revenue, net pension liability and voluntary retirement incentive. Activity for noncurrent liabilities for the years ended June 30, 2017 and 2016 is summarized as follows:

	Beginning Balance 07/01/2016	Additions	Reductions	Ending Balance 6/30/2017	Current Portion
Bonds and notes:					
General obligation bonds	$ 72,033,563	$	$ 5,615,295	$ 66,418,268	$ 5,805,780
Notes payable	20,902,614		1,587,338	19,315,276	1,615,593
Total bonds and notes	92,936,177		7,202,633	85,733,544	7,421,373
Other liabilities:					
Compensated absences	16,500,000	4,547,745	6,247,745	14,800,000	6,000,000
Unearned revenue	26,349,880	145,430,616	147,044,355	24,736,141	23,135,132
Net pension liability	278,245,869	71,529,279	11,484,063	338,291,085	
Voluntary retirement incentive		7,386,830		7,386,830	3,545,678
Total other liabilities	321,095,749	228,894,470	164,776,163	385,214,056	32,680,810
Total noncurrent liabilities	$ 414,031,926	$ 228,894,470	$ 171,978,796	$ 470,947,600	$ 40,102,183

	Beginning Balance 07/01/2015	Additions	Reductions	Ending Balance 06/30/2016	Current Portion
Bonds, notes and equipment lease purchase obligations:					
General obligation bonds	$ 77,447,271	$	$ 5,413,708	$ 72,033,563	$ 5,615,295
Notes payable	22,462,192		1,559,578	20,902,614	1,587,338
Equipment leases	22,677		22,677		
Total bonds, notes and equipment leases	99,932,140		6,995,963	92,936,177	7,202,633
Other liabilities:					
Compensated absences	16,200,000	5,087,314	4,787,314	16,500,000	5,000,000
Unearned revenue	30,697,326	174,956,756	179,304,202	26,349,880	24,428,669
Net pension liability	228,135,876	54,013,934	3,903,941	278,245,869	
Total other liabilities	275,033,202	234,058,004	187,995,457	321,095,749	29,428,669
Total noncurrent liabilities	$ 374,965,342	$ 234,058,004	$ 194,991,420	$ 414,031,926	$ 36,631,302

Bonds payable on June 30, 2017 consist of Series 2009, 2011, and 2012 General Receipts Serial and Term bonds. The maturity dates, interest rates, and the outstanding principal balances of capital activities at June 30, 2017 are as follows:

Description	Maturity Dates	Interest Rates	Outstanding Principal	Unamortized Premium	Total
Bonds payable:					
Series 2009	2017-2019	4.73% - 5.31%	$ 2,520,000	$	$ 2,520,000
Series 2011A	2017-2031	4.56% - 5.00%	41,905,000	2,553,626	44,458,626
Series 2011B	2017-2023	2.38% - 3.75%	945,000		945,000
Series 2012	2017-2032	3.00% - 5.00%	17,180,000	1,314,642	18,494,642
Total bonds payable			62,550,000	3,868,268	66,418,268
Notes payable:					
Ohio Air Quality Development:					
Series A	2017-2024	1.78%	11,002,576		11,002,576
Series B	2024-2028	4.16%	8,312,700		8,312,700
Total notes payable			19,315,276		19,315,276
Total			$ 81,865,276	$ 3,868,268	$ 85,733,544

The scheduled maturities of bonds and notes for the next five years and for the subsequent periods of five years are as follows:

Year Ended June 30	Principal	Interest	Total
2018	$ 7,095,593	$ 3,437,851	$ 10,533,444
2019	7,364,351	3,163,390	10,527,741
2020	5,393,620	2,866,002	8,259,622
2021	5,573,410	2,663,712	8,237,122
2022	5,593,731	2,453,391	8,047,122
2023-2027	29,957,589	8,861,172	38,818,761
2028-2032	20,886,982	2,436,531	23,323,513
Total	$ 81,865,276	$ 25,882,049	$ 107,747,325

Interest expense incurred on indebtedness for the years ended June 30, 2017 and 2016 was $3,088,446 and $3,231,964, respectively. Interest expense on construction related debt of $264,061 and $366,326 was capitalized to the related projects in 2017 and 2016, respectively.

All general receipts of the University, except for state appropriations, are pledged for payment of all outstanding bonds. The Series A and Series B Notes evidence the university’s obligation to make loan payments from Available Receipts. The Notes are subordinated to the university’s obligations to pay debt service on all General Receipts Obligations.

The Series 2009 Bonds are Federally Taxable – Build America Bonds. The University is eligible for a 35% rebate of interest expense paid for the Series 2009 Bonds in the form of a federal subsidy. The Series 2013B Note is related to an Ohio Air Quality Development Authority Qualified Energy Conservation Bond which is eligible for a 70% federal rebate based on the Qualified Tax Credit Rate as of the bond sale date (4.6%). The benefit of this rebate has been assigned to the University. The rebates for the 2009 Bonds and the 2013B Note were $307,615 and $325,852 for the years ended June 30, 2017 and 2016, respectively. The rebates were reported as Other Nonoperating Revenues and do not reduce the amount reported as interest expense for the year. Likewise, the amounts reported above for future interest expense have not been reduced by the federal rebates anticipated for future years. The University expects to receive $2,541,063 in future federal rebates.

(6) Operating Leases

The University leases certain properties and equipment under operating lease agreements. Facilities and equipment under these agreements are not recorded on the Statements of Net Position. Rent expenses for the years ended June 30, 2017 and 2016 were $1,582,505 and $2,335,005, respectively.

Future minimum payments for all material operating leases as of June 30, 2017, are as follows:

2018	$ 1,384,304
2019	401,163
2020	340,635
2021	338,151
2022	347,746
2023-2033	1,108,508
Total minimum lease payments	$ 3,920,507

(7) Pension Plans

Pensions and Net Pension Liability

Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have occurred already.

GASB No. 68 requires governmental employers to report a net pension liability on the Statement of Net Position. The net pension liability represents the university's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position (assets available to pay the pension benefits). The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

GASB 68 assumes the net pension liability for each plan is solely the obligation of the employers because (1) the employers benefit from the employee services, and (2) state statute requires all funding to come from these employers. The University cannot control benefit terms or the manner in which pensions are financed; however, the University does receive the benefit of employee services in exchange for compensation including pension.

Plan Descriptions

University faculty are provided pensions through the State Teachers Retirement System of Ohio (STRS). Substantially all other university employees are provided pensions through the Ohio Public Employees Retirement System (OPERS). Both OPERS and STRS are statewide cost-sharing multiple employer defined benefit pension plans. Authority to establish and amend benefits for OPERS and STRS are authorized by Chapters 145 and 3307, respectively, of the Ohio Revised Code. Both OPERS and STRS issue publicly available financial reports. The OPERS report can be obtained at https://www.opers.org/financial/reports.shtml. The STRS report can be obtained at https://www.strsoh.org/employer/publications.html#other.

OPERS and STRS each offer three separate retirement plans: a defined benefit plan, a defined contribution plan, and a combined plan.

Defined Benefit Plans pay service retirement benefits using a fixed formula based on age, years of service and salary. In addition to service retirement, participants are eligible for disability and survivor benefits.

Defined Contribution Plans are member-directed, optional retirement plans available to new members. Participants allocate both member and employer contributions in investment choices provided by the plans. Retirement benefits are based on the member's account value.

Combined Plans offer features of both a defined benefit plan and a member-directed, defined contribution plan. In the combined plans, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit in addition to disability and survivor benefits.

Benefits Provided

OPERS and STRS defined benefit plans provide retirement, disability, annual cost-of-living adjustments, and survivor benefits for plan members and beneficiaries. The benefit provisions stated in the following paragraphs are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

OPERS Benefits
Under OPERS, retirement benefits are specific to each plan and members must meet the eligibility requirements based on their age and years of service within the plan. Retirement eligibility also varies by division and transition group.

Defined Benefit members who were eligible to retire before January 7, 2023 under law in effect prior to SB 343 are included in transition Groups A and B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

University members in transition Group A are eligible for full retirement benefits at any age with 30 years of service or at age 65 with 5 years of service. Group B members are eligible for full benefits at age 52 with 31 years of service, at any age with 32 years of service, or at age 66 with 5 years of service. Group C members are eligible for full benefits at age 55 with 32 years of service or at age 67 with 5 years of service. Members in Groups A and B are eligible for retirement with reduced benefits at age 60 with 5 years of service credit or at age 55 with 25 or more years of service credit. Members of Group C are eligible for reduced retirement benefits at age 57 with 25 years of service or at age 62 with 5 years of service.

Under the Traditional Plan (the defined benefit plan), the annual benefit for Groups A and B is based on 2.2% of final average salary (FAS) multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. FAS for Group C is based on the average of the five highest years of earnings over a member's career.

The OPERS law enforcement program consists of two separate divisions: Law Enforcement and Public Safety. Both groups of members are eligible for special retirement options under the Traditional Pension Plan and are not eligible to participate in the Member-Directed Defined Contribution or Combined plans. Public Safety Group members of Groups A and B may file an application for full retirement benefits at age 48 or older with 25 or more years of credited service or at age 52 or older with 15 or more years of credited service. Public Safety Group C is eligible for benefits at age 52 or older with 25 years or at age 56 or older with 15 years. Those members classified as Law Enforcement officers are eligible for full retirement as follows: for Group A, at age 52 or older with 15 or more years of credited service; for Group B, at age 48 or older with 25 years or at age 52 or older with 15 years of service; and for Group C, at age 48 or older with 25 years of service or at age 56 with 15 years of service. Annual benefits under both divisions are calculated by multiplying 2.5% of FAS by the actual years of service for the first 25 years of service credit, and 2.1% of FAS for each year of service over 25 years.

In the Combined Plan, the benefit formula for the defined benefit component of the plan for university members in transition Groups A and B applies a factor of 1% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1% to the member's FAS for the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. These options also permit early retirement with a reduced benefit as early as age 48 under qualifying circumstances.

Members of the Defined Benefit and Combined Plans who become disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. Law enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury. Members participating in the Defined Contribution Plan are not eligible for disability benefits. Disability benefits are determined in the same manner as retirement benefits.

After a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual cost-of-living adjustment of 3% is provided on the member's base benefit. Members retiring under the Combined Plan receive an annual cost-of-living adjustment of 3% on the defined benefit portion of their benefit.

STRS Benefits
Members of the Defined Benefit plan are eligible for full retirement benefits at any age with 30 years of service or at age 65 with five years of service. Age and service requirements for full retirement benefits increased effective August 1, 2015 and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026. Employees are eligible to retire with reduced benefits at age 60 with five years of qualifying service credit, at age 55 with 25 years of service, or with 30 years of service regardless of age. Age and service requirements for reduced retirement benefits increased effective August 1, 2015 and will continue to increase periodically until age 55 with 29 years of service on August 1, 2021.

Prior to August 1, 2015, benefits under the Defined Benefit Plan benefits were based on 2.2% of FAS for the three highest years of earnings, multiplied by years of total Ohio service credit and the percentage increased if the member has 35 or more years of contributing service credit. Effective August 1, 2015, benefits are now based on an annual amount equal to 2.2% of FAS for the five highest years of earnings, multiplied by all years of service. Under the Combined Plan, benefits are based on the balance in the member's defined contribution account plus an annual amount equal to 1% of FAS for the three highest paid years multiplied by years of total Ohio service credit. Effective August 1, 2015, FAS is the average of the member's five highest salary years.

A Defined Benefit Plan or Combined Plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing the individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Disability benefits are determined in the same manner as retirement benefits.

Under the Defined Benefit Plan, members will receive an annual cost of living adjustment of 2% beginning on the fifth anniversary of retirement. Under the Combined Plan, a cost of living adjustment is not available on the service retirement benefit. For disability and survivor benefits, the basic benefit is increased each year by 2% of the original base benefit.

Contributions

Ohio Revised Code Chapters 145 and 3307 set the rates for employer and employee contributions for OPERS and STRS, respectively. Contribution rates can only be modified by the state legislature.

OPERS Contributions
Under OPERS, the employee contribution rate for the plan years ended December 31, 2016 and 2015 was 10% for all employees with the exception of law enforcement and public safety, which are 13% and 12%, respectively. The employer contribution rate is 14% for all employees with the exception of law enforcement and public safety, whose rate is 18.1%.

For Member-Directed Plans, for the plan years ended December 31, 2016 and 2015, 13.23% was paid into the member's member-directed account and the remaining 0.77% was paid to OPERS to cover unfunded liabilities, as required by state legislation. Effective July 1, 2017, these rates changed to 11.56% and 2.44%, respectively. The university's contributions to OPERS were $8,315,454 and $9,034,533 for the fiscal years ended June 30, 2017 and 2016, respectively. The university's contributions were equal to the required contributions for each year as set by state statute.

STRS Contributions
Under STRS plans, the employee contribution rates were 14% and 13%, for years ended June 30, 2017 and 2016, respectively. Under the Combined Plan, 2.0% and 1.5% of the employee contributions were used to fund the defined benefit for the years ended June 30, 2017 and 2016, respectively. The member contribution rate increased to 14% of salary effective July 1, 2016. The employer contribution rate is 14%. Under the Defined Contribution Plan, 4.5% of the employer contribution is used to amortize the unfunded actuarial accrued liability of the defined benefit plan. Effective July 1, 2017, this mitigating rate will change to 4.47%. The university's contributions to STRS for the years ended June 30, 2017 and 2016, respectively, were $10,531,111 and $10,739,476. The university's contributions were equal to the required contributions as set by state statute.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

At June 30, 2017 and 2016, respectively, the University reported liabilities of $338,291,085 and $278,245,869 for its proportionate share of the OPERS and STRS net pension liabilities which were measured as of December 31, 2016 and 2015 and June 30, 2016 and 2015, respectively. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of those respective dates. The university's proportion of the net pension liabilities for STRS as well as the OPERS Combined Plan were based on the university's share of contributions to each plan relative to the total employer contributions received from all participating employers of each plan. The calculation of proportionate share for the Member-Directed Plan is based on employer contributions to the plan as contributions specific to purchased defined benefit annuities are identifiable only to retirees purchasing the annuities. The university's proportion of the net pension liability for the OPERS Traditional Plan was based on the combined university employer and member contributions relative to the total combined employer and member contributions received from all participating employers and members of the plan.

Information for each plan's proportionate share and pension expense for the years ended June 30, 2017 and 2016 is as follows:

	OPERS	STRS	Total
Fiscal Year Ended 6/30/2017:			
Measurement date	December 31, 2016	July 1, 2016	
Proportionate share of the net pension liability	$ 95,391,676	$ 242,899,409	$ 338,291,085
Proportion of the net pension liability	0.42111392%	0.72565741%	
Pension expense	$ 11,981,553	$ 8,184,188	$ 20,165,741
Fiscal Year Ended 6/30/2016:			
Measurement date	December 31, 2015	July 1, 2015	
Proportionate share of the net pension liability	$ 76,754,115	$ 201,491,754	$ 278,245,869
Proportion of the net pension liability	0.44437907%	0.72906324%	
Pension expense	$ 3,631,667	$ (1,220,548)	$ 2,411,119

At June 30, 2017 and 2016, the University reports deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		OPERS		STRS		Total
Fiscal Year Ended 6/30/2017:						
Deferred Outflows of Resources:						
Differences between expected and actual experience	$	169,492	$	9,827,471	$	9,996,963
Net effect of changes in assumptions		15,240,139				15,240,139
Net difference between projected and actual earnings on pension plan investments		15,246,110		20,481,799		35,727,909
University contributions subsequent to the measurement date		3,073,053		10,531,111		13,604,164
Net effect of change in proportionate share		42,391		2,712,689		2,755,080
Total	$	33,771,185	$	43,553,070	$	77,324,255
Deferred Inflows of Resources:						
Differences between expected and actual experience	$	750,084	$		$	750,084
Net effect of change in proportionate share		2,434,132		772,845		3,206,977
Total	$	3,184,216	$	772,845	$	3,957,061

	OPERS	STRS	Total
Fiscal Year Ended 6/30/2016:			
Deferred Outflows of Resources:			
Differences between expected and actual experience	$	$ 9,157,707	$ 9,157,707
Net difference between projected and actual earnings on pension plan investments	22,813,991		22,813,991
University contributions subsequent to the measurement date	3,521,053	10,739,477	14,260,530
Net effect of change in proportionate share		3,616,919	3,616,919
Total	$ 26,335,044	$ 23,514,103	$ 49,849,147
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 1,594,311	$	$ 1,594,311
Net difference between projected and actual earnings on pension plan investments		13,957,345	13,957,345
Net effect of change in proportionate share	809,772		809,772
Total	$ 2,404,083	$ 13,957,345	$ 16,361,428

As of June 30, 2017 and 2016, the University reported $3,073,053 and $3,521,053, respectively, as deferred outflows of resources related to pensions resulting from university contributions to OPERS made subsequent to the measurement date. As of June 30, 2017 and 2016, the University reported deferred outflows of resources related to pensions of $10,531,111 and $10,739,477, respectively, resulting from university contributions to STRS made subsequent to the measurement date. These contributions will be recognized as reductions of the net pension liabilities in the years ending June 30, 2018 and 2017, respectively. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	OPERS	STRS	Total
2018	$ 10,949,620	$ 5,611,363	$ 16,560,983
2019	11,707,537	5,611,365	17,318,902
2020	5,275,334	13,217,746	18,493,080
2021	(423,197)	7,808,640	7,385,443
2022	(3,031)		(3,031)
Thereafter	7,653		7,653
Total	$ 27,513,916	$ 32,249,114	$ 59,763,030

Actuarial Assumptions

OPERS
The total pension liabilities in the December 31, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

2016:

Inflation	3.25%
Salary increases	3.25% – 10.75%, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

2015:

Inflation	3.75%
Salary increases	4.25% – 10.05%, including inflation
Investment rate of return	8.0%, net of pension plan investment expense, including inflation

For 2016, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010.

For 2015, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Projection Scale AA.

The actuarial assumptions used in the December 31, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period January 1, 2011 - December 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The OPERS Board of Trustees sets target allocations as well as minimum and maximum allowable allocations, or ranges, surrounding each asset class target. The purpose of these ranges is to appropriately and cost-effectively balance the Board's investment policy with the investment strategies pursued over shorter time periods. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the plan years ended December 31, 2016 and 2015 are summarized in the following table:

	2016		2015	
OPERS Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	23.00%	2.75%	23.00%	2.31%
Domestic equity	20.70%	6.34%	20.70%	5.84%
International equity	18.30%	7.95%	18.30%	7.40%
Real estate	10.00%	4.75%	10.00%	4.25%
Private equity	10.00%	8.97%	10.00%	9.25%
Other investments	18.00%	4.92%	18.00%	4.59%
Total	100.00%		100.00%	

STRS

The total pension liabilities in the June 30, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75% – 12.25%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Projection Scale AA.

The actuarial assumptions used in the June 30, 2016 and 2015 valuations were based on the results of an actuarial experience study effective July 1, 2012.

The long-term expected rate of return on pension plan investments was determined by STRS's investment consultant by developing best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class. The STRS Board of Trustees sets target allocations as well as minimum and maximum allowable allocations, or ranges, surrounding each asset class target. The purpose of these ranges is to appropriately and cost-effectively balance the Board's investment policy with the investment strategies pursued over shorter time periods. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan years ended June 30, 2016 and 2015 are summarized in the following table:

STRS Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	18.00%	3.75%
Domestic equity	31.00%	8.00%
International equity	26.00%	7.85%
Real estate	10.00%	6.75%
Alternatives	14.00%	8.00%
Liquidity reserves	1.00%	3.00%
Total	100.00%	

Discount Rates

The discount rates used to measure the total pension liabilities for OPERS were 7.5% for the plan year ended December 31, 2016 and 8% for the plan year ended December 31, 2015. The discount rate used to measure the total pension liabilities for STRS was 7.75% for plan years ended June 30, 2016 and 2015, respectively. The projection of cash flows used to determine the discount rates assumed employee contributions will be made at the current contribution rate and contributions from the University will be made at statutorily required rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return for each plan (7.5% and 8% for OPERS and 7.75% for STRS). Based on those assumptions, the pension plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the respective long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities.

Sensitivity of The University's Proportionate Share of The Net Pension Liability to Changes in The Discount Rate

Net pension liability is sensitive to changes in the discount rate. To illustrate the potential impact, the university's proportionate share of the net pension liabilities calculated using the discount rates of 7.5% and 8% for OPERS for 2017 and 2016, respectively, and 7.75% for STRS is compared to what the university's proportionate share of the net pension liabilities would be if calculated using a discount rate 1 percentage point lower (6.5% and 7% for OPERS and 6.75% for STRS) or 1 percentage point higher (8.5% and 9% for OPERS and 8.75% for STRS) than the current rate.

The following table provides the results of the sensitivity analysis at June 30:

	2017		
	1% Decrease	Current Discount Rate	1% Increase
OPERS Range	(6.50%)	(7.50%)	(8.50%)
STRS Range	(6.75%)	(7.75%)	(8.75%)
University's proportionate share:			
OPERS net pension liability	$ 146,164,473	$ 95,391,676	$ 53,102,731
STRS net pension liability	322,793,577	242,899,409	175,503,969
Total	$ 468,958,050	$ 338,291,085	$ 228,606,700

	2016		
	1% Decrease	Current Discount Rate	1% Increase
OPERS Range	(7.00%)	(8.00%)	(9.00%)
STRS Range	(6.75%)	(7.75%)	(8.75%)
University's proportionate share:			
OPERS net pension liability	$ 122,733,851	$ 76,754,115	$ 37,987,664
STRS net pension liability	279,887,247	201,491,754	135,196,678
Total	$ 402,621,098	$ 278,245,869	$ 173,184,342

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

Pension Plan Fiduciary Net Position
Detailed information about OPERS and STRS fiduciary net position is available in the separately issued financial reports. Financial reports for OPERS may be obtained online at www.opers.org or by writing to Ohio Public Employees Retirement System, Director-Finance, 277 East Town Street, Columbus, Ohio 43215-4642. Financial reports for STRS may be obtained at www.strsoh.org or by writing to State Teachers Retirement System of Ohio, Attn: Chief Financial Officer, 275 E. Broad St., Columbus, OH 43215-3771.

Alternative Retirement Plan (ARP) Contributions

Certain full-time university staff and faculty have the option to choose the ARP in place of OPERS or STRS. The ARP is a defined contribution plan which provides employees with the opportunity to establish individual retirement accounts with a defined group of investment options, with each participant having control of the assets and investment options associated with those assets. The administrators of the plan are the providers of the plan investment options. Authority to establish and amend benefits and contribution requirements for the ARP is provided by state statute per the Ohio Revised Code.

Under the provisions of ARP, the required contribution rate for plan participants for employees who would otherwise participate in OPERS was 10% of the employees' covered compensation for the years ended June 30, 2017 and 2016. The required rates for plan participants who would otherwise participate in STRS were 14% and 13% for those for the years ended June 30, 2017 and 2016, respectively. The university's contributions to a participating faculty member's account and to STRS are 9.5% and 4.5% of a participant's compensation, respectively. Effective July 1, 2017, those rates will change to 9.53% and 4.47%, respectively. The university's contributions to a participating staff member's account and to OPERS were 13.23% and 0.77% of a participant's compensation, respectively through December 31, 2016. Effective July 1, 2017, the contribution rates to a participating staff member's account and to OPERS are 11.56% and 2.44%, respectively. Plan participants' contributions were $8,281,811 and $7,903,171, and the university's contributions to the plan providers amounted to $7,466,023 and $7,501,937 for the years ended June 30, 2017 and 2016, respectively. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were $1,817,177 and $1,809,017, respectively, for the years ended June 30, 2017 and 2016. The amounts contributed to OPERS by the University on behalf of ARP participants were $208,607 and $212,870 for the years ended June 30, 2017 and 2016, respectively.

Payables to the Pension Plans
At June 30, 2017 and 2016, the University reported payables of $775,261 and $767,656 to OPERS and $1,578,667 and $1,633,545 to STRS Ohio for the outstanding amounts of contributions to the pension plans required for the years ended June 30, 2017 and 2016, respectively.

(8) Other Postemployment Benefits (OPEB)

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS.

Ohio Public Employees Retirement System

OPERS provides postemployment health care coverage to age-and-service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was an effective rate of 1.5% and 2% for the years ended June 30, 2017 and 2016, respectively. The portion of the university's 2017 and 2016 contributions to OPERS used to fund postretirement benefits was $868,591 and $1,260,217. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

State Teachers Retirement System of Ohio

STRS provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio Law, funding for postemployment health care may be deducted from employer contributions. Of the 14% employer contribution rate, no contribution amounts were allocated to postemployment health care for 2017 or 2016.

(9) State Support

The University is a state-assisted institution of higher education which receives a student subsidy from the State of Ohio primarily based upon the number of successful degree and course completions. This subsidy is calculated annually by the Ohio Department of Higher Education (formerly known as the Ohio Board of Regents), Ohio’s higher education advising and coordinating board.

In addition to student subsidies, the State of Ohio provides funding for construction of major plant facilities. The funding is obtained from the issuance of general obligation bonds by the Ohio Public Facilities Commission (OPFC), which in turn results in construction and subsequent transfer of the facility to the University by the Ohio Department of Higher Education. Costs incurred during construction are included in construction in progress and recognized as capital appropriations. Upon completion of a facility, the Ohio Department of Higher Education turns control over to the University.

University 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. As a result of the above described financial assistance provided by the State to the University, outstanding debt issued by OPFC is not included in the university’s financial statements.

(10) Commitments and Contingencies

At June 30, 2017, the University is committed under contractual obligations for:

Capital expenditures	$ 2,003,140
Non-capital goods and services	13,948,793
Total contractual commitments	$ 15,951,933

These commitments are being funded from the following sources:

State appropriations requested and approved	$ 2,806,419
University funds	13,145,514
Total sources	$ 15,951,933

The University is presently involved as a defendant or codefendant in various matters of litigation. The university's administration believes that the ultimate disposition of these matters would not have a material adverse effect upon the financial statements of the University.

Wright State University is the subject of an ongoing federal investigation. The expected time of completion and the potential impacts of the investigation are unknown at this time.

In June 2015, The U.S. Department of Education (DOE) concluded a program review of Wright State University's administration of programs authorized by Title IV of the Higher Education Act of 1965 for the 2013 – 2014 and 2014 – 2015 academic award years. The University submitted a response to the review in August 2015. The University received a Final Program Review Determination (Final Determination) from the DOE in July 2016. The University submitted an appeal in accordance with the provisions outlined in the Final Determination. A settlement agreement between the University and the DOE was executed on November 1, 2017. Per the agreement, the University will remit $1,982,562 to the DOE within 30 days of the execution of the agreement. An additional $33,189 in funds will be returned to the university's Federal Perkins Loan Program and Federal Supplemental Education Opportunity Grant funds before February 28, 2018. This liability has been accrued as of June 30, 2017.

In conjunction with the DOE program review, the university's Eligibility and Certification Approval Report expired on March 1, 2017 and is currently operating under a month-to-month approval. Full recertification is expected as soon as the program review is closed, which is expected to happen no later than February 28, 2018. Management believes the University is in compliance with the DOE's program requirements. However, difficulties or delays in maintaining eligibility to administer Title IV funds could negatively impact the university's ability to attract students and maintain operations.

The University is the subject of an ongoing federal criminal investigation of H-1B visa fraud. The University has also been involved in several other investigations by federal and state administrative entities including U.S. Airforce Office of Special Investigations, NASA Glenn Office of Investigations, the Ohio Inspector General, and the Ohio Auditor of State for matters revealed through a forensic audit requested by the university's legal counsel. The expected time of completion and the potential impacts of the investigations are unknown at this time.

The University receives significant assistance from numerous federal and state 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. Management believes that any potential disallowance of claims would not have a material effect on the financial statements.

The University maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The University also carries professional coverage for employees and its Board of Trustees. Over the past three years, settlement amounts related to these insured risks have not exceeded the university's coverage amounts. There has been no significant change in coverage from last year.

The University is self-insured for all employee health care benefits with Anthem, Delta Dental, and Vision Service Plan as the third party administrators. Under the terms of the policy, the University is billed for actual claims on a weekly or monthly basis. In addition, liabilities for estimates of outstanding claims and claims incurred but not reported under self-insurance programs have been recorded in accrued liabilities.

Changes in the self-insured health care liabilities for the past three fiscal years are as follows:

	2017	2016	2015
Liability at beginning of fiscal year	$ 2,000,000	$ 1,800,000	$ 1,670,000
Current year claims including changes in estimates	33,468,184	30,933,643	29,354,091
Claim payments	(33,293,184)	(30,733,643)	(29,224,091)
Liability at end of fiscal year	$ 2,175,000	$ 2,000,000	$ 1,800,000

Health insurance 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 in the Statements of Revenues, Expenses and Changes in Net Position.

Collective Bargaining Agreements
Chapter 4117 of the Ohio Revised Code constitutes collective bargaining law for employees in the state of Ohio. The University is a party to collective bargaining agreements with the American Association of University Professors (AAUP); one representing tenure eligible and tenured faculty and another representing non-tenure eligible faculty. These contracts expired June 30, 2017 and are currently being renegotiated. The University is a party to collective bargaining agreements with the Fraternal Order of Police Ohio Labor Council; one representing non-supervisory on-campus police officers and sergeants and another representing communication center operators. These contracts expired June 30, 2017 but have been extended to December 31, 2017. Additionally, the University is a party to a collective bargaining agreement with the International Brotherhood of Teamsters Local 957 that expires on August 31, 2018, which covers skilled, semi-skilled and labor employees.

11) Selected Disclosures of the Wright State University Foundation (a component unit)

The University is the sole beneficiary of the Wright State University Foundation, Inc., a separate, not-for-profit entity governed by a separate Board of Trustees, organized for the purpose of promoting educational and research activities. Assets of the Foundation relate principally to donor restricted funds and are discretely presented in the accompanying financial statements. Amounts transferred to the University from the Foundation are recorded as nonoperating “gifts” and “capital grants and gifts” in the accompanying financial statements. Following are selected disclosures from the Wright State University Foundation, Inc. financial statements.

A. Summary of Significant Accounting Policies

In accordance with generally accepted accounting principles as applied to not-for-profit organizations, the consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The Financial Accounting Standards Board (“FASB”) is the accepted standards setting body for establishing accounting principles generally accepted in the United States (“GAAP”). The following is a summary of the Foundation’s significant accounting policies presented to assist the reader in interpreting the financial statements and other data in this report.

Principles of Consolidation
The consolidated financial statements include the accounts of Wright State University Foundation and its wholly-owned limited liability company subsidiary Fairborn Office Property LLC. The consolidated entities are collectively referred to as "the Foundation". All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Cash and Cash Equivalents
The Foundation considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents, except cash equivalent holdings in its investment portfolios that have resulted from recent security sales that will used to purchase other long-term securities.

Pledges Receivable
Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Payments on pledges to be collected in future years are recorded at net present value. All pledges are presented net of an allowance for doubtful collections.

Gifts Receivable from Trusts Held by Others
Irrevocable trusts which will benefit the Foundation are recognized as gift revenue and as a receivable in an amount equal to the present value of the estimated future benefits to be received when trust assets are distributed. Adjustments to the receivable to reflect revaluation of the present value of the estimated future payments to the donor-designated beneficiaries and changes in actuarial assumptions during the term of the trust will be recognized as changes in the value of the asset.

Investment in Securities
Investments are stated at fair value. The fair values of investments are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments, when appropriate. Investments are initially recorded at their acquisition cost if they were purchased and at fair value if they are received through a contribution or exchange transaction. Securities traded on a national exchange are valued at their last reported sales price on the exchange on which they are traded.

Alternative investments, such as hedge funds, private equity, distressed debt and limited partnerships for which there is no ready market, are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Because of the inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of those investments may differ from the values that would have been used had a ready market existed for such investments or if the investments were realized, and the differences could be material.

Realized gains or losses are included in the consolidated statement of activities. Unrealized gains or losses are based on the differences between cost and fair value of each classification of security and are reported in the consolidated statement of activities. Investments are managed by professional investment managers.

Annuity Assets/Payable
Under charitable gift annuity agreements, the Foundation has recorded the donated assets at fair value and the liabilities to the donor and/or his/her beneficiaries at the present value of the estimated future payments to be distributed by the Foundation to such individuals. The amount of the gift is the difference between the asset and liability and is recorded as gift revenue.

Capital Assets
Expenditures for property and equipment and items that substantially increase the useful lives of existing assets are capitalized at cost. It is the policy of the Foundation to capitalize additions with an original cost of $5,000 or more. Assets acquired by gift are valued at fair value as of the date donated. The Foundation provides for depreciation using the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	Years
Land improvements	10-25
Buildings	20-65
Machinery and equipment	5-10

Long-lived assets, such as buildings, machinery and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. At June 30, 2017 and 2016, management has concluded that they are unaware of any impairments to be recorded.

Deposits Held in Custody for Others
These assets represent resources received and held by the Foundation as custodian. The assets are placed in the Foundation's investment portfolio and receive a pro-rata share of net investment earnings.

Functional Allocation of Expenses
The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs paid by the Foundation that relate to operations of the University's Advancement Division are classified as fund raising expenses. Costs specific to the operation of the Foundation as an independent entity are classified as management and general expenses.

Net Assets
The Foundation's net assets are classified into three categories: (1) unrestricted net assets, which include no donor-imposed restrictions, (2) temporarily restricted net assets, which include donor-imposed restrictions that will be satisfied in the future and (3) permanently restricted net assets, which include donor-imposed restrictions that the assets be maintained permanently.

The unrestricted net assets consist of operating funds available for any purpose authorized by the Board of Trustees. Included in unrestricted net assets are funds that have been designated as endowments by the board (quasi-endowments). The board may elect to reverse the decision to designate unrestricted net assets.

Temporarily restricted net assets consist of funds arising from a gift in which the donor has stipulated, as a condition of the gift, restrictions on how or when the gift may be spent. Temporarily restricted net assets also include unspent gains on donor-restricted gifts by virtue of the Foundation's spending policy. This policy, which was approved by the Board of Trustees, aims to protect the Foundation's donor-designated endowments from the effects of inflation by reinvesting a portion of the earnings on these funds as if they were endowment funds. Since the reinvestment of earnings from endowments was not explicitly designated by the donors, the reinvested earnings cannot be classified as permanently restricted under GAAP.

Quasi-endowment funds may also be established by request of a University college or department in accord with the Foundation's quasi-endowment policy adopted by the Board of Trustees in fiscal year 2011. The objective of this policy is to allow significantly large temporarily restricted funds to generate earnings that may be used by the requesting unit for the purpose(s) specified by the donor.

Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity and only the investment income from investment of the funds be expended. Certain donor endowments also specify that a portion of the earnings from the investment be reinvested as principal, or that all income earned over a period of time be reinvested. Amounts are also transferred for specific uses from time to time, as requested by the donor.

Gifts and Contributions
Gifts and contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Contributed property is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, gifts of property are recorded as unrestricted support.

Investment Earnings
Interest and dividends from endowment investments are credited to temporarily restricted funds and spent in compliance with donor stipulations and the Foundation's spending policy. Interest and dividends from non-endowment investments are credited to the unrestricted fund for expenditure at the discretion of the Foundation's Board of Trustees. Realized gains or losses are determined based on the average cost method.

Net Assets Released from Restrictions
When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Federal Income Taxes
The Foundation has been approved under the Internal Revenue Code Section 501(c)(3) as a nonprofit organization exempt from federal taxes on its normal activities. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction.

GAAP prescribes recognition thresholds and measurement attributes for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at June 30, 2017 and 2016, respectively.

The Foundation does not have any tax benefits recorded at June 30, 2017, and does not expect that position to significantly change in the next year. The Foundation would recognize interest and/or penalties related to income tax matters in income tax expense, if applicable, and there were no amounts accrued for interest and penalties at June 30, 2017 and 2016.

Fair Value of Financial Instruments
Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The carrying value of the Foundation's financial instruments, which include cash and cash equivalents, pledges receivable, investments, accounts payable, annuity agreements and long-term debt, approximate fair value.

Transfers Between Fair Value Hierarchy Levels
Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Subsequent Events
Management has performed an analysis of the activities and transactions subsequent to June 30, 2017, to determine the need for any adjustments to and/or disclosures within the audited consolidated financial statements for the year ended June 30, 2017. Management has performed their analysis through October 13, 2017, the date the consolidated financial statements were available to be issued.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain reclassifications have been made to the 2016 consolidated financial statements to confirm to the 2017 consolidated financial statement presentation. These reclassifications had no effect on net assets or the change in net assets.

B. <u>Business and Concentrations of Credit Risk</u>

The Foundation's financial instruments that are exposed to various risks, such as interest rate, market and concentrations of credit risk consist primarily of cash and investments. The Foundation deposits its cash in federally insured banks. At June 30, 2017, the Foundation's cash accounts exceeded federally insured limits by approximately $3,558,000.

Investments are managed by a professional investment management company under an outsourced chief investment officer arrangement. The investment manager is subject to the Foundation's investment policy, approved by the Board of Trustees, which contains objectives, guidelines and restrictions designed to provide for preservation of capital with an emphasis on providing current income and achieving long-term growth of the funds without undue exposure to risk. Certain funds have been pooled for ease of management and to achieve greater diversification in investments. Due to the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible the changes in risks in the near term would result in material changes in the fair value of long-term investments and net assets of the Foundation.

C. Fair Value of Financial Instruments

Fair value is the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market on the measurement date.

The fair value hierarchy established by U.S. GAAP requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

In May 2015, the FASB issued ASU No. 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value practical expedient provided by Accounting Standards Codification 820, Fair Value Measurement. The guidance is effective for fiscal years beginning after December 15, 2016, with retrospective application to all periods presented and may be implemented earlier, which the Foundation elected to do. Consequently, the Foundation has added an "investments measured at net asset value" column to the fair value table presented below and reclassified its hedge fund, private equity, distressed debt and limited partnership investments to that classification since these investments utilize the NAV practical expedient. Such an adjustment was also made to the previous fiscal year's presentation to ensure comparability.

Assets measured at fair value on a recurring basis are summarized below for the years ended June 30, 2017 and 2016. Certain level classifications in the table below were reclassified from prior year to conform to current year presentation:

	Fair Value Measurements at June 30, 2017 Using				
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value	Totals
Assets					
Gifts receivable from trusts held by others	$	$	$ 1,410,200	$	$ 1,410,200
Investment in securities:					
Cash and equivalents					0
Mutual funds:					
Equity	57,834,630				57,834,630
Fixed Income	41,014,272				41,014,272
Alternative assets:					
Hedge funds				9,456,738	9,456,738
Private equity				5,281,180	5,281,180
Distressed debt				3,640,506	3,640,506
Total investment in securities	98,848,902			18,378,424	117,227,326
Other investments:					
Limited partnerships				537,568	537,568
Annuity assets:					
Cash equivalents	35,517				35,517
Mutual funds-securities	780,069				780,069
Total annuity assets	815,586				815,586
Total	$ 99,664,488	$	$ 1,410,200	$ 18,915,992	$ 119,990,680

	Fair Value Measurements at June 30, 2016 Using				
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value	Totals
Assets					
Gifts receivable from trusts held by others	$	$	$ 1,314,700	$	$ 1,314,700
Investment in securities:					
Cash and equivalents	798,523				798,523
Mutual funds:					
Equity	53,747,392				53,747,392
Fixed Income	42,081,026				42,081,026
Alternative assets:					
Hedge funds				8,585,077	8,585,077
Private equity				4,193,647	4,193,647
Distressed debt				2,933,526	2,933,526
Total investment in securities	96,626,941			15,712,250	112,339,191
Other investments:					
Limited partnerships				634,750	634,750
Annuity assets:					
Cash equivalents	40,549				40,549
Mutual funds-securities	703,846				703,846
Total annuity assets	744,395				744,395
Total	$ 97,371,336	$	$ 1,314,700	$ 16,347,000	$ 115,033,036

The table below presents a reconciliation and consolidated statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2017 and 2016:

	2017 Gifts Receivable from Trusts Held by Others
Beginning balance, July 1	$ 1,314,700
Change in value of split interest agreements	95,500
Ending balance, June 30	$ 1,410,200

	2016 Gifts Receivable from Trusts Held by Others
Beginning balance, July 1	$ 1,394,640
Change in value of split interest agreements	(79,940)
Ending balance, June 30	$ 1,314,700

The fair value of gifts receivable from trusts held by others is based on a valuation model that calculates the present value of estimated residual trust value. The valuation model incorporates assumptions that market participants would use in estimating future investment earnings. Management determines the fair value based on best information available (Level 3 inputs).

Investments in securities consist primarily of mutual fund shares managed by a professional investment management company utilizing the "outsourced chief investment officer" model of portfolio administration, as described in Note 11B. The fair value of mutual funds is based on quoted prices in active markets (Level 1 inputs).

For private equity, for which there is no active market, information such as historical and current performance of the underlying assets, cash flow projections, liquidity and credit premiums required by a market participant, and financial trend analysis with respect to the individual fund manager, are utilized in determining individual securities. Due to current market conditions, as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market value volatility.

With respect to hedge funds and distressed debt, for which there is no active market, information such as historical and current performance of the underlying assets, cash flow projections, liquidity and credit premiums required by a market participant, and financial trend analysis with respect to the individual fund manager, are utilized in determining individual security valuations.

For the past several years, the Foundation's hedge fund allocation has been divided between two funds. In FY16, due to performance concerns, the Foundation decided to exit one of those funds. By the end of the year, the investment had been liquidated, although approximately ten percent of the assets were escrowed pending completion of the annual audit and issuance of the fund's financial statements. The escrowed amount was shown as a cash equivalent in the Investment in Securities section in the FY16 table in this Note and was reallocated to other investments during FY17.

The Foundation's remaining hedge fund allocation is invested in a "fund of funds" structured as an offshore company. The fund's investment objective is to seek to achieve high returns balanced against an appropriate level of volatility and directional market exposure over a full market cycle. The fund is broadly diversified and invests in various private funds such as hedge funds that pursue hedged or other alternative investment strategies, private equity funds, hybrid funds and any other alternative investment funds, while also opportunistically investing directly in any other securities and financial instruments. The fund generally invests in 15-20 funds and the fund of funds manager requires full transparency of each of the underlying funds' investment positions. The Foundation is no longer subject to the fund's initial two-year lock-up period and may, therefore, request liquidation on a semi-annual basis with 95 days prior notification. At June 30, 2017, the Foundation has no significant unfunded commitments to this hedge fund allocation. The valuation of this investment is based on NAV.

Approximately 42% of the Foundation's private equity fund investment is structured as a domestic partnership in which the Foundation is a limited partner. The fund seeks to invest the capital contributed to it in a diversified pool of long-term investments in non-publically traded companies. Diversification is accomplished by investing 40-60% of committed capital in underlying funds focused on the United States, 20-40% on Europe and 0-30% on emerging markets. Capital commitments of the limited partners are payable to the partnership in installments over a 3 – 5-year period. At June 30, 2017, the Foundation's total capital commitment of $3,500,000 was 71.4% ($2,498,908) funded. The fund made return-of-capital distributions during the year and no further capital calls were received. Due to the long-term commitment of capital and the unpredictability of capital calls and partnership distributions, the fund is generally considered illiquid. It is also not unusual for private equity funds to experience losses in the early years of their existence. The valuation of this investment is based on NAV.

The balance of the Foundation's investment in the private equity space is in a fund also structured as a domestic partnership in which the Foundation is a limited partner. The fund seeks to continue the investment policy of the first fund, but seeks more diversification, shorter duration and a focus on cash returns. Diversification is accomplished by investing over five sub-class targets: buyouts, venture capital, debt, real estate and real assets/infrastructure. Capital commitments of the limited partners are payable to the partnership in installments over a 3 – 5-year period. At June 30, 2017, the Foundation's total capital commitment of $6,400,000 was 42.9% ($2,743,636) funded. Due to the long-term commitment of capital and the unpredictability of capital calls and partnership distributions, the fund is generally considered illiquid. It is also not unusual for private equity funds to experience losses in the early years of their existence. The valuation of this investment is based on NAV.

For FY15, the Foundation's investment in distressed debt was in the form of a fund that invests in a diversified portfolio of structured credit instruments, the majority of which are Collateralized Debt Obligation (CDO) equity and mezzanine notes. CDOs are structured finance securities that hold a diversified pool of income-generating collateral that is financed through the issuance of debt securities. CDO investors assume the first level of default risk. These notes are lowly correlated to traditional and other alternative investments have minimal interest rate risk and are highly transparent. The valuation of this investment is based on NAV. In FY16, the Foundation decided to exit this fund in favor of a distressed debt fund that focused on the energy sector (described below). Accordingly, a request was made to liquidate the investment, which was accomplished before June 30, 2016. However, approximately 10% of these assets were placed in escrow pending completion of the fund's annual audit and issuance of its financial statements. The escrow is shown as a cash equivalent in the Investment in Securities section in the FY16 table in this Note and was reallocated to other investments in FY17.

The Foundation's remaining investment in distressed debt is in the form of a fund that invests directly and indirectly in below investment grade bonds and loans (and other debt and equity instruments) of U.S. and international energy companies. The fund is structured as a domestic limited partnership. The fund seeks to generate high absolute returns by investing in securities which are purchased or acquired at a significant discount to fair value and/or offer high coupon rates. The fund will maintain a flexible approach to attempt to identify the most attractive risk-adjusted returns primarily within the energy debt space primarily through: 1) below investment grade bonds and loans of U.S. energy companies which trade at a discount to fair value; 2) direct lending at attractive risk-adjusted rates to U.S. energy companies; and/or 3) smaller allocations to U.S. investment grade and emerging markets companies. The Foundation's investment in this asset class was fully funded at June 30, 2017. The Foundation is subject to the fund's lockup period of three years, which will end in August 2018. Once the lockup period is over, liquidations may be requested on a semi-annual basis with a 95 days prior notice, subject to fund director consent and certain gate, holdback and suspension restrictions. The valuation of this investment is based on NAV and subject to a monthly lag.

Valuation of limited partnership shares reported as "other investments" are derived from reports issued by the general partners adjusted for capital contributions and withdrawals throughout the fiscal year. Although the fund custodians provide annual audited financial statements for each of the funds, the value of the underlying securities is difficult to ascertain as there is no active market associated with these ownership interests. The valuation of this investment is based on NAV.

D. Pledges Receivable

Pledges receivable at June 30, 2017 and 2016, by fund type, are as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	$ 16,494	$ 3,085,436	$ 96,836	$ 3,198,766
One to five years	3,500	5,454,639	416,633	5,874,772
Six years or greater		2,000,000		2,000,000
Gross pledges receivable	19,994	10,540,075	513,469	11,073,538
Present value discount	(294)	(1,007,475)	(12,969)	(1,020,738)
Allowance for uncollectible pledges	(100)	(59,600)	(12,500)	(72,200)
Pledges receivable (net)	$ 19,600	$ 9,473,000	$ 488,000	$ 9,980,600

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	$ 17,952	$ 3,904,050	$ 336,287	$ 4,258,289
One to five years		6,962,508	336,125	7,298,633
Six years or greater		2,005,500		2,005,500
Gross pledges receivable	17,952	12,872,058	672,412	13,562,422
Present value discount	(52)	(1,076,458)	(7,612)	(1,084,122)
Allowance for uncollectible pledges		(96,200)	(800)	(97,000)
Pledges receivable (net)	$ 17,900	$ 11,699,400	$ 664,000	$ 12,381,300

The fair value of pledges receivable was determined using discount rates applicable to the year in which the pledge was established. Rates ranged from 0.72% to 1.89%.

E. Gifts Receivable from Trusts Held by Others

The Foundation is a party to charitable gift trusts. Third party trustees maintain trust assets in irrevocable trusts for the benefit of the Foundation. The fair values of the trusts are estimated based upon the fair value of the assets contributed by the donor less the present value of the payment expected to be made to other beneficiaries. The present value is calculated using the discount rate the year in which the trust was established. Rates ranged from 1.72% to 4.92%. The balances at June 30, 2017 and 2016, are $1,410,200 and $1,314,700, respectively, and are included in temporarily restricted net assets.

F. Investment in Securities

The fair value of the Foundation's investments, at June 30, 2017 and 2016, are as follows:

	2017	2016
Cash and equivalents	$ -	$ 798,523
Mutual funds:		
Equity	57,834,630	53,747,392
Fixed income	41,014,272	42,081,026
Alternative assets	18,378,424	15,712,250
Totals	$ 117,227,326	$ 112,339,191

Net realized gains on sales of investments were $449,610 and $1,284,952 for the years ended June 30, 2017 and 2016, respectively. Calculation of net realized gains on sales of investments is based on original cost. Net unrealized gains (losses) amounted to $8,979,369 and ($9,851,700) for the years ended June 30, 2017 and 2016, respectively.

In July 2017, the Foundation liquidated approximately $1.6 million of its endowment portfolio and used the proceeds to purchase bonds in the same amount issued by the Toledo Port Authority that were related to a construction project at Wright State's Lake Campus. The bonds will be repaid in the form of lease payments made by Lake Campus to Double Bowler, Inc., an affiliated entity of the University.

G. Other Assets

In July of 2012, the Foundation, along with the University of Dayton, purchased an option to acquire real property owned by the Miami Valley Research Foundation (MVRF) in Greene County, Ohio. The Foundation's share of the option price was $250,000. The renewable option agreement is valid for a period of two years, after which the option payment is returned to the Foundation without interest accruing. The option further provides that the MVRF may prematurely terminate the agreement and return the option payment along with a 5% annual premium. The option expired in June 2014, but was renewed through June 9, 2019 by both parties.

Also, included in other assets are unrestricted funds set aside for a specific group of University students to invest in order to provide them experience in managing a "live" portfolio. The project is known as Raider Asset Management (RAM). As the funds are not under the direct control of the Foundation's investment management system, they have been separately classified from investments in securities. The balance at June 30, 2017 and 2016 was $338,613 and $269,519, respectively. Earnings generated from the project are included in other income. Total net returns for 2017 and 2016 amounted to $69,094 and ($786), respectively.

H. Capital Assets

Capital assets activity for the year ended June 30, 2017 and 2016 is summarized as follows:

	2017				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets:					
Land	$ 173,000	$	$	$	$ 173,000
Buildings and improvements	2,644,131				2,644,131
Machinery and equipment	28,632				28,632
Total capital assets	2,845,763	-			2,845,763
Less accumulated depreciation:					
Buildings and improvements	299,311	118,021			417,332
Machinery and equipment	14,317	4,091			18,408
Total accumulated depreciation	313,628	122,112			435,740
Capital assets, net	$ 2,532,135	$ (122,112)	$	$	$ 2,410,023

	2016				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets:					
Land	$ 173,000	$	$	$	$ 173,000
Buildings and improvements	2,550,064			94,067	2,644,131
Machinery and equipment	28,632				28,632
Construction in progress	46,563	47,504		(94,067)	
Total capital assets	2,798,259	47,504			2,845,763
Less accumulated depreciation:					
Buildings and improvements	183,902	115,409			299,311
Machinery and equipment	10,226	4,091			14,317
Total accumulated depreciation	194,128	119,500			313,628
Capital assets, net	$ 2,604,131	$ (71,996)	$	$	$ 2,532,135

I. Debt Guaranty

During fiscal year 2011, the Foundation entered into agreement with Dayton Regional STEM Schools, Incorporated ("STEM") guaranteeing payments on a lease (and such other obligations imposed by the lease) related to the purchase and renovation of an existing building that is utilized by STEM in fulfillment of its corporate purposes. STEM is one of ten Ohio schools offering students a relevant, real world educational experience that will prepare them for college and opportunities in the work world. Wright State University has acted as STEM's fiscal agent as well as providing space, supplies and personnel in support of its operations. The agreement pledges unrestricted net assets of the Foundation in an amount not to exceed $3,000,000 and the designation of unrestricted net assets in the amount of one year of maximum debt service ($600,000) on bonds associated with the project. Since the guaranty may expire without being drawn upon, the total guaranty does not necessarily represent future cash requirements. As of June 30, 2017, no amounts have been recognized as a liability under the financial guaranty in the Foundation's consolidated statement of financial position as the likelihood that STEM would be unable to fulfill its obligation in full or in part under the debt agreement is not considered to be probable.

(12) Selected Disclosures of the Wright State Applied Research Corporation (a component unit)

Wright State Applied Research Corporation ("WSARC") was incorporated on July 26, 2004, as Wright Center of Innovation for Advanced Data Management and Analysis, Inc. ("WCI") to deliver solutions that improve the performance and decision making of individuals and teams by integrating human factors design with innovative visualization and computing technologies. On March 30, 2011, WCI changed its name to Wright State Applied Research Corporation. WSARC is the contracting entity for the Wright State Research Institute, a department of Wright State University (the "University"). WSARC was also granted tax-exempt status according to the provisions of Section 501(c)(3) of the Internal Revenue Service on July 26, 2004.

WSARC is governed by a board of directors (the "Board"). The Board includes the University president (or his/her designee), two individuals appointed by the University president, a representative of the University's board of trustees and a maximum of nine elected directors who are independent and unrelated to the University.

A. Summary of Significant Accounting Policies

Basis of Accounting
The financial statements of WSARC have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Contract and Grant Revenue and Accounts and Notes Receivable
WSARC's principal revenue is derived from sponsored research contracts, which are primarily cost plus fixed fee in nature. Sponsored research contracts are agreements for specific research, which is performed for a sponsor. WSARC recognizes sponsored research contract revenue prorated based upon the costs incurred on each sponsored research contract. The prorated revenue closely approximates the percentage of work completed for each contract. Contract and grant revenue consists primarily of government funding for 2017 and 2016.

Accounts receivable are reflected for both billed and unbilled amounts based upon the work completed for a particular grant or contract. WSARC uses the allowance method to estimate uncollectible accounts and notes receivable in these two categories. The allowances, if any, are based on prior experience and management's analysis of specific contracts. Interest is not charged on any past due balances. As of June 30, 2017 and 2016, there were no allowances recorded.

Cash and Cash Equivalents
WSARC considers all demand deposits, certificates of deposit, and money market funds with an original maturity of three months or less to be cash and cash equivalents. WSARC maintains cash balances at banks and the accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. As of June 30, 2017 and 2016, WSARC had uninsured deposits of approximately $12,055,000 and $8,457,000, respectively.

Property and Equipment
Property and equipment with an original purchase price or donated value of $5,000 or greater is capitalized at cost for purchased assets and at fair value for donated assets. The straight-line method of depreciation is used over the assets' estimated useful lives (three to seven years for most assets, up to 40 years for buildings and improvements).

Impairment of Long-Lived Assets
WSARC continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision. In evaluating whether these long-lived assets are recoverable, WSARC estimates the sum of the expected future cash flows, undiscounted and without interest charge derived from such assets over their remaining useful life. Management believes that there was no impairment of long-lived assets for the years ended June 30, 2017 and 2016.

Deferred Revenue
Cash received in advance of being earned is recorded as deferred revenue. In the subsequent period, when the revenue recognition criteria are met, revenue is recognized and the deferred revenue is reduced accordingly. The state of Ohio appropriated funds to WSARC for projects and activities that commenced in 2016. At June 30, 2017 and 2016, the balance of deferred revenue relating to the state appropriation is $11,413,365 and $7,503,496, respectively.

Net Assets
Under accounting principles generally accepted in the United States of America, WSARC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations or are designated for use by WSARC's Board of Directors.

- Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of WSARC and/or the passage of time.

- Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by WSARC.

As of June 30, 2017 and 2016, there are no donor restrictions on any of the net assets of WSARC and therefore, all net assets are reflected as unrestricted.

University Support of WSARC
University employees provide operational, technical and administrative functions for WSARC. These services are recorded as expenses as incurred by WSARC.

Income Tax
WSARC has been determined to be exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 (the "Code"), as an organization described in Sections 501(c)(3) and 170(b)(l)(A)(ii) of the Code. However, WSARC is subject to federal income tax on any unrelated business taxable income.

WSARC files tax returns in the U.S. federal jurisdiction.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires WSARC's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Contingencies
WSARC receives significant assistance from numerous federal and state agencies in the form of grants and contracts. 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 sponsor. Any disallowed claims resulting from such audits could become a liability. Management believes that any potential disallowance of claims would not have a material effect on the financial statements.

WSARC is periodically involved as a defendant or codefendant in various matters of litigation. Management believes that the ultimate disposition of any current matters would not have a material adverse effect upon the financial statements. In addition, WSARC is a participant in an ongoing federal investigation of the University. The expected time of completion and the potential impacts of the investigation on WSARC are unknown at this time.

Functional Allocation of Expenses
The costs of supporting the various programs and activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program and support services categories based on estimated time spent by personnel and other methods.

Subsequent Events
Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Reclassifications
Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 financial statement presentation. These reclassifications had no effect on the change in net assets.

B. Property and Equipment

Property, plant and equipment consist of the following at June 30, 2017 and 2016:

	2017	2016
Land	$ 751,085	$ 751,085
Software for projects	552,259	453,201
Computers and hardware	2,162,905	2,162,905
Buildings and building improvements	2,167,474	2,167,474
Furniture and fixtures	1,155,637	1,155,637
Truck trailer	520,904	520,904
Equipment	972,670	972,670
	8,282,934	8,183,876
Less accumulated depreciation	3,799,911	3,133,205
Net	$ 4,483,023	$ 5,050,671

During 2017, WSARC identified $3,842,660 of fully-depreciated property and equipment that had been previously disposed but not removed from its books and records. Such amounts have been removed and presented as such on a retrospective basis.

C. Other Assets

On June 26, 2015, WSARC converted a $300,000 note receivable from the Miami Valley Research Foundation into an option to purchase a proportionate share of approximately 125 acres of land located in Greene County, Ohio. The option expires on June 9, 2019. If the option is not exercised, the $300,000 consideration paid will be returned to WSARC.

D. Related Parties

WSARC is responsible for reimbursing the University for subsequent direct and certain indirect costs incurred by the University related to sponsored research contracts managed by WSARC. Total expenses recorded related to the University were $7,479,282 and $11,030,735 for the years ended June 30, 2017 and 2016, respectively. In addition, WSARC recognizes revenue for space leased to the University in WSARC's building on a month-to-month basis and reimbursement of WSARC expenses incurred on University grants. Total revenue recorded from the University was $3,008,751 and $906,503 for the years ended June 30, 2017 and 2016, respectively. The balances owed to and due from the University at June 30, 2017 and 2016, respectively, are stated below.

	2017	2016
Due to Wright State University - accrued wages	$ 2,954,955	$ 5,019,168
Due from Wright State University		
Rent	$ 777,697	$
Other	233,940	
Total due from Wright State University	$ 1,011,637	$

During the year ended June 30, 2016, Wright State University forgave $4,384,460 of the amount due from WSARC. This amount represents costs incurred by the University to cover short falls in operational costs incurred by WSARC. The shortfalls in operations were a result of indirect cost rates not fully covering operational costs. Indirect cost rates have been renegotiated in recent years.

In addition, during the year ended June 30, 2016, WSARC received contributions of equipment in the amount of $1,194,444. These contributions were received from capital appropriations from the State of Ohio through Wright State University.

E. Debt Guaranty

During fiscal year 2014, a donor made a bequest to the University of an office building in the donor's name. The donor has a mortgage on the building of approximately $2,700,000. During fiscal year 2014, WSARC entered into an agreement with the lender guarantying the debt service payments of the mortgage. As of June 30, 2017 and 2016, no amounts were recognized as a liability under the financial guaranty in WSARC's statements of financial position.

F. Note Receivable

WSARC issued a note receivable to Advanced Technical Intelligence Center for Human Capital Development (ATIC) on December 1, 2016, for $1,404,119. The note is secured by a fourth mortgage interest in real property owned by ATIC (property) located in Greene County, Ohio. The note bears interest at a per annum rate of 1.29%. Monthly installment payments of $2,500 are due until the earlier of December 31, 2021, or the date ATIC sells the property, at which time the entire then-remaining principal balance and accrued and unpaid interest are due in full.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE WRIGHT STATE UNIVERSITY PROPORTIONATE SHARE
OPERS NET PENSION LIABILITY AND CONTRIBUTIONS
(Dollar amounts in thousands)
(Percentages rounded to thousandths)

	2017	2016	2015 (1)
University's proportion of the net pension liability (asset) (2)	0.421%	0.444%	0.455%
University's proportionate share of the net pension liability (asset) (2)	$ 95,392	$ 76,754	$ 54,649
OPERS fiduciary net position as a percentage of the total pension liability (2)	77.386%	81.192%	86.533%
University's covered-employee payroll (2)	$ 61,511	$ 62,769	$ 61,994
University's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll (2)	155.081%	122.280%	88.152%
Statutorily required contribution (3)	$ 8,315	$ 9,035	$ 9,046
Contributions in relation to the statutorily required contribution (3)	$ 8,315	$ 9,035	$ 9,046
Annual contribution deficiency (excess) (3)	$		$
University's covered-employee payroll (3)	$ 57,571	62,672	$ 62,945
Contributions as a percentage of covered-employee payroll (3)	14.443%	14.416%	14.371%

(1) Information prior to 2015 is not available
(2) Amount presented determined as of the OPERS December 31st fiscal year end occurring during the respective university June 30th fiscal year-end
(3) Amount presented determined as of the respective university June 30th fiscal year-end

SCHEDULE OF THE WRIGHT STATE UNIVERSITY PROPORTIONATE SHARE
STRS NET PENSION LIABILITY AND CONTRIBUTIONS
(Dollar amounts in thousands)
(Percentages rounded to thousandths)

	2017	2016	2015 (1)
University's proportion of the net pension liability (asset) (2)	0.726%	0.729%	0.713%
University's proportionate share of the net pension liability (asset) (2)	$ 242,899	$ 201,492	$ 173,487
STRS fiduciary net position as a percentage of the total pension liability (2)	66.778%	72.088%	74.707%
University's covered-employee payroll (2)	$ 63,346	$ 63,798	$ 61,581
University's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll (2)	383.448%	315.828%	281.722%
Statutorily required contribution (3)	$ 10,531	$ 10,739	$ 10,757
Contributions in relation to the statutorily required contribution (3)	$ 10,531	$ 10,739	$ 10,757
Annual contribution deficiency (excess) (3)	$	$	$
University's covered-employee payroll (3)	$ 62,056	$ 63,321	$ 64,347
Contributions as a percentage of covered-employee payroll (3)	16.970%	16.960%	16.717%

(1) Information prior to 2015 is not available
(2) Amount presented determined as of the STRS June 30th fiscal year-end occurring one year prior to the respective university June 30th fiscal year-end
(3) Amount presented determined as of the respective university June 30th fiscal year-end

Notes to Required Supplementary Information

Changes of Benefit Terms

Amounts reported in 2016 for STRS reflect the following plan changes effective August 1, 2015:

1. Age and service requirements increased effective for retirement dates beginning on or after August 1, 2015 to any age and 31 years of service; or age 65 and five years of service.
2. Final average salary (FAS) increased to the highest five years (up from three years).
3. The benefit formula changed to 2.2% for all years of service for retirement dates beginning on or after July 1, 2015. The formula for retirement dates prior to July 1, 2015 was 2.2% for the first 30 years and an escalating formula for every year of service over 30 years.

There were no changes of benefit terms for OPERS for the fiscal years presented.

Changes of Assumptions

Amounts reported in 2016 for OPERS reflect the following assumption changes:

1. The investment rate of return assumption was changed from 8.0% to 7.5%.
2. The wage inflation range assumption (including inflation) was reduced from 4.25% - 10.05% to 3.25% - 10.75%.
3. The price inflation assumption was reduced from 3.75% to 3.25%.
4. Mortality assumptions were increased to reflect the longer life expectancies of members.

There were no changes of assumptions for STRS for the fiscal years presented.

WRIGHT STATE UNIVERSITY

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