

YOUNGSTOWN STATE UNIVERSITY

SINGLE AUDIT REPORT

June 30, 2016 and 2015



Dave Yost • Auditor of State

Board of Trustees
Youngstown State University
One University Plaza
Youngstown, Ohio 44555

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 17, 2017

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YOUNGSTOWN STATE UNIVERSITY

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YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT TRESSEL

November 3, 2016

Two years of strategic and innovative planning across the Youngstown State University (YSU or University) campus began to show significant results in fiscal year 2016 as enrollment increased for the first time in six years, the University implemented a deficit-free operating budget for the first time in five years and fund-raising successes reached historic highs.

While University leaders, students, faculty, staff and supporters should be commended for their hard work and commitment to achieving these important milestones, we cannot rest on our laurels. Much work remains as we continue to increase excellence and move the University forward.

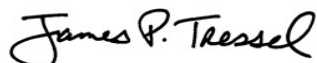
Highlights of this past fiscal year include:

- The \$169.8 million fiscal year budget was the first in five years without a structural operating deficit.
- For the first time in six years, fall semester enrollment increased, up 2.3%. In addition, the incoming freshmen class boasted the highest standardized test scores and high school GPAs in the University's history.
- The YSU Foundation raised \$20.5 million in private gifts, up from \$13 million in 2015 and \$6.2 million in 2014.
- University residence halls are at capacity, and the new private University Edge apartments are full. A second phase of University Edge is set to open Fall 2017.
- YSU partnered with Barnes & Noble College to manage the University bookstore in Kilcawley Center. Construction on a standalone Barnes & Noble bookstore will start soon.
- The University implemented several initiatives to reduce student costs and debt, including freezing tuition, fees, increasing tuition bulk rates and reducing the number of credits required to earn a degree.
- Students and faculty continued to achieve on the highest level, including Ashley E. Orr, the first YSU student to receive the prestigious international Rhodes Scholar award, and Eric MacDonald, a global scholar in additive manufacturing, named the first YSU Friedman Chair in Engineering.

Fiscal year 2017 brings with it even more opportunities. The University is in the midst of re-accreditation by the Higher Learning Commission, an in-depth process that allows us to benchmark our outcomes. YSU also looks to this new fiscal year to continue planning for the Mahoning Valley Innovation and Commercialization Center, an entrepreneurial hub that will allow for education, research and state-of-the art manufacturing laboratories. And, while traffic will be disrupted by the construction, we look forward to the major enhancements underway on two important roadways on campus, Wick and Lincoln Avenues.

As we put fiscal year 2016 behind us and look forward to the many achievements to come in fiscal year 2017, we remain sharply focused on providing the services that will ensure the success of our students. Our goal remains to increase excellence across all levels of the institution.

Sincerely yours,



James P. Tressel
President

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 4 through 21, the Schedules of the University's Proportionate Share of the Net Pension Liability on page 60, and the Schedules of the University's Contributions on page 61, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Message from President Tressel, Board of Trustees listing and Principal Administrators listing are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Message from President Tressel on page 1, Board of Trustees listing on page 62, and Principal Administrators listing on page 63 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 3, 2016

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of Youngstown State University's (YSU or University) Financial Report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2016 with comparative information for the fiscal years ended June 30, 2015 and June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

Introduction

Youngstown State University, an urban research university, emphasizes a creative, integrated approach to education, scholarship, and service. The University places students at its center; leads in the discovery, dissemination, and application of knowledge; advances civic, scientific, and technological development; and fosters collaboration to enrich the region and the world.

Youngstown State University traces its beginnings to a commercial law course offered by the Young Men's Christian Association (YMCA) in 1908. The YMCA had offered high school level and vocational courses since 1888, but wanted to meet the college-level needs of area residents in a society undergoing rapid industrialization and urbanization. The YMCA offered courses on law, business and engineering; and in 1910, even instituted a School of Law that granted no degree, but prepared students to take the bar exam. In 1916, the YMCA incorporated all of its education work under the Youngstown Association School. By the early 1920's the Ohio Board of Education granted the School of Law the power to confer the Bachelor of Science in Law degree and in 1924 the School of Commerce and Finance the right to confer the bachelor's degree in commercial science. The YMCA also offered courses to prepare teachers for certification, a program that evolved by 1927 into a separate school named Youngstown College and recognized by the State Department of Education. Throughout the 1920s, the schools of law and commercial science were called the Youngstown Institute of Technology, which began a move from downtown to the present location with the purchase of several mansions owned by the Wick family.

In 1931, the YMCA constructed its first building, the present-day Jones Hall, and appointed Howard Jones as the educational director. By the mid-1930s, the Board of Directors decided to incorporate with the official name of Youngstown College separate from the other YMCA educational efforts; they appointed Howard Jones as the first president, a position he held until 1966. In 1944, the trustees of the YMCA transferred control of the institution to the members of the Corporation of Youngstown College, and in 1955 the corporation was rechartered as The Youngstown University. The University joined the Ohio system of higher education in September 1967 as Youngstown State University.

Dana's Musical Institute, founded in nearby Warren in 1869, became Dana's Musical Institute of Youngstown College in 1941. In 1946, the Engineering Department, organized several years before, became the William Rayen School of Engineering; two years later, the Business Administration Department became the School of Business Administration; and in 1981 the school name was changed to the Warren P. Williamson, Jr. School of Business Administration. In 1960, the Education Department became the School of Education. The Graduate School and College of Applied Science and Technology were created in 1968, and, in 1974, the College of Fine and Performing Arts was established. In 1972, Youngstown State University, with the University of

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Akron and Kent State University formed a consortium to sponsor the Northeastern University's College of Medicine, which enrolled its first students in 1975. In 1991 the engineering technology departments separated from the College of Applied Science and Technology and joined the new College of Engineering and Technology; the remaining departments formed the new College of Health and Human Services. In 2007, the Rayen College of Engineering and Technology incorporated the science and mathematics departments from the College of Arts and Sciences. This reorganization linked science, technology, engineering and mathematics on one hand, and the humanities and social sciences on the other.

Youngstown State University consists of the College of Graduate Studies and six undergraduate colleges: the Williamson College of Business Administration; the Beeghly College of Education; the College of Creative Arts & Communication; the Bitonte College of Health and Human Services; the College of Liberal Arts and Social Sciences; and the College of Science, Technology, Engineering, and Mathematics. Degrees offered include associate, bachelor's, master's, and doctorate.

The University is located on a 145-acre campus near downtown Youngstown, Ohio and is equidistant (approximately 60 miles) from both Pittsburgh and Cleveland. Fall 2016 enrollment was 12,756.

Using the Financial Statements

The University's financial report includes three basic 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 are prepared in accordance with the financial reporting format required by the Governmental Accounting Standards Board's (GASB) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

During fiscal year 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements significantly revised accounting for pension costs and liabilities.

Prior to GASBs 68 and 71, the accounting for pension costs, was focused on a funding approach, which limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each pension plan's *net pension liability*.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Under the new standards required by GASBs 68 and 71, the net pension liability equals the University's proportionate share of each pension plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits. Pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. The unfunded portion of this pension promise is a present obligation, part of a bargained-for benefit to the employee, and should be reported by the University as a liability since the benefit of the exchange was received.

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. 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 the 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. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *against the public employer*. State law operates to mitigate/lessen the obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. Changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the public employer. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASBs 68 and 71, the University's statements, prepared on an accrual basis of accounting, include an annual pension expense for the proportionate share of each pension plan's *change* in net pension liability.

Overall key presentation elements of the financial statements include:

- Assets and liabilities are categorized as either current or noncurrent. Current assets and liabilities will be consumed or fulfilled within one year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

- Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the University's revenues, including State of Ohio (State) appropriations, certain grants, gifts and investment income are considered nonoperating, as defined by GASB Statement No. 35.
- University scholarships that represent reduced tuition (i.e. are applied to student accounts rather than refunded to students) are shown as a reduction of tuition, fees and other student charges, while payments made directly to students are presented as scholarship expense. Third party scholarships are treated as though the students made the payments themselves.
- Capital assets are reported net of accumulated depreciation.

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, The Youngstown State University Foundation (YSUF or Foundation) is treated as a component unit of the University. The Foundation is discretely presented in this report by presentation of the individual financial statements immediately following the University's respective GASB financial statements. Additional information on component units is contained in Note 16. Management's Discussion and Analysis focuses on the University and does not include the component unit.

The Statements of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position of the University. Current assets are classified as such if they are available to satisfy current liabilities, which are generally defined as being due within one year of the date of the Statement of Net Position. Net position is one indicator of the financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2016, 2015, and 2014 was as follows.

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|----------------------------------|----------------------|----------------------|-----------------------|
| Assets | | | |
| Current assets | \$ 69,021,130 | \$ 66,419,457 | \$ 66,718,238 |
| Noncurrent assets | | | |
| Capital assets, net | 214,466,245 | 198,752,775 | 201,160,882 |
| Other assets | 28,553,736 | 26,855,908 | 29,900,130 |
| Total noncurrent assets | <u>243,019,981</u> | <u>225,608,683</u> | <u>231,061,012</u> |
| Total Assets | <u>312,041,111</u> | <u>292,028,140</u> | <u>297,779,250</u> |
| Deferred Outflows of Resources | 26,126,689 | 10,611,171 | - |
| Liabilities | | | |
| Current liabilities | 24,043,294 | 22,283,707 | 23,369,754 |
| Noncurrent liabilities | 235,587,218 | 204,168,166 | 79,389,827 |
| Total Liabilities | <u>259,630,512</u> | <u>226,451,873</u> | <u>102,759,581</u> |
| Deferred Inflows of Resources | <u>15,366,387</u> | <u>18,680,757</u> | <u>382,500</u> |
| Total Net Position | <u>\$ 63,170,901</u> | <u>\$ 57,506,681</u> | <u>\$ 194,637,169</u> |
| Net Position | | | |
| Net investment in capital assets | \$ 134,289,273 | \$ 132,793,340 | \$ 133,638,628 |
| Restricted | 29,783,434 | 30,045,809 | 29,377,651 |
| Unrestricted | <u>(100,901,806)</u> | <u>(105,332,468)</u> | <u>31,620,890</u> |
| Total Net Position | <u>\$ 63,170,901</u> | <u>\$ 57,506,681</u> | <u>\$ 194,637,169</u> |

Current assets include unrestricted and restricted cash and cash equivalents, investments that mature within one year, receivables, inventories and other short-term assets. Noncurrent assets include unrestricted investments that mature in more than one year, as well as cash and cash equivalents and investments that are restricted by donors or external parties as to their use. Also included are receivables deemed to be collectible in more than one year and capital assets. Current assets increased \$2.6 million from fiscal year 2015 to fiscal year 2016 and remained flat from fiscal year 2014 to fiscal year 2015. Noncurrent assets increased \$17.4 million from fiscal year 2015 to fiscal year 2016 and decreased \$5.5 million from fiscal year 2014 to fiscal year 2015.

Deferred outflows of resources include resources where the consumption is applicable to a future reporting period, but does not require further exchange of service. Deferred outflows include items relating to pensions and increased \$15.5 million from fiscal year 2015 to fiscal year 2016 and increased \$10.6 million from fiscal year 2014 to fiscal year 2015.

Current liabilities include all liabilities that are payable within the next fiscal year. Unearned revenues, principally from summer programs, are also presented as current liabilities. Liabilities that are due to be paid beyond the next fiscal year are reported as noncurrent liabilities and include debt, compensated absences, and net pension liability. Current liabilities increased \$1.8 million from fiscal year 2015 to fiscal year 2016 and decreased \$1.1 million from fiscal year 2014 to fiscal year 2015. Noncurrent liabilities increased \$31.4 million from fiscal year 2015 to fiscal year 2016 and increased \$124.8 million from fiscal year 2014 to fiscal year 2015.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period. Deferred inflows of resources include unamortized concession arrangements and items relating to pensions. Deferred inflows of resources decreased \$3.3 million from fiscal year 2015 to fiscal year 2016 and increased \$18.3 million from fiscal year 2014 to fiscal year 2015.

Assets

Assets primarily consist of cash and cash equivalents, investments, receivables and capital assets. The following table summarizes balances at:

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|---|-----------------------|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 15,893,972 | \$ 11,472,553 | \$ 16,762,273 |
| Investments | 63,322,045 | 63,058,179 | 60,725,589 |
| Accounts, loans and pledges receivable, net | 16,632,850 | 15,579,115 | 15,237,373 |
| Capital assets, net | 214,466,245 | 198,752,775 | 201,160,882 |
| Other | 1,725,999 | 3,165,518 | 3,893,133 |
| Total Assets | <u>\$ 312,041,111</u> | <u>\$ 292,028,140</u> | <u>\$ 297,779,250</u> |

Cash and cash equivalents increased \$4.4 million or 38.5% from fiscal year 2015 to fiscal year 2016. The increase was primarily due to unspent note proceeds of \$3.3 million for an energy conservation project financed during fiscal year 2016 and an overall net decrease in cash used in operating activities. Deposits held by Trustee totaled \$3.7 million at June 30, 2016 compared to \$1.7 million at June 30, 2015. Investments remained flat from fiscal year 2015 to fiscal year 2016. Endowment principal and operating reserves are included in noncurrent assets and are invested in long term maturities. Refer to Notes 3 and 4 for additional information on cash and cash equivalents, and investments.

Overall, net accounts, loans and pledges receivable increased \$1 million from \$15.6 million at June 30, 2015 to \$16.6 million at June 30, 2016. Net accounts increased \$2.3 million or 21%. The increase was due to several factors including increased year end activity on a new state grant and several capital projects, an increase in funds raised by YSUF on behalf of YSU in the month of June over the prior year, as well as the timing of receipt of gifts used to support the fiscal year operations of a Center on campus. An increase was also noted due to the implementation of the College Credit Plus program in the Fall of 2015. Net loans decreased \$0.3 million due to a decrease in the number of Perkins loans disbursed in fiscal year 2016 compared to prior years. Net pledges decreased \$0.9 million or 35% primarily due to payments on pledges for the Williamson College of Business Administration (WCBA). See Notes 5 and 6 for additional information.

Cash and cash equivalents decreased \$5.3 million or 32% from fiscal year 2014 to fiscal year 2015. Decreased enrollment, a shift of cash to equities, spending of prior year's bond proceeds to fund various campus projects and the impact of a change in the direct loan disbursement policy contributed to the decrease. Deposits held by Trustee totaled \$1.7 million at June 30, 2015 compared to \$3.7 million at June 30, 2014. Investments increased \$2.3 million or 4% from fiscal year 2014 to fiscal year 2015 largely due to a shift of cash to equities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall, net accounts, loans and pledges receivable increased slightly from \$15.2 million at June 30, 2014 to \$15.6 million at June 30, 2015. Net accounts increased \$2.1 million or 25% largely due to the timing of receipt of student federal direct loans, resulting from changes in disbursement policies. Net loans decreased \$300,000 due to a decrease in the number of Perkins loans disbursed in fiscal year 2015 compared to prior years. Net pledges decreased \$1.5 million or 36% due to payments on pledges for the WCBA Building and the WATTS Indoor Athletic Facility.

At June 30, 2016, the University had \$214,466,245 in capital assets, net of accumulated depreciation. Depreciation totaled \$11,059,009, \$11,455,171, and \$11,243,549 in fiscal years 2016, 2015, and 2014 respectively. Details of net capital assets are shown below.

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|--|-----------------------|-----------------------|-----------------------|
| Land | \$ 16,149,400 | \$ 16,093,678 | \$ 15,692,070 |
| Buildings, net | 111,129,063 | 116,250,393 | 120,052,098 |
| Improvements to buildings, net | 44,170,107 | 37,309,800 | 34,065,430 |
| Improvements other than buildings, net | 18,430,219 | 16,922,143 | 17,270,296 |
| Construction in progress | 18,623,424 | 6,129,774 | 6,577,088 |
| Moveable equipment and furniture, net | 4,833,535 | 5,212,193 | 6,636,913 |
| Vehicles, net | 295,031 | 199,328 | 231,521 |
| Historical treasures | 835,466 | 635,466 | 635,466 |
| Total Capital Assets, net | <u>\$ 214,466,245</u> | <u>\$ 198,752,775</u> | <u>\$ 201,160,882</u> |

Major capital activity during fiscal year 2016 included completion of the Melnick Hall renovation, electrical substation refurbishment and expansion, stadium lighting upgrade, and football scoreboard system. In addition, three campus buildings received new roofs, restroom renovations were completed in three buildings, and elevator repairs were completed in two buildings. Construction in progress includes construction of a steam plant, which will enable YSU to produce its own steam heat, as well as building exterior repairs and updates to the Wick Parking Deck.

Major capital activity during fiscal year 2015 included completion of the Veteran's Resource Center, the second phase of the DeBartolo Hall improvements, and renovations to Beeghly Center. In addition, six campus buildings received new roofs and elevator repairs were completed in four buildings. Construction in progress includes continued construction on Melnick Hall, additional roofing projects, and a new scoreboard system and upgraded lighting to Stambaugh Stadium.

Major capital activity during fiscal year 2014 included the completion of an outdoor athletic facility and interior renovations in Cushwa and DeBartolo Halls. The second phase of improvements in DeBartolo Hall started during Spring semester and work continued on campus-wide elevator upgrades and concrete replacement. The Veteran's Resource Center was scheduled to be completed during the Fall semester. These projects are included in construction in progress at June 30, 2014.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Other assets decreased \$1.4 million largely due to a \$0.7 million decrease in inventories. In June 2016, the University contracted with a private vendor to operate the bookstore previously operated by the University. The University had no bookstore inventory at June 30, 2016.

See Note 7 for additional information on capital assets.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require further exchange of goods or services; whereas deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period. The following table summarizes balances at:

| Deferred Outflows of Resources | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|--------------------------------------|----------------------|----------------------|---------------|
| Pension OPERS | \$ 16,422,322 | \$ 4,448,632 | \$ - |
| Pension STRS | 9,704,367 | 6,162,539 | - |
| Total Deferred Outflows of Resources | <u>\$ 26,126,689</u> | <u>\$ 10,611,171</u> | <u>\$ -</u> |

| Deferred Inflows of Resources | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|-------------------------------------|----------------------|----------------------|-------------------|
| Service concession agreements | \$ 657,500 | \$ 745,000 | \$ 382,500 |
| Pension OPERS | 2,214,446 | 635,671 | - |
| Pension STRS | 12,494,441 | 17,300,086 | - |
| Total Deferred Inflows of Resources | <u>\$ 15,366,387</u> | <u>\$ 18,680,757</u> | <u>\$ 382,500</u> |

Included in deferred outflows of resources and deferred inflows of resources are items relating to pensions and service concession agreements. Certain elements impacting the change in the net pension liability have a longer term perspective than the current year, therefore to reduce volatility these elements are amortized over a closed period of specified duration. These include differences between expected and actual experience, changes of assumptions, net differences between projected and actual earnings of pension plan investments, and changes in the proportionate share of contributions. These elements can be reflected as either a deferred outflow of resources or a deferred inflow of resources.

Deferred outflows of resources increased \$15.5 million or 146.2% from fiscal year 2015 to fiscal year 2016. The increase was largely due to a \$12 million increase in the amount attributed to the net difference between projected and actual earnings on OPERS pension plan investments and a \$3.6 million increase in the amount attributed to the differences between expected and actual experience for the STRS Ohio pension plan. Deferred inflows of resources decreased \$3.3 million or 17.7% from fiscal year 2015 to fiscal year 2016. The net decrease was primarily due to a combination of a \$10.1 million decrease in the net difference between projected and actual earnings on STRS Ohio pension plan investments and a \$5.3 million increase due to a change in the STRS Ohio proportionate share of contributions and.

Included in deferred inflows at June 30, 2015 is \$17.3 million for the net difference between projected and actual earnings of pension plan investments for STRS Ohio. In addition, \$7.9 million of University contributions to the pension plans subsequent to the measurement date of the pension

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

plans were also reflected as deferred outflows of resources. The University adopted GASBs 68 and 71 in fiscal year 2015. The University made no restatement for deferred outflows of resources and deferred inflows of resources for fiscal year 2014 as the information needed to generate these restatements was not available.

See Note 13 for additional information on Defined Benefit Pension Plans.

During fiscal year 2015, the University entered into a ten year agreement with Pepsi-Cola for exclusive pouring rights and sponsorship program. The University received initial support funds in the amount of \$450,000 which are contingent upon the University utilizing the services of the beverage company over a ten year period. During fiscal year 2014, the University received \$425,000 from Chartwells toward dining hall renovations that are contingent upon the University utilizing the services of the food service provider over a ten year period. The unamortized amounts are reflected as Deferred Inflows of Resources in the Statement of Net Position.

Liabilities

Liabilities largely consist of accrued payroll and payroll withholdings, debt, unearned revenue, compensated absences, and net pension liability. The following table summarizes balances at:

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Accounts and construction payable | \$ 6,695,529 | \$ 4,895,024 | \$ 5,056,206 |
| Payroll liabilities | 7,041,919 | 7,543,616 | 7,573,736 |
| Notes payable | 16,000,000 | 1,139,444 | 2,240,037 |
| Bonds payable, net | 64,756,416 | 66,658,996 | 68,498,512 |
| Unearned revenue | 5,824,756 | 5,294,416 | 5,418,952 |
| Compensated absences | 9,016,430 | 9,843,762 | 9,896,456 |
| Refundable advance | 2,527,796 | 2,581,299 | 2,628,561 |
| Other | 1,421,973 | 810,173 | 1,447,121 |
| Net pension liability | 146,345,693 | 127,685,143 | - |
| Total Liabilities | <u>\$ 259,630,512</u> | <u>\$ 226,451,873</u> | <u>\$ 102,759,581</u> |

Total liabilities increased \$33.2 million or 14.7% from fiscal year 2015 to fiscal year 2016. Accounts and construction payables increased largely due to increased year end activity on construction projects. Notes payable increased \$14.9 million primarily due to the financing of a \$16 million energy conservation project during fiscal year 2016. Bonds payable decreased \$1.9 million due to scheduled debt service payments. The net pension liability increased \$18.6 million or 14.6 % from fiscal year 2015 to fiscal year 2016. The OPERS pension liability increased \$12.3 million or 36%; whereas the STRS Ohio liability increased \$6.3 million or 6.8%. The OPERS and STRS Ohio net pension liability balances were \$46.5 million and \$99.8 million at June 30, 2016 compared to \$34.2 million and \$93.5 million at June 30, 2015, respectively.

Total liabilities increased \$123.7 million or 120.4% from fiscal year 2014 to fiscal year 2015. Notes and bonds payable decreased \$2.9 million due to scheduled debt service payments. Other liabilities decreased \$600,000 or 44% primarily due to payment of previously accrued legal liabilities. Due to the adoption of GASBs 68 and 71, the University recorded a net pension liability

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

of \$136.7 million at July 1, 2014. The net pension liability totaled \$127.7 million at June 30, 2015. Of this amount, \$93.5 million was attributed to the STRS pension plan and \$34.2 million to the OPERS pension plan.

See Note 8 for a further breakout of payroll and other liabilities, Notes 9 and 10 for detailed information about the University's debt, and Note 12 for information on long-term liabilities.

Net Position

Net position represents the residual interest in the University's assets after deferred outflows of resources are added, and liabilities and deferred inflows of resources are deducted. The following table summarizes the categories of net position at:

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|----------------------------------|----------------------|----------------------|-----------------------|
| Net investment in capital assets | \$ 134,289,273 | \$ 132,793,340 | \$ 133,638,628 |
| Restricted-nonexpendable | 5,178,994 | 5,062,070 | 4,978,349 |
| Restricted-expendable | 24,604,440 | 24,983,739 | 24,399,302 |
| Unrestricted | <u>(100,901,806)</u> | <u>(105,332,468)</u> | <u>31,620,890</u> |
| Total Net Position | <u>\$ 63,170,901</u> | <u>\$ 57,506,681</u> | <u>\$ 194,637,169</u> |

Overall, the University's total net position increased \$5.7 million or 9.8% from \$57.5 million at June 30, 2015 to \$63.2 million at June 30, 2016. This resulted from excess revenue over expenses and includes a \$1.5 million increase in the net amount invested in capital assets, a \$300,000 decrease in restricted net position, and a \$4.4 million increase in unrestricted net position.

The University's total net position decreased \$137.1 million or 70.5% from \$194.6 million at June 30, 2014 to \$57.5 million at June 30, 2015. This resulted from excess expenses over revenues and included a \$900,000 decrease in the net amount invested in capital assets, a \$700,000 increase in restricted net position, and a \$136.9 million decrease in unrestricted net position which included a \$135 million decrease due to the adoption of GASBs 68 and 71, and a \$1.9 million decrease in other unrestricted funds.

For comparison purposes, the reconciliation below presents the University's net position removing the impact GASBs 68 and 71.

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|---|-----------------------|-----------------------|-----------------------|
| Total Net Position | \$ 63,170,901 | \$ 57,506,681 | \$ 194,637,169 |
| Add | | | |
| Deferred inflows of resources related to pension | 14,708,887 | 17,935,757 | - |
| Net pension liability | 146,345,693 | 127,685,143 | - |
| Subtract | | | |
| Deferred outflows of resources related to pension | <u>(26,126,689)</u> | <u>(10,611,171)</u> | - |
| Total Net Position without GASBs 68 and 71 | <u>\$ 198,098,792</u> | <u>\$ 192,516,410</u> | <u>\$ 194,637,169</u> |

The net investment in capital assets consists of capital assets net of accumulated depreciation reduced by outstanding balances of bonds, notes or other borrowings that are attributable to the

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

acquisition, construction, or improvement of those assets. The increase of 1.5 million from fiscal year 2015 to fiscal year 2016 was due to spending \$1.2 million for capital projects financed with bond proceeds, \$13 million addition in outstanding debt, net capital additions of \$26.8 million and current year depreciation of \$11.1 million. Outstanding debt was \$80,756,416 at June 30, 2016 compared to \$67,798,440 at June 30, 2015.

The overall decrease of \$900,000 in investment in capital assets from fiscal year 2014 to fiscal year 2015 was due to spending \$1.4 million for capital projects financed with bond proceeds, \$2.9 million reduction in outstanding debt, net capital additions of \$9 million and depreciation of \$11.4 million. Outstanding debt was \$67,798,440 at June 30, 2015 compared to \$70,738,549 at June 30, 2014.

Restricted non-expendable net position consists primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was positive in both fiscal years 2016 and 2015.

Restricted expendable net position is subject to externally imposed restrictions governing their use. Changes in this category are due to the timing of revenues and expenses in funds provided by donors and grantors. The following table summarizes restricted expendable net position at:

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|--|----------------------|----------------------|----------------------|
| Current funds | \$ 13,942,390 | \$ 13,139,967 | \$ 12,802,902 |
| Plant funds | 10,442,672 | 11,636,581 | 11,390,029 |
| Quasi-Endowments | 159,886 | 148,201 | 147,644 |
| Loan funds | 59,492 | 58,990 | 58,727 |
| Total Restricted Expendable Net Position | <u>\$ 24,604,440</u> | <u>\$ 24,983,739</u> | <u>\$ 24,399,302</u> |

Total restricted expendable net position was \$24.6 million at June 30, 2016 compared to \$25 million at June 30, 2015. Current restricted funds include grants and sponsored programs and gifts which includes scholarship donations and program support. These funds increased \$0.8 million from \$13.1 million at June 30, 2015 to \$13.9 million at June 30, 2016. Plant funds primarily include donations for construction or renovation approximately \$7.6 of the \$10.4 million balance at June 30, 2016 related to gifts which have been internally designated for future debt service attributed to those projects.

Total restricted expendable net position was \$25 million at June 30, 2015 compared to \$24.4 million at June 30, 2014. Current restricted funds include grants and sponsored programs, and gifts which include scholarship donations and program support. These funds increased \$300,000 from \$12.8 million at June 30, 2014 to \$13.1 million at June 30, 2015. Plant funds primarily include donations and pledges for construction or renovation. Approximately \$8.7 of the \$11.6 million balance at June 30, 2015 related to gifts, which have been internally designated for future debt service attributed to those projects.

Unrestricted net position is not subject to externally imposed restrictions and is designated for future operations, plant construction and maintenance, and debt service. The following table summarizes unrestricted net position at:

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|---------------------------------|-------------------------|-------------------------|----------------------|
| Current funds | \$ 10,966,922 | \$ 7,817,248 | \$ 8,780,693 |
| Operating reserves | 7,714,609 | 7,714,609 | 8,692,753 |
| Plant funds | 15,322,658 | 14,124,645 | 14,126,396 |
| Loan funds | 21,896 | 20,759 | 21,048 |
| Total without GASBs 68 and 71 | 34,026,085 | 29,677,261 | 31,620,890 |
| GASBs 68 and 71 | (134,927,891) | (135,009,729) | - |
| Total Unrestricted Net Position | <u>\$ (100,901,806)</u> | <u>\$ (105,332,468)</u> | <u>\$ 31,620,890</u> |

Total unrestricted net position was (\$100.9) million at June 30, 2016 compared to (\$105.3) million at June 30, 2015. The increase of \$4.4 million from fiscal year 2015 to fiscal year 2016 reflects an excess of revenues over expenses during fiscal year 2016 from noncapital activity.

Total unrestricted net position was (\$105.3) million at June 30, 2015 compared to \$31.6 million at June 30, 2014. The decrease of \$136.9 million from fiscal year 2014 to fiscal year 2015 reflects a combination of a \$1.9 million excess of expenses over revenues during fiscal year 2015 from non-capital activity and a reduction in net position of (\$135.0) million due to the impact of the adoption of GASBs 68 and 71.

The Statements of Revenues, Expenses, and Changes in Net Position

These statements present the operating results and the nonoperating revenues and expenses of the University. Annual State appropriations, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

A summary of revenues, expenses and changes in net position follows:

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|---|----------------------|----------------------|-----------------------|
| Operating Revenues | | | |
| Net tuition, fees and other student charges | \$ 83,532,926 | \$ 84,357,825 | \$ 87,064,562 |
| Auxiliary enterprises | 23,930,810 | 22,098,719 | 22,804,151 |
| Grants and contracts | 9,543,964 | 9,340,832 | 8,466,912 |
| Other | 2,381,917 | 2,469,689 | 2,300,536 |
| Total Operating Revenues | <u>119,389,617</u> | <u>118,267,065</u> | <u>120,636,161</u> |
| Operating Expenses | <u>192,579,044</u> | <u>194,842,580</u> | <u>198,300,930</u> |
| Operating Loss | (73,189,427) | (76,575,515) | (77,664,769) |
| Nonoperating Revenues (Expenses) | | | |
| State appropriations | 41,813,887 | 38,930,258 | 37,712,282 |
| Gifts, grants, and contracts | 30,771,333 | 33,714,863 | 34,368,531 |
| Investment income | 793,961 | 1,566,035 | 5,481,254 |
| Other | (5,231,948) | (5,333,131) | (4,422,670) |
| Net Nonoperating Revenues | <u>68,147,233</u> | <u>68,878,025</u> | <u>73,139,397</u> |
| Loss Before Other Revenues, Expenses, and Changes | (5,042,194) | (7,697,490) | (4,525,372) |
| Other Revenues, Expenses, and Changes | | | |
| State capital appropriations | 8,539,064 | 6,174,875 | 4,195,720 |
| Capital grants and gifts | 2,081,270 | 1,069,282 | 2,482,221 |
| Other | 86,080 | 65,572 | 448,643 |
| Total Other Revenues, Expenses, and Changes | <u>10,706,414</u> | <u>7,309,729</u> | <u>7,126,584</u> |
| Change in Net Position | 5,664,220 | (387,761) | 2,601,212 |
| Net Position at Beginning of the Year, restated | <u>57,506,681</u> | <u>57,894,442</u> | <u>192,035,957</u> |
| Net Position at End of the Year | <u>\$ 63,170,901</u> | <u>\$ 57,506,681</u> | <u>\$ 194,637,169</u> |

Revenues

Following is a recap of revenues by source (operating, nonoperating, and other sources), which were used to fund the University's activities for the years ended:

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|--|-----------------------|-----------------------|-----------------------|
| Net tuition, fees, and other student charges | \$ 83,532,926 | \$ 84,357,825 | \$ 87,064,562 |
| Gifts, grants and contracts | 42,396,567 | 44,124,977 | 45,317,664 |
| State appropriations | 41,813,887 | 38,930,258 | 37,712,282 |
| Auxiliary enterprises | 23,930,810 | 22,098,719 | 22,804,151 |
| Investment income | 793,961 | 1,566,035 | 5,481,254 |
| State capital appropriations | 8,539,064 | 6,174,875 | 4,195,720 |
| Other revenue | 3,265,243 | 2,942,894 | 3,146,602 |
| Total Revenues | <u>\$ 204,272,458</u> | <u>\$ 200,195,583</u> | <u>\$ 205,722,235</u> |

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall, the University's total revenues increased \$4.1 million or 2.0% between fiscal year 2016 and fiscal year 2015. The majority of the University's revenue, 61% in fiscal year 2016 and 62% in fiscal year 2015, is attributed to State Appropriations and net of tuition and fees. Combined, these two revenue streams increased \$2.1 million from fiscal year 2015 to fiscal year 2016.

Net tuition, fees and other student charges decreased slightly over the prior year primarily due to a minor decrease in enrollment. Gifts grants and contracts decreased \$1.7 million or 4% due to combination of a \$2.1 million decrease in Pell grants due to decreased enrollment and an increase of \$1 million in capital grants and gifts, including increased activity on state funded projects for additive manufacturing grants and gifts for future capital projects including a manufacturing innovation & commercialization center, a student success center and a multimedia center. State appropriations increased \$2.9 million or 7.4% from \$38.9 million in fiscal year 2015 to \$41.8 million in fiscal year 2016. This increase was largely due to the State Legislature increasing operating appropriations for higher education in exchange for prohibiting universities from raising undergraduate tuition. Auxiliary enterprises revenue increased \$1.8 million or 8%, primarily due to a \$1.3 million increase in housing revenue, resulting from increased room and board fees and an increase in the number of students residing on campus. Investment income decreased approximately \$700,000 or 49%. This was due to net unrealized losses in non-endowed investments resulting from a less favorable market environment during fiscal year 2016. State capital appropriations increased \$2.4 million or 38% due to continued efforts on the part of management to more aggressively use state capital dollars to address deferred maintenance needs.

Overall, the University's total revenues decreased \$5.5 million or 3% between fiscal year 2015 and fiscal year 2014. The majority of the University's revenue, 62% in fiscal year 2015 and 61% in fiscal year 2014 is attributed to State appropriations, and net tuition and fees. Combined, these two revenue streams decreased \$1.5 million from fiscal year 2014 to fiscal year 2015.

Despite increases in tuition and fee rates in fiscal year 2015, income from net tuition, fees and other student charges decreased a net \$2.7 million or 3% from fiscal year 2014 to fiscal year 2015 due to decreased enrollment. Gifts, grants and contracts decreased \$1.2 million or 3% over the prior year due to a combination of increased federal grant and gift activity and decreased Pell grant and capital grant activity. Federal grant activity relating to the TechBelt Energy Innovation Center increased \$1.2 million and the University received a \$1 million gift, the majority of which was dedicated for improvements to Wick Avenue. Pell grants decreased \$2.1 million resulting from decreased enrollment and capital grants decreased \$1.2 million due to the prior year including grant funding for new equipment in the STEM College. State Appropriations increased \$1.2 million or 3% from \$37.7 million in fiscal year 2014 to \$38.9 million in fiscal year 2015. The increase was attributable to an increase in the statewide appropriation for higher education operating support; and the University's institutional allocation of these funds, which is distributed through a performance-based funding formula administered by the Ohio Department of Higher Education. Investment income decreased \$3.9 million or 71%. Fiscal year 2014 had net unrealized gains due to a favorable market environment; whereas fiscal year 2015 had net unrealized losses due to a less favorable market environment. State capital appropriations increased \$2 million or 47% from fiscal year 2014 to fiscal year 2015 as more projects were being financed with capital funds rather than bond proceeds and gifts as in the prior years. Bond proceeds of \$1.7 million and

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

\$3.7 million were utilized for capital additions in fiscal year 2015 and fiscal year 2014, respectively.

Expenses

Operating expenses can be displayed in two formats: functional classification and natural classification. The functional classification can be found on the Statements of Revenues, Expenses, and Changes in Net Position. Following is a recap of total operating expenses by natural classification, with the impact of the GASBs 68 and 71 pension expense accruals segregated. Due to the unavailability of information, fiscal year 2014 operating expenses were not restated for the adoption of GASBs 68 and 71.

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|--|-----------------------|-----------------------|-----------------------|
| Compensation | \$ 116,932,285 | \$ 120,755,194 | \$ 122,144,817 |
| Operations | 45,128,168 | 43,982,094 | 43,490,982 |
| Scholarships | 19,524,818 | 20,365,896 | 21,403,818 |
| Depreciation and Amortization | 11,075,611 | 11,472,394 | 11,261,313 |
| Operating Expenses without GASBs 68 and 71 accruals) | 192,660,882 | 196,575,578 | 198,300,930 |
| GASBs 68 and 71 pension expense accruals | (81,838) | (1,732,998) | - |
| Total Operating Expenses | <u>\$ 192,579,044</u> | <u>\$ 194,842,580</u> | <u>\$ 198,300,930</u> |

Excluding the impact of GASBs 68 and 71, total operating expenses decreased \$3.9 million or 2% from fiscal year 2015 to fiscal year 2016, largely due to a \$3.8 million decrease in compensation and a \$1.1 million increase in operations.

Salary and wages decreased \$1.8 million or 2% from \$90.3 million in fiscal year 2015 to \$88.5 million in fiscal year 2016; whereas fringe benefits decreased \$2 million or 6.6% from \$30.4 million to \$28.4 million, respectively. Strategic efforts to control personnel costs continued through the elimination of position vacancies and the implementation of the new OEA faculty agreement, which included a 1% base salary adjustment, rank based bonus payments, retirement incentive payments, and reduced cost for summer and extended teaching service. The \$2 million decrease in fringe benefits was primarily due to \$1.1 million decrease in health care expense primarily due to a decrease in health care claims.

Operations increased \$1.1 million or 2.6% from \$43.9 million in fiscal year 2015 to \$45.1 million in fiscal year 2016. The net increase resulted from various factors including a combination of investment in new software for graduate school recruiting and upgrades to existing software, an increase in cost of goods sold for the bookstore operations due to the elimination of inventory in preparation of a private vendor taking over the operations in June 2016, combined with decreases in utility usage and a continued decrease in bad debt expense resulting from the impact of higher admission standards and continued emphasis on financial literacy counseling to students.

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Position. Therefore, the \$800,000 decrease in scholarship expense is a partial reflection of a \$2.1 million decrease in federal financial aid for Pell grant recipients and a \$900,000 increase in external support. Overall, the University disbursed \$41.7 million to

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

students in fiscal year 2016 compared to \$42.4 million in fiscal year 2015, including \$20.1 million and \$22.2 million in federal Pell grants, respectively.

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Position. Therefore, the \$800,000 decrease in scholarship expense is a partial reflection of a \$2.1 million decrease in federal financial aid for Pell grant recipients and a \$900,000 increase in external support. Overall, the University disbursed \$41.7 million to students in fiscal year 2016 compared to \$42.4 million in fiscal year 2015, including \$20.1 million and \$22.2 million in federal Pell grants, respectively.

Pension expense attributed to GASB 68 and 71 is allocated to institutional functions on the Statement of Revenues, Expenses and Other Changes in Net Position and increased \$13.1 million from fiscal year 2015 to fiscal year 2016. The increase was primarily due to differences between projected and actual pension plan investment earnings and the University's proportionate share of contributions. The University has no control over these accruals.

Excluding the impact of GASBs 68 and 71, total operating expenses decreased \$1.7 million or 0.9% from fiscal year 2014 to fiscal year 2015, a combination of a \$1.4 million decrease in compensation, a \$500,000 increase in operations and a \$1 million decrease in scholarships. Salary and wages decreased \$2.2 million or 2.4% from \$95.5 million in fiscal year 2014 to \$90.3 million in fiscal year 2015, reflective of continued strategic elimination of staff vacancies and efforts to control and reduce personnel costs. Fringe benefits increased \$800,000 or 2.8% from \$29.6 million to \$30.4 million due to increased health care claims. Operations increased \$500,000 due to a combination of a \$1.3 million increase in funds distributed under a subcontract to the TechBelt Energy Innovation Center and a \$900,000 decrease in bad debt resulting from stricter admission standards, a focus on internal collection efforts, and more financial literacy counseling to students.

The \$1 million decrease in scholarship expense from fiscal year 2014 to fiscal year 2015 is a partial reflection of a \$2.1 million decrease in federal financial aid for Pell grant recipients and a \$600,000 increase in external support. Overall, the University disbursed \$42.4 million to students in fiscal year 2015 compared to \$43.8 million in fiscal year 2014, including \$22.2 million and \$24.3 million in Federal Pell grants, respectively.

Total operating and non operating expenses for the University were \$198,608,238, \$200,583,344, and \$203,121,023 in fiscal years 2016, 2015 and 2014, respectively.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Economic Factors for the Future

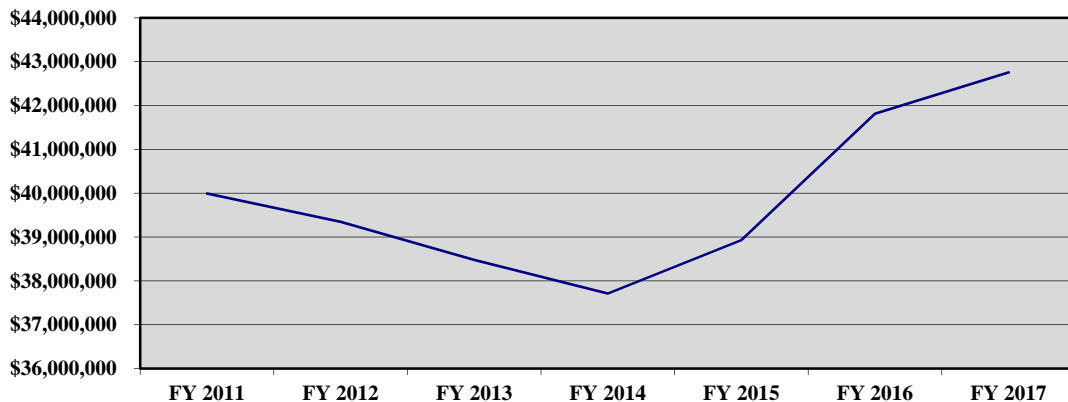
Looking to the future, management believes the University is well-positioned to continue its favorable financial condition and level of excellence in service to students.

Based on the most recent estimate provided by the Ohio Department of Higher Education, State Share of Instruction (SSI) funding for the University is expected to rise by \$900,000 or 2.2%. This increase is partially attributable to an increase in the statewide SSI appropriation. The increase is also attributable to the results of strategic decisions YSU has made to better position itself in the performance based SSI formula.

The increase in statewide higher education funding notwithstanding, degrees awarded and course completions will continue to be primary drivers of SSI funding. Datasets used in the formula are based on a three-year rolling average, and are weighted to take into account various at-risk student characteristics. The SSI formula continues to factor in discipline costs and enrollment levels.

The following graph reflects six years actual data for State Appropriations plus the budgeted amount for fiscal year 2017.

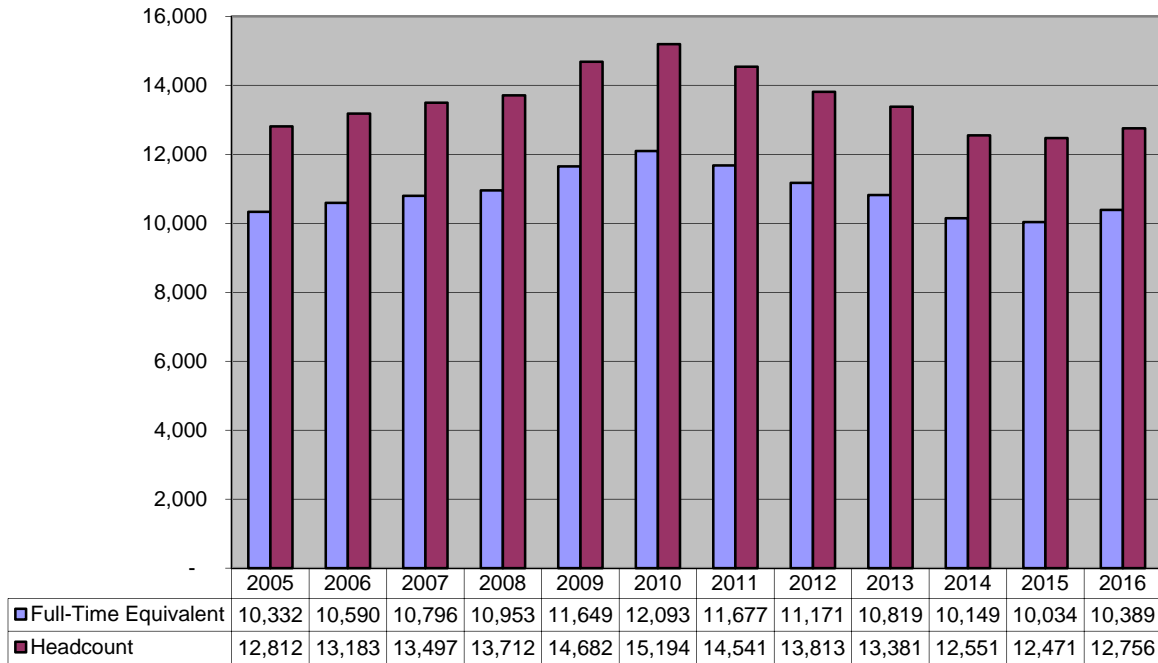
**State Appropriations
Fiscal Years 2011 through 2017**



YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONT.)

Fall Semester Enrollment Trends 2005 through 2016



As expected, Fall 2016 enrollments are 3.5% higher than the prior Fall semester. This represents a sharp turnaround in the University’s enrollment trend, following a four-year decline. The results of the University’s new incoming student enrollments, coupled with the academic quality of those students, provide significant cause for continued optimism for Spring 2017 and beyond.

For Fall 2016, the University experienced increases in high school students enrolled in the College Credit Plus program; new freshman, graduate, international and transfer students; and new students enrolled in the Honors College.

Freshman GPA and ACT averages were both the highest in University history. Efforts to widen the University’s appeal beyond its traditional footprint also appear to be showing some early signs of success. Enrollment increases were noted for out of state freshman as well as the contiguous Ohio counties and number of high schools represented in the freshman class.

The University’s freshmen to sophomore retention rate remained steady from Fall 2015 to Fall 2016 after a 6% increase last year, representing further evidence that the University has stabilized and reversed its enrollment trend. Finally, early results for Fall 2017 are even more positive than expected, running far ahead of Fall 2016 at this same time.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF NET POSITION AT JUNE 30, 2016 AND 2015

| | June 30, 2016 | June 30, 2015 |
|---|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 15,893,972 | \$ 11,472,553 |
| Investments | 36,906,441 | 39,133,843 |
| Restricted investments | 638,165 | 866,522 |
| Interest receivable | 98,121 | 94,242 |
| Accounts receivable, net | 13,033,177 | 10,735,452 |
| Pledges receivable, net | 893,284 | 1,140,910 |
| Loans receivable, net | 422,496 | 404,434 |
| Inventories | 84,831 | 1,186,416 |
| Prepaid expenses and unearned charges | 1,050,643 | 1,385,085 |
| Total Current Assets | 69,021,130 | 66,419,457 |
| Noncurrent Assets | | |
| Investments | 17,198,170 | 14,723,869 |
| Endowments and other restricted investments | 8,579,269 | 8,333,945 |
| Pledges receivable, net | 827,958 | 1,526,422 |
| Loans receivable, net | 1,455,935 | 1,771,897 |
| Other noncurrent assets | 171,180 | 187,782 |
| Cash surrender value of life insurance | 321,224 | 311,993 |
| Nondepreciable capital assets | 35,608,290 | 22,858,918 |
| Depreciable capital assets, net | 178,857,955 | 175,893,857 |
| Total Noncurrent Assets | 243,019,981 | 225,608,683 |
| Total Assets | 312,041,111 | 292,028,140 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension OPERS | 16,422,322 | 4,448,632 |
| Pension STRS | 9,704,367 | 6,162,539 |
| Total Deferred Outflows of Resources | 26,126,689 | 10,611,171 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | 3,653,797 | 2,963,665 |
| Construction payable | 3,041,732 | 1,931,359 |
| Payroll liabilities | 7,041,919 | 7,543,616 |
| Bonds payable | 2,455,000 | 1,865,000 |
| Notes payable | - | 1,139,444 |
| Compensated absences | 604,117 | 736,034 |
| Unearned revenue | 5,824,756 | 5,294,416 |
| Other liabilities | 1,421,973 | 810,173 |
| Total Current Liabilities | 24,043,294 | 22,283,707 |
| Noncurrent Liabilities | | |
| Bonds payable, net | 62,301,416 | 64,793,996 |
| Notes payable | 16,000,000 | - |
| Compensated absences | 8,412,313 | 9,107,728 |
| Refundable advance | 2,527,796 | 2,581,299 |
| Net pension liability | 146,345,693 | 127,685,143 |
| Total Noncurrent Liabilities | 235,587,218 | 204,168,166 |
| Total Liabilities | 259,630,512 | 226,451,873 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Service concession agreements | 657,500 | 745,000 |
| Pension OPERS | 2,214,446 | 635,671 |
| Pension STRS | 12,494,441 | 17,300,086 |
| Total Deferred Resources of Inflows | 15,366,387 | 18,680,757 |
| NET POSITION | | |
| Net investment in capital assets | 134,289,273 | 132,793,340 |
| Restricted - Nonexpendable | 5,178,994 | 5,062,070 |
| Restricted - Expendable | 24,604,440 | 24,983,739 |
| Unrestricted | (100,901,806) | (105,332,468) |
| Total Net Position | \$ 63,170,901 | \$ 57,506,681 |

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2016 AND 2015

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|----------------------------------|----------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 4,739,753 | \$ 4,341,923 |
| Investments | 206,643,636 | 218,740,363 |
| Accounts receivable | 9,295 | - |
| Property acquired for resale to Youngstown State University | 109,520 | - |
| Investments held for others | - | 3,474,650 |
| Pledges receivable, net | 2,057,504 | 731,033 |
| Pledges receivable for Youngstown State University, net | 3,182,716 | 1,346,918 |
| Prepaid expenses and other assets | 1,031,078 | 20,098 |
| Property and equipment, net | 59,229 | 22,344 |
| Beneficial interest in remainder trusts | 399,582 | 441,661 |
| TOTAL ASSETS | <u>\$ 218,232,313</u> | <u>\$ 229,118,990</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 860,489 | \$ 522,776 |
| Grant commitments to Youngstown State University for scholarship awards | 8,067,599 | 7,722,375 |
| Funds held for others | - | 3,474,650 |
| Accrued liabilities and other | 55,063 | - |
| TOTAL LIABILITIES | <u>8,983,151</u> | <u>11,719,801</u> |
| NET ASSETS | | |
| Unrestricted | 136,086,960 | 152,937,194 |
| Temporarily restricted | 8,068,816 | 6,799,238 |
| Permanently restricted | 65,093,386 | 57,662,757 |
| TOTAL NET ASSETS | <u>209,249,162</u> | <u>217,399,189</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 218,232,313</u> | <u>\$ 229,118,990</u> |

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| | June 30, 2016 | June 30, 2015 |
|--|---------------|---------------|
| OPERATING REVENUES | | |
| Tuition, fees, and other student charges (net of scholarship allowance of \$22,136,886 in 2016 and 22,051,829 in 2015) | \$ 83,532,926 | \$ 84,357,825 |
| Federal grants and contracts | 3,848,977 | 4,113,501 |
| State grants and contracts | 5,123,960 | 4,675,489 |
| Local grants and contracts | 169,703 | 153,686 |
| Private grants and contracts | 401,324 | 398,156 |
| Sales and services | 431,584 | 508,200 |
| Auxiliary enterprises | 23,930,810 | 22,098,719 |
| Other operating revenues | 1,950,333 | 1,961,489 |
| Total Operating Revenues | 119,389,617 | 118,267,065 |
| OPERATING EXPENSES | | |
| Instruction | 64,295,468 | 66,393,543 |
| Research | 1,859,303 | 2,721,990 |
| Public service | 5,497,073 | 4,768,094 |
| Academic support | 14,270,655 | 14,053,028 |
| Student services | 10,300,999 | 9,625,128 |
| Institutional support | 22,745,633 | 22,612,180 |
| Operation and maintenance of plant | 16,511,923 | 16,526,726 |
| Scholarships | 15,218,376 | 16,358,672 |
| Auxiliary enterprises | 30,804,003 | 30,310,825 |
| Depreciation and amortization | 11,075,611 | 11,472,394 |
| Total Operating Expenses | 192,579,044 | 194,842,580 |
| Operating Loss | (73,189,427) | (76,575,515) |
| NONOPERATING REVENUES (EXPENSES) | | |
| State appropriations | 41,813,887 | 38,930,258 |
| Federal grants | 20,658,870 | 22,747,643 |
| Private gifts | 10,112,463 | 10,967,220 |
| Unrestricted investment income, net of investment expense | 289,877 | 1,288,186 |
| Restricted investment income, net of investment expense | 504,084 | 277,849 |
| Interest on capital asset-related debt | (3,939,548) | (3,454,055) |
| Other nonoperating expenses, net | (1,292,400) | (1,879,076) |
| Net Nonoperating Revenues | 68,147,233 | 68,878,025 |
| Loss Before Other Revenues, Expenses, and Changes | (5,042,194) | (7,697,490) |
| OTHER REVENUES, EXPENSES, AND CHANGES | | |
| State capital appropriations | 8,539,064 | 6,174,875 |
| Capital grants and gifts | 2,081,270 | 1,069,282 |
| Other | 86,080 | 65,572 |
| Total Other Revenues, Expenses, and Changes | 10,706,414 | 7,309,729 |
| Change In Net Position | 5,664,220 | (387,761) |
| NET POSITION | | |
| Net Position at Beginning of the Year | 57,506,681 | 57,894,442 |
| Net Position at End of the Year | \$ 63,170,901 | \$ 57,506,681 |

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| | June 30, 2016 | | | |
|--|-----------------------|---------------------------|---------------------------|-----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| REVENUES, GAINS AND OTHER SUPPORT: | | | | |
| Contributions | \$ 4,562,193 | \$ 2,360,160 | \$ 7,472,708 | \$ 14,395,061 |
| In-kind donations | - | - | - | - |
| Investment earnings | 1,813,472 | 765,181 | - | 2,578,653 |
| Net realized gain on sale of investments | 2,002,727 | 827,742 | - | 2,830,469 |
| Net unrealized change in long-term investments | (13,579,678) | 1,224,733 | - | (12,354,945) |
| Change in beneficial interest in remainder trusts | - | - | (42,079) | (42,079) |
| Net assets released from restrictions | 3,908,238 | (3,908,238) | - | - |
| TOTAL REVENUES, GAINS AND OTHER SUPPORT | (1,293,048) | 1,269,578 | 7,430,629 | 7,407,159 |
| EXPENSES | | | | |
| Distribution to Youngstown State University for scholarships and other programs | - | - | - | - |
| Administrative expenditures | 12,982,554 | - | - | 12,982,554 |
| Benefits for retired Youngstown University faculty | 2,573,532 | - | - | 2,573,532 |
| | 1,100 | - | - | 1,100 |
| TOTAL EXPENSES | 15,557,186 | - | - | 15,557,186 |
| DONOR RECLASSIFICATIONS | - | - | - | - |
| INCREASE (DECREASE) IN NET ASSETS | (16,850,234) | 1,269,578 | 7,430,629 | (8,150,027) |
| Net Assets - Beginning of Year | 152,937,194 | 6,799,238 | 57,662,757 | 217,399,189 |
| Net Assets - End of Year | \$ 136,086,960 | \$ 8,068,816 | \$ 65,093,386 | \$ 209,249,162 |

| | June 30, 2015 | | | |
|--|-----------------------|---------------------------|---------------------------|-----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| REVENUES, GAINS AND OTHER SUPPORT: | | | | |
| Contributions | \$ 842,868 | \$ 2,457,583 | \$ 4,781,920 | \$ 8,082,371 |
| In-kind donations | 2,168 | - | - | 2,168 |
| Investment earnings | 2,203,829 | 688,250 | - | 2,892,079 |
| Net realized gain on sale of investments | 2,094,161 | 784,244 | - | 2,878,405 |
| Net unrealized (loss) gain on long-term investments | (6,494,585) | (1,295,899) | - | (7,790,484) |
| Change in beneficial interest in remainder trusts | - | - | (227,825) | (227,825) |
| Net assets released from restrictions | 4,926,640 | (4,926,640) | - | - |
| TOTAL REVENUES, GAINS AND OTHER SUPPORT | 3,575,081 | (2,292,462) | 4,554,095 | 5,836,714 |
| EXPENSES | | | | |
| Distribution to Youngstown State University for scholarships and other programs | - | - | - | - |
| Administrative expenditures | 10,324,044 | - | - | 10,324,044 |
| Benefits for retired Youngstown University faculty | 2,236,949 | - | - | 2,236,949 |
| | 2,000 | - | - | 2,000 |
| TOTAL EXPENSES | 12,562,993 | - | - | 12,562,993 |
| DONOR RECLASSIFICATIONS | - | - | - | - |
| INCREASE (DECREASE) IN NET ASSETS | (8,987,912) | (2,292,462) | 4,554,095 | (6,726,279) |
| Net Assets - Beginning of Year | 161,925,106 | 9,091,700 | 53,108,662 | 224,125,468 |
| Net Assets - End of Year | \$ 152,937,194 | \$ 6,799,238 | \$ 57,662,757 | \$ 217,399,189 |

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| | June 30, 2016 | June 30, 2015 |
|--|---------------|---------------|
| Cash Flows from Operating Activities | | |
| Student tuition and fees | \$ 82,559,873 | \$ 83,469,446 |
| Federal, state, and local grants and contracts | 7,794,915 | 9,252,531 |
| Private grants and contracts | 424,144 | 446,764 |
| Sales and services of educational and other departmental activities | 23,356,831 | 21,849,847 |
| Payments to suppliers | (46,161,692) | (47,075,352) |
| Payments to employees | (89,007,809) | (90,341,601) |
| Payments for benefits | (29,236,967) | (30,522,935) |
| Payments for scholarships | (15,270,134) | (16,316,513) |
| Student loans issued | (130,430) | (146,195) |
| Student loans collected | 453,813 | 477,591 |
| Student loan interest and fees collected | 98,538 | 159,717 |
| Other receipts, net | 2,913,327 | 1,816,723 |
| Total Cash Flows Used In Operating Activities | (62,205,591) | (66,929,977) |
| Cash Flows from Noncapital Financing Activities | | |
| Federal grants | 20,619,477 | 22,723,447 |
| State educational appropriations | 41,813,887 | 38,930,258 |
| Direct lending receipts | 63,121,701 | 67,086,876 |
| Direct lending disbursements | (63,047,691) | (68,491,854) |
| Private gifts | 10,059,584 | 10,861,294 |
| Other | 86,080 | 65,572 |
| Other nonoperating expenses | (1,376,750) | (1,489,452) |
| Total Cash Flows Provided by Noncapital Financing Activities | 71,276,288 | 69,686,141 |
| Cash Flows from Investing Activities | | |
| Proceeds from sale of investments | 21,538,965 | 23,051,150 |
| Purchase of investments | (21,802,831) | (25,383,740) |
| Interest on investments | 790,082 | 1,573,877 |
| Total Cash Flows Used In Investing Activities | 526,216 | (758,713) |
| Cash Flows from Capital and Related Financing Activities | | |
| State capital appropriations | 8,087,946 | 5,811,369 |
| Private capital gifts and grants | 2,694,968 | 2,221,092 |
| Purchase of capital assets | (25,450,146) | (8,902,727) |
| Principal payments on capital debt | (3,004,444) | (2,890,593) |
| Notes payable proceeds | 16,000,000 | - |
| Interest payments on capital debt | (3,503,818) | (3,526,312) |
| Total Cash Flows Used In Capital and Related Financing Activities | (5,175,494) | (7,287,171) |
| Change in Cash and Cash Equivalents | 4,421,419 | (5,289,720) |
| Cash and Cash Equivalents, Beginning of Year | 11,472,553 | 16,762,273 |
| Cash and Cash Equivalents, End of Year | \$ 15,893,972 | \$ 11,472,553 |

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|-------------------------------|-------------------------------|
| Operating loss | \$ (73,189,427) | \$ (76,575,515) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation and amortization | 11,075,611 | 11,472,394 |
| Provision for bad debts | 854,147 | 1,097,692 |
| Gifts in kind | 113,113 | 30,978 |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | (2,612,917) | (1,085,805) |
| Loans receivable, net | 307,328 | 316,347 |
| Inventories | 1,101,585 | 471,213 |
| Prepaid expenses and unearned charges | 334,442 | 241,915 |
| Accounts payable | 690,132 | (305,519) |
| Accrued and other liabilities | (357,418) | (637,391) |
| Unearned revenue | 386,983 | (170,594) |
| Compensated absences | (827,332) | (52,694) |
| Net pension liability | 18,660,550 | (9,057,584) |
| Deferred outflows of resources | (15,515,518) | (10,611,171) |
| Deferred inflow of resources | (3,226,870) | 17,935,757 |
| Net Cash Flows Used In Operating Activities | <u><u>\$ (62,205,591)</u></u> | <u><u>\$ (66,929,977)</u></u> |

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Youngstown State University (the University or YSU) is a coeducational, degree granting state-assisted metropolitan university and was established by the General Assembly of the State of Ohio in 1967. The University is a component unit of the State of Ohio. The University provides a wide range of opportunities in higher education primarily to residents in northeastern Ohio and western Pennsylvania. The University offers degrees at the undergraduate, graduate and doctoral levels.

In accordance with Governmental Accounting Standards Board (GASB) Statement No.14, *The Reporting Entity*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the University's financial statements are included, as a discretely presented component unit, in the State of Ohio's (State) Comprehensive Annual Financial Report. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Youngstown State University Foundation's (YSUF or Foundation) financial statements are included, as a discretely presented component unit, in the University's financial report by presentation of the individual financial statements of the entity immediately following the University's respective GASB financial statements. See Note 16 for additional information regarding the University's component unit.

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 GASB.

Under the provisions of GASB Statement No. 63, resources are classified for accounting and reporting purposes into the following four net position categories:

- Net investment in capital assets – Capital assets, net of accumulated depreciation, outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted Nonexpendable – Resources subject to externally imposed stipulations that they be maintained permanently by the University. Such resources include the University's permanent endowment funds.
- Restricted Expendable – Resources whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

- Unrestricted – Resources that are not subject to externally imposed stipulations. Unrestricted resources may be designated for specific purposes by action of management, Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted resources are designated for academic and research programs and initiatives, capital projects, and operating reserves.

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The University reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or in part by fees charged to external parties.

Cash Equivalents – The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value and excludes amounts restricted by board designation or whose use is limited.

Investments – In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value based on quoted market prices. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Endowment Policy – The University Endowment Fund consists of 99 named funds. Each named fund is assigned a number of shares in the University Endowment Fund based on the value of the gifts to that named fund. Prior to July 2015, the University's policy was to limit annual distributions to no greater than accumulated income earned. Distributions greater than the accumulated income earned require written justification and Board of Trustees' approval. Effective July 2015 a new endowment spending policy was implemented where annual distributions each fiscal year are set to 5% of the twelve-quarter average of the market value for the preceding twelve calendar quarters. In calculating the twelve-quarter average, census dates of March 31, June 30, September 30 and December 31 for the previous three years shall be used. Distributions greater than the calculated amount require written justification and Board of Trustees' approval.

Accounts Receivable – Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Also included are amounts due from federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenses under the applicable University grants and contracts. Accounts are recorded net of allowance for uncollectible amounts.

Pledges Receivable – The University receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a gift representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of a conditional pledge, revenue is recognized when the gift is received. Pledges are

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

recorded net of an allowance for uncollectible amounts and are discounted to net present value. During fiscal year 2015, the University entered into a development services agreement with the Foundation. As part of the agreement, new pledges are recorded by the Foundation and payments on University pledges are collected by the Foundation and remitted to the University on a monthly basis.

Inventories – Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) method for the Bookstore.

Capital Assets – Capital assets are stated at cost or acquisition value at date of gift. Infrastructure assets are included in the financial statements and are depreciated. The University's capitalization threshold for equipment, furniture and vehicles is \$5,000; and for buildings, building improvements and improvements other than buildings is \$100,000. Land is capitalized regardless of cost. Library purchases are excluded from capitalization and expensed as purchased.

Depreciation (including amortization of capital leased assets) is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Historical collections, including assets that are held for public exhibition, education, or research in furtherance of public service, which are protected and preserved, are not depreciated.

When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation is removed from asset accounts and the net investment in capital assets. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed when incurred. Estimated lives are as follows:

| <u>Classification</u> | <u>Estimated Life</u> |
|--|-----------------------|
| Buildings | 50 years |
| Improvements to buildings | 10 to 50 years |
| Improvements other than buildings | 15 years |
| Moveable equipment, furniture and vehicles | 3 to 10 years |

Unearned Revenue – Unearned revenue includes tuition and fee revenues billed or received prior to the end of the current fiscal year end, but related to the period after the current fiscal year. Also included are amounts received from grants and contract sponsors that have not yet been earned and other resources received before the eligibility requirements are met.

Compensated Absences – Accumulated unpaid vacation, personal and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The University uses the termination method to accrue sick leave compensated absences on the Statement of Net Position.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Refundable Advances from Government for Federal Loans – Funds provided by the United States government under the Federal Perkins Loan program are loaned to qualified students and re-loaned after collections. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying financial statements.

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 further exchange of goods or services. Deferred inflows of resources represent the acquisition of resources that are applicable to a future resource period. Deferred outflows of resources in the University's financial statements consist of differences between projections and actual in the OPERS and STRS Ohio pension plans and contributions subsequent to the measurement dates of the plans. Deferred inflows of resources in the University's financial statements consist of unamortized service concession arrangements and differences between projections and the actual in the OPERS and STRS Ohio pension plans.

Service Concession Arrangements – Service concession arrangements consist of an agreement with a food service provider and an agreement with a beverage company for exclusive pouring rights. Funds received are contingent upon utilization of services over a specified time period and are amortized over the term of the contract arrangement. Unamortized amounts are reflected as deferred inflows of resources on the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net positions of the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS Ohio) and additions to/deductions from OPERS' and STRS Ohio's fiduciary net positions have been determined on the same basis as they are 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.

Income Taxes – The Internal Revenue Service has ruled that the University's income is generally exempt from Federal income taxes under Section 115 of the Internal Revenue Code. The University is subject to tax on unrelated business income.

Measurement Focus and Financial Statement Presentation – Operating revenues and expenses generally result from providing educational and instructional service in connection with the University's principal ongoing operations. The principal operating revenues include student tuition, fees and other student charges. The University also recognizes as operating revenue grants classified as exchange transactions and auxiliary activities. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition including State appropriations are reported as nonoperating revenues and expenses.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Scholarship Allowances and Student Aid – Tuition, fees, and other student charges are reflected net of scholarship allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Certain aid (such as loans and funds awarded to students by third parties) is accounted for as a third party payment (credited to the student’s account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

Release of Restricted Funds – When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the University’s policy to apply restricted resources first, then unrestricted resources as needed.

Management’s Estimates – The preparation of the 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, revenue and expenses during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from these estimates.

Adoption of New Accounting Pronouncements – In fiscal year 2016, the provisions of the following GASB Statements became effective:

- GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued June 2015. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015 except those provisions that address employers and governmental nonemployer contribution entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. This objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement did not have any impact on the financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement did not have any impact on the financial statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued December 2015. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement did not have any impact on the financial statements.

Newly Issued Accounting Pronouncements – As of the report date, the GASB issued the following statements not yet implemented by the University:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).
- GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015. The requirements of this Statement are effective for reporting periods beginning after December 31, 2015. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. hierarchy of generally accepted accounting principles (GAAP).
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, issued December 2015. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, issued January 2016. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*, issued March 2016. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The University has not yet determined the effect these Statements will have on the University's financial statements and disclosures.

Reclassification – Certain reclassifications have been made to the fiscal year 2015 amounts to conform with the fiscal year 2016 presentation. These reclassifications had no effect on the total net position or change in net position.

Note 2 – State Support

The University receives support from the State in the form of State appropriations and capital appropriations. As required by GASB Statement No. 35, these are reflected as non operating revenues on the Statement of Revenues, Expenses, and Changes in Net Position.

State appropriations totaled \$41,813,887 in fiscal year 2016 compared to \$38,930,258 in fiscal year 2015. The State Share of Instruction (SSI) is determined annually by the Ohio Department of Higher Education.

Capital appropriations from the State totaled \$8,539,064 in fiscal year 2016 compared to \$6,174,875 in fiscal year 2015 and included funding for equipment and the construction/major renovations of plant facilities.

Funding for the construction of major plant facilities on the University campus is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn is used for the construction and subsequent lease of the facilities by the Ohio Department of Higher Education.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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 of Ohio. 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.

Outstanding debt issued by OPFC is not included on the University's Statement of Net Position. In addition, the appropriations by the General Assembly to the Ohio Department of Higher Education for payment of debt service are not reflected as appropriation revenue received by the University, and the related debt service payments are not recorded in the University's accounts.

Note 3 – Cash and Cash Equivalents

For financial statement presentation purposes, cash in banks has been combined with the University's cash equivalents and temporary investments in repurchase agreements and certificates of deposit.

The aggregate cost of repurchase agreements, which approximates fair value, included in cash and cash equivalents is \$357,738 and \$2,083,878 at June 30, 2016 and 2015, respectively.

Depository funds held in the name of the University are secured by a pool of securities with a value of at least 105% of the total value of monies on deposit at the depository bank. All collateral, both specific and pooled, is held by the Federal Reserve Bank or by a designated trustee as agent for the public depositories used by the University.

Cash and Cash Equivalents at June 30, 2016 and June 30, 2015 consist of the following:

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Carrying Amount | <u>\$ 15,893,972</u> | <u>\$ 11,472,553</u> |
| FDIC Insured | \$ 5,769,116 | \$ 5,817,914 |
| Uninsured but collateralized by pools of securities pledged by the depository banks | 4,927,221 | 3,883,274 |
| Uninsured but assets held in name of YSU not pledged as collateral elsewhere | <u>5,882,625</u> | <u>3,274,251</u> |
| Bank Balance | <u>\$ 16,578,962</u> | <u>\$ 12,975,439</u> |

The difference in carrying amount and bank balance is caused by items in transit and outstanding checks. Deposits held in safekeeping by a bank, as trustee or escrow agent, included in cash totaled \$3,746,878 at June 30, 2016 and \$1,671,240 at June 30, 2015, which approximates market. These deposits, including interest on the investments, are retained in the trust for projects funded by bond proceeds and payment of principal and interest on outstanding indebtedness. The University's Star Ohio Plus account deposits are federally insured and totaled \$5,021,068 at June 30, 2016 and \$5,008,195 at June 30, 2015.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2016 and June 30, 2015, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

Note 4 – Investments

The University's investment policy authorizes the University to invest non-endowed and endowed University funds in compliance with provisions of the Ohio Revised Code including House Bill 524, Section 3345.05 of the Ohio Revised Code, and all other applicable laws and regulations.

In accordance with the Policies of the Board of Trustees of the University, investment types are not specifically limited but shall be made with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Furthermore, investments shall be managed for the use and benefit of the University in a diversified portfolio that focuses, over time, on the preservation of capital, minimization of cost and risk, and maintenance of required levels of liquidity in the overall portfolio to meet cash flow requirements. The University utilizes an investment advisor and investment manager for non-endowment funds.

The University's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Assets classified in Level 1 of the fair value hierarchy are valued directly from a primary external pricing vendor.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

As of June 30, 2016, the University had the following investments measured at fair value:

| | Fair Value Measurement | | | Total |
|-----------------------------|------------------------|-------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| U.S. Government Obligations | \$ 7,557,213 | \$ - | \$ - | \$ 7,557,213 |
| Corporate Bonds | 9,921,463 | - | - | 9,921,463 |
| Foreign Bonds | 115,597 | - | - | 115,597 |
| U.S. Government Bonds | 1,828,911 | - | - | 1,828,911 |
| Bond Mutual Funds | 9,813,823 | - | - | 9,813,823 |
| Preferred and Common Stock | 6,255,968 | - | - | 6,255,968 |
| Equity Mutual Funds | 27,829,070 | - | - | 27,829,070 |
| Totals | \$ 63,322,045 | \$ - | \$ - | \$ 63,322,045 |

As of June 30, 2015, the University had the following investments measured at fair value:

| | Fair Value Measurement | | | Total |
|-----------------------------|------------------------|-------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| U.S. Government Obligations | \$ 7,427,958 | \$ - | \$ - | \$ 7,427,958 |
| Corporate Bonds | 9,845,758 | - | - | 9,845,758 |
| Foreign Bonds | 100,406 | - | - | 100,406 |
| U.S. Government Bonds | 1,618,225 | - | - | 1,618,225 |
| Bond Mutual Funds | 11,211,109 | - | - | 11,211,109 |
| Preferred and Common Stock | 5,987,195 | - | - | 5,987,195 |
| Equity Mutual Funds | 26,867,528 | - | - | 26,867,528 |
| Totals | \$ 63,058,179 | \$ - | \$ - | \$ 63,058,179 |

As of June 30, 2016, the University had the following investments and maturities using the segmented time distribution method:

| Investment Type | Fair Value | Investment maturities (in years) | | | |
|-----------------------------|----------------------|----------------------------------|----------------------|---------------------|-------------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| U.S. Government Obligations | \$ 7,557,213 | \$ - | \$ 6,751,994 | \$ 805,219 | \$ - |
| Corporate Bonds | 9,921,463 | 623,316 | 8,065,572 | 1,222,429 | 10,146 |
| Foreign Bonds | 115,597 | 100,154 | - | 15,443 | - |
| U.S. Government Bonds | 1,828,911 | 117 | 719,061 | 399,044 | 710,689 |
| Bond Mutual Funds | 9,813,823 | 9,813,823 | - | - | - |
| Preferred and Common Stock | 6,255,968 | 6,255,968 | - | - | - |
| Equity Mutual Funds | 27,829,070 | 27,829,070 | - | - | - |
| Totals | \$ 63,322,045 | \$ 44,622,448 | \$ 15,536,627 | \$ 2,442,135 | \$ 720,835 |

All callable stocks were assumed to mature in less than one year.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

As of June 30, 2015, the University had the following investments and maturities using the segmented time distribution method:

| Investment Type | Fair Value | Investment maturities (in years) | | | |
|-----------------------------|---------------------|----------------------------------|----------------------|---------------------|-------------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| U.S. Government Obligations | \$ 7,427,958 | \$ 1,531,665 | \$ 5,568,903 | \$ 323,820 | \$ 3,570 |
| Corporate Bonds | 9,845,758 | 1,170,620 | 6,338,186 | 2,296,806 | 40,146 |
| Foreign Bonds | 100,406 | - | 100,406 | - | - |
| U.S. Government Bonds | 1,618,225 | 1,037 | 436,488 | 636,761 | 543,939 |
| Bond Mutual Funds | 11,211,109 | 11,211,109 | - | - | - |
| Preferred and Common Stock | 5,987,195 | 5,987,195 | - | - | - |
| Equity Mutual Funds | 26,867,528 | 26,867,528 | - | - | - |
| Totals | <u>\$63,058,179</u> | <u>\$46,769,154</u> | <u>\$ 12,443,983</u> | <u>\$ 3,257,387</u> | <u>\$ 587,655</u> |

All callable stocks were assumed to mature in less than one year.

As of June 30, 2016, investments had the following quality credit ratings:

| Investment Type | Fair Value | Aaa | Aa | A | Baa | Unrated |
|-----------------------|---------------------|---------------------|--------------------|--------------------|--------------------|---------------------|
| Corporate Bonds | \$ 9,921,463 | \$ 2,376,851 | \$ 1,162,736 | \$ 2,298,069 | \$ 2,842,439 | \$ 1,241,368 |
| Foreign Bonds | 115,597 | - | 115,597 | - | - | - |
| U.S. Government Bonds | 1,828,911 | 1,196,000 | 632,911 | - | - | - |
| Bond Mutual Funds | <u>\$ 9,813,823</u> | <u>6,144,635</u> | <u>1,725,631</u> | <u>753,301</u> | <u>872,147</u> | <u>318,109</u> |
| Totals | <u>\$21,679,794</u> | <u>\$ 9,717,486</u> | <u>\$3,636,875</u> | <u>\$3,051,370</u> | <u>\$3,714,586</u> | <u>\$ 1,559,477</u> |

As of June 30, 2015, investments had the following quality credit ratings:

| Investment Type | Fair Value | Aaa | Aa | A | Baa | Unrated |
|-----------------------|---------------------|---------------------|--------------------|--------------------|--------------------|------------------|
| Corporate Bonds | \$ 9,845,758 | \$ 2,377,138 | \$ 1,054,576 | \$ 2,600,761 | \$ 3,158,288 | \$ 654,995 |
| Foreign Bonds | 100,406 | - | 100,406 | - | - | - |
| U.S. Government Bonds | 1,618,225 | 1,093,212 | 525,013 | - | - | - |
| Bond Mutual Funds | <u>\$11,211,109</u> | <u>7,484,001</u> | <u>1,444,326</u> | <u>992,086</u> | <u>960,770</u> | <u>329,926</u> |
| Totals | <u>\$22,775,498</u> | <u>\$10,954,351</u> | <u>\$3,124,321</u> | <u>\$3,592,847</u> | <u>\$4,119,058</u> | <u>\$984,921</u> |

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University’s investment policy and asset allocation guidelines facilitate the management and monitoring of its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2016, \$5,444,128 or 9% of the University’s portfolio was held in an intermediate bond fund and \$1,271,495 or 2% was held in a short term bond fund. As of June 30, 2015, \$5,140,428 or 8% of the University’s portfolio was held in an intermediate term bond fund and \$3,214,825 or 5% was held in a short-term bond fund. The University’s investment policy and asset allocation guidelines contain provisions to manage credit risk.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments that are both unregistered and uninsured are exposed to custodial credit risk if investments are held by the counterparty, or are held by the counterparty’s trust department or agent but not in the name of the University. At June 30, 2016 and 2015, the University had no exposure to custodial credit risk. The University does not address custodial credit risk in its investment policy and asset allocation guidelines.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2016 and 2015, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

Note 5 – Accounts and Loans Receivable

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

| | 2016 | 2015 |
|---------------------------------------|----------------------|----------------------|
| Accounts receivable | | |
| Student accounts | \$ 9,938,609 | \$ 10,641,281 |
| Grants and contracts | 2,135,367 | 1,304,892 |
| State appropriations | 1,853,200 | 1,402,082 |
| Other receivables | 4,226,260 | 3,133,608 |
| Total Accounts receivable | 18,153,436 | 16,481,863 |
| Less: Allowance for doubtful accounts | 5,120,259 | 5,746,411 |
| Accounts receivable, net | <u>\$ 13,033,177</u> | <u>\$ 10,735,452</u> |
| Loans receivable - student notes | \$ 2,520,738 | \$ 2,830,696 |
| Less: Allowance for doubtful accounts | 642,307 | 654,365 |
| Loans receivable, net | 1,878,431 | 2,176,331 |
| Less: current portion | 422,496 | 404,434 |
| Loans receivable, noncurrent portion | <u>\$ 1,455,935</u> | <u>\$ 1,771,897</u> |

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2016 and June 30, 2015 were as follows:

| | 2016 | 2015 |
|--|-------------------|---------------------|
| Pledges receivable | \$ 1,853,249 | \$ 2,903,613 |
| Less: Allowance for doubtful accounts | 85,183 | 127,797 |
| Present value discount | 46,824 | 108,484 |
| Pledges receivable, net | 1,721,242 | 2,667,332 |
| Less: current portion | 893,284 | 1,140,910 |
| Pledges receivable, noncurrent portion | <u>\$ 827,958</u> | <u>\$ 1,526,422</u> |

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Pledges have been discounted to net present value using June 30, 2016 and June 30, 2015 U.S. Treasury Note rates of 1.12% (5-year) and 1.379 (7-year) in fiscal year 2016 and 1.62% (5-year) and 2.12% (7-year) in fiscal year 2015.

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Additions | Reductions | Transfers | Ending Balance |
|-----------------------------------|-----------------------|----------------------|-------------------|-------------|-----------------------|
| Nondepreciable assets: | | | | | |
| Land | \$ 16,093,678 | \$ 52,659 | \$ - | \$ 3,063 | \$ 16,149,400 |
| Construction in progress | 6,129,774 | 17,211,492 | - | (4,717,842) | 18,623,424 |
| Historical treasures | 635,466 | 200,000 | - | - | 835,466 |
| Depreciable assets: | | | | | |
| Buildings | 280,566,952 | 14,867 | 577,982 | - | 280,003,837 |
| Improvements to buildings | 50,692,906 | 5,955,294 | 67,723 | 2,993,870 | 59,574,347 |
| Improvements other than buildings | 35,015,971 | 2,485,094 | 1,000,000 | 883,937 | 37,385,002 |
| Moveable equipment and furniture | 33,042,335 | 925,200 | 1,130,697 | 836,972 | 33,673,810 |
| Vehicles | 1,222,268 | 181,356 | 66,992 | - | 1,336,632 |
| Total cost | <u>423,399,350</u> | <u>27,025,962</u> | <u>2,843,394</u> | <u>-</u> | <u>447,581,918</u> |
| Less accumulated depreciation: | | | | | |
| Buildings | 164,316,559 | 4,937,846 | 379,631 | - | 168,874,774 |
| Improvements to buildings | 13,383,106 | 2,048,751 | 27,617 | - | 15,404,240 |
| Improvements other than buildings | 18,093,828 | 1,860,955 | 1,000,000 | - | 18,954,783 |
| Moveable equipment and furniture | 27,830,142 | 2,125,804 | 1,115,671 | - | 28,840,275 |
| Vehicles | 1,022,940 | 85,653 | 66,992 | - | 1,041,601 |
| Total accumulated depreciation | <u>224,646,575</u> | <u>11,059,009</u> | <u>2,589,911</u> | <u>-</u> | <u>233,115,673</u> |
| Capital assets, net | <u>\$ 198,752,775</u> | <u>\$ 15,966,953</u> | <u>\$ 253,483</u> | <u>\$ -</u> | <u>\$ 214,466,245</u> |

Projects completed and transferred from construction in progress during fiscal year 2016 included the Melnick Hall renovation, restroom renovations, and roof and elevator renovations to several building across campus.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Capital assets activity for the year ended June 30, 2015 was as follows:

| | Beginning Balance | Additions | Reductions | Transfers | Ending Balance |
|-----------------------------------|-----------------------|-----------------------|-------------------|-------------|-----------------------|
| Nondepreciable assets: | | | | | |
| Land | \$ 15,692,070 | \$ 378,637 | \$ - | \$ 22,971 | \$ 16,093,678 |
| Construction in progress | 6,577,088 | 4,264,650 | 256,749 | (4,455,215) | 6,129,774 |
| Historical treasures | 635,466 | - | - | - | 635,466 |
| Depreciable assets: | | | | | |
| Buildings | 280,101,358 | 228,771 | 1,218,615 | 1,455,438 | 280,566,952 |
| Improvements to buildings | 45,718,508 | 2,983,875 | - | 1,990,523 | 50,692,906 |
| Improvements other than buildings | 34,559,486 | 877,367 | 1,000,000 | 579,118 | 35,015,971 |
| Moveable equipment and furniture | 32,591,938 | 825,309 | 782,077 | 407,165 | 33,042,335 |
| Vehicles | 1,221,666 | 56,234 | 55,632 | - | 1,222,268 |
| Total cost | 417,097,580 | 9,614,843 | 3,313,073 | - | 423,399,350 |
| Less accumulated depreciation: | | | | | |
| Buildings | 160,049,260 | 5,215,513 | 948,214 | - | 164,316,559 |
| Improvements to buildings | 11,653,078 | 1,730,028 | - | - | 13,383,106 |
| Improvements other than buildings | 17,289,190 | 1,804,638 | 1,000,000 | - | 18,093,828 |
| Moveable equipment and furniture | 25,955,025 | 2,616,565 | 741,448 | - | 27,830,142 |
| Vehicles | 990,145 | 88,427 | 55,632 | - | 1,022,940 |
| Total accumulated depreciation | 215,936,698 | 11,455,171 | 2,745,294 | - | 224,646,575 |
| Capital assets, net | <u>\$ 201,160,882</u> | <u>\$ (1,840,328)</u> | <u>\$ 567,779</u> | <u>\$ -</u> | <u>\$ 198,752,775</u> |

Projects completed and transferred from construction in progress during fiscal year 2015 included the Veterans Resource Center as well as roof and elevator renovations to several buildings across campus.

Note 8 – Payroll and Other Liabilities

Payroll and other liabilities at June 30, 2016 and 2015 consist of the following:

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Payroll liabilities: | | |
| Accrued compensation | \$ 5,058,132 | \$ 5,004,530 |
| Accrued benefits | 105,791 | 166,851 |
| Accrued health care benefits and insurance payable | 1,030,270 | 1,234,509 |
| Retirement system contribution payable | 847,726 | 1,137,726 |
| Totals | <u>\$ 7,041,919</u> | <u>\$ 7,543,616</u> |
| Other liabilities: | | |
| Deposits held in custody | \$ 476,606 | \$ 453,194 |
| Interest payable | 642,702 | 169,392 |
| Other liabilities | 302,665 | 187,587 |
| Totals | <u>\$ 1,421,973</u> | <u>\$ 810,173</u> |

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2016 are completed, totaled \$9.2 million compared to \$8 million at June 30, 2015. These amounts do not constitute expenses incurred or liabilities.

Note 9 – Bonds

In June 2011, the Board of Trustees of Youngstown State University authorized through a Board resolution the issuance of General Receipts Bonds, Series 2011 in the amount of \$18,660,000. The \$19,006,093 in bond proceeds were received in July 2011. The Series 2011 Bonds were utilized to pay costs associated with acquiring the University Courtyard Apartments, any necessary related improvements thereto and to pay costs of issuing the Series 2011 Bonds.

Details of the bonds payable for the General Receipts Bonds, Series 2011 as of June 30, 2016 follow:

| Bond Component | Rate | Yield | Maturity Through | Original Principal |
|----------------|-------|-------|------------------|----------------------|
| Serial Bond | 4.00% | 2.45% | 2017 | \$ 595,000 |
| Serial Bond | 5.00% | 2.90% | 2018 | 625,000 |
| Serial Bond | 5.00% | 3.28% | 2019 | 655,000 |
| Serial Bond | 5.00% | 3.58% | 2020 | 690,000 |
| Serial Bond | 3.50% | 3.82% | 2021 | 720,000 |
| Serial Bond | 3.75% | 3.98% | 2022 | 450,000 |
| Serial Bond | 5.00% | 3.98% | 2022 | 300,000 |
| Serial Bond | 4.00% | 4.14% | 2023 | 780,000 |
| Term Bond | 5.00% | 4.55% | 2026 | 2,570,000 |
| Term Bond | 5.00% | 5.08% | 2034 | 9,085,000 |
| Total | | | | <u>\$ 16,470,000</u> |

As part of the American Recovery and Reinvestment Act of 2009, states and local governments are permitted to issue two types of taxable obligations, referred to as Build America Bonds (BABs). The BABs include federal subsidies to offset a portion of interest costs as an alternative to issuing traditional tax-exempt obligations.

In March 2010, the University issued \$25,335,000 of General Receipts Bonds (Taxable Build America Bonds), Series 2010 to provide funding to pay costs associated with facilities planning for the University's College of Science, Technology, Engineering and Mathematics (STEM), convert the old college of business building for use as a laboratory, office and classroom space, renovate Kilcawley Center, reconfigure and replace campus parking facilities, construct the WATTS Center, relocate certain existing outdoor athletic facilities and pay the costs of issuance of the Series 2010 Bonds. In September 2011, approximately \$9.9 million was re-allocated from the Kilcawley Center project to Academic building renovation projects.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

The University designated the Series 2010 Bonds both as Build America Bonds and as Qualified Bonds and intends to apply for Credit Payments pursuant only to the extent that the Series 2010 Bonds remain Qualified Bonds, which requires the University to comply with certain covenants and to establish certain facts and expectations with respect to the Series 2010 Bonds, the use and investment of proceeds thereof and the use of property financed thereby.

Details of the bonds payable for the General Receipts Bonds (Taxable Build America Bonds), Series 2010 as of June 30, 2016 follow:

| Bond Component | Rate/Yield * | Maturity Through | Original Principal |
|----------------|--------------|------------------|--------------------|
| Serial Bond | 4.192% | 2017 | \$ 525,000 |
| Serial Bond | 4.542% | 2018 | 1,065,000 |
| Serial Bond | 4.959% | 2019 | 1,110,000 |
| Serial Bond | 5.109% | 2020 | 1,145,000 |
| Serial Bond | 5.209% | 2021 | 1,185,000 |
| Serial Bond | 5.359% | 2022 | 1,225,000 |
| Serial Bond | 5.509% | 2023 | 1,265,000 |
| Term Bond | 6.109% | 2026 | 4,085,000 |
| Term Bond | 6.549% | 2031 | 8,030,000 |
| Term Bond | 6.579% | 2034 | 5,700,000 |
| Total | | | \$ 25,335,000 |

* Does not reflect impact of federal subsidies

In March 2009, the University issued \$31,255,000 of General Receipts Bonds, Series 2009 to acquire, construct and equip the new Williamson College of Business Administration building, renovate and replace portions of the existing Wick Pollock Inn, refund the remaining General Receipts Bonds, Series 1997 and Series 1998, refund the General Receipts Bond Anticipation Notes, Series 2008 (BAN), and pay a portion of the costs of issuance of the bonds.

Details of the bonds payable for the General Receipts Bonds, Series 2009 as of June 30, 2016 follow:

| Bond Component | Rate | Yield | Maturity Through | Original Principal |
|----------------|--------|--------|------------------|--------------------|
| Serial Bond | 4.000% | 4.000% | 2017 | \$ 1,335,000 |
| Serial Bond | 4.125% | 4.200% | 2018 | 860,000 |
| Serial Bond | 4.375% | 4.400% | 2019 | 885,000 |
| Serial Bond | 4.500% | 4.600% | 2020 | 925,000 |
| Serial Bond | 4.625% | 4.750% | 2021 | 965,000 |
| Serial Bond | 4.750% | 4.900% | 2022 | 1,010,000 |
| Term Bond | 5.000% | 5.080% | 2024 | 2,170,000 |
| Serial Bond | 5.125% | 5.180% | 2025 | 1,170,000 |
| Term Bond | 5.250% | 5.340% | 2030 | 6,815,000 |
| Term Bond | 5.500% | 5.540% | 2034 | 6,875,000 |
| Total | | | | \$ 23,010,000 |

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

The indebtedness created through all issues of the General Receipts Bonds is bound by the Amended and Restated Trust Indenture dated as of March 1, 2009. The Series 2010 Bonds and Series 2011 Bonds are also bound by the First Supplemental Trust Indenture dated as of February 2010; and in addition, the Series 2011 Bonds are also bound by the Second Supplemental Trust Indebtedness dated as of July 1, 2011. The University has complied with all covenant requirements.

The debt is secured by a pledge of all University general receipts, excluding state appropriations and receipts previously pledged or otherwise restricted. Payment of bond principal and interest on the Bond Series 2009 is guaranteed under a municipal bond insurance policy.

Maturities of all bonds payable and debt service for fiscal years subsequent to June 30, 2016 follow (also see Note 12):

| Fiscal Year | General Receipts Bonds | | |
|-------------|------------------------|----------------------|-----------------------|
| | Principal | Interest | Total |
| 2017 | \$ 2,455,000 | \$ 3,441,348 | \$ 5,896,348 |
| 2018 | 2,550,000 | 3,334,196 | 5,884,196 |
| 2019 | 2,650,000 | 3,213,390 | 5,863,390 |
| 2020 | 2,760,000 | 3,082,822 | 5,842,822 |
| 2021 | 2,870,000 | 2,949,731 | 5,819,731 |
| 2022-2026 | 16,255,000 | 12,409,014 | 28,664,014 |
| 2027-2031 | 20,445,000 | 7,327,539 | 27,772,539 |
| 2032-2034 | 14,830,000 | 1,314,405 | 16,144,405 |
| Totals | <u>\$ 64,815,000</u> | <u>\$ 37,072,445</u> | <u>\$ 101,887,445</u> |

NOTE: Expected future federal subsidies for the BABs is \$5,761,414

Federal subsidies received by the University were \$499,551 in fiscal year 2016 and \$496,871 in fiscal year 2015. These are reported as non operating federal grant revenue. Interest expense on indebtedness was \$3,939,548 in fiscal year 2016 and \$3,454,055 in fiscal year 2015. On construction-related debt, net interest cost of \$64,656 was capitalized in fiscal year 2016, and \$149,795 in fiscal year 2015.

In September 2016, the Board of Trustees of Youngstown State University authorized through a Board resolution the issuance of General Receipts Bonds, Series 2016 in an amount not to exceed \$28,500,000 to advance refund all or a portion of the prior bonds at an anticipated cost not to exceed \$23,000,000 and to acquire, construct, equip, furnish, reconstruct, alter, enlarge, remodel, renovate, rehabilitate or improve certain University facilities including but not limited to a bookstore at an anticipated cost not to exceed \$5,500,000.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 10 – Notes Payable

During fiscal year 2016, the University entered into a 14 year performance contract with Johnson Controls for campus energy savings measures. The contract amount of \$16 million includes an assured performance providing for an annual measured cost savings of not less than \$2 million per year and was financed through PNC Equipment Finance over 14 years at an interest rate of 3.366% and requires annual installment payments. Title to the assets vests in the University. Security of the debt is limited to the revenues appropriated for such purpose.

| Fiscal Year | Principal | Interest | Total |
|-------------|----------------------|---------------------|----------------------|
| 2017 | \$ - | \$ 538,560 | \$ 538,560 |
| 2018 | 616,894 | 538,560 | 1,155,454 |
| 2019 | 692,464 | 517,795 | 1,210,259 |
| 2020 | 773,026 | 494,487 | 1,267,513 |
| 2021 | 858,856 | 468,467 | 1,327,323 |
| 2022 | 950,241 | 439,558 | 1,389,799 |
| 2023 | 1,078,481 | 407,573 | 1,486,054 |
| 2024 | 1,202,940 | 371,271 | 1,574,211 |
| 2025 | 1,324,612 | 330,780 | 1,655,392 |
| 2026 | 1,438,534 | 286,194 | 1,724,728 |
| 2027 | 1,549,581 | 237,773 | 1,787,354 |
| 2028 | 1,712,798 | 185,614 | 1,898,412 |
| 2029 | 1,869,325 | 127,961 | 1,997,286 |
| 2030 | 1,932,248 | 65,039 | 1,997,287 |
| Totals | <u>\$ 16,000,000</u> | <u>\$ 5,009,632</u> | <u>\$ 21,009,632</u> |

During fiscal year 2006, the University entered into a ten year performance contract with Johnson Controls, which includes an assured performance providing for an annual measured cost savings of \$1,296,298. The contract amount of \$9,796,000 was financed with Chase Equipment Leasing, Inc. over 10 years, at an interest rate of 3.53%, and required equal annual installment payments. The final payment of \$1,179,666 was due December 23, 2015 and included \$40,222 in interest. Title to the assets vests in the University. The debt is secured by a pledge of all University general receipts, excluding State appropriations and receipts previously pledged or otherwise restricted.

The University has complied with all covenant requirements.

Note 11 – Operating Lease

The University had as an operating lease for the usage of mailroom equipment which ended April 30, 2016 and bears interest at 9.904%. Lease payments totaled \$18,347 in fiscal year 2016. Lease payments totaled \$198,877 in fiscal year 2015 and also included payments on a vehicle, and classroom and office space leases.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 12 – Long-Term Liabilities

Long-term liability activity (also see Notes 9, 10 and 13) for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|----------------------------------|-----------------------|----------------------|----------------------|-----------------------|---------------------|
| Bonds payable | | | | | |
| General receipts bonds principal | \$ 66,680,000 | \$ - | \$ 1,865,000 | \$ 64,815,000 | \$ 2,455,000 |
| Unamortized premium/discount | (21,004) | - | 37,580 | (58,584) | - |
| Bonds payable, net | 66,658,996 | - | 1,902,580 | 64,756,416 | 2,455,000 |
| Note payable | 1,139,444 | 16,000,000 | 1,139,444 | 16,000,000 | - |
| Compensated absences | 9,843,762 | | 827,332 | 9,016,430 | 604,117 |
| Refundable advance | 2,581,299 | 19,677 | 73,180 | 2,527,796 | |
| Net pension liability | | | | | |
| OPERS | 34,173,082 | 18,486,379 | 6,142,722 | 46,516,739 | - |
| STRS | 93,512,061 | 21,206,222 | 14,889,329 | 99,828,954 | - |
| Net pension liability | 127,685,143 | 39,692,601 | 21,032,051 | 146,345,693 | - |
| Total long-term liabilities | <u>\$ 207,908,644</u> | <u>\$ 55,712,278</u> | <u>\$ 24,974,587</u> | <u>\$ 238,646,335</u> | <u>\$ 3,059,117</u> |

Long-term liability activity (also see Notes 9, 10 and 13) for the year ended June 30, 2015 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|----------------------------------|----------------------|-----------------------|----------------------|-----------------------|---------------------|
| Bonds payable | | | | | |
| General receipts bonds principal | \$ 68,470,000 | \$ - | \$ 1,790,000 | \$ 66,680,000 | \$ 1,865,000 |
| Unamortized premium/discount | 28,512 | - | 49,516 | (21,004) | - |
| Bonds payable, net | 68,498,512 | - | 1,839,516 | 66,658,996 | 1,865,000 |
| Note payable | 2,240,037 | - | 1,100,593 | 1,139,444 | 1,139,444 |
| Compensated absences | 9,896,456 | 230,000 | 282,694 | 9,843,762 | 736,034 |
| Refundable advance | 2,628,561 | 9,098 | 56,360 | 2,581,299 | - |
| Net pension liability | | | | | |
| OPERS | - | 34,173,082 | | 34,173,082 | - |
| STRS | - | 111,390,955 | 17,878,894 | 93,512,061 | - |
| Net pension liability | - | 145,564,037 | 17,878,894 | 127,685,143 | - |
| Total long-term liabilities | <u>\$ 83,263,566</u> | <u>\$ 145,803,135</u> | <u>\$ 21,158,057</u> | <u>\$ 207,908,644</u> | <u>\$ 3,740,478</u> |

Note 13 – Defined Benefit Pension Plans

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. 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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net position 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. 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.

Ohio Revised Code limits the University's obligation for this liability to annually required payments. The University cannot control benefit terms or the manner in which pensions are financed; however, the University does receive the benefit of employees' services in exchange for compensation including pension.

GASBs 68 and 71 assumes the liability is solely the obligation of the employer, because (1) the employer benefits from employee services; and (2) State statute requires all funding to come from the employer. All contributions to date have come solely from employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each pension plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in payroll liabilities.

Plan Descriptions

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

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

OPERS and STRS Ohio Defined Benefit Plans pay service retirement benefits using a fixed formula based on age, years of service credit and final average salary (FAS). In addition to service retirement, participants are eligible for disability and survivor benefits.

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

OPERS Member-Directed Plan and STRS Ohio Defined Contribution Plan are optional alternative retirement plans available to new members. Participants allocate both member and a portion of the employer contributions in an investment account. Portions of the employer contributions are allocated to the defined benefit unfunded liabilities. Benefits are based on the member's account value.

OPERS and STRS Ohio Combined Plans offer features of both a defined benefit plan and a member-directed or 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 along with disability and survivor benefits.

Benefits Provided

OPERS and STRS Ohio 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 receiving them yet 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 pension plan and members must meet the eligibility requirements based on their age and years of service credit within the plan. Retirement eligibility also varies by division and transition group. Members who were eligible to retire under law in effect prior to SB 343 before January 7, 2013 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.

State and Local members in transition groups A and B are eligible for retirement benefits at age 55 with 25 or more years of service credit or at age 60 with 5 years of service credit. State and Local members in transition Group C are eligible for retirement at age 57 with 25 years of service credit or at age 62 with 5 years of service credit.

Under the Traditional Plan, for Groups A and B, the annual benefit is based on 2.2% of FAS multiplied by the actual years of service credit for the first 30 years of service credit and 2.5% for years of service credit 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 credit 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. Group C is based on the average of the five highest years of earnings over a member's career.

Under the Combined Plan, the benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service credit. A factor of 1.25% is applied to years of service credit in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service credit and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Member-Directed participants must have attained the age of 55, have money on deposit in the Defined Contribution Plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts.

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

OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. Law Enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury. Members participating in the Member-Directed Plan are not eligible for disability benefits.

Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Law Enforcement and Public Safety personnel are eligible for survivor benefits immediately upon employment.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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

STRS Ohio Benefits

Under the Defined Benefit Plan, on or before July 1, 2015, benefits are based on 2.2% of FAS for the three highest years of earnings, multiplied by years of total Ohio service credit. The percentages increase if the member has 35 or more years of contributing service credit. Effective Aug. 1, 2015, benefits are based on an annual amount equal to 2.2% of FAS for the five highest years of earnings, multiplied by all years of service credit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or at age 55 with 25 years of service credit, or 30 years of service credit regardless of age. Age and service requirements for retirement increased effective Aug. 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service credit or age 65 and 5 years of service credit on Aug. 1, 2026.

Under the Combined Plan, member contributions are allocated among investment choices by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular Defined Benefit 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 Aug. 1, 2015, FAS will be average of the member's five highest salary years. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of service credit. The defined contribution portion of the Combined Plan may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

The Defined Contribution Plan allows members to place all of their member contributions plus a portion of the employer contributions into an investment account. Investment allocation decisions are determined by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

A Defined Benefit Plan or Combined Plan member with 5 or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits. Disability benefits are determined in the same manner as retirement benefits. Members in the Defined Contribution Plan who become disabled are entitled only to their account balance. If a member of the Defined Contribution Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Under the Defined Benefit Plan, members will receive a 2% annual cost of living adjustment 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

Employer and member contribution rates are established by the OPERS Board and the STRS Ohio Board subject to limits per Chapter 145 and Chapter 3307 of the Ohio Revised Code, respectively.

The employee contribution rates for the current and preceding two fiscal years follow:

| Employee Contribution Rate | | | | | | |
|----------------------------|-------------|-------|-------------|-------|-------------|-------|
| Period | STRS | | OPERS | | OPERSLE | |
| | Traditional | ARP | Traditional | ARP | Traditional | ARP |
| 7/1/15-6/30/16 | 13.0% | 13.0% | 10.0% | 10.0% | 13.0% | 13.0% |
| 7/1/14-6/30/15 | 12.0% | 12.0% | 10.0% | 10.0% | 13.0% | 13.0% |
| 1/1/14-6/30/14 | 11.0% | 11.0% | 10.0% | 10.0% | 13.0% | 13.0% |
| 7/1/13-12/31/13 | 11.0% | 11.0% | 10.0% | 10.0% | 12.6% | 12.6% |

The employer contribution rates for the current and preceding two fiscal years follow:

| Employer Contribution Rate | | | | | | | | |
|----------------------------|-------------|-------|-------|-------------|-------|--------|-------------|--------|
| Period | STRS | | | OPERS | | | OPERSLE | |
| | Traditional | ARP | | Traditional | ARP | | Traditional | ARP |
| | | STRS | ARP | | OPERS | ARP | | |
| 7/1/13-6/30/16 | 14.00% | 4.50% | 9.50% | 14.00% | 0.77% | 13.23% | 18.10% | 18.10% |

University contributions equal to the required contributions for the current and two preceding years follow:

| Employer Contributions | | | | | | | | |
|------------------------|--------------|------------|------------|--------------|-----------|------------|-------------|------|
| Fiscal Year | STRS | | | OPERS | | | OPERSLE | |
| | Traditional | ARP | | Traditional | ARP | | Traditional | ARP |
| | | STRS | ARP | | OPERS | ARP | | |
| 2016 | \$ 4,841,012 | \$ 312,415 | \$ 658,094 | \$ 4,653,438 | \$ 34,885 | \$ 599,387 | \$ 305,815 | \$ - |
| 2015 | \$ 4,996,652 | \$ 318,784 | \$ 668,878 | \$ 4,765,188 | \$ 35,380 | \$ 607,807 | \$ 295,408 | \$ - |
| 2014 | \$ 5,249,937 | \$ 306,628 | \$ 670,222 | \$ 4,887,943 | \$ 41,718 | \$ 716,792 | \$ 272,422 | \$ - |

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016 and June 30, 2015, the University reported a liability for its proportional share of the net pension liability of OPERS/STRS. The net pension liability was measured as of December 31, 2015 and December 31, 2014 for the OPERS plan and June 30, 2015 and June 30, 2014 for the STRS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on its contributions to the pension plan relative to the contributions of all participating reporting units.

| Plan | Measurement Date | Net Pension Liability | | Proportionate Share | | Percent Change |
|-------|------------------|-----------------------|-----------------------|---------------------|-----------|----------------|
| | | 2016 | 2015 | 2016 | 2015 | |
| OPERS | December 31 | \$ 46,516,739 | \$ 34,173,082 | 0.269315% | 0.284240% | -0.014925% |
| STRS | July 1 | 99,828,954 | 93,512,061 | 0.361214% | 0.384452% | -0.023238% |
| | | <u>\$ 146,345,693</u> | <u>\$ 127,685,143</u> | | | |

Total pension expense for the years ended June 30, 2016 and June 30, 2015, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, is presented below. Pension expense is allocated to institutional functions on the Statement of Revenues, Expenses and Other Changes in Net Position.

| Plan | Fiscal year 2016 | Fiscal year 2015 |
|-------|-----------------------|-----------------------|
| | Total Pension Expense | Total Pension Expense |
| OPERS | \$ 6,942,880 | \$ 4,603,326 |
| STRS | 3,122,847 | 4,075,088 |
| Total | <u>\$ 10,065,727</u> | <u>\$ 8,678,414</u> |

At June 30, 2016 and June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2016 | | 2015 | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 4,554,639 | \$ 981,432 | \$ 900,257 | \$ 635,671 |
| Net difference between projected and actual earnings on pension plan investments | 13,840,716 | 7,179,589 | 1,835,891 | 17,300,086 |
| Change in proportionate share of contributions | 13,414 | 6,547,866 | - | - |
| University contributions subsequent to the measurement date | 7,717,920 | - | 7,875,023 | - |
| Totals | <u>\$ 26,126,689</u> | <u>\$ 14,708,887</u> | <u>\$ 10,611,171</u> | <u>\$ 17,935,757</u> |

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Amounts reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the University's subsequent year's financial statements. Other cumulative 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 | Amount |
|-----------------------|---------------------|
| 2017 | \$ (562,728) |
| 2018 | (331,328) |
| 2019 | 417,114 |
| 2020 | 4,198,964 |
| 2021 | (5,957) |
| Thereafter | (16,184) |
| Totals | <u>\$ 3,699,881</u> |

Actuarial Assumptions

The total pension liability is based on the results of actuarial valuations and was determined using the following actuarial assumptions, which were applicable to 2016 and 2015 valuation dates.

| | OPERS | STRS |
|---------------------------------------|--|---|
| Actuarial cost method | Individual entry age | Entry age normal |
| Cost of living | Pre 1/7/2013 retirees: 3% simple, Post 1/7/2013 retirees: 3% simple through 2018, then 2.8% simple | 2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA paid on fifth anniversary of retirement date |
| Salary increases, including inflation | 4.25%-10.05% | 12.25% at age 20 to 2.75% at age 70 |
| Inflation | 3.75% | 2.75% |
| Investment rate of return | 8% | 7.75%, net of investment expenses, including inflation |
| Experience study date | Period of 5 years ended December 2010 | Period of 5 years ended July 1, 2012 |
| Mortality basis | RP-2000 mortality table projected 20 years using Projection Scale AA | RP-2000 Combined Mortality Table (Projection 2022-Scale AA) |

Discount rate

The discount rate used to measure the total pension liability was 8.00% and 7.75% for OPERS and STRS, respectively. These discount rates were applicable to the 2015 and 2016 valuation dates. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that employer contributions will be made at the contractually required rates for all plans. Based on those assumptions, each pension

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long term expected rate of return on OPERS defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

STRS Ohio utilizes investment consultants to determine the long-term expected rate of return by developing best estimates of expected future real rates of return for each major asset class. The target allocation and expected real rates of return for each major asset class are summarized as follows:

| OPERS | | | STRS Ohio | | |
|----------------------|-------------------|--|----------------------|-------------------|--|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return | Asset Class | Target Allocation | Long-Term expected Real Rate of Return |
| Fixed income | 23.0% | 2.31% | Domestic equity | 31.0% | 8.00% |
| Domestic equity | 20.7% | 5.84% | International equity | 26.0% | 7.85% |
| International equity | 18.3% | 7.40% | Alternatives | 14.0% | 8.00% |
| Real estate | 10.0% | 4.25% | Fixed income | 18.0% | 3.75% |
| Private equity | 10.0% | 9.25% | Real estate | 10.0% | 6.75% |
| Other | 18.0% | 4.59% | Liquidity reserves | 1.0% | 3.00% |
| Totals | <u>100.0%</u> | | Totals | <u>100.0%</u> | |

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the University calculated using the discount rate below, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate.

| June 30, 2016 (\$ in thousands) | | | | | | |
|---------------------------------|-------------|-------------------|-----------------------|-------------------|-------------|------------------|
| Plan | 1% Decrease | | Current Discount Rate | | 1% Increase | |
| OPERS | 7.00% | \$ 68,937 | 8.00% | \$ 46,517 | 9.00% | \$ 23,070 |
| STRS | 6.75% | 138,670 | 7.75% | 99,829 | 8.75% | 66,983 |
| | | <u>\$ 207,607</u> | | <u>\$ 146,346</u> | | <u>\$ 90,053</u> |

| June 30, 2015 (\$ in thousands) | | | | | | |
|---------------------------------|-------------|-------------------|-----------------------|-------------------|-------------|------------------|
| Plan | 1% Decrease | | Current Discount Rate | | 1% Increase | |
| OPERS | 7.00% | \$ 63,084 | 8.00% | \$ 34,173 | 9.00% | \$ 9,772 |
| STRS | 6.75% | 133,872 | 7.75% | 93,512 | 8.75% | 59,381 |
| | | <u>\$ 196,956</u> | | <u>\$ 127,685</u> | | <u>\$ 69,153</u> |

Pension plan fiduciary net position

Detailed information about OPERS and STRS Ohio fiduciary net position is available in the separately issued financial reports.

Payable to the Pension Plan

The University reported a payable of \$749,991 and \$984,705 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2016 and June 30, 2015, respectively.

Note 14 – Other Post-employment Benefits (OPEB)

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

State Teachers Retirement System of Ohio (STRS Ohio)

STRS Ohio 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 Ohio. 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 post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 0% of the covered payroll was allocated to

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

post-employment health care for the year ended June 30, 2015 and 1% was allocated for the years ended June 30, 2014 and 2013. The University's contributions allocated to post-employment health care for the years ended June 30, 2015, 2014, and 2013 were \$0, \$374,996 and \$369,890, respectively.

Ohio Public Employees Retirement System (OPERS)

OPERS provides post-employment 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 post-employment health care benefits. The portion of employer contributions allocated to health care for members was 2% during calendar years 2015 and 2014 and 1% in calendar year 2013. The portion of the University's calendar years 2015, 2014 and 2013 contributions to OPERS used to fund post-retirement benefits was \$692,105, \$715,110 and \$361,468, respectively. 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.

Note 15 – Contingencies and Risk Management

The University is a defendant in various lawsuits. It is the opinion of University management that disposition of pending litigation will not have a material adverse effect on the financial statements of the University. The University receives grants and contracts from certain federal, state and local agencies to fund research and other activities. The costs, both direct and indirect, that have been charged to the grants or contracts are subject to examination and approval by the granting agency. It is the opinion of the University's administration that any disallowance or adjustment of such costs would not have a material effect on the financial statements.

The University was self-insured for all employee health care benefits through December 31, 2014. Effective January 1, 2015, the University became fully insured for dental and vision employee health care benefits. The self-insured plan includes stop loss provisions.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Liabilities for estimates of outstanding claims and claims incurred but not reported under self-insurance programs have been recorded. Changes in the self-insured health care liabilities included in accrued health care benefits payable (also see Note 8) at June 30, 2016, June 30, 2015, and June 30, 2014 were as follows:

| | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|
| Liability at beginning of fiscal year | \$ 1,208,506 | \$ 1,092,773 | \$ 1,065,342 |
| Current year claims including changes in estimates | 12,942,152 | 15,057,709 | 13,199,498 |
| Claim payments | <u>(13,146,167)</u> | <u>(14,941,976)</u> | <u>(13,172,067)</u> |
| Liability at end of fiscal year | <u>\$ 1,004,491</u> | <u>\$ 1,208,506</u> | <u>\$ 1,092,773</u> |

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 Statement of Revenues, Expenses and Changes in Net Position.

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has joined with other state-assisted universities in Ohio to form an insurance pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurance value to the pool. Future contributions will be adjusted based upon each university's loss history. The University had no significant reductions in coverage from the prior year. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

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

Note 16 – Component Unit

Youngstown State University Foundation (YSUF) is a legally separate nonprofit organization exempt from federal income tax and classified as a public charity. YSUF is devoted to the support, expansion, and development of educational programs at the University that are useful and beneficial to the students and the community. In order to maintain its public charity classification, YSUF must exclusively support the University, be responsive to its needs and distribute substantially all of its net income (other than net long-term capital gain) to the University. Because

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University.

YSUF is a nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to YSUF's financial information in the University's financial report for these differences.

YSUF investments consist of the following at June 30, 2016 and 2015:

| | Quoted Prices in Active markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Net Asset Value | Balance at Juen 30, 2016 |
|---------------------------------|---|--|--|----------------------|-----------------------------|
| Investments | | | | | |
| Common stock - U.S. stocks | \$ 40,056,311 | \$ - | \$ - | \$ - | \$ 40,056,311 |
| Mutual funds: | | | | | |
| Exchange traded | 36,239,950 | - | - | - | 36,239,950 |
| Money market | 5,890,174 | - | - | - | 5,890,174 |
| Fixed income | 26,063,391 | - | - | - | 26,063,391 |
| Equity | 23,849,330 | - | - | 11,296,714 | 35,146,044 |
| Total mutual funds | 92,042,845 | - | - | 11,296,714 | 103,339,559 |
| Alternative investments: | | | | | |
| Private equity | - | - | 10,249,382 | - | 10,249,382 |
| Hedge funds | - | - | - | 50,668,925 | 50,668,925 |
| Commodities hedge funds | - | - | 2,329,459 | - | 2,329,459 |
| Total alternatives | - | - | 12,578,841 | 50,668,925 | 63,247,766 |
| Total | <u>\$ 132,099,156</u> | <u>\$ -</u> | <u>\$ 12,578,841</u> | <u>\$ 61,965,639</u> | <u>\$ 206,643,636</u> |

Financial support from YSUF was \$7,722,375 for the fiscal year ended June 30, 2016 and 7,394,304 for the fiscal year ended June 30, 2015. Financial support from YSUF has been committed for fiscal year 2017 in the amount of \$8,067,599. In addition, rental income from YSUF of \$51,000 and \$27,000, respectively for the fiscal years ended June 30, 2016 and June 30, 2015 was recorded and is reflected in the University's Statements of Revenues, Expenses and Changes in Net Position.

In fiscal year 2016, the Foundation entered into a new lease agreement with the University wherein the Foundation began leasing a new building beginning in January 2016. Under the agreement, the Foundation prepaid \$1 million in rent in lieu of monthly rent payments through January 2031. Unearned revenue in the amount of \$947,587 is reflected in the University's Statement of Net Positon at June 30, 2016.

Effective April 1, 2015, the University entered into a developmental services agreement with the Foundation, wherein the Foundation raises and maintains donations on behalf of the University. The Foundation remits all related funds which have been received to the University on a monthly

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

basis. As of June 30, 2016 and 2015, \$835,554 and \$509,770, respectively, has been collected by the Foundation but not remitted to the University. These amounts are included in Accounts Receivable on the Statement of Net Position.

Complete financial statements for the Youngstown State University Foundation can be obtained from The Youngstown State University Foundation, 655 Wick Avenue, Youngstown, Ohio 44502.

YOUNGSTOWN STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

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

OPERS

| Fiscal Year | 2016 | 2015 |
|---|-----------------|-----------------|
| Measurement Date | 1/1/15-12/31/15 | 1/1/14-12/31/14 |
| University's proportion of the net pension liability (asset) net pension liability (asset) | 0.269315% | 0.284240% |
| University's proportionate share of the net pension liability (asset) | \$ 46,516,739 | \$ 34,173,082 |
| University's covered-employee payroll | \$ 39,715,198 | \$ 40,769,505 |
| University's proportionate share of the collective net pension liability as a percentage of the employers covered-employee payroll | 117.13% | 83.82% |
| Plan fiduciary net position as a percentage of the total pension liability | 85.00% | 84.00% |

STRS Ohio

| Fiscal Year | 2016 | 2015 |
|---|----------------|-----------------|
| Measurement Date | 7/1/14-6/30/15 | 1/1/14-12/31/14 |
| University's proportion of the net pension liability (asset) net pension liability (asset) | 0.361214% | 0.384452% |
| University's proportionate share of the net pension liability (asset) | \$ 99,828,954 | \$ 93,512,061 |
| University's covered-employee payroll | \$ 42,774,459 | \$ 44,313,510 |
| University's proportionate share of the collective net pension liability as a percentage of the employers covered-employee payroll | 233.38% | 211.02% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.10% | 74.70% |

NOTE: Years prior to 2015 are not available.

YOUNGSTOWN STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION (CONT.)

Schedules of the University's Contributions

OPERS

| | 2016 | 2015 |
|---|---------------|---------------|
| Statutorily required contribution | \$ 4,994,138 | \$ 5,095,976 |
| Contributions in relation to the statutorily required contribution | \$ 4,994,138 | \$ 5,095,976 |
| Annual contribution deficiency | \$ - | \$ - |
| University's covered-employee payroll | \$ 39,458,926 | \$ 40,264,007 |
| Contributions recognized by the pension plan in relation to the the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll | 12.66% | 12.66% |

STRS Ohio

| | 2016 | 2015 |
|---|---------------|---------------|
| Statutorily required contribution | \$ 5,153,427 | \$ 5,318,436 |
| Contributions in relation to the statutorily required contribution | \$ 5,153,427 | \$ 5,315,436 |
| Annual contribution deficiency | \$ - | \$ - |
| University's covered-employee payroll | \$ 41,521,217 | \$ 42,774,459 |
| Contributions recognized by the pension plan in relation to the the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll | 12.41% | 12.43% |

YOUNGSTOWN STATE UNIVERSITY

OTHER INFORMATION

Board of Trustees

| | |
|----------------------------------|---|
| Samantha P. Anderson | <i>Student Trustee</i> |
| Charles R. Bush | <i>Retired Cardiac Thoracic Surgeon</i> |
| Delores Crawford | <i>Community Affairs Director WKBN</i> |
| David C. Deibel | <i>Owner and President Boardman Steel</i> |
| Samuel W. Grooms | <i>Hy-Tek Material Handling, Inc. Chief Executive Officer</i> |
| Anita Hackstedde | <i>Salem Regional Medical Center President and Chief Executive Officer</i> |
| Dr. John R. Jakubek | <i>Anesthesiologist Bel-Park Anesthesia Associates, Inc. and St. Elizabeth Boardman Health Center</i> |
| Allan K. Metz | <i>Student</i> |
| James “Ted” Roberts | <i>Principal and President Roth, Blair, Roberts, Strasfeld & Lodge</i> |
| Leonard D. Schiavone, Vice-Chair | <i>Partner and Treasurer Friedman & Rummell Co., LPA</i> |
| Carole S. Weimer, Chair | <i>Retired Special Education Teacher Liberty High School</i> |
| Franklin S. Bennett, Jr. | <i>Secretary to the Board of Trustees</i> |

YOUNGSTOWN STATE UNIVERSITY

OTHER INFORMATION (CONT.)

Executive Officers

| | |
|----------------------------|---|
| Mr. James P. Tressel, M.A. | <i>President</i> |
| Dr. Martin A. Abraham | <i>Provost and Vice President for Academic Affairs</i> |
| Neal P. McNally, M.P.A. | <i>Vice President for Finance & Administration</i> |
| Holly A. Jacobs, J.D. | <i>Vice President for Legal Affairs and Human Resources</i> |

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | CFDA # | Pass Through Number | Passed Through to Subrecipients | Federal Expenditures |
|---|---------|------------------------|------------------------------------|-------------------------|
| Student Financial Aid Cluster | | | | |
| Department of Education: | | | | |
| <i>Direct programs:</i> | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | | | \$ 372,031 |
| Federal Work Study Program | 84.033 | | | \$ 415,408 |
| Federal Perkins Loan Program (see Note 2) | 84.038 | | | \$ 2,778,399 |
| Federal Pell Grant Program | 84.063 | | | \$ 20,159,319 |
| Federal Direct Student Loans (see Note 2) | 84.268 | | | \$ 63,047,691 |
| Total Student Financial Aid Cluster | | | | \$ 86,772,848 |
| Research and Development Cluster | | | | |
| Department of Commerce: | | | | |
| <i>Direct program:</i> | | | | |
| Arrangements for Interdisciplinary Research Infrastructure | 11.619 | | \$ 69,971 | \$ 138,642 |
| <i>Pass-through program:</i> | | | | |
| Sea Grant Support | | | | |
| National Oceanic & Atmospheric Administration (NOAA) | | | | |
| The Ohio State University | 11.417 | 60043506 | | \$ 5,114 |
| Total Department of Commerce | | | | \$ 143,756 |
| Department of Defense: | | | | |
| <i>Direct program:</i> | | | | |
| Basic and Applied Scientific Research | 12.300 | | | \$ 170,495 |
| <i>Pass-through program:</i> | | | | |
| Air Force Defense Research Sciences Program | | | | |
| National Additive Manufacturing Institute | | | | |
| The University of Texas at El Paso | 12.800 | 26-3512-89-61 | | \$ 45,285 |
| Youngstown Business Incubator | 12.800 | N/A | | \$ 30,503 |
| The University of Dayton | 12.800 | RSC15025 | | \$ 269,518 |
| America Makes - The University of Dayton | 12.800 | RSC16035 | | \$ 107,320 |
| Total 12.800 | | | \$ 45,422 | \$ 452,626 |
| Total Department of Defense | | | | \$ 623,121 |
| Department of the Interior: | | | | |
| <i>Pass-through program:</i> | | | | |
| Water Research Institute Program | | | | |
| The Ohio State University | 15.805 | 6044141 | | \$ 2,374 |
| Total Department of the Interior | | | | \$ 2,374 |
| Department of Transportation: | | | | |
| <i>Pass-through program:</i> | | | | |
| Highway Planning and Construction | | | | |
| Ohio Department of Transportation | 20.205 | UT18641 | | \$ 13,260 |
| Total Department of Transportation | | | | \$ 13,260 |
| National Aeronautics and Space Administration: | | | | |
| <i>Direct program:</i> | | | | |
| Science | 43.001 | | | \$ 18,416 |
| <i>Pass-through program:</i> | | | | |
| Science | | | | |
| Southern Illinois University | 43.001 | 761582-005 | | \$ 18,562 |
| Total National Aeronautics and Space Administration | | | | \$ 36,978 |
| National Science Foundation: | | | | |
| <i>Direct program:</i> | | | | |
| Engineering Grants | 47.041 | | | \$ 64,153 |
| Mathematical and Physical Sciences | 47.049 | | | \$ 95,577 |
| Biological Sciences | 47.074 | | | \$ 2,069 |
| Education and Human Resources | 47.076 | | | \$ 3,545 |
| <i>Pass-through program:</i> | | | | |
| Mathematical and Physical Sciences | | | | |
| Case Western Reserve University | 47.049 | DMR-0423914 | | \$ 37,085 |
| Computer and Information Science and Engineering | | | | |
| The University of Akron | 47.070 | YSU 1-535326 | | \$ 2,191 |
| Total National Science Foundation | | | | \$ 204,620 |
| Department of Energy: | | | | |
| <i>Direct program:</i> | | | | |
| Conservation Research and Development | 81.086 | | | \$ 14,029 |
| Renewable Energy Research and Development | 81.087 | | | \$ 36,737 |
| Total Department of Energy | | | | \$ 50,766 |
| Department of Education: | | | | |
| <i>Pass-through program:</i> | | | | |
| Transition Programs for Students with Intellectual Disabilities into Higher Education | | | | |
| The Ohio State University | 84.407A | 60051504 | | \$ 7,980 |
| Total Research and Development Cluster | | | | \$ 1,082,855 |

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

OTHER PROGRAMS

Department of Commerce:

Direct program:

| | | | |
|--------------------------------|--------|--|-----------|
| Economic Adjustment Assistance | 11.307 | | \$ 29,155 |
|--------------------------------|--------|--|-----------|

Pass-through program:

| | | | |
|---|--------|----------|-----------|
| Congressionally Identified Awards and Projects | | | |
| Consortium for Oceanographic Research & Applied Scientific Research | 11.469 | SA#16-16 | \$ 9,000 |
| Total Department of Commerce | | | \$ 38,155 |

Department of Labor:

Pass-through program:

| | | | |
|--|--------|-----------|------------|
| Workforce Innovation Fund - Commonwealth of Pennsylvania | | | |
| West Central Job Partnership Inc | 17.283 | 8030-J301 | \$ 77,641 |
| West Central Job Partnership Inc | 17.283 | 8030-J401 | \$ 282,191 |
| Total Department of Labor | | | \$ 359,832 |

National Aeronautics and Space Administration:

Direct program:

| | | | |
|---|--------|--|----------|
| Science | 43.001 | | \$ 5,000 |
| Total National Aeronautics and Space Administration | | | \$ 5,000 |

National Endowment for the Humanities

Pass-through program:

| | | | |
|---|--------|----------------|-----------|
| Promotion of the Humanities-Public Programs | | | |
| Grand Valley State University | 45.163 | GVSU-264730-01 | \$ 15,239 |
| Total National Endowment for the Humanities | | | \$ 15,239 |

Small Business Administration

Pass-through program:

| | | | |
|-------------------------------------|--------|-----|------------|
| Small Business Development Centers | 59.037 | N/A | \$ 184,075 |
| Total Small Business Administration | | | \$ 184,075 |

Department of Education

Direct program:

| | | | |
|-------------------|--------|--|------------|
| TRIO-Upward Bound | 84.047 | | \$ 249,100 |
| GEAR UP | 84.334 | | \$ 1,500 |

Pass-through program:

| | | | |
|-----------------------------------|--------------|----------|-----------|
| Special Education-Grant to States | | | |
| The University of Dayton | 84.027 | RSC15080 | \$ 78,641 |
| The University of Dayton | 84.027 | RSC16019 | \$ 2,305 |
| | Total 84.027 | | \$ 80,945 |

| | | | |
|--|--------|---------|--------|
| Career and Technical Education-Basic Grant to States | | | |
| Ohio Department of Higher Education (formerly known as OBOR) | 84.048 | unknown | \$ (1) |

| | | | |
|-----------------------------------|--------|---------|-----------|
| College Access Act | | | |
| DC Department of Higher Education | 84.unk | unknown | \$ 12,000 |

| | | | |
|---|--------|----------|------------|
| Twenty-First Century Community Learning Centers | | | |
| State of Ohio Department of Education | 84.287 | USAS 599 | \$ 474,599 |

| | | | |
|---------------------------------------|--------------|----------|------------|
| Statewide Project | | | |
| State of Ohio Department of Education | 84.287 | USAS 599 | \$ 316,750 |
| | Total 84.287 | | \$ 791,348 |

| | | | |
|---|--------|----------|------------|
| Improving Teaching Quality State Grants | | | |
| State of Ohio Department of Education | 84.367 | USAS 590 | \$ 204,239 |

| | | | |
|---|---------|----------|--------------|
| Transition Programs for Students with Intellectual Disabilities into Higher Education | | | |
| The Ohio State University | 84.407A | 60027994 | \$ 421 |
| Total Department of Education | | | \$ 1,339,553 |

Department of Health and Human Services

Direct program:

| | | | |
|--------------------------------|--------|--|-----------|
| Nurse Anesthetist Traineeships | 93.124 | | \$ 16,684 |
|--------------------------------|--------|--|-----------|

Pass-through program:

| | | | |
|--|--------------|----------------|----------|
| Stephanie Tubbs Jones Child Welfare Services Program | | | |
| State of Ohio Department of Jobs and Family Services | 93.645 | G-1415-06-0357 | \$ 3,355 |
| State of Ohio Department of Jobs and Family Services | 93.645 | G-1617-06-0271 | \$ 1,263 |
| | Total 93.645 | | \$ 4,618 |

| | | | |
|--|--------------|----------------|-----------|
| Foster Care-Title IV-E | | | |
| State of Ohio Department of Jobs and Family Services | 93.658 | G-1415-06-0357 | \$ 19,133 |
| State of Ohio Department of Jobs and Family Services | 93.658 | G-1617-06-0271 | \$ 49,162 |
| | Total 93.658 | | \$ 68,295 |

| | | | |
|----------------------------|--------|---------|----------|
| Medical Assistance Program | | | |
| The Ohio State University | 93.778 | G0066-C | \$ 9,688 |

| | | | |
|---|--------|---------|------------|
| Health Careers Opportunity Program | | | |
| Northeast Ohio Medical University | 93.822 | G0033-C | \$ 10,997 |
| Total Department of Health and Human Services | | | \$ 110,282 |

Total Other Programs

\$ 2,052,135

Grand Total of Federal Expenditures

\$ 89,907,839

YOUNGSTOWN STATE UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

Note 1 – Basis of Accounting

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Youngstown State University uses indirect cost rates ranging from 8-53% per the respective grant agreements.

Note 2 – Loans

Federal Direct Loan Program

The University participates in the Federal Direct Loan Program (84.268). The University originates but does not provide funding for Federal Direct Loans (FDL). The amount presented on the Schedule of Expenditures of Federal Awards represents the value of new FDL processed by the University for the year ended June 30, 2016.

Federal Perkins Loan Program

The amount presented on the Schedule of Expenditures of Federal Awards for the Federal Perkins Loan Program (84.038) represents the value of new loans made or received during the audit period and the administrative cost allowance, plus the beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements. The amount outstanding for the Federal Perkins Loan Program at June 30, 2016 is \$2,298,881. Total new loans disbursed under the Federal Perkins Loan Program for the fiscal year ended June 30, 2016 were \$159,454, which includes the loans to students and administrative expenditures.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Youngstown State University (the “University”) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements, and have issued our report thereon dated November 3, 2016. Our report includes a reference to other auditors who audited the financial statements of the Youngstown State University Foundation, a component unit of the University, as described in our report on the University’s financial statements. The financial statements of the Youngstown State University Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 3, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Crowe Horwath LLP
Crowe Horwath LLP

Columbus, Ohio
November 3, 2016

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

_____ Yes X None
Reported

Noncompliance material to financial statements noted?

_____ Yes X No

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

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

_____ Yes X None
Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2016

Identification of major programs:

Name of Federal Program or Cluster

Student Financial Aid Cluster

Research and Development Cluster

Twenty-First Century Community Learning Centers – 84.287

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

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

There were no findings for the year ended June 30, 2016.

Section III - Federal Award Findings

There were no findings for the year ended June 30, 2016.

Section IV - Prior Year Audit Findings

There were no findings for the year ended June 30, 2015.

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**Youngstown State University
INTERCOLLEGIATE ATHLETICS DEPARTMENT**

**Independent Accountant's Report on
Applying Agreed-Upon Procedures
June 30, 2016**

Youngstown State University
INTERCOLLEGIATE ATHLETICS DEPARTMENT
Youngstown, Ohio

AGREED UPON PROCEDURES
REQUIRED BY THE NCAA
June 30, 2016

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INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To: James M. Tressel, President of Youngstown State University

We have performed the procedures enumerated below, which were agreed to by the President of Youngstown State University ("the University"), and the National Collegiate Athletic Association ("NCAA") solely to assist the specified parties in evaluating the University's compliance with the NCAA Constitution Article 3.2.4.16 during the year ended June 30, 2016. The University's management is responsible for the Schedule of Revenue and Expenses of intercollegiate athletics operations ("Schedule") and the Schedule's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached listing of procedures and findings either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are included in Attachment A.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Schedule of Revenue and Expenses of Youngstown State University intercollegiate athletic programs with the NCAA Constitution Article 3.2.4.16. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the President of Youngstown State University and the NCAA and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 14, 2016

Youngstown State University
Intercollegiate Athletics Department
Schedule of Revenue and Expenses
(Unaudited)
For the Year Ended June 30, 2016

| | Unrestricted Auxiliary | | | | | Total |
|--|------------------------|---------------------|---------------------|-----------------------|----------------------|-------------------|
| | Football | Men's Basketball | Women's Basketball | Other Sports | Non-Program Specific | |
| Revenue | | | | | | |
| Ticket Sales | \$ 408,812 | \$ 110,942 | \$ 12,176 | \$ - | \$ - | \$ 531,930 |
| Guarantees | 750,000 | 277,000 | 15,000 | | | 1,042,000 |
| Contributions | 403,620 | 623 | 3,141 | 179,018 | 424,169 | 1,010,571 |
| In-Kind Contributions | | | | 3,933 | | 3,933 |
| Direct Institutional Support | | | | | 11,480,232 | 11,480,232 |
| Less- Transfers to Institution | | | | | | |
| Indirect Institutional Support | | | | | | |
| NCAA Distributions | 168,120 | 40,577 | 36,734 | 429,575 | 393,947 | 1,068,953 |
| Broadcast Television, Radio & Internet Rights | | | | | 3,472 | 3,472 |
| Program, Parking & Concessions Sales | 196,575 | 759 | 166 | | | 197,500 |
| Royalties, Licensing, Advertisements & Sponsorships | 350,374 | 121,150 | | | 50,802 | 522,326 |
| Sports-Camp Revenues | | | | | 214,569 | 214,569 |
| Endowment & Investment Income | | | | | 2,936 | 2,936 |
| Other | 3 | | 28,250 | 83,151 | 179,979 | 291,383 |
| Subtotal Revenue | 2,277,504 | 551,051 | 95,467 | 695,677 | 12,750,106 | 16,369,805 |
| Expenses | | | | | | |
| Athletic Student Aid | 1,569,338 | 338,216 | 299,828 | 2,238,194 | 312,367 | 4,757,943 |
| Guarantees | 171,000 | 9,000 | 4,000 | | | 184,000 |
| Coaching Salaries, Benefits, & Bonuses | | | | | | |
| Paid by the University | 1,173,795 | 527,765 | 396,335 | 1,085,635 | | 3,183,530 |
| Support Staff/Administrative Salaries, Benefits & Bonuses Paid by the University | | | | | 2,603,909 | 2,603,909 |
| Recruiting | 139,905 | 90,125 | 54,918 | 63,496 | | 348,444 |
| Team Travel | 369,967 | 223,922 | 118,553 | 597,185 | 2,224 | 1,311,851 |
| Sports Equipment, Uniforms and Supplies | 163,823 | 42,503 | 27,805 | 184,070 | 368,122 | 786,323 |
| Game Expenses | 102,833 | 95,499 | 71,095 | 91,899 | 9,530 | 370,856 |
| Fund Raising, Marketing & Promotion | | | 312 | - | 145,539 | 145,851 |
| Sports Camp Expenses | | | | | 149,772 | 149,772 |
| Athletic Facilities Debt Service, Leases and Rental Fees | | | | 41,738 | 338,236 | 379,974 |
| Direct Overhead & Administrative Expenses | | | | - | 504,547 | 504,547 |
| Spirit Groups | | | | | 72,940 | 72,940 |
| Medical Expenses & Medical Insurance | | | | | 157,431 | 157,431 |
| Membership & Dues | | | | 4,172 | 17,913 | 22,085 |
| Student-Athlete Meals(non-travel) | | | | | | |
| Other Operating Expenses | 122,567 | 32,756 | 34,195 | 49,454 | 626,733 | 865,705 |
| Subtotal Expenses | 3,813,228 | 1,359,786 | 1,007,041 | 4,355,843 | 5,309,263 | 15,845,161 |
| Revenues (Less Than) in Excess of Expenditures | \$ (1,535,724) | \$ (808,735) | \$ (911,574) | \$ (3,660,166) | \$ 7,440,843 | \$ 524,644 |

Youngstown State University
 Intercollegiate Athletics Department
 Notes to Schedule of Revenue and Expenses
 (Unaudited)
 For the Year Ended June 30, 2016

Note A - Contributions

NCAA requires disclosure of total contributions from a single donor in excess of 10% of total contributions. In 2016, there were no such contributions noted.

Note B - Capital Assets

Capital assets are stated at cost or fair value at date of gift. Infrastructure assets are included in the financial statements and are depreciated. The University's capitalization threshold for equipment, furniture and vehicles is \$5,000; and for buildings, building improvements and improvements other than buildings is \$100,000. Land is capitalized regardless of cost. Library purchases are excluded from capitalization and expensed as purchased.

Depreciation (including amortization of capital leased assets) is computed using the straight-line method over the estimated useful life of the asset and is not included in the Schedule of Revenue and Expenses. Historical collections, including assets that are held for public exhibition, education, or research in furtherance of public service, which are protected and preserved, are not depreciated.

When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation is removed from asset accounts and the net investment in capital assets. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed when incurred. Estimated lives are as follows:

| <u>Classification</u> | <u>Estimated Life</u> |
|--|-----------------------|
| Buildings | 40 to 50 years |
| Improvements to buildings | 10 to 40 years |
| Improvements other than buildings | 15 years |
| Moveable equipment, furniture and vehicles | 3 to 7 years |

Note C – Intercollegiate Athletics-Related Debt

The annual debt service and debt outstanding for the Athletics-related facilities and University as of the year ended June 30, 2016 is as follows:

| | <u>Annual Debt Service</u> | <u>Debt Outstanding</u> |
|------------------------------|----------------------------|-------------------------|
| Athletics-Related Facilities | \$ 338,236 | \$ 4,788,115 |
| Total University | <u>\$ 4,893,700</u> | <u>\$ 80,815,000</u> |

(Continued)

Youngstown State University
Intercollegiate Athletics Department
Notes to Schedule of Revenue and Expenses
(Unaudited)
For the Year Ended June 30, 2016

Note C – Intercollegiate Athletics-Related Debt (Continued)

The repayment schedule for all outstanding intercollegiate athletics-related debt maintained by the University during the year ended June 30, 2016 is as follows:

| Year Ending June 30 | |
|------------------------|--------------|
| 2017 | \$ 162,813 |
| 2018 | 201,694 |
| 2019 | 206,789 |
| 2020 | 213,309 |
| 2021 | 220,761 |
| 2022-2026 | 1,224,899 |
| 2027-2031 | 1,495,960 |
| 2032-2034 | 1,061,890 |
| | <hr/> |
| | \$ 4,788,115 |
| | <hr/> <hr/> |

Youngstown State University
Attachment A – NCAA AUP Revenue And Expense Procedures
For the Year Ended June 30, 2016

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

Revenue Procedures

1. Compare and agree each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 0.5% of the total revenues, no procedures are required for that specific category.

Results: No exceptions noted.

2. Compare and agree a sample of 5 operating revenue receipts obtained from the above operating revenue supporting schedules to adequate supporting documentation.

Results: No exceptions noted.

3. Compare each major revenue account over 10% of the total revenues to prior period amounts and budget estimates. Obtain and document an understanding of any variations over the lesser of \$1M or 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.

Results: Refer to Attachment B for results of procedures performed.

Ticket Sales

4. Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period and unsold tickets to the related revenue reported by the Institution in the statement and the related attendance figures and recalculate totals.

Results: We agreed football ticket revenue per the performance sales and gate sales reports for all games to the general ledger, noting the schedule was \$565 (.138% of football ticket revenues) lower than the June 30, 2016 general ledger. We agreed basketball ticket revenues from the summary to supporting schedules for two games and agreed the ticket revenue to the general ledger, noting the schedule was \$700 (.568% of basketball revenues) lower than the June 30, 2016 general ledger.

Student Fees

5. Compare and agree student fees reported by the institution in the statement for the reporting to student enrollments during the same reporting period and recalculate totals.

Results: We were informed by management that Athletics does not receive student fees revenue, and as such, none were reported within the Schedule. Therefore, the procedures enumerated above are not applicable.

6. Obtain and document an understanding of institution's methodology for allocating student fees to intercollegiate athletics programs.

Results: We were informed by management that Athletics does not receive student fees revenue, and as such, none were reported within the Schedule. Therefore, the procedures enumerated above are not applicable.

7. If the athletics department is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of their methodology for supporting that they are able to count each sport. Tie the calculation to supporting documents such as seat manifests, ticket sales reports and student fee totals.

Results: We were informed by management that Athletics does not receive student fees revenue, and as such, none were reported within the Schedule. Therefore, the procedures enumerated above are not applicable.

(Continued)

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

Direct State or Other Governmental Support

8. Compare direct state or other governmental support recorded by the institution during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation and recalculate totals.

Results: We were informed by management that Athletics did not receive any direct state or other governmental support, and as such, none were reported with in the Schedule. Therefore, the procedures enumerated above are not applicable.

Direct Institutional Support

9. Compare the direct institutional support recorded by the institution during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals.

Results: No exceptions noted.

Transfers Back to Institution

10. Compare the transfers back to institution with permanent transfers back to institution from the athletics department and recalculate totals.

Results: We were informed by management that Athletics did not make any transfers back to the institution, and as such, none were reported with in the Schedule. Therefore, the procedures enumerated above are not applicable.

Indirect Institutional Support

11. Compare the indirect institutional support recorded by the institution during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation and recalculate totals.

Results: We were informed by management that Athletic did not receive any indirect institutional support, and as such, none were reported within the Schedule. Therefore, the procedures enumerated above are not applicable.

Guarantees

12. Select a sample of settlement reports for away games during the reporting period and agree each selection to the institution's general ledger and/or the statement and recalculate totals.

Results: We were informed by management, settlement reports are not used by the University for away games. Therefore, the procedures enumerated above are not applicable.

13. Select a sample of seven contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compare and agree each selection to the institution's general ledger and/or the statement and recalculate totals.

Results: We selected a sample of seven guarantee revenue items from the supporting schedules. No exceptions noted.

Contributions

14. Any contributions of moneys, goods or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10 percent or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting periods shall obtain and review supporting documentation for each contribution and recalculate totals.

(Continued)

Youngstown State University
Attachment A – NCAA AUP Revenue And Expense Procedures
For the Year Ended June 30, 2016

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

Results: There were no individual contributions that exceeded 10% of total contributions. Therefore, the procedures enumerated above are not applicable.

In-Kind

15. Compare the in-kind recorded by the institution during the reporting period with a schedule of in-kind donations and recalculate totals.

Results: The balance reported for In-Kind revenue within the Schedule is less than .5% of total revenues, therefore, the procedures are not deemed applicable.

Compensation and Benefits Provided by a Third-Party

16. Obtain the summary of revenues from affiliated and outside organizations (the "Summary") as of the end of the reporting period from the institution and select a sample of funds from the Summary and compare and agree each selection to supporting documentation, the institution's general ledger and/or the Summary and recalculate totals.

Results: Management of the University informed us that there was no revenue from affiliated and outside organizations provided to the coaching staff or certain support staff, and as such, none was reported on the Schedule. Therefore, the procedures enumerated above are not applicable.

17. If the third party was audited by independent auditors, obtain the related independent auditors' report.

Results: Management of the University informed us that there was no revenue from affiliated and outside organizations provided to the coaching staff or certain support staff, and as such, none was reported on the Schedule. Therefore, the procedures enumerated above are not applicable.

Media Rights

18. Obtain and inspect agreements to understand the institution's total media (broadcast, television, radio) rights received by the institution or through their conference offices as reported in the statement.

Results: No exceptions noted.

19. Compare and agree the media right revenues to a summary statement of all media rights identified, if applicable, and the institution's general ledger and recalculate totals. Ledger totals may be different for total conference distributions if media rights are not broken out separately.

Results: The balance reported for Media Rights revenue within the Schedule is less than .5% of total revenues, therefore, the procedures are not deemed applicable.

NCAA Distributions

20. Compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals.

Results: No exceptions noted.

Conference Distributions

21. Obtain and inspect agreements related to the institution's conference distributions and participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions.

Results: We were informed by management, there were no revenues earned in the current year from tournaments, as such, none was reported on the Schedule. Therefore, the procedures enumerated above are not applicable.

(Continued)

Youngstown State University
Attachment A – NCAA AUP Revenue And Expense Procedures
For the Year Ended June 30, 2016

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

22. Compare and agree the related revenues to the institution's general ledger, and/or the statement and recalculate totals.

Results: We were informed by management, there were no revenues earned in the current year from tournaments, as such, none was reported on the Schedule. Therefore, the procedures enumerated above are not applicable.

Program Sales, Concessions, Novelty Sales and Parking

23. Compare the amount recorded in the revenue reporting category to a general ledger detail of program sales, concessions, novelty sales and parking as well as any other corroborative supporting documents and recalculate totals.

Results: No exceptions noted.

Royalties, Licensing, Advertisements and Sponsorships

24. Obtain and inspect agreements related to the institution's participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions.

Results: No exceptions noted.

25. Compare and agree the related revenues to the institution's general ledger, and/or the statement and recalculate totals.

Results: No exceptions noted.

Sports Camp Revenues

26. Inspect sports camp contract(s) between the institution and person(s) conducting institutional sports-camps or clinics during the reporting period to obtain an understanding of the institution's methodology for recording revenues from sports-camps.

Results: Management informed us that there were no contracts between the University and outside persons conducting the institutional sports camps or clinics during the year ended June 30, 2016. All individuals conducting the sports camps were affiliated with the University.

27. Obtain schedules of camp participants and select a sample of two individual camp participant cash receipts from the schedule of sports- camp participants and agree each selection to the institution's general ledger, and/or the statement and recalculate totals

Results: We selected a sample of two sports camp participants from the supporting schedules. No exceptions noted.

Athletics Restricted Endowment and Investment Income

28. Obtain and inspect endowment agreements (if any) to gain an understanding of the relevant terms and conditions.

Results: No exceptions noted.

29. Compare and agree the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income defined within the related endowment agreement and recalculate totals.

Results: The balance reported for Athletics Restricted Endowment and Investment revenue within the Schedule is less than .5% of total revenues, therefore, the procedures are not deemed applicable.

(Continued)

Youngstown State University
Attachment A – NCAA AUP Revenue And Expense Procedures
For the Year Ended June 30, 2016

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

Bowl Revenues

30. Obtain and inspect agreements related to the institution's revenues from post-season bowl participation during the reporting period to gain an understanding of the relevant terms and conditions

Results: We were informed by management, there were no revenues earned in the current year from tournaments, as such, none was reported on the Schedule. Therefore, the procedures enumerated above are not applicable.

31. Compare and agree the related revenues to the institution's general ledger, and/or the statement and recalculate totals.

Results: We were informed by management, there were no revenues earned in the current year from tournaments, as such, none was reported on the Schedule. Therefore, the procedures enumerated above are not applicable.

Other

32. Perform minimum agreed-upon procedures referenced for all revenue categories and recalculate totals (see above under revenue procedures, items 1-3).

Results: No exceptions noted.

* * * * *

(Continued)

Youngstown State University
Attachment A – NCAA AUP Revenue And Expense Procedures
For the Year Ended June 30, 2016

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

Expense Procedures

1. Compare and agree each expense category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 0.5% of the total expenses, no procedures are required for that specific category.

Results: No exceptions noted.

2. Compare and agree a sample of five expenses obtained from the above operating expense supporting schedules to adequate supporting documentation.

Results: No exceptions noted.

3. Compare each major expense account over 10% of the total expenses to prior period amounts and budget estimates. Obtain and document an understanding of any variations over the lesser of \$1M or 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.

Results: Refer to Attachment B for results of procedures performed.

Athletic Student Aid

4. Select a sample of students (no less than 10% of the total student-athletes for institutions who have used NCAA's Compliance Assistant (CA) software to prepare athletic aid detail and no less than 20% of total student-athletes for institutions who have not) from the listing of institutional student aid recipients during the reporting period. Data should be captured by the institution through the creation of a squad list for each sponsored sport.

Results: As the University uses the NCAA's Compliance Assistance software, we selected 42 students receiving financial aid to reach the 10% minimum.

5. Obtain individual student account detail for each selection and compare total aid allocated from the related aid award letter to the student's account.

Results: We noted one instance in which additional awards for books in the amount of \$268.75 was included in the student's aid award letter but not reported by the University to the Compliance Software. No further exceptions noted.

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

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

Procedure: Obtain individual student account detail for each selection and compare total aid allocated from the related aid award letter to the student's account.

Results: We noted one instance in which additional awards for books in the amount of \$268.75 was included in the student's aid award letter but not reported by the University to the Compliance Software. Upon inquiry with financial aid, the student's equivalency ratio was 1.00, therefore an addition of the book expenses to the Compliance software would not change the equivalency factor. No further exceptions noted.

(Continued)

Youngstown State University
Attachment A – NCAA AUP Revenue And Expense Procedures
For the Year Ended June 30, 2016

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

- b. *Criterion:* A student-athlete can only be included in one sport. Note: NCAA CA software will place an asterisk by the student athlete within the sport that is not countable towards grants-in-aid revenue distribution per sport hierarchy listed in the DI manual.

Procedure: For each student selected, determine if the student participated in more than one sport by scanning all squad lists and verify that the student was properly flagged or not flagged by the Compliance Assistance software as being in more than one sport. If the Compliance Assistance software is not used, observe computation to determine whether only one equivalent award value was used for each student.

Results: No exceptions noted.

- c. *Criterion:* All equivalency calculations should be rounded to two decimal places. Note: The NCAA CA software and the on-line summary form will automatically round to two decimal places.

Procedure: For each student selected, observe that calculations have two decimal places.

Results: No exceptions noted.

- d. *Criterion:* The full grant amount should always be the full cost of tuition for an academic year, not semester. The "Period of Award" column on the NCAA CA squad list can identify those student-athletes receiving aid for a particular semester.

Procedure: For each student selected, compare the grant amount shown to the cost of tuition as published by the institution and determine whether it is for the full year, not a semester.

Results: No exceptions noted.

- e. *Criterion:* If a sport is discontinued and the athletic grant(s) are still being honored by the institution, the grant(s) are included in student-athlete aid for revenue distribution purposes.

Procedure: For each selection, if the sport is not discontinued, this is not applicable. For any selections where the sport is discontinued and the institution has included the related grant for the student, observe documentation that the grant is being honored by the institution.

Results: There were no discontinued sports in the current year.

- f. *Criterion:* Student-athletes receiving athletic aid who have exhausted their athletic eligibility or are inactive due to medical reasons should be included in the student-athlete aid total and correctly noted on the squad list.

Procedure: If a student selected is included in the grants in aid calculation, obtain and observe letter(s) from the institution to the student communicating the status and determine that the student is properly flagged in the compliance software (if used). Obtain the grants in aid calculation and observe the student is included in the calculation.

Results: No exceptions noted.

- g. *Criterion:* Only athletic aid awarded in sports in which the NCAA conducts championship competitions, emerging sports for women and FBS football should be included in the calculations.

Procedure: Obtain a list of NCAA championship competitions and emerging sports for women. For the students selected, compare the sports included in the calculations to those on the list and determine if there are any discrepancies other than football.

Results: No exceptions noted.

(Continued)

Youngstown State University
Attachment A – NCAA AUP Revenue And Expense Procedures
For the Year Ended June 30, 2016

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

7. Recalculate totals for each sport and overall.

Results: No exceptions noted.

Guarantees

8. Obtain and inspect visiting institution's away-game settlement reports received by the institution during the reporting period and agree related expenses to the institution's general ledger and/or the statement and recalculate totals.

Results: We were informed by management settlement reports are not received by the University for away games. Therefore, the procedures enumerated above are not applicable.

9. Obtain and inspect contractual agreements pertaining to expenses recorded by the institution from guaranteed contests during the reporting period. Compare and agree related amounts expensed by the institution during to the institution's general ledger and/or the statement and recalculate totals.

Results: No exceptions noted.

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

10. Obtain and inspect a listing of coaches employed by the institution and related entities during the reporting period. Select a sample of five coaches' contracts that must include football, and men's and women's basketball from the listing.

Results: No exceptions noted.

11. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the institution and related entities in the statement during the reporting period.

Results: No exceptions noted.

12. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the institution and related entities expense recorded by the institution in the statement during the reporting period.

Results: No exceptions noted.

13. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals.

Results: No exceptions noted.

Coaching Other Compensation and Benefits Paid by a Third-Party

14. Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing.

Results: We were informed by University management that no coaches were employed or otherwise compensated by third parties, and as such, none were recorded on the Schedule. Therefore, the procedures enumerated above are not applicable.

15. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party and recorded by the institution in the statement during the reporting period.

(Continued)

Youngstown State University
Attachment A – NCAA AUP Revenue And Expense Procedures
For the Year Ended June 30, 2016

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

Results: We were informed by University management that no coaches were employed or otherwise compensated by third parties, and as such, none were recorded on the Schedule. Therefore, the procedures enumerated above are not applicable.

16. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by a third party expenses recorded by the institution in the statement during the reporting period and recalculate totals.

Results: We were informed by University management that no coaches were employed or otherwise compensated by third parties, and as such, none were recorded on the Schedule. Therefore, the procedures enumerated above are not applicable.

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

17. Select a sample of support staff/administrative personnel employed by the institution and related entities during the reporting period.

Results: We selected a sample of five support staff/administrative personnel from support schedules. No exceptions noted.

18. Obtain and inspect reporting period summary payroll register for each selection. Compare and agree related summary payroll register to the related support staff administrative salaries, benefits and bonuses paid by the institution and related entities expense recorded by the institution in the statement during the reporting period and recalculate totals.

Results: No exceptions noted.

Support Staff/Administrative Other Compensation and Benefits Paid by a Third Party

19. Select a sample of five support staff/administrative personnel employed by the third parties during the reporting period.

Results: We were informed by University management that no support or administrative staff was employed or otherwise compensated by third parties, and as such, none were reported on the Schedule. Therefore, the procedures enumerated above are not applicable.

20. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary registers to the related support staff administrative other compensation and benefits expense recorded by the institution in the statement during the reporting period and recalculate totals.

Results: We were informed by University management that no support or administrative staff was employed or otherwise compensated by third parties, and as such, none were reported on the Schedule. Therefore, the procedures enumerated above are not applicable.

Severance Payments

21. Select a sample of five employees receiving severance payments by the institution during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.

Results: We were informed by University management that there were no severance payments for the year ended June 30, 2016, and as such, none were reported on the Schedule. Therefore, the procedures enumerated above are not applicable.

Recruiting

22. Obtain and document an understanding of the Institution's recruiting expense policies.

(Continued)

Youngstown State University
Attachment A – NCAA AUP Revenue And Expense Procedures
For the Year Ended June 30, 2016

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

Results: We obtained the University's 2015-2016 Operations Manual, which includes the most up to date recruiting expense policies.

23. Compare and agree to existing institutional- and NCAA-related policies.

Results: No exceptions noted.

24. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.

Results: No exceptions noted.

Team Travel

25. Obtain and document an understanding of the Institution's team travel policies.

Results: We obtained the University's 2015-2016 Operations Manual, which includes the most up to date recruiting expense policies.

26. Compare and agree to existing institutional- and NCAA-related policies.

Results: No exceptions noted.

27. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.

Results: No exceptions noted.

Equipment, Uniforms and Supplies

28. Obtain general ledger detail and compare to the total expenses reported. Select a sample of five transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Results: No exceptions noted.

Game Expenses

29. Obtain general ledger detail and compare to the total expenses reported. Select a sample of five transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Results: No exceptions noted.

Fund Raising, Marketing and Promotion

30. Obtain general ledger detail and compare to the total expenses reported. Select a sample of five transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Results: No exceptions noted.

Sports Camp Expenses

31. Obtain general ledger detail and compare to the total expenses reported. Select a sample of five transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Results: No exceptions noted.

Spirit Groups

32. Obtain general ledger detail and compare to the total expenses reported. Select a sample of five transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Results: The balance reported for Spirit Groups with the Schedule is less than .5% of total expense, therefore, the procedures are not deemed applicable.

Athletic Facilities Debt Service, Leases and Rental Fees

33. Obtain a listing of debt service schedules, lease payments and rental fees for athletics facilities for the reporting year. Compare a sample of five facility payments including the top two highest facility payments to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements).

(Continued)

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

Results: No exceptions noted.

34. Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals.

Results: No exceptions noted.

Direct Overhead and Administrative Expenses

35. Obtain general ledger detail and compare to the total expenses reported. Select a sample of five transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Results: No exceptions noted.

Indirect Institutional Support

36. Tested with revenue section- Indirect Institutional Support

Results: No exceptions noted.

Medical Expenses and Medical Insurance

37. Obtain general ledger detail and compare to the total expenses reported. Select a sample of five transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Results: No exceptions noted.

Memberships and Dues

38. Obtain general ledger detail and compare to the total expenses reported. Select a sample of five transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Results: The balance reported for Memberships and Dues with in the Schedule is less than .5% of total expense, therefore, the procedures are not deemed applicable.

Student-Athlete Meals (non-travel)

39. Obtain general ledger detail and compare to the total expenses reported. Select a sample of five transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Results: We were informed by management that Athletics did not expend any monies on student athlete meal expenses in the current year, and as such, none were recorded on the Schedule. Therefore, the procedure enumerated above is not applicable.

Bowl Expenses

40. Obtain general ledger detail and compare to the total expenses reported. Select a sample of five transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Results: We were informed by management that Athletics did not expend any monies on bowl expenses in the current year, and as such, none were recorded on the Schedule. Therefore, the procedure enumerated above is not applicable.

Other Operating Expenses and Transfers to Institution

41. Obtain general ledger detail and compare to the total expenses reported. Select a sample of five transactions to validate existence of transaction and accuracy of recording and recalculate totals.

Results: No exceptions noted.

* * * * *

(Continued)

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

Additional Minimum Agreed-Upon Procedures

1. Compare and agree the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the institution. The NCAA Membership Financial Reporting System populates the sports from the NCAA Membership Database as they are reported by the institution. If there is a discrepancy in the sports sponsored between the NCAA Membership Financial Reporting System and the squad lists, inquire about the discrepancy and report the justification in the AUP report.

Results: We noted a discrepancy between the NCAA Membership Financial Reporting System and the squad lists due to the squad lists reported in the Compliance Assistance system being reported for only Fall and Spring, whereas the NCAA Membership Financial Reporting system includes summer aid. A reconciliation was performed and maintained by management for this difference.

2. Obtain the institution's Sports Sponsorship and Demographics Forms Report for the reporting year. Validate that the countable sports reported by the institution meet the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum-contest requirement. Once countable sports have been confirmed, ensure that the institution has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System. Note: Any discrepancies MUST be resolved within the NCAA Membership Financial Reporting System prior to the report being submitted to the NCAA.

Results: No exceptions noted.

* * * * *

Minimum Agreed Upon Procedures for Affiliated and Outside Organizations

1. The institution shall identify all intercollegiate athletics-related affiliated and outside organizations and obtain those organizations' statements for the reporting period. Once the institution has made these statements available, the independent accountant shall agree the amounts reported in the statement to the organization's general ledger or, alternatively, confirm revenues and expenses directly with a responsible official of the organization. In addition, the institution shall prepare a summary of revenues and expenses for or on behalf of intercollegiate athletics programs affiliated and outside organizations to be included with the agreed-upon procedures report.

Results: We obtained the list of outside programs and related financial activities for the year ended June 30, 2016, which is included within Attachment D on page 21 of this report. Management represented that the Penguin Club was the only "outside organization" which had expenses for or on behalf of the University's Intercollegiate Athletics Program.

2. The independent accountant shall obtain and review the audited financial statements of the organization and any additional reports regarding internal control matters if the organization is audited independent of the agreed-upon procedures required by NCAA legislation. The institution's independent accountant shall also inquire of institutional and organizational management as to corrective action taken in response to comments concerning internal control structure (if any).

Results: We received the reviewed financial statements of the Penguin Club for the year ended June 30, 2016, which reflected that no material modifications to the financial statements were required. There were no comments noted concerning internal control structure.

(Continued)

Youngstown State University
Attachment A – NCAA AUP Revenue And Expense Procedures
For the Year Ended June 30, 2016

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

The amounts included within Attachment D on page 21 of this report are not included in the Schedule, except for the contribution made by the Penguin Club to the University's Intercollegiate Athletics Program reported within the Contributions line on the Schedule.

3. Compare and agree a sample of operating revenues and expense categories reported in the organization's schedule during the reporting period to supporting schedules provided by the confirmation.

Results: We agreed the Penguin Club's revenues and expenses included within Attachment D on page 21 to a confirmation obtained directly from the Penguin Club, noting no exceptions.

4. Obtain and document an understanding of the internal controls in place surrounding revenues and expenses related to the organization

Procedure: The University receives a review report from an external accountant that expresses limited assurance that there was no material modification that should be made to the annual financial statements of the Penguin Club for them to be in conformity with accounting principles generally accepted in the United States of America.

Results: No exceptions noted.

Youngstown State University
Attachment B – NCAA AUP Year Over Year Analytical Comparison

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

Compare each major revenue account over 10% of the total revenues to prior period amounts and budget estimates. Obtain and document an understanding of any variations over the lesser of \$1M or 10%.

| | June 30, 2016 | June 30, 2015 | Year of Year | |
|---|----------------------|----------------------|---------------------|-----------|
| | Total | Total | Variations | |
| | | | Totals | |
| Revenue: | | | | |
| Ticket Sales | \$ 531,930 | \$ 499,244 | \$ 32,686 | 7% |
| Direct Institutional Support | 11,480,232 | 11,312,298 | 167,934 | 1% |
| Less - Transfers to Institution | - | (63,815) | 63,815 | N/A |
| Indirect Institutional Support | - | 36,667 | (36,667) | N/A |
| Guarantees | 1,042,000 | 750,000 | 292,000 | 39% |
| Contributions | 1,010,571 | 1,244,270 | (233,699) | -19% |
| In-Kind Contributions | 3,933 | - | 3,933 | N/A |
| Media Rights | 3,472 | 5,806 | (2,334) | -40% |
| NCAA Distributions | 1,068,953 | 884,704 | 184,249 | 21% |
| Program Sales, Concessions, Novelty Sales and Parking | 197,500 | 112,265 | 85,235 | 76% |
| Royalties, Licensing, Advertisement and Sponsorships | 522,326 | 479,292 | 43,034 | 9% |
| Sports Camp Revenues | 214,569 | 288,600 | (74,031) | -26% |
| Athletics Restricted Endowment and Investment Income | 2,936 | 1,710 | 1,226 | 72% |
| Other Operating Revenue | 291,383 | 370,366 | (78,983) | -21% |
| Total Revenue | \$ 16,369,805 | \$ 15,921,407 | \$ 448,398 | 3% |

There is one revenue line item on the Schedule of Revenues and Expenses that is greater than 10% of the total revenues identified above: Direct Institutional Support. Below is management's explanation for this line item:

- Direct Institutional Support revenue line item on the Schedule is greater than 10% of total revenues, however the variance between the current year and prior year and budget to actual is not greater than \$1M or 10%, and therefore no further inquiry performed.

(Continued)

Youngstown State University
Attachment B – NCAA AUP Year Over Year Analytical Comparison

If a specific reporting category is omitted from the schedule or it is less than .5% of the total revenues and expenses, the procedure is not deemed to be applicable for that category.

Compare each major expense account over 10% of the total expenses to prior period amounts and budget estimates. Obtain and document an understanding of any variations over the lesser of \$1M or 10%.

| | June 30, 2016 | June 30, 2015 | Year of Year | |
|---|----------------------|----------------------|---------------------|-----------|
| | Total | Total | Variations | |
| Expenses: | Total | Total | Totals | |
| Athletic Student Aid | \$ 4,757,943 | \$ 4,388,978 | \$ 368,965 | 8% |
| Guarantees | 184,000 | 270,500 | (86,500) | -32% |
| Coaching Salaries, Benefits, and Bonuses Paid by the University | 3,183,530 | 3,247,611 | (64,081) | -2% |
| Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University | 2,603,909 | 2,605,869 | (1,960) | 0% |
| Recruiting | 348,444 | 316,514 | 31,930 | 10% |
| Team Travel | 1,311,851 | 1,366,515 | (54,664) | -4% |
| Equipment, Uniforms and Supplies | 786,323 | 445,655 | 340,668 | 76% |
| Game Expenses | 370,856 | 406,890 | (36,034) | -9% |
| Fund Raising, Marketing and Promotion | 145,851 | 285,725 | (139,874) | -49% |
| Sports Camp Expenses | 149,772 | 155,657 | (5,885) | -4% |
| Spirit Groups | 72,940 | 64,176 | 8,764 | 14% |
| Athletic Facilities Debt Service, Leases and Rental Fees | 379,974 | 376,860 | 3,114 | 1% |
| Direct Overhead and Administrative Expenses | 504,547 | 451,594 | 52,953 | 12% |
| Medical Expenses and Medical Insurance | 157,431 | 165,791 | (8,360) | -5% |
| Membership and Dues | 22,085 | 23,316 | (1,231) | -5% |
| Other Operating Expenses | 865,705 | 1,264,930 | (399,225) | -32% |
| Total Expenses | \$ 15,845,161 | \$ 15,836,581 | \$ 8,580 | 0% |

There are 3 expense line items on the Schedule of Revenues and Expenses that account over 10% of the total expenses identified above: Athletic Student Aid, Coaching Salaries, Benefits, & Bonuses Paid by the University, and Support Staff/Administrative Salaries, Benefits & Bonuses Paid by the University. Below are management's explanations of significant variances in these lines:

- Athletic Student Aid is greater than 10% of total expenses; however, the variance between the current year and prior year and budget to actual was not greater than \$1M or 10%. As a result, no further inquiry performed.
- Coaching Salaries, Benefits, & Bonuses Paid by the University is greater than 10% of total expenses. However, the variance between the current year and prior year was not greater than \$1M or 10%. The budget to actual variances were outside thresholds due to non-coaching positions being budgeted within the coaches salaries line item rather than support staff. For presentation purposes, the non-coaching positions were reclassified to the support staff line.
- Support Staff/Administrative Salaries, Benefits & Bonuses Paid by the University is greater than 10% of total expenses. However, the variance between the current year and prior year was not greater than \$1M or 10%. The budget to actual variances were outside of the thresholds due to non-coaching positions being budgeted within the coaches salaries line item rather than support staff. For presentation purposes, the non-coaching positions were reclassified to the support staff line.

Youngstown State University
Attachment C – Other Reporting Items
For the Year Ended June 30, 2016

Other Reporting Items

| | | |
|--|----|------------|
| Total Athletics Related Debt | \$ | 4,788,115 |
| Total Institutional Related Debt | | 80,815,000 |
| Value of Athletics Dedicated Endowments | | 2,907 |
| Value of Institutional Endowments | | 8,419,949 |
| Total Athletics Related Capital Expenditures | | 596,201 |

Youngstown State University
Attachment D – Schedule Of Financial Activities Of The Penguin Club, Inc.
For the Year Ended June 30, 2016

| <u>Booster Organization</u> | <u>Beginning Net Assets</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Ending Net Assets</u> |
|-----------------------------|-------------------------------------|-------------------|-------------------|----------------------------------|
| The Penguin Club, Inc. | <u>\$ 1,587,091</u> | <u>\$ 755,193</u> | <u>\$ 584,817</u> | <u>\$ 1,757,467</u> |

Expense Detail

| | |
|-----------------------------|-------------------|
| Miscellaneous Expense | \$ 234,147 |
| Century Kingbird Tickets | 172,252 |
| Fund Raising Expenses | 97,702 |
| Scholarship Recognition | 26,600 |
| Sports Banquets | 11,092 |
| Executive Director Expenses | 7,155 |
| Athletic Awards | 25,282 |
| Car Lease | 2,460 |
| Membership Drive Expense | <u>8,127</u> |
| Total | <u>\$ 584,817</u> |

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WYSU-FM
Youngstown State
University Radio

FINANCIAL REPORT
AND
SCHEDULE OF NONFEDERAL
FINANCIAL SUPPORT

For the Years Ended
June 30, 2016 and 2015

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of WYSU-FM, Youngstown State University Radio (the "Station"), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Youngstown State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Youngstown State University as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 3 to 11, the Schedules of the Station's Proportionate Share of the Net Pension Liability and the Schedules of the Station's Contributions on page 31, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Station's basic financial statements. The supplementary information included in the Schedule of Nonfederal Financial Support on page 32 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 29, 2016

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of the WYSU-FM Youngstown State University Radio (WYSU-FM or the Station) Financial Report presents a discussion and analysis of the financial performance of the Station, a noncommercial public radio station operated by Youngstown State University (the University or YSU), during the fiscal year ended June 30, 2016 with comparative information for the fiscal years ended June 30, 2015 and June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

Introduction

The University operates WYSU-FM, a 50,000 watt radio station that serves the Mahoning and Shenango Valley regions with fine arts, news and information programming from its studios in Melnick Hall. WYSU-FM functions as a department of the Division of University Relations at the University. The Station broadcasts a mix of news and classical music programs on its main analog channel, HD1 (digital) channel, and an internet stream. WYSU-FM also broadcasts all classical music on its HD2 channel and second internet stream. The Station broadcasts at 88.5 MHz in Youngstown, Ohio, 90.1 MHz in Ashtabula, Ohio, and 97.5 MHz in New Wilmington, Pennsylvania.

WYSU-FM is a non-commercial, listener-supported, community-based public radio station committed to being the region's leading source for quality programming. It provides trusted in-depth news, engaging conversation and music that stimulates the mind and spirit. As one of YSU's most visible daily representatives to the community, WYSU-FM also strives to be a valuable ambassador to the community, providing a forum to promote the artistic and intellectual activities of the University.

Since 1969, public radio WYSU 88.5 FM has been northeast Ohio's and western Pennsylvania's source for the best in news and information programming, music, and entertainment. WYSU-FM is a charter National Public Radio (NPR) affiliate station. Every week thousands of listeners tune to the Station for its eclectic and innovative non-commercial program schedule including engaging news and information, great entertainment, and superb classical, jazz, and folk music – together providing a provocative, culturally rich, and intellectually stimulating journey for WYSU-FM listeners.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Using the Financial Statements

The Station's financial report includes three basic 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 are prepared in accordance with the financial reporting format required by the Governmental Accounting Standards Board's (GASB) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the financial condition of the Station, the results of operations, and cash flows of the Station as a whole.

During fiscal year 2015, the Station adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements significantly revise accounting for pension costs and liabilities.

Prior to GASBs 68 and 71, the accounting for pension costs, was focused on a funding approach, which limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each pension plan's *net pension liability*.

Under standards required by GASBs 68 and 71, the net pension liability equals the Station's proportionate share of each pension plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits. Pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. The unfunded portion of this pension promise is a present obligation, part of a bargained-for benefit to the employee, and should be reported by the Station as a liability since the benefit of the exchange was received.

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. The Station 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 the 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. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

liability of the pension system *against the public employer*. State law operates to mitigate/lessen the obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. Changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the public employer. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASBs 68 and 71, the Station's statements, prepared on an accrual basis of accounting, include an annual pension expense for the proportionate share of each pension plan's *change* in net pension liability.

Overall presentation elements of the financial statements include:

- Assets and liabilities are categorized as either current or noncurrent. Current assets and liabilities will be consumed or fulfilled within one year.
- Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the Station's revenues, including the general appropriation from the University and membership revenue are considered nonoperating as defined by GASB Statement No. 35.
- Capital assets are reported net of accumulated depreciation.

Financial and Other Station Highlights

- In February 2016, the Station's entire operation moved to a new state-of-the-art facility, occupying over 4,000 square feet on the second floor of Melnick Hall on the YSU campus
- The average donation per member increased over 4% in fiscal year 2016
- Strong renewal rates in underwriters and an increase in lower level underwriters resulted in a nearly 4% increase in underwriting income

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The Statements of Net Position

The Statements of Net Position present the financial position of the Station at the end of the fiscal year and include all assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position of the Station. Current assets are classified as such if they are available to satisfy current liabilities, which are generally defined as being due within one year of the date of the Statement of Net Position. Deferred outflows of resources include resources where the consumption is applicable to a future reporting period, but does not require further exchange of service. Deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period. Net position is one indicator of the financial condition of the Station, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

A summarized comparison of the Station's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2016, 2015, and 2014 was as follows:

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|----------------------------------|---------------|---------------|---------------|
| Assets | | | |
| Current assets | \$ 1,656,140 | \$ 2,132,802 | \$ 1,920,570 |
| Noncurrent assets | | | |
| Capital assets, net | 193,913 | 95,076 | 112,628 |
| Other assets | 188,806 | 186,646 | 185,805 |
| Total Noncurrent assets | 382,719 | 281,722 | 298,433 |
| Total Assets | 2,038,859 | 2,414,524 | 2,219,003 |
| Deferred Outflows of Resources | 202,174 | 54,268 | - |
| Liabilities | | | |
| Current liabilities | 164,130 | 178,998 | 157,730 |
| Noncurrent liabilities | 698,622 | 523,143 | 91,312 |
| Total Liabilities | 862,752 | 702,141 | 249,042 |
| Deferred Inflows of Resources | 12,185 | 7,755 | - |
| Total Net Position | \$ 1,366,096 | \$ 1,758,896 | \$ 1,969,961 |
| Net Position | | | |
| Net investment in capital assets | 193,913 | 95,076 | 112,628 |
| Restricted | 459,309 | 715,124 | 663,981 |
| Unrestricted | 712,874 | 948,696 | 1,193,352 |
| Total Net Position | \$ 1,366,096 | \$ 1,758,896 | \$ 1,969,961 |

Current assets consist primarily of cash and cash equivalents, accounts receivable, and pledges receivable. Current assets decreased \$476,662 or 22% from fiscal year 2015 to fiscal year 2016. This was primarily due to a decrease in cash that was used for the Melnick Hall renovation project and expenses related to the Station's move to the new building in February 2016. Net capital assets increased \$98,837 or 104% from fiscal year 2015 to fiscal year 2016 due to new

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

purchases relating to the Station's move to Melnick Hall including new broadcasting equipment, a new tower, and a new transmitter.

Current assets increased \$212,232 or 11% from fiscal year 2014 to fiscal year 2015 mainly due to an increase in cash and accounts receivable. Included in accounts receivable were \$25,000 in capital gifts raised by the Youngstown State University Foundation (YSUF or the Foundation) during June 2015, subsequently disbursed to the University in July 2015. Refer to Notes 2-4 for additional information about cash and cash equivalents, investments, and capital assets.

Deferred outflows of resources and deferred inflows of resources consist of items relating to pensions. Certain elements impacting the change in the net pension liability have a longer term perspective than the current year, therefore to reduce volatility these elements are amortized over a closed period of specified duration. These include differences between expected and actual experience, changes of assumptions, and net differences between projected and actual earnings of pension plan investments, and changes in the proportionate share of contributions. These elements can be reflected as either a deferred outflow of resources or a deferred inflow of resources. The Station adopted GASBs 68 and 71 in fiscal year 2015. The Station made no restatement for deferred outflows of resources and deferred inflows of resources for fiscal year 2014 as the information needed to generate these restatements was not available.

Deferred outflows of resources increased \$147,906 or 273% from fiscal year 2015 to fiscal year 2016. The increase was primarily due to a \$147,288 increase in the amount attributed to the net difference between projected and actual earnings on pension plan investments. Deferred inflows or resources increased \$4,430 or 57% from fiscal year 2015 to fiscal year 2016. The increase was due to differences between projected and actual experience.

Included in deferred outflows at June 30, 2015 was \$22,398 for the net difference between projected and actual earnings of pension plan investments. In addition, Station contributions to the pension plan subsequent to the measurement date of the pension plans were also reflected as deferred outflows of resources. Included in deferred inflows at June 30, 2015 was \$7,755 for the difference between projected and actual experience.

See Note 7 for additional information on Defined Benefit Pension Plans.

Liabilities consisting of accounts payable, unearned revenue, compensated absences, and net pension liability increased \$160,611 or 23% between fiscal year 2015 and fiscal year 2016. This was mainly due to an increase in the net pension liability of \$178,501 or 43%. Offsetting this increase, unearned revenue decreased \$13,174 or 8% due to a decrease in the annual grant awarded from the Corporation for Public Broadcasting (CPB). Generally the Station defers spending of the annual CPB grant funds to the subsequent fiscal year. Therefore if unspent, it is considered unearned revenue in the fiscal year in which funds are received.

Total liabilities increased \$453,099 or 182% between fiscal year 2014 and fiscal year 2015. Net pension liability and compensated absences accounted for the majority of the increase. Due to the adoption of GASBs 68 and 71, the Station recorded a net pension liability of \$408,436 at July

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

1, 2014. The net pension liability totaled \$416,913 at June 30, 2015. Unearned revenue at June 30, 2015 was greater than unearned revenue at June 30, 2014 due to an increase in the annual CPB grant awarded. Compensated absences balances increased due to personnel changes within the Station. Refer to Notes 5 and 6 for additional information about unearned revenue, compensated absences, and the net pension liability.

The following is a recap of total net position with the impact of the GASBs 68 and 71 pension expense accruals segregated.

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|----------------------------------|----------------------|----------------------|----------------------|
| Net investment in capital assets | \$ 193,913 | \$ 95,076 | \$ 112,628 |
| Restricted | 459,309 | 715,124 | 663,981 |
| Unrestricted | 1,118,299 | 1,319,096 | 1,193,352 |
| Total without GASBs 68 and 71 | 1,771,521 | 2,129,296 | 1,969,961 |
| GASBs 68 and 71 | (405,425) | (370,400) | - |
| Total Net Position | <u>\$ 1,366,096</u> | <u>\$ 1,758,896</u> | <u>\$ 1,969,961</u> |

Total net position decreased \$392,800 or 22% from \$1,758,896 at June 30, 2015 to \$1,366,096 at June 30, 2016. The \$98,837 or 104% increase in net investment of capital assets was due to new equipment purchases for the Station's new facility space in Melnick Hall. The decrease of \$255,815 or 36% in restricted net position was primarily due to a general appropriation from the Station to the University of \$385,778 for the Melnick Hall renovation project. Offsetting the decrease in the restricted net position were capital gift donations of \$87,600 to the Melnick Hall project fund during fiscal year 2016. Excluding the impact of GASBs 68 and 71, unrestricted net position decreased \$200,797 or 15% as the result of excess expenses over revenues, with the expenses primarily used for the Melnick Hall renovation project.

Overall the Station's net position decreased \$211,065 or 11% from \$1,969,961 at June 30, 2014 to \$1,758,896 at June 30, 2015. The \$51,143 or 8% increase in restricted net position was mainly due to \$50,000 in capital gift donations to fund the Station's new facility space. The Station dedicated \$527,500 of the restricted expendable funds for renovations to be completed during fiscal year 2016. The \$244,656 or 21% decrease in unrestricted net position includes a \$378,802 decrease due to the adoption of GASBs 68 and 71 and an increase of \$125,744, which was primarily due to an excess of membership and underwriting revenue over expenses. The \$17,552 or 16% decrease in net investment in capital assets from fiscal year 2014 to fiscal year 2015 was due to depreciation expense.

The Statements of Revenues, Expenses, and Changes in Net Position

These statements present the operating results and the nonoperating revenues and expenses of the Station. The revenues and expenses are reported as either operating or nonoperating. Operating revenues are generated by an annual Community Service Grant from CPB (a portion of which is restricted) and an annual grant from the Broadcast Educational Media Commission (BEMC), which is administered by the State of Ohio. In accordance with the 2014-2015 Biennial Budget

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Bill (HB59), the eTech Ohio Commission was reconstituted as the Broadcast Educational Media Commission, effective July 1, 2013. In addition, in-kind support is received from BEMC and includes support for transmission of Radio Reading Service Programming. Operating revenues also include contributions from area businesses (program underwriting). Operating expenses are incurred to vendors and employees for providing goods or services for the overall operations of the Station. Net nonoperating revenues include the general appropriation from the University, donated facilities and administrative support from the University, membership revenue, net revenue from fund raising, and net investment income.

A summary of the Station's revenues, expenses, and changes in net position follows:

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|---|---------------|---------------|---------------|
| Total Operating Revenues | \$ 426,299 | \$ 372,297 | \$ 370,570 |
| Total Operating Expenses | 1,553,929 | 1,309,130 | 1,269,967 |
| Operating Loss | (1,127,630) | (936,833) | (899,397) |
| Net Nonoperating Revenues | 647,230 | 1,054,570 | 1,005,300 |
| Gain Before Other Revenue, Expenses, and Changes | (480,400) | 117,737 | 105,903 |
| Total Other Revenue, Expenses, and Changes | 87,600 | 50,000 | 77,500 |
| Change in Net Position | (392,800) | 167,737 | 183,403 |
| Net Position at Beginning of the Year, as originally stated | 1,758,896 | 1,969,961 | 1,786,558 |
| Cumulative effect of GASB 68 and 71 implementation | - | (378,802) | - |
| Net Position at Beginning of the Year, as restated | 1,758,896 | 1,591,159 | 1,786,558 |
| Net Position at End of the Year | \$ 1,366,096 | \$ 1,758,896 | \$ 1,969,961 |

Overall, the Station's total operating revenues increased \$54,002 or 15% between fiscal year 2015 and fiscal year 2016. The revenue from the annual CPB grant that was unearned until fiscal year 2016 was \$11,078 or 8% more than the revenue unearned from the fiscal year 2015 CPB grant. In-kind contributions increased \$27,661 or 23% mainly due to an increase in in-kind support from the BEMC. In addition, the BEMC increased their subsidy support, resulting in an increase of \$11,983 or 52% in the BEMC grant over the prior year.

Total operating revenue increased \$1,727 or .5% between fiscal year 2014 and fiscal year 2015. The revenue from the annual CPB grant that was unearned until fiscal year 2015 was \$2,822 or 2% less than the revenue unearned from the fiscal year 2014 CPB grant. In addition, a strong renewal rate in underwriters resulted in an increase of \$4,124 or 5% in underwriting revenue.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The following is a recap of total operating expenses with the impact of the GASBs 68 and 71 pension expense accruals segregated.

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|---|---------------|---------------|---------------|
| Program Services | \$ 924,260 | \$ 720,238 | \$ 744,631 |
| Support Services | 594,644 | 597,294 | 525,336 |
| Operating Expenses without GASBs 68 and 71 accruals | 1,518,904 | 1,317,532 | 1,269,967 |
| GASBs 68 and 71 pension expense accruals | 35,025 | (8,402) | - |
| Total Operating Expenses | \$ 1,553,929 | \$ 1,309,130 | \$ 1,269,967 |

Excluding the impact of GASBs 68 and 71, total operating expenses increased \$201,372 or 15% between fiscal year 2015 and fiscal year 2016, primarily due to a \$204,022 or 28% increase in program services. Within program services, broadcasting expense increased \$188,666 or 92% over the prior year and was largely due to small equipment purchases, maintenance, satellite fees and software fees related to the Station's move to Melnick Hall. Changes in the staff duties during fiscal year 2016 resulted in increases and decreases within the support services categories, but overall expense remained flat compared to the prior year.

Due to the unavailability of information, fiscal year 2014 operating expenses were not restated for the adoption of GASBs 68 and 71. Excluding the impact of GASBs 68 and 71, total operating expenses increased \$47,565 or 4% between fiscal year 2014 and fiscal year 2015. This was due to a combination of a decrease in program services of \$24,393 or 3% and an increase in support services of \$71,958 or 14%. In the program services category, programming and production accounted for the greatest decrease as radio programming fees were lower in fiscal year 2015 compared to fiscal year 2014. In the support services category, fund raising and membership development decreased primarily due to the Spring 2015 grand prize not being accepted as of June 30, 2015. Underwriting and clerical expenses both increased due to personnel changes and a shift in staff duties.

Total net nonoperating revenues decreased \$407,340 or 39% from fiscal year 2015 to fiscal year 2016. This decrease was primarily due to a general appropriation to the University of \$385,778 during fiscal year 2016. The general appropriation to the University related to restricted donations to the Station for the Melnick Hall project that were transferred to the University for building improvements to Melnick Hall, where the Station moved to in February 2016.

Total net nonoperating revenues increased \$49,270 or 5% from fiscal year 2014 to fiscal year 2015. Membership income and the general appropriation from the University increased, whereas investment income decreased. Membership income increased \$49,683 or 21%, mainly due to an increase in the Station's membership base, as well as a 15% increase in the average donation per member. The general appropriation from the University increased \$15,696 or 3%, the result of an increase in compensated absences due to personnel changes. Investment income decreased \$19,427 or 76%, primarily due to unrealized losses incurred in fiscal year 2015 compared to unrealized gains in fiscal year 2014.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Other revenues, expenses and changes consist of capital gifts. Between fiscal year 2015 and fiscal year 2016, capital gifts increased \$37,600 or 75% due to an increase in gifts for the Melnick Hall renovation project. Capital gifts decreased \$27,500 or 35% from fiscal year 2014 to fiscal year 2015. This was mainly due to fewer gifts received in fiscal year 2015 to fund to the Station's new facility space.

Economic Factors for the Future

Looking to the future, management believes that the Station will continue its favorable financial position and level of excellence to its constituents. As a major community service arm of Youngstown State University, WYSU-FM reaches thousands of listeners over the airways each day in eight counties in Ohio and three in Pennsylvania. The Station also reaches many other listeners and former members of the community throughout the country and around the world through its streaming services and smart phone applications. With the continued support of the University's Board of Trustees and administration, the generous loyalty of WYSU-FM's listener-members, and the support of businesses, non-profit organizations, and foundations, WYSU-FM has maintained stability during challenging economic times.

A major focus during fiscal year 2016 was the Station's move to Melnick Hall. The Station successfully migrated all technology services from Cushwa Hall to Melnick Hall and moved into a newly remodeled, state-of-the-art facility occupying over 4,000 square feet on the second floor of the building in February 2016. The Station funded the remodeling, at a cost of over \$550,000, with grants and gifts, as well as purchased over \$200,000 in broadcast equipment. In addition to providing the same level of service to the public and Station staff, the Station now has increased redundancy and reliability in key pieces of infrastructure including audio routing, transmission backup, administrative tools, and studio sound quality. Management anticipates the new facility will provide the Station with a heightened community visibility and opportunities for new and expanded collaborations and more local programming.

Membership and underwriting, the Station's two streams of public support, continue to be a crucial element in the Station's future. Although the membership base had decreased 4% and membership income remained flat in fiscal year 2016 compared to fiscal year 2015, the average donation per member increased 4%. Conversely, underwriting income increased nearly 4% from fiscal year 2015 to fiscal year 2016, primarily due to a strong renewal rate in underwriters and an increase in lower level underwriters. WYSU-FM is dedicated to maintaining strong relationships with its members and underwriters as work continues to provide them and all listeners with a direct, personal connection to the University, as well as lifelong learning and personal development opportunities through the Station's fine arts and news and information programming.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF NET POSITION AT JUNE 30, 2016 AND 2015

| | June 30, 2016 | June 30, 2015 |
|---|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,581,469 | \$ 2,049,267 |
| Interest receivable | 310 | 389 |
| Accounts receivable (net of allowance of \$185 in 2016 and \$1,128 in 2015) | 28,915 | 35,123 |
| Pledges receivable (net of allowance of \$2,778 in 2016 and \$3,006 in 2015) | 45,446 | 48,023 |
| Total Current Assets | 1,656,140 | 2,132,802 |
| Noncurrent Assets | | |
| Endowment investments | 188,806 | 186,646 |
| Capital assets, net | 193,913 | 95,076 |
| Total Noncurrent Assets | 382,719 | 281,722 |
| Total Assets | 2,038,859 | 2,414,524 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension OPERS | 202,174 | 54,268 |
| Total Deferred Outflows of Resources | 202,174 | 54,268 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | 7,022 | 7,122 |
| Unearned revenue | 147,976 | 161,150 |
| Compensated absences | 9,132 | 10,726 |
| Total Current Liabilities | 164,130 | 178,998 |
| Noncurrent Liabilities | | |
| Compensated absences | 103,208 | 106,230 |
| Net pension liability | 595,414 | 416,913 |
| Total Noncurrent Liabilities | 698,622 | 523,143 |
| Total Liabilities | 862,752 | 702,141 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension OPERS | 12,185 | 7,755 |
| Total Deferred Inflows of Resources | 12,185 | 7,755 |
| NET POSITION | | |
| Net investment in capital assets | 193,913 | 95,076 |
| Restricted - Nonexpendable | 108,153 | 108,153 |
| Restricted - Expendable | 351,156 | 606,971 |
| Unrestricted | 712,874 | 948,696 |
| Total Net Position | \$ 1,366,096 | \$ 1,758,896 |

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| | June 30, 2016 | June 30, 2015 |
|--|----------------------|----------------------|
| REVENUES | | |
| Operating Revenues | | |
| Corporation for Public Broadcasting grant | \$ 145,521 | \$ 134,443 |
| In-kind contributions | 147,319 | 119,658 |
| Broadcast Education Media Commission grant | 35,149 | 23,166 |
| Underwriting revenue | 98,310 | 95,030 |
| Total Operating Revenues | 426,299 | 372,297 |
| EXPENSES | | |
| Operating Expenses | | |
| Program Services | | |
| Programming and production | 472,415 | 439,981 |
| Broadcasting | 393,554 | 204,888 |
| Program information | 68,024 | 64,453 |
| Traffic and continuity | 7,170 | 6,905 |
| Support Services | | |
| Management and general | 289,148 | 257,854 |
| Fund raising and membership development | 82,488 | 128,642 |
| Underwriting | 109,791 | 99,208 |
| Clerical | 107,310 | 89,647 |
| Depreciation | 24,029 | 17,552 |
| Total Operating Expenses | 1,553,929 | 1,309,130 |
| Operating Loss | (1,127,630) | (936,833) |
| NONOPERATING REVENUES (EXPENSES) | | |
| General appropriation from the University | 537,580 | 579,141 |
| General appropriation to the University | (385,778) | - |
| Donated facilities and administrative support from the University | 181,329 | 166,645 |
| Membership revenue | 286,237 | 286,835 |
| Special revenues from fund raising (net of expenses of \$3,944 in 2016 and \$3,370 in 2015) | 17,257 | 15,771 |
| Investment gain, net of investment expense | 10,605 | 6,178 |
| Net Nonoperating Revenues | 647,230 | 1,054,570 |
| Gain Before Other Revenues, Expenses, and Changes | (480,400) | 117,737 |
| OTHER REVENUES, EXPENSES, AND CHANGES | | |
| Capital gifts | 87,600 | 50,000 |
| Total Other Revenues, Expenses, and Changes | 87,600 | 50,000 |
| Change in Net Position | (392,800) | 167,737 |
| NET POSITION | | |
| Net Position at Beginning of the Year | 1,758,896 | 1,591,159 |
| Net Position at End of the Year | \$ 1,366,096 | \$ 1,758,896 |

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| | June 30, 2016 | June 30, 2015 |
|---|----------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Receipts from Corporation for Public Broadcasting grant | \$ 131,649 | \$ 145,521 |
| Receipts from Broadcast Educational Media Commission grant | 35,149 | 23,166 |
| Business and underwriting support | 104,766 | 70,217 |
| Payments to suppliers | (498,886) | (345,938) |
| Payments to employees | (494,393) | (493,257) |
| Payments for benefits | (177,214) | (150,054) |
| Total Cash Flows Used in Operating Activities | (898,929) | (750,345) |
| Cash Flows from Noncapital Financing Activities | | |
| General appropriation from the University | 537,580 | 579,141 |
| General appropriation to the University | (385,778) | - |
| Membership receipts | 288,814 | 323,307 |
| Fundraising receipts | 21,201 | 19,141 |
| Payments for fundraising | (3,944) | (3,370) |
| Total Cash Flows Provided by Noncapital Financing Activities | 457,873 | 918,219 |
| Cash Flows from Investing Activities | | |
| Interest on investments | 10,684 | 5,788 |
| (Purchase) sale of investments | (2,160) | (841) |
| Total Cash Flows Provided by Investing Activities | 8,524 | 4,947 |
| Cash Flows from Capital and Related Financing Activities | | |
| Capital grants and gifts | 87,600 | 50,000 |
| Purchase of capital assets | (122,866) | - |
| Total Cash Flows Provided by Capital and Related Financing Activities | (35,266) | 50,000 |
| Change in Cash and Cash Equivalents | (467,798) | 222,821 |
| Cash and Cash Equivalents, Beginning of Year | 2,049,267 | 1,826,446 |
| Cash and Cash Equivalents, End of Year | \$ 1,581,469 | \$ 2,049,267 |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities | | |
| Operating loss | \$ (1,127,630) | \$ (936,833) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 24,029 | 17,552 |
| Donated facilities and administrative support from the University | 181,329 | 166,645 |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | 6,208 | (25,994) |
| Prepaid expenses | - | 501 |
| Accounts payable, compensated absences, and unearned revenue | (17,890) | 36,186 |
| Net pension liability | 178,501 | 38,111 |
| Deferred outflows of resources | (147,906) | (54,268) |
| Deferred inflows of resources | 4,430 | 7,755 |
| Net Cash Flows Used in Operating Activities | \$ (898,929) | \$ (750,345) |

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

WYSU-FM Youngstown State University Radio (WYSU-FM or the Station) is operated as a department of the Division of University Relations at Youngstown State University (the University or YSU) and is subject to the policies established by the University's Board of Trustees. The Station reports annually to the Corporation for Public Broadcasting (CPB).

The financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Youngstown State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Youngstown State University as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The financial statements of the Station have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (GASB).

Under the provisions of GASB Statement No. 63, resources are classified for accounting and reporting purposes into the following four net position categories:

- Net investment in capital assets - Capital assets, net of accumulated depreciation, and the outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted Nonexpendable - Resources subject to externally imposed stipulations that they be maintained permanently by the Station. Such resources include the Station's permanent endowment fund corpus balance.
- Restricted Expendable - Resources whose use by the Station is subject to externally imposed stipulations that can be fulfilled by actions of the Station pursuant to those stipulations or that expire by the passage of time. Such resources include the restricted portion of the CPB's Radio Community Service Grant, donations for the Melnick Hall renovation project, and endowment earnings.
- Unrestricted - Resources that are not subject to externally imposed stipulations. Unrestricted resources may be designated for specific purposes by action of management, Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted resources are designated for Station programs, initiatives, and capital projects.

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The Station reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or in part by fees charged to external parties.

Cash Equivalents - The Station considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value and excludes amounts restricted by board designation or whose use is limited.

Investments - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value based on quoted market prices. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Endowment Policy - The University Endowment Fund consists of 99 named funds, which includes the Station's endowment. Each named fund is assigned a number of shares in the University Endowment Fund based on the value of the gifts to that named fund. Prior to July 2015, the University's policy was to limit annual distributions to no greater than accumulated income earned. Distributions greater than the accumulated income earned require written justification and Board of Trustees' approval. Effective July 2015 a new endowment spending policy was implemented where annual distributions each fiscal year are set to 5% of the twelve-quarter average of the market value for the preceding twelve calendar quarters. In calculating the twelve-quarter average, census dates of March 31, June 30, September 30 and December 31 for the previous three years shall be used. Distributions greater than the calculated amount require written justification and Board of Trustees' approval.

Accounts Receivable - Accounts receivable consist of underwriting charges for various Station programs. Also included are amounts due from private sources in connection with reimbursement of allowable expenditures under the applicable Station grants and contracts. Accounts receivable also include gifts collected by the YSU Foundation as part of a development services agreement. Accounts are recorded net of allowance for uncollectible accounts.

Pledges Receivable - The Station receives pledges of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of a conditional pledge, revenue is recognized when the gift is received. Pledges are recorded net of an allowance for uncollectible amounts and are discounted to net present value.

Capital Assets - Capital assets are comprised of equipment and stated at cost or fair value at date of gift. The capitalization threshold for equipment is \$5,000. Depreciation is computed using

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

the straight-line method over the estimated useful life of the asset. The estimated useful life for equipment is 3 to 7 years. The antenna and tower are depreciated over 10 years.

When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation is removed from asset accounts and net investment in capital assets. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed when incurred.

Unearned Revenue - Unearned revenue includes amounts received from grants and contract sponsors that have not yet been earned.

Compensated Absences - Accumulated unpaid vacation, personal and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The Station uses the termination method to accrue sick leave compensated absences on the Statement of Net Position.

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 further exchange of goods or services. Deferred inflows of resources represent the acquisition of resources that are applicable to a future resource period. Deferred outflows of resources in the Station's financial statements consist of differences between projections and actual in the OPERS pension plan and contributions subsequent to the measurement date of the plan. Deferred inflows of resources in the Station's financial statements consist of differences between projections and the actual in the OPERS pension plan.

Pensions – For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position has been determined on the same basis as reported by the pension system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension system reports investments at fair value.

General Appropriation from the University - The general appropriation represents support from the University for salaries and operating expenses not provided through other sources.

General Appropriation to the University - The general appropriation represents support from the Station to the University for capital projects.

Donated Facilities and Administrative Support - Donated facilities and administrative support represent the Station's allocated amounts of institutional support and donated facilities and is recorded as nonoperating revenue and expenses in the Statement of Revenue, Expenses, and Changes in Net Position. Administrative support is based on the Station's pro-rata share of the University's total salaries, wages, and administrative expenses. Donated facilities are the

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Station's pro-rata share of the University's total plant expenses along with calculated occupancy costs.

Income Taxes - The Internal Revenue Service has ruled that the University's income is generally exempt from Federal income taxes under Section 115 of the Internal Revenue Code. The University is subject to tax on unrelated business income.

Measurement Focus and Financial Statement Presentation - Operating revenues and expenses result from providing programming, production, and broadcasting support for the Station. The principal operating revenues include two grants, one from the CPB and one from the Broadcast Educational Media Commission (BEMC), along with underwriting revenue from area businesses. Principal operating expenses include programming, production, broadcasting, fundraising, and management services and support. The principal nonoperating revenues are the general appropriation from the University and membership support.

Release of Restricted Funds - When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Station's policy to apply restricted resources first, then unrestricted resources as needed.

Management's Estimates - The preparation of the 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, revenue and expenses during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from these estimates.

Reclassification - Certain reclassifications have been made to the fiscal year 2015 amounts to conform with the fiscal year 2016 presentation. These reclassifications had no effect on the total net position or change in net position.

Note 2 – Cash and Cash Equivalents

For financial statement presentation purposes, cash in banks has been combined with the University's cash equivalents and temporary investments in repurchase agreements and certificates of deposit.

The aggregate cost of repurchase agreements, which approximates fair value, included in the University's cash and cash equivalents is \$357,738 and \$2,083,878 at June 30, 2016 and June 30, 2015, respectively.

Depository funds held in the name of the University are secured by a pool of securities with a value of at least 105% of the total value of monies on deposit at the depository bank. All collateral, both specific and pooled, is held by the Federal Reserve Bank or by a designated trustee as agent for the public depositories used by the University.

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

The University's cash and cash equivalents at June 30, 2016 and June 30, 2015 consisted of the following:

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Carrying Amount (Cash and cash equivalents) | <u>\$ 15,893,972</u> | <u>\$ 11,472,554</u> |
| FDIC Insured | \$ 5,769,116 | \$ 5,817,914 |
| Uninsured but collateralized by pools of securities pledged by the depository banks | 4,927,221 | 3,883,274 |
| Uninsured but assets held in name of YSU not pledged as collateral elsewhere | <u>5,882,625</u> | <u>3,274,251</u> |
| Bank Balance | <u>\$ 16,578,962</u> | <u>\$ 12,975,439</u> |

The difference in carrying amount and bank balance is caused by items in transit and outstanding checks.

The Station's cash and cash equivalents are included in these totals and were \$1,581,469 and \$2,049,267 at June 30, 2016 and June 30, 2015, respectively.

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2016 and June 30, 2015, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

Note 3 - Investments

The University's investment policy authorizes the University to invest endowed University funds in compliance with provisions of the Ohio Revised Code including House Bill 524, Section 3345.05 of the Ohio Revised Code, and all other applicable laws and regulations.

In accordance with the Policies of the Board of Trustees of the University, investment types are not specifically limited but shall be made with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Furthermore, investments shall be managed for the use and benefit of the University in a diversified portfolio that focuses, over time, on the preservation of capital, minimization of cost and risk, and maintenance of required levels of liquidity in the overall portfolio to meet cash flow requirements.

The University utilizes an investment advisor and investment managers for endowment funds. The University's endowment funds, which includes WYSU-FM's endowment fund, are managed by Huntington Trust. The Station's investments represent a portion of the University's endowment investments. University endowment investments were \$8,776,929 as of June 30,

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

2016 and \$8,784,183 as of June 30, 2015. The Station's portion of the University endowment investments were \$188,806 as of June 30, 2016 and \$186,646 as of June 30, 2015.

The University's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Assets classified in Level 1 of the fair value hierarchy are valued directly from a primary external pricing vendor.

As of June 30, 2016, the University had the following investments measured at fair value:

| | Fair Value Measurement | | | Total |
|-----------------------------|------------------------|-------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| U.S. Government Obligations | \$ 7,557,213 | \$ - | \$ - | \$ 7,557,213 |
| Corporate Bonds | 9,921,463 | - | - | 9,921,463 |
| Foreign Bonds | 115,597 | - | - | 115,597 |
| U.S. Government Bonds | 1,828,911 | - | - | 1,828,911 |
| Bond Mutual Funds | 9,813,823 | - | - | 9,813,823 |
| Preferred and Common Stock | 6,255,968 | - | - | 6,255,968 |
| Equity Mutual Funds | 27,829,070 | - | - | 27,829,070 |
| Totals | \$63,322,045 | \$ - | \$ - | \$ 63,322,045 |

As of June 30, 2015, the University had the following investments measured at fair value:

| | Fair Value Measurement | | | Total |
|-----------------------------|------------------------|-------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| U.S. Government Obligations | \$ 7,427,958 | \$ - | \$ - | \$ 7,427,958 |
| Corporate Bonds | 9,845,758 | - | - | 9,845,758 |
| Foreign Bonds | 100,406 | - | - | 100,406 |
| U.S. Government Bonds | 1,618,225 | - | - | 1,618,225 |
| Bond Mutual Funds | 11,211,109 | - | - | 11,211,109 |
| Preferred and Common Stock | 5,987,195 | - | - | 5,987,195 |
| Equity Mutual Funds | 26,867,528 | - | - | 26,867,528 |
| Totals | \$63,058,179 | \$ - | \$ - | \$ 63,058,179 |

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

As of June 30, 2016, the Station had the following investments and maturities using the segmented time distribution method:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|----------------------------|-------------------|----------------------------------|------------------|-----------------|--------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| Corporate Bonds | \$ 20,202 | \$ 1,510 | \$ 12,461 | \$ 6,231 | \$ - |
| Foreign Bonds | 2,077 | 2,077 | - | - | - |
| U.S. Government Bonds | 13,594 | - | 13,594 | - | - |
| Bond Mutual Funds | 3,399 | 3,399 | - | - | - |
| Preferred and Common Stock | 133,674 | 133,674 | - | - | - |
| Equity Mutual Funds | 15,860 | 15,860 | - | - | - |
| Totals | \$ 188,806 | \$ 156,520 | \$ 26,055 | \$ 6,231 | \$ - |

All callable stocks were assumed to mature in less than one year.

As of June 30, 2015, the Station had the following investments and maturities using the segmented time distribution method:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|----------------------------|-------------------|----------------------------------|------------------|------------------|--------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| Corporate Bonds | \$ 26,131 | \$ 6,159 | \$ 7,093 | \$ 12,879 | \$ - |
| Foreign Bonds | 2,053 | - | 2,053 | - | - |
| U.S. Government Bonds | 11,199 | - | 5,973 | 5,226 | - |
| Bond Mutual Funds | 4,293 | 4,293 | - | - | - |
| Preferred and Common Stock | 125,612 | 125,612 | - | - | - |
| Equity Mutual Funds | 17,358 | 17,358 | - | - | - |
| Totals | \$ 186,646 | \$ 153,422 | \$ 15,119 | \$ 18,105 | \$ - |

All callable stocks were assumed to mature in less than one year.

As of June 30, 2016, investments had the following quality credit ratings:

| Investment Type | Fair Value | Aaa | Aa | A | Baa | Unrated |
|-----------------------|------------------|---------------|------------------|-----------------|-----------------|--------------|
| Corporate Bonds | \$ 20,202 | \$ - | \$ 11,156 | \$ 7,903 | \$ 1,143 | \$ - |
| Foreign Bonds | 2,077 | - | 2,077 | - | - | - |
| U.S. Government Bonds | 13,594 | - | 13,594 | - | - | - |
| Bond Mutual Funds | 3,399 | 590 | 946 | 331 | 1,508 | 24 |
| Totals | \$ 39,272 | \$ 590 | \$ 27,773 | \$ 8,234 | \$ 2,651 | \$ 24 |

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

As of June 30, 2015, investments had the following quality credit ratings:

| Investment Type | Fair Value | Aaa | Aa | A | Baa | Unrated |
|-----------------------|------------------|---------------|------------------|-----------------|-----------------|--------------|
| Corporate Bonds | \$ 26,131 | \$ - | \$ 10,703 | \$ 9,071 | \$ 6,357 | \$ - |
| Foreign Bonds | 2,053 | - | 2,053 | - | - | - |
| U.S. Government Bonds | 11,199 | - | 11,199 | - | - | - |
| Bond Mutual Funds | 4,293 | 784 | 1,177 | 574 | 1,743 | 15 |
| Totals | <u>\$ 43,676</u> | <u>\$ 784</u> | <u>\$ 25,132</u> | <u>\$ 9,645</u> | <u>\$ 8,100</u> | <u>\$ 15</u> |

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy and asset allocation guidelines contain provisions to manage credit risk.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments that are both unregistered and uninsured are exposed to custodial credit risk if investments are held by the counterparty, or are held by the counterparty's trust department or agent but not in the name of the University. At June 30, 2016 and 2015, the University had no exposure to custodial credit risk. The University does not address custodial credit risk in its investment policy and asset allocation guidelines.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2016 and 2015, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

Note 4 – Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--------------------------------|----------------------|------------------|-------------|-------------------|
| Depreciable assets: | | | | |
| Antenna and tower | \$ 475,691 | \$ 79,109 | \$ 5,943 | \$ 548,857 |
| Studio and broadcast equipment | 383,210 | 43,757 | 157,546 | 269,421 |
| Total cost | 858,901 | 122,866 | 163,489 | 818,278 |
| Less: Accumulated depreciation | 763,825 | 24,029 | 163,489 | 624,365 |
| Capital assets, net | <u>\$ 95,076</u> | <u>\$ 98,837</u> | <u>\$ -</u> | <u>\$ 193,913</u> |

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Capital assets activity for the year ended June 30, 2015 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--------------------------------|----------------------|--------------------|-------------|-------------------|
| Depreciable assets: | | | | |
| Antenna and tower | \$ 475,691 | \$ - | \$ - | \$ 475,691 |
| Studio and broadcast equipment | 383,210 | - | - | 383,210 |
| Total cost | 858,901 | - | - | 858,901 |
| Less: Accumulated depreciation | 746,273 | 17,552 | - | 763,825 |
| Capital assets, net | <u>\$ 112,628</u> | <u>\$ (17,552)</u> | <u>\$ -</u> | <u>\$ 95,076</u> |

Note 5 – Unearned Revenue

Unearned revenue at June 30, 2016 and June 30, 2015 consisted of the following:

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Corporation for Public Broadcasting grant | \$ 131,649 | \$ 145,521 |
| Underwriting agreements | 16,327 | 15,179 |
| Other unearned revenue | - | 450 |
| Total unearned revenue | <u>\$ 147,976</u> | <u>\$ 161,150</u> |

Note 6 – Long-Term Liabilities

Long-term liability activity (also see Note 7) for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|-----------------------------|----------------------|------------------|------------------|-------------------|--------------------|
| Compensated absences | \$ 116,956 | \$ - | \$ 4,616 | \$ 112,340 | \$ 9,132 |
| Net pension liability | 416,913 | 256,549 | 78,048 | 595,414 | - |
| Total long-term liabilities | <u>\$ 533,869</u> | <u>\$256,549</u> | <u>\$ 82,664</u> | <u>\$ 707,754</u> | <u>\$ 9,132</u> |

Long-term liability activity (also see Note 7) for the year ended June 30, 2015 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|-----------------------------|----------------------|-------------------|-------------|-------------------|--------------------|
| Compensated absences | \$ 99,650 | \$ 17,306 | \$ - | \$ 116,956 | \$ 10,726 |
| Net pension liability | - | 416,913 | - | \$ 416,913 | - |
| Total long-term liabilities | <u>\$ 99,650</u> | <u>\$ 434,219</u> | <u>\$ -</u> | <u>\$ 533,869</u> | <u>\$ 10,726</u> |

Note 7 – Defined Benefit Pension Plans

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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 already have occurred.

The net position liability represents the Station'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. 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 these estimates annually.

Ohio Revised Code limits the Station's obligation for this liability to annually required payments. The Station cannot control benefit terms or the manner in which pensions are financed; however, the Station does receive the benefit of employees' services in exchange for compensation including pension.

GASBs 68 and 71 assumes the liability is solely the obligation of the employer, because (1) the employer benefits from employee services; and (2) State statute requires all funding to come from the employer. All contributions to date have come solely from employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each pension plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in payroll liabilities.

Plan Description

Substantially all Station employees are provided with pensions through the OPERS, which is a statewide cost-sharing multiple employer defined benefit pension plan. Authority to establish and amend benefits for OPERS is authorized by Chapter 145 of the Ohio Revised Code. OPERS issues publicly available financial reports which can be obtained at <https://www.opers.org/financial/reports.shtml>.

OPERS offers three separate retirement plans: a defined benefit plan, a defined contribution plan, and a combined plan.

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

OPERS Defined Benefit Plan pays service retirement benefits using a fixed formula based on age, years of service credit and final average salary (FAS). In addition to service retirement, participants are eligible for disability and survivor benefits.

OPERS Member-Directed Plan is an optional alternative retirement plan available to new members. Participants allocate both member and a portion of the employer contributions in an investment account. Portions of the employer contributions are allocated to the defined benefit unfunded liabilities. Benefits are based on the member's account value.

OPERS Combined Plan offers features of both a defined benefit plan and a member-directed or 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 along with disability and survivor benefits.

Benefits Provided

OPERS provides 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 receiving them yet 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 pension plan and members must meet the eligibility requirements based on their age and years of service credit within the plan. Retirement eligibility also varies by division and transition group. Members who were eligible to retire under law in effect prior to SB 343 before January 7, 2013 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.

State and Local members in transition groups A and B are eligible for retirement benefits at age 55 with 25 or more years of service credit or at age 60 with 5 years of service credit. State and Local members in transition Group C are eligible for retirement at age 57 with 25 years of service credit or at age 62 with 5 years of service credit.

Under the Traditional Plan, for Groups A and B, the annual benefit is based on 2.2% of FAS multiplied by the actual years of service credit for the first 30 years of service credit and 2.5% for years of service credit 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 credit 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. Group C is based on the average of the five highest years of earnings over a member's career.

Under the Combined Plan, the benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

FAS for the first 30 years of service credit. A factor of 1.25% is applied to years of service credit in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service credit and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Member-Directed participants must have attained the age of 55, have money on deposit in the Defined Contribution Plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts.

OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. Members participating in the Member-Directed Plan are not eligible for disability benefits.

Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death.

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

Contributions

OPERS Contributions

Employer and member contribution rates are established by the OPERS Board subject to limits per Chapter 145 of the Ohio Revised Code. For the years ended June 30, 2016 and June 30, 2015, the employee contribution rate was 10% and the employer contribution rate was 14%. The Station's contributions to OPERS were \$65,109, \$64,597, and \$61,627 for the fiscal years ended

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

June 30, 2016, 2015, and 2014, respectively. There were no contributions made to the ARP for the fiscal years ended June 30, 2016, 2015 and 2014. Contributions were equal to the required contributions for each year as set by state statute.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016 and June 30, 2015, the Station reported a liability of \$595,414 and \$416,913, respectively for its proportional share of the net pension liability. The net pension liability was measured as of December 31, 2015 and December 31, 2014 for the plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Station's proportion of the net pension liability was based on its contributions to the pension plan relative to the contributions of all participating reporting units. The Station's proportionate share was 0.00345% and 0.00347% for 2016 and 2015, respectively.

Total pension expense for the years ended June 30, 2016 and June 30, 2015, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, was \$100,134 and \$56,195, respectively. Pension expense is allocated to institutional functions on the Statement of Revenues, Expenses and Other Changes in Net Position.

At June 30, 2016 and June 30, 2015, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2016 | | 2015 | |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 46 | \$ 12,185 | \$ - | \$ 7,755 |
| Net difference between projected and actual earnings on pension plan investments | 169,686 | - | 22,398 | - |
| Change in proportionate share of contributions | 171 | - | - | - |
| Station contributions subsequent to the measurement date | 32,271 | - | 31,870 | - |
| Totals | \$ 202,174 | \$ 12,185 | \$ 54,268 | \$ 7,755 |

Amounts reported as deferred outflows of resources related to pensions resulting from Station contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the Station's subsequent year's financial statements. Other cumulative amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| Year Ended | |
|------------|-------------------|
| June 30 | Amount |
| 2017 | \$ 36,972 |
| 2018 | 39,934 |
| 2019 | 43,254 |
| 2020 | 37,920 |
| 2021 | (95) |
| Thereafter | (267) |
| Totals | <u>\$ 157,718</u> |

Actuarial Assumptions

The total pension liability is based on the results of actuarial valuations and was determined using the following actuarial assumptions, which were applicable to 2016 and 2015 valuation dates.

| Actuarial Assumptions | |
|---------------------------------------|--|
| Actuarial cost method | Individual entry age |
| Cost of living | Pre 1/7/2013 retirees: 3% simple, Post 1/7/2013 retirees: 3% simple through 2018, then 2.8% simple |
| Salary increases, including inflation | 4.25%-10.05% |
| Inflation | 3.75% |
| Investment rate of return | 8% |
| Experience study date | Period of 5 years ended December 2010 |
| Mortality basis | RP-2000 mortality table projected 20 years using Projection Scale AA |

Discount rate

The discount rate used to measure the total pension liability was 8.00% and was applicable to the 2015 and 2016 valuation dates. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that employer contributions will be made at the contractually required rates for all plans. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long term expected rate of return on OPERS defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

target asset allocation percentage, adjusted for inflation. The target allocation and expected real rates of return for each major asset class are summarized as follows

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Fixed income | 23.0% | 2.31% |
| Domestic equity | 20.7% | 5.84% |
| International equity | 18.3% | 7.40% |
| Real estate | 10.0% | 4.25% |
| Private equity | 10.0% | 9.25% |
| Other | 18.0% | 4.59% |
| Totals | <u>100.0%</u> | |

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Station calculated using the discount rate below, as well as what the Station's net pension liability would be if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate.

| | | (\$ in thousands) | | | | |
|----------|-------------|-------------------|-----------------------|--------|-------------|--------|
| June 30, | 1% Decrease | | Current Discount Rate | | 1% Increase | |
| 2016 | 7.00% | \$ 882 | 8.00% | \$ 595 | 9.00% | \$ 295 |
| 2015 | 7.00% | 770 | 8.00% | 417 | 9.00% | 120 |

Pension plan fiduciary net position

Detailed information about OPERS fiduciary net position is available in the separately issued financial reports.

Payable to the Pension Plan

The Station reported a payable of \$5,432 and \$5,356 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2016 and June 30, 2015, respectively.

Note 8 - Related Party

Youngstown State University Foundation is a legally separate nonprofit organization exempt from federal income tax and classified as a public charity. The Foundation is devoted to the support, expansion, and development of educational programs at the University that are useful and beneficial to the students and the community. During fiscal year 2015, the University entered into a development services agreement with the Foundation, wherein the Foundation

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

raises and maintains donations on behalf of the University. The Foundation remits all related funds, which have been received, on a monthly basis.

The operations of WYSU-FM are supported by general appropriations from the University. In addition to direct support received through grant awards and underwriting revenue attributable to WYSU-FM's operations, the University covers operating costs of WYSU-FM. The University's support allocation totaled \$537,580 and \$579,141 in direct support for fiscal years 2016 and 2015, respectively, and \$181,329 and \$166,645 in indirect administrative support and donated facilities for fiscal years 2016 and 2015, respectively. During fiscal year 2016, WYSU-FM appropriated \$385,778 of donations restricted to the Melnick Hall renovation project to the University.

Note 9 – Risk Management

WYSU-FM is included in the University's insurance programs. The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has joined with other state-assisted universities in Ohio to form an insurance pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurance value to the pool. Future contributions will be adjusted based upon each University's loss history. The University had no significant reductions in coverage from the prior year. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

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REQUIRED SUPPLEMENTARY INFORMATION

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

| OPERS | | | |
|--|----|-----------------|-----------------|
| Fiscal Year | | 2016 | 2015 |
| Measurement Date | | 1/1/15-12/31/15 | 1/1/14-12/31/14 |
| Station's proportion of the net pension liability (asset) | | 0.00345% | 0.00347% |
| Station's proportionate share of the net pension liability (asset) | \$ | 595,414 | \$ 416,913 |
| Station's covered-employee payroll | \$ | 493,694 | \$ 478,895 |
| Station's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll | | 120.60% | 87.06% |
| Plan fiduciary net position as a percentage of the total pension liability | | 85.00% | 84.00% |

NOTE: Years prior to 2015 are not available.

Schedule of the Station's Contributions

| OPERS | | | |
|---|----|---------|------------|
| | | 2016 | 2015 |
| Statutorily required contribution | \$ | 65,109 | \$ 64,597 |
| Contributions in relation to the Statutorily required contribution | \$ | 65,109 | \$ 64,597 |
| Annual contribution deficiency | \$ | - | \$ - |
| Station's covered-employee payroll | \$ | 465,061 | \$ 461,406 |
| Contributions recognized by the pension plan in relation to the the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll | | 14.00% | 14.00% |

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SUPPLEMENTARY INFORMATION

SCHEDULE OF NONFEDERAL FINANCIAL SUPPORT FOR THE YEAR ENDED JUNE 30, 2016

| | |
|--|---------------------|
| Direct Income | \$ 1,066,735 |
| Indirect Administrative Support | 181,329 |
| In-Kind Contributions of Services and Other Assets | <u>130,777</u> |
| Total Nonfederal Financial Support | <u>\$ 1,378,841</u> |

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of WYSU-FM, Youngstown State University Radio (the "Station"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements, and have issued our report thereon dated November 29, 2016.

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Youngstown State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Youngstown State University as of June 30, 2016, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Crowe Horwath LLP
Crowe Horwath LLP

Columbus, Ohio
November 29, 2016



YOUNGSTOWN STATE UNIVERSITY

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Dave Yost • Auditor of State

YOUNGSTOWN STATE UNIVERSITY

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 31, 2017