

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.

YOUNGSTOWN STATE UNIVERSITY

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	Amount
June 30	
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	Long-Term Expected Real	Asset Class	Target	Long-Term expected Real
	Allocation	Rate of Return		Allocation	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 Jun 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	<u>92,042,845</u>	<u>-</u>	<u>-</u>	<u>11,296,714</u>	<u>103,339,559</u>
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	<u>-</u>	<u>-</u>	<u>12,578,841</u>	<u>50,668,925</u>	<u>63,247,766</u>
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 Position 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 pay roll	\$ 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 pay roll	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 pay roll	\$ 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 pay roll	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

YSU 2020 Strategic Plan Update: Accountability & Sustainability Cornerstone - Fiscal Health

Senate Bill 6 Ratios

The Accountability & Sustainability Cornerstone of the YSU 2020 Strategic Plan identifies the institution/Board metric for **fiscal health** as an "Index of Pertinent Financial Ratios (Senate Bill 6 Ratio)."

The Ohio Department of Higher Education annually calculates the S.B. 6 ratios on the basis each institution's audited financial statements:

***Net income ratio:** change in total net assets ÷ total revenues. = **20% of composite score**

***Viability ratio:** expendable net assets ÷ plant debt. = **30% of composite score**

***Primary reserve ratio:** expendable net assets ÷ total operating expenses + interest on debt. = **50% of composite score**

YSU's FY 2016 ratios and scores are depicted in the table below:

Senate Bill 6 Sliding Scale						YSU Factor	Weight	YSU Score
Net Income Ratio								
0	1	2	3	4	5	Factor	Weight	Score
<-.049	-.05 to 0	0 to .009	.01 to .029 0.027	.03 to .049	=>.05	3	20%	0.60
Viability Ratio:								
0	1	2	3	4	5	Factor	Weight	Score
<0	0 to .29	.30 to .59	.60 to .99 0.725	1.0 to 2.50	>2.50	3	30%	0.90
Primary Reserve Ratio:								
0	1	2	3	4	5	Factor	Weight	Score
<-.10	-.10 to .049	.05 to .099	.10 to .249 0.298	.25 to .49	=>.50	4	50%	2.00
YSU Composite Score for FY 2016 =>								3.50

What the ratios mean:

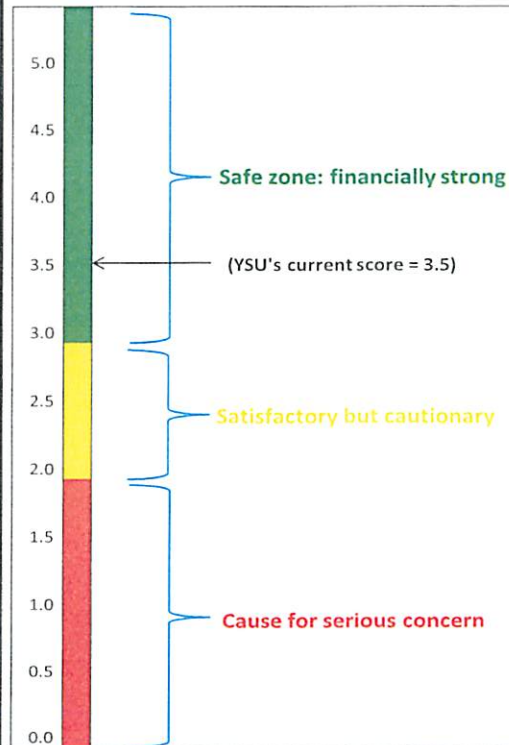
***Net income ratio:** compares expenses and revenues to determine if a campus is operating within its resources.

***Viability ratio:** measures a campus's ability to manage long-term debt obligations.

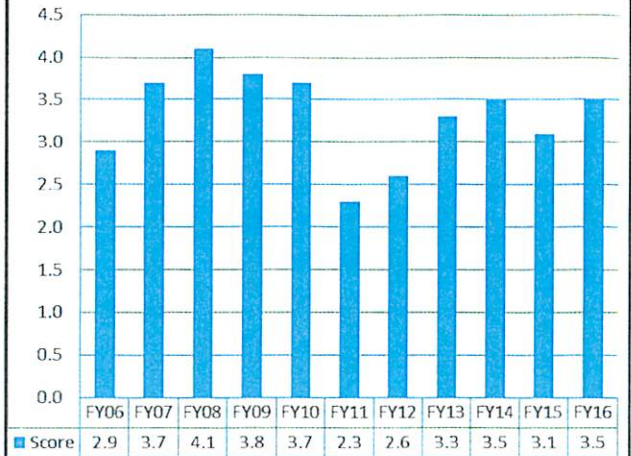
***Primary reserve ratio:** measures a campus's ability to use reserves in the absence of future revenue.

Key metric: **Composite Score**, the sum of weighted scores from the net income, viability and primary reserve ratios.

How to interpret the S.B. 6 Composite Score:



How YSU's S.B. 6 composite score has changed over the last 10 years:



Bond Ratings

The YSU 2020 Strategic Plan also cites the University's bond rating as a metric of fiscal health. Measured by independent rating agencies, this metric signifies the University's credit worthiness in the public debt market. YSU's current ratings are as follows:

*** Moody's (2014): A2, stable outlook**

*** Standard & Poor's (2015): A, stable outlook**

These ratings indicate that YSU is a high quality investment with only moderate risk. The table below summarizes the rating scales used by Moody's and S&P.

Moody's			S & P		Description
Aaa1	Aaa2	Aaa3	AAA		Best quality, little or no risk
Aa1	Aa2	Aa3	AA		High quality, low risk
A1	A2	A3	A		High quality, moderate risk
Baa1	Baa2	Baa3	BBB		Good quality, some risk
Ba1	Ba2	Ba3	BB		Medium quality, some risk
B1	B2	B3	B		Medium quality, higher risk
Caa1	Caa2	Caa3	CCC		Low quality, susceptible to default
Ca1	Ca2	Ca3	CC		Lower quality, susceptible to default
C1	C2	C3	C		Lowest quality, highly susceptible to default
-	-	-	D		In default (S&P rating only)