This report is subject to review and acceptance by the Auditor of State's office, and the requirements of Ohio Revised Code Section 117.25 are not met until the Auditor of State certifies this report. This process will be completed by the Auditor of State in a reasonable timeframe and reports are subject to change if the Auditor of State determines that modification of a report is necessary to comply with required accounting or auditing standards or Uniform Guidance.

YOUNGSTOWN STATE UNIVERSITY

CONTENTS

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 cannon 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

James P. Tressel
President

Crowe Horwath LLP
Independent Member Crowe Horwath International

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 the discretely presented component unit of the 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. 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 University for the discretely presented component unit, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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 and the discretely presented component unit of the University, 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 to 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 Message from President Tressel on page 1, Board of Trustees on page 62, and Executive Officers 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.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 3, 2016

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

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.*

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.

- 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.

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	243,019,981	225,608,683	231,061,012
Total Assets	312,041,111	292,028,140	297,779,250
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	259,630,512	226,451,873	102,759,581
Deferred Inflows of Resources	15,366,387	18,680,757	382,500
Total Net Position	$ 63,170,901	$ 57,506,681	$ 194,637,169
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	(100,901,806)	(105,332,468)	31,620,890
Total Net Position	$ 63,170,901	$ 57,506,681	$ 194,637,169

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.

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	$ 312,041,111	$ 292,028,140	$ 297,779,250

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.

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	$ 214,466,245	$ 198,752,775	$ 201,160,882

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.

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	$ 26,126,689	$ 10,611,171	$ -

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	$ 15,366,387	$ 18,680,757	$ 382,500

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 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 liabilites	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	$ 259,630,512	$ 226,451,873	$ 102,759,581

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 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	(100,901,806)	(105,332,468)	31,620,890
Total Net Position	$ 63,170,901	$ 57,506,681	$ 194,637,169

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	(26,126,689)	(10,611,171)	-
Total Net Position without GASBs 68 and 71	$ 198,098,792	$ 192,516,410	$ 194,637,169

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 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	$ 24,604,440	$ 24,983,739	$ 24,399,302

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:

	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	$ (100,901,806)	$ (105,332,468)	$ 31,620,890

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.

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	119,389,617	118,267,065	120,636,161
Operating Expenses	192,579,044	194,842,580	198,300,930
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	68,147,233	68,878,025	73,139,397
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	10,706,414	7,309,729	7,126,584
Change in Net Position	5,664,220	(387,761)	2,601,212
Net Position at Beginning of the Year, restated	57,506,681	57,894,442	192,035,957
Net Position at End of the Year	$ 63,170,901	$ 57,506,681	$ 194,637,169

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	$ 204,272,458	$ 200,195,583	$ 205,722,235

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

$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	$ 192,579,044	$ 194,842,580	$ 198,300,930

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 thought 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 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.

Economic Factors for the Future

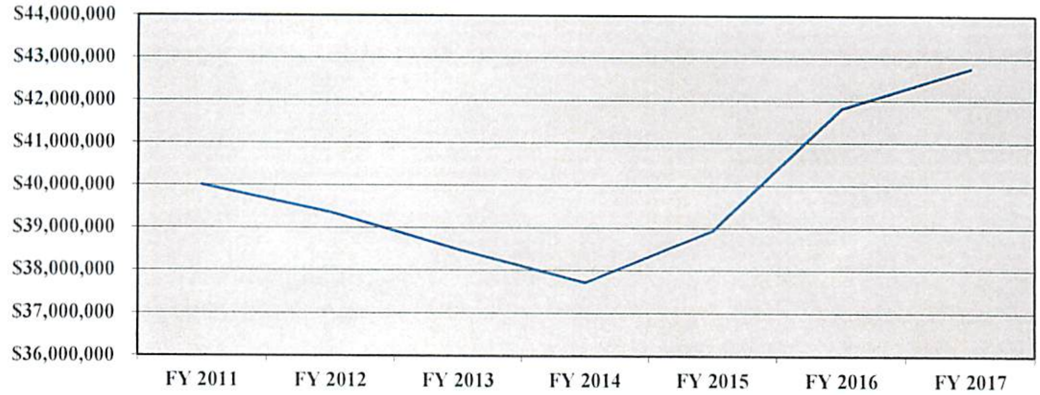
Looking to the future, management believes the University is well-positioned to continue its favorable financial condition and level of excellence in service to students.

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.

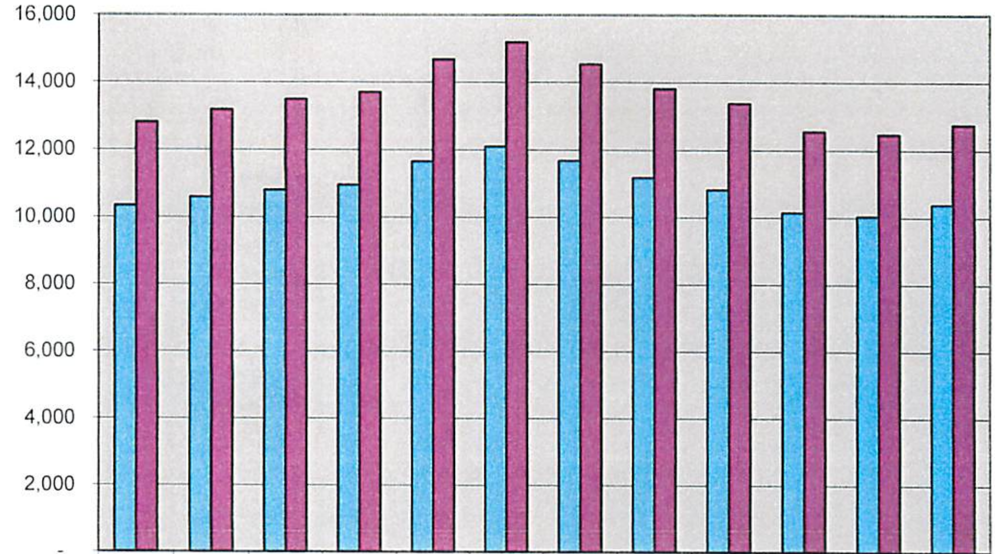
The increase in statewide higher education funding notwithstanding, degrees awarded and course completions will continue to be primary drivers of SSI funding. Datasets used in the formula are based on a three-year rolling average, and are weighted to take into account various at-risk student characteristics.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



Fall Semester Enrollment Trends
2005 through 2016



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Full-Time Equivalent	10,332	10,590	10,796	10,953	11,649	12,093	11,677	11,171	10,819	10,149	10,034	10,389
Headcount	12,812	13,183	13,497	13,712	14,682	15,194	14,541	13,813	13,381	12,551	12,471	12,756

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.