

AGENDA ITEM: C.2.c.

AGENDA TOPIC: Financial Report for the Years Ended June 30, 2015 and 2014

CONTACT(S): Neal McNally, Vice President for Finance & Business Operations

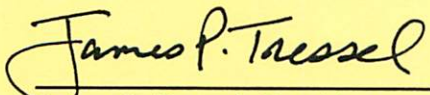
BACKGROUND: The University's Financial Statements for the years ended June 30, 2015 and 2014 were audited by Crowe Horwath LLP. The University has contracted with Crowe Horwath LLP for audit services for the five year period July 1, 2012 through June 30, 2017. The Youngstown State University Foundation is treated as a component unit of the University and is discretely presented in this report by presentation of the individual financial statements immediately following the University's respective GASB financial statements. The Foundation's financial statements were audited by another auditor firm.

SUMMARY AND ANALYSIS:

- The University received a clean opinion from the auditors.
- The University remains in a healthy financial position as reflected by the preliminary S.B 6 composite score of 3.1.
- The financial report reflects the implementation of GASBs 68 and 71, which changed how pensions are reported, but not funded. The effect of this change resulted in a net decrease in net position at July 1, 2014 of \$136.7 million. The net pension liability at June 30, 2015 totaled \$127.7 million at June 30, 2015, \$93.5 million attributed to the STRS pension plan and \$34.2 million to the OPERS plan. The impact on the operating expenses was a \$1.7 million reduction in compensation, \$1.3 million of which is reflected in instruction.
- Although the University's operating loss improved from \$77.7 million in FY2014 to \$76.6 million in FY2015, the change in net position (net income/loss) decreased from a positive \$2.6 million in FY2014 to a negative \$400,000 in fiscal year 2015. The negative change was partially attributable to reduced investment income due to a less favorable market.
- In an environment of declining enrollment and decreasing revenue, the University has managed expenses responsibly. This is evidenced by the \$3.5 million reduction in operating expenses during FY2015, as depicted on the Statement of Revenues, Expenses and Changes in Net Position.

RESOLUTION: N/A – DISCUSSION ITEM ONLY

REVIEWED AS TO FORM AND CONTENT:


James P. Tressel, President



**YOUNGSTOWN
STATE
UNIVERSITY**

FINANCIAL REPORT
*For the Years Ended
June 30, 2015 and 2014*



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 OMB Circular A-133.

YOUNGSTOWN STATE UNIVERSITY

CONTENTS

	<i>Page</i>
<i>Message from President Tressel</i>	1
<i>Financial Report</i>	
<i>Independent Auditor's Report</i>	2
<i>Management's Discussion and Analysis</i>	4
<i>Basic Financial Statements</i>	
<i>Youngstown State University Statements of Net Position</i>	21
<i>The Youngstown State University Foundation</i> <i>Statements of Financial Position</i>	22
<i>Youngstown State University Statements of</i> <i>Revenues, Expenses and Changes in Net Position</i>	23
<i>The Youngstown State University Foundation</i> <i>Statements of Activities and Change in Net Assets</i>	24
<i>Youngstown State University Statements of Cash Flows</i>	25
<i>Notes to Financial Statements</i>	27
<i>Required Supplementary Information</i>	
<i>Schedules of the University's Proportionate Share of the Net Pension Liability</i>	59
<i>Schedules of the University's Contributions</i>	60
<i>Other Information</i>	
<i>Board of Trustees</i>	61
<i>Principal Administrators</i>	62

YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT TRESSEL

October 15, 2015

After several years of declining student populations and growing financial challenges, Youngstown State University (YSU) made significant progress during fiscal year 2015 to stabilize our budget and to set the stage for long term, sustainable enrollment growth. In fact, for the first time in more than four years, YSU anticipates that enrollment will be on the upswing come the Spring 2016 semester.

While much work remains, the University's leadership, students, faculty, staff and supporters deserve recognition for their hard work and dedication as we maneuvered through several challenges and steadfastly moved the University forward in a positive direction. Most important, in the midst of these issues, YSU continued to achieve on the highest levels. For instance...

- *Forbes* magazine again listed YSU as one of America's Top Universities. The Youngstown business Incubator, located only a few blocks from the YSU campus, was named *the* top University Affiliated Business Incubator in the world. Meanwhile, *Washington Monthly* magazine and Affordable Colleges Online both ranked YSU as one of the nation's top universities.
- On the college level, *U.S. News* named our engineering program as one of the top programs in the nation. Our business college earned the prestigious international AACSB reaccreditation, while graduates of our Doctor of Physical Therapy program scored 100% pass rates on national boards. The master's programs in Financial Economics and in Counseling both earned multiple national honors, while our University Theater garnered recognition from the esteemed Kennedy Center for the Arts.
- Our faculty boasted an award-winning poet and a successful novelist, whose book was made into a movie. Two members of our STEM faculty earned federal patents for groundbreaking innovations in physics and mechanical engineering, while our award-winning piano professor in the Dana School of Music released her fifth album.
- We awarded 2,270 diplomas this past year – the most in 31 years. Our incoming freshmen class had the highest ACT scores and high school GPA's in the University's history. Nearly 550,000 people visited the campus – to compete in academic games, attend interesting lectures, experience musical performances and art exhibits, and cheer on our athletics teams. Our scholar athletes took home five Horizon League championships, and our award-winning Wind Ensemble has been invited to perform at Carnegie Hall in New York this fall.

All of this occurred as we launched efforts to commit the campus to an enhanced culture of community, a culture that provides expanded opportunities for the University, the region, our students and our alumni to reach their full potential. In that culture, we are working diligently to ensure the success of all students, to enhance and widen the discovery of knowledge, and to develop partnerships, programs and activities that significantly impact the people and the institutions across the Northeast Ohio and Western Pennsylvania regions.

So, with another busy, productive and rewarding year behind us, we look forward to many more successes in the year to come and to continue working to increase our excellence across all levels of the institution.

Sincerely yours,



James P. Tressel
President

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and 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, 2015 and 2014, 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, 2015 and 2014, 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.

Emphasis of Matters

In June 2012 the Government Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Also, in November 2013 the GASB issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. As discussed in Note 1, Statements 68 and 71 are effective for the University's fiscal year ending June 30, 2015. These Statements replace the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures. Statements 68 and 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about pensions are also addressed. Our opinions are not modified with respect to this matter.

As discussed in Note 16 to the financial statements, the 2014 financial statements of the discretely presented component unit have been restated to correct misstatements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 4-20, the Schedules of the University's Proportionate Share of the Net Pension Liability on page 59, and the Schedules of the University's Contributions on page 60, 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 61, and Principal Administrators on page 62 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
October 15, 2015

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of Youngstown State University's (YSU or University) Financial Report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2015 with comparative information for the fiscal years ended June 30, 2014 and June 30, 2013. 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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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 2015 enrollment is 12,471.

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 revise accounting for pension costs and liabilities.

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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

However, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements. The University is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by the state statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *against the public employer*. State law operates to mitigate/lessen the obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASBs 68 and 71, the University is reporting a net pension liability and deferred outflows and deferred inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at July 1, 2014 from \$194,637,169 to \$57,894,442.

During fiscal year 2014, the University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this Statement were effective for periods beginning after December 15, 2012. This Statement established accounting and financial

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities; and recognizes as outflows of resources or inflows of resources certain items that were previously reported as assets and liabilities. The principal effect of the adoption of this GASB Statement was the requirement in GASB 65 for the expensing of debt issuance costs. The University has reflected this accounting change retroactively as required by the GASB guidance.

Key presentation elements 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.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2015, 2014, and 2013 was as follows.

	June 30, 2015	June 30, 2014	June 30, 2013
Assets			
Current assets	\$ 66,419,457	\$ 66,718,238	\$ 68,038,365
Noncurrent assets			
Capital assets, net	198,752,775	201,160,882	201,197,373
Other assets	26,855,908	29,900,130	31,284,004
Total Noncurrent assets	<u>225,608,683</u>	<u>231,061,012</u>	<u>232,481,377</u>
Total Assets	<u>292,028,140</u>	<u>297,779,250</u>	<u>300,519,742</u>
Deferred Outflows of Resources	<u>10,611,171</u>	<u>-</u>	<u>-</u>
Liabilities			
Current liabilities	22,283,707	23,369,754	26,017,851
Noncurrent liabilities	204,168,166	224,259,150	82,465,934
Total Liabilities	<u>226,451,873</u>	<u>247,628,904</u>	<u>108,483,785</u>
Deferred Inflows of Resources	<u>18,680,757</u>	<u>382,500</u>	<u>-</u>
Total Net Position	<u>\$ 57,506,681</u>	<u>\$ 49,767,846</u>	<u>\$ 192,035,957</u>
Net Position			
Net investment in capital assets	\$ 132,793,340	\$ 133,638,628	\$ 133,918,811
Restricted	30,045,809	29,377,651	28,154,243
Unrestricted	(105,332,468)	31,620,890	29,962,903
Total Net Position	<u>\$ 57,506,681</u>	<u>\$ 194,637,169</u>	<u>\$ 192,035,957</u>

Current assets include unrestricted and restricted cash and cash equivalents, investments that mature within one year, receivables, inventories and other short-term assets. Noncurrent assets include unrestricted investments that mature in more than one year, as well as cash and cash equivalents and investments that are restricted by donors or external parties as to their use. Also included are receivables deemed to be collectible in more than one year and capital assets. Current assets remained flat from fiscal year 2014 to fiscal year 2015 and decreased \$1.3 million from fiscal year 2013 to fiscal year 2014. Noncurrent assets decreased \$5.5 million from fiscal year 2014 to fiscal year 2015 and decreased \$1.4 million from fiscal year 2013 to fiscal year 2014.

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. There were no deferred outflows of resources in fiscal years 2014 and 2013.

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 decreased \$1.1 million from fiscal year 2014 to fiscal year 2015 and decreased \$2.6 million from fiscal year

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

2013 to fiscal year 2014. Noncurrent liabilities increased \$124.8 million from fiscal year 2014 to fiscal year 2015 and decreased \$3.1 million from fiscal year 2013 to fiscal year 2014.

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 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, 2015	June 30, 2014	June 30, 2013
Cash and cash equivalents	\$ 11,472,553	\$ 16,762,273	\$ 22,898,563
Investments	63,058,179	60,725,589	55,039,561
Accounts, loans and pledges receivable, net	15,579,115	15,237,373	17,945,418
Capital assets, net	198,752,775	201,160,882	201,197,373
Other	3,165,518	3,893,133	3,438,827
Total Assets	<u>\$ 292,028,140</u>	<u>\$ 297,779,250</u>	<u>\$ 300,519,742</u>

Cash and cash equivalents decreased \$5.3 million or 32% from fiscal year 2014 to fiscal year 2015. Decreased enrollment, 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. The increase was due to a shift of cash to equities. 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 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.

Cash and cash equivalents decreased \$6.1 million or 27% from fiscal year 2013 to fiscal year 2014. The net decrease resulted from a combination of decreased enrollment and state funding, and the spending of prior year's bond proceeds on capital projects. Deposits held by Trustee totaled \$3.7 million at June 30, 2014 compared to \$7.2 million at June 30, 2013. Investments increased \$5.7 million or 10% from fiscal year 2013 to fiscal year 2014. The increase was due to a favorable investment environment.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall, net accounts, loans and pledges receivable decreased \$2.7 million or 15% from fiscal year 2013 to fiscal year 2014. Net accounts decreased \$1.2 million or 12% largely due to decreased enrollment. Net pledges decreased \$1.8 million or 29% due to payments on pledges for the WCBA Building. See Notes 5 and 6 for additional information.

At June 30, 2015, the University had \$198,752,775 in capital assets, net of accumulated depreciation. Depreciation totaled \$11,455,171, \$11,243,549, and \$10,444,021 in fiscal years 2015, 2014, and 2013 respectively. Details of net capital assets are shown below.

	June 30, 2015	June 30, 2014	June 30, 2013
Land	\$ 16,093,678	\$ 15,692,070	\$ 15,686,564
Buildings, net	116,250,393	120,052,098	125,083,004
Improvements to buildings, net	37,309,800	34,065,430	31,240,519
Improvements other than buildings, net	16,922,143	17,270,296	12,758,004
Construction in progress	6,129,774	6,577,088	8,523,237
Moveable equipment and furniture, net	5,212,193	6,636,913	7,024,231
Vehicles, net	199,328	231,521	246,348
Historical treasures	635,466	635,466	635,466
Total Capital Assets, net	<u>\$ 198,752,775</u>	<u>\$ 201,160,882</u>	<u>\$ 201,197,373</u>

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 is scheduled to be completed during the Fall semester. These projects are included in construction in progress at June 30, 2014.

Major capital activity during fiscal year 2013 included completion of the Pollock House renovation, home to YSU's President. Construction continued on an outdoor athletic facility that includes a new soccer field, track, and softball field. Interior renovations began in Cushwa and DeBartolo Halls, two of YSU's academic buildings, which were scheduled to be completed in August 2013.

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

YOUNGSTOWN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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, 2015	June 30, 2014	June 30, 2013
Pension OPERS	\$ 4,448,632	\$ -	\$ -
Pension STRS	6,162,539	-	-
Total Deferred Outflows of Resources	<u>\$ 10,611,171</u>	<u>\$ -</u>	<u>\$ -</u>

Deferred Inflows of Resources	June 30, 2015	June 30, 2014	June 30, 2013
Service concession agreements	\$ 745,000	\$ 382,500	\$ -
Pension OPERS	635,671	-	-
Pension STRS	17,300,086	-	-
Total Deferred Inflows of Resources	<u>\$ 18,680,757</u>	<u>\$ 382,500</u>	<u>\$ -</u>

Included in deferred outflows of resources and deferred inflows of resources are items relating to pensions and service concession agreements. Certain elements impacting the change in the net pension liability have a longer term perspective than the current year, therefore to reduce volatility these elements are amortized over a closed period of specified duration. These include differences between expected and actual experience, changes of assumptions, and net differences between projected and actual earnings of pension plan investments. These elements can be reflected as either a deferred outflow of resources or a deferred inflow of resources. Included in deferred inflows is \$17.3 million for the net difference between projected and actual earnings of pension plan investments for STRS Ohio. In addition, University contributions to the pension plans subsequent to the measurement date of the pension plans are reflected as deferred outflows of resources. These contributions totaled \$7.9 million in fiscal year 2015. 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 in the Statement of Net Position.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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, 2015	June 30, 2014	June 30, 2013
Accounts and construction payable	\$ 4,895,024	\$ 5,056,206	\$ 5,657,067
Payroll liabilities	7,543,616	7,573,736	8,491,849
Notes payable	1,139,444	2,240,037	3,303,103
Bonds payable, net	66,658,996	68,498,512	70,293,249
Unearned revenue	5,294,416	5,418,952	7,099,828
Compensated absences	9,843,762	9,896,456	9,917,913
Refundable advance	2,581,299	2,628,561	2,635,179
Other	810,173	1,447,121	1,085,597
Net pension liability	127,685,143	-	-
Total Liabilities	<u>\$ 226,451,873</u>	<u>\$ 102,759,581</u>	<u>\$ 108,483,785</u>

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 is attributed to the OPERS pension plan and \$34.2 million to the OPERS pension plan.

Total liabilities decreased \$5.7 million or 5.3% from fiscal year 2013 to fiscal year 2014. Notes and Bonds payables decreased \$2.9 million due to scheduled debt service payments. Unearned revenue decreased \$1.7 million due primarily from certain fiscal year 2013 advance payments not repeating in fiscal year 2014.

See Note 8 for a further breakout of payroll and other liabilities, see Notes 9 and 10 for more 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, 2015	June 30, 2014	June 30, 2013
Net investment in capital assets	\$ 132,793,340	\$ 133,638,628	\$ 133,918,811
Restricted-nonexpendable	8,312,725	8,155,510	7,162,823
Restricted-expendable	21,733,084	21,222,141	20,991,420
Unrestricted	(105,332,468)	31,620,890	29,962,903
Total Net Position	<u>\$ 57,506,681</u>	<u>\$ 194,637,169</u>	<u>\$ 192,035,957</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall, 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 includes a \$900,000 decrease in the net amount invested in capital assets, a \$700,000 increase in restricted net position, a \$136.9 million decrease in unrestricted net position which includes 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, 2015	June 30, 2014	June 30, 2013
Total Net Position	\$ 57,506,681	\$ 194,637,169	\$ 192,035,957
Add			
Deferred inflows of resources related to pension	17,935,757	-	-
Net pension liability	127,685,143	-	-
Subtract			
Deferred outflows of resources related to pension	(10,611,171)	-	-
Total Net Position without GASBs 68 and 71	<u>\$ 192,516,410</u>	<u>\$ 194,637,169</u>	<u>\$ 192,035,957</u>

The University's total net position increased \$2.6 million or 1.4% from \$192 million at June 30, 2013 to \$194.6 million at June 30, 2014. This resulted from excess revenues over expenses and includes a \$300,000 decrease in the net investment in capital assets, a \$1.2 million increase in restricted net position and \$1.7 million increase in unrestricted net position.

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 decrease of \$900,000 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 current year depreciation of \$11.4 million. Outstanding debt was \$67,798,440 at June 30, 2015 compared to \$70,738,549 at June 30, 2014.

The overall decrease of \$300,000 in investment in capital assets from fiscal year 2013 to fiscal year 2014 was due to the spending of \$3 million for capital projects financed with bond proceeds, \$2.9 million reduction in outstanding debt, net capital additions of \$11.2 million, and current year depreciation of \$11.2 million. Outstanding plant debt was \$70,738,549 at June 30, 2014 compared to \$73,596,352 at June 30, 2013.

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 2015 and 2014.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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, 2015	June 30, 2014	June 30, 2013
Current funds	\$ 9,889,312	\$ 9,625,741	\$ 8,423,655
Plant funds	11,636,581	11,390,029	12,372,096
Quasi-Endowments	148,201	147,644	137,377
Loan funds	58,990	58,727	58,292
Total Restricted Expendable Net Position	<u>\$ 21,733,084</u>	<u>\$ 21,222,141</u>	<u>\$ 20,991,420</u>

Total restricted expendable net position was \$21.7 million at June 30, 2015 compared to \$21.2 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 \$9.6 million at June 30, 2014 to \$9.9 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.

Total restricted expendable net position was \$21.2 million at June 30, 2014 compared to \$21 million at June 30, 2013. Current funds increased \$1.2 million from \$8.4 million at June 30, 2013 to \$9.6 million at June 30, 2014. Approximately \$9.8 of the \$11.4 million balance at June 30, 2014 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, 2015	June 30, 2014	June 30, 2013
Current funds (without GASBs 68 and 71)	\$ 7,817,248	\$ 8,780,693	\$ 7,979,549
GASBs 68 and 71	(135,009,729)	-	-
Operating reserves	7,714,609	8,692,753	8,772,753
Plant funds	14,124,645	14,126,396	13,188,674
Loan funds	20,759	21,048	21,927
Total Unrestricted Net Position	<u>\$ (105,332,468)</u>	<u>\$ 31,620,890</u>	<u>\$ 29,962,903</u>

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 generally the excess of expenses over revenues during fiscal year 2015 from non-capital activity and the impact of the adoption of GASBs 68 and 71.

Total unrestricted net position was \$31.6 million at June 30, 2014 compared to \$30 million at June 30, 2013. The increase of \$1.6 million from fiscal year 2013 to fiscal year 2014 reflects generally the excess of revenues over expenses during fiscal year 2014 from non-capital asset activity.

YOUNGSTOWN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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, 2015	June 30, 2014	June 30, 2013
Operating Revenues			
Net tuition, fees and other student charges	\$ 84,357,825	\$ 87,064,562	\$ 88,938,239
Auxiliary enterprises	22,098,719	22,804,151	22,070,093
Grants and contracts	9,340,832	8,466,912	9,469,577
Other	2,469,689	2,300,536	2,216,714
Total Operating Revenues	<u>118,267,065</u>	<u>120,636,161</u>	<u>122,694,623</u>
Operating Expenses	<u>194,842,580</u>	<u>198,300,930</u>	<u>200,324,473</u>
Operating Loss	(76,575,515)	(77,664,769)	(77,629,850)
Nonoperating Revenues (Expenses)			
State appropriations	38,930,258	37,712,282	38,480,351
Gifts, grants, and contracts	33,714,863	34,368,531	36,186,489
Investment income	1,566,035	5,481,254	3,635,834
Other	(5,333,131)	(4,422,670)	(5,433,031)
Net Nonoperating Revenues	<u>68,878,025</u>	<u>73,139,397</u>	<u>72,869,643</u>
Loss Before Other Revenues, Expenses, and Changes	(7,697,490)	(4,525,372)	(4,760,207)
Other Revenues, Expenses, and Changes			
State capital appropriations	6,174,875	4,195,720	2,904,410
Capital grants and gifts	1,069,282	2,482,221	2,466,376
Other	65,572	448,643	117,026
Total Other Revenues, Expenses, and Changes	<u>7,309,729</u>	<u>7,126,584</u>	<u>5,487,812</u>
Change in Net Position	(387,761)	2,601,212	727,605
Net Position at Beginning of the Year, as originally stated	194,637,169	192,035,957	191,308,352
Cumulative effect of GASBs 68 and 71 implementation	<u>(136,742,727)</u>		
Net Position, Beginning of the Year, as restated	<u>57,894,442</u>	<u>192,035,957</u>	<u>191,308,352</u>
Net Position at End of the Year	<u>\$ 57,506,681</u>	<u>\$ 194,637,169</u>	<u>\$ 192,035,957</u>

YOUNGSTOWN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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, 2015	June 30, 2014	June 30, 2013
Net tuition, fees, and other student charges	\$ 84,357,825	\$ 87,064,562	\$ 88,938,239
Gifts, grants and contracts	44,124,977	45,317,664	48,122,442
State appropriations	38,930,258	37,712,282	38,480,351
Auxiliary enterprises	22,098,719	22,804,151	22,070,093
Investment income	1,566,035	5,481,254	3,635,834
State capital appropriations	6,174,875	4,195,720	2,904,410
Other revenue	2,942,894	3,146,602	2,700,309
Total Revenues	<u>\$ 200,195,583</u>	<u>\$ 205,722,235</u>	<u>\$ 206,851,678</u>

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 three main factors: (1) an increase in the statewide appropriation for higher education operating support; (2) 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 (formerly the Ohio Board of Regents), and (3) increased efforts on the part of management to more aggressively use state capital dollars to address deferred maintenance needs. 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.

Overall, the University's total revenues decreased \$1.1 million or .5% between fiscal year 2014 and fiscal year 2013. The majority of the University's revenue, 61% in fiscal year 2014 and 62%

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

in fiscal year 2013 is attributed to State appropriations, and net tuition and fees. Combined, these two revenue streams decreased \$2.6 million from fiscal year 2013 to fiscal year 2014.

Net tuition, fees and other student charges decreased \$1.9 million or 2% from fiscal year 2013 to fiscal year 2014 due to a combination of increased tuition and fees and decreased enrollment. Gifts, grants, and contracts decreased \$2.8 million or 6% over the prior year primarily due to a \$1.7 million decrease in Pell Grants resulting from decreased enrollment and a \$900,000 decrease in federal grant activity. Combined capital grants and gifts remained relatively flat in fiscal year 2013 and fiscal year 2014; however, capital gifts decreased \$900,000 due to the prior year including gifts and pledges relating to an outdoor athletic facility and a Veteran's Resource Center and capital grants increased \$900,000 due to the current year including new grants in the STEM College for equipment. Investment income increased \$1.8 million or 51% primarily due to unrealized gains in equities. State Capital Appropriations increased \$1.3 million or 44% due to increased capital activity.

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. Due to the unavailability of information, fiscal year 2014 operating expenses were not restated for the adoption of GASBs 68 and 71. The impact of GASBs 68 and 71 on the 2015 operating expenses is a \$1.7 million reduction in compensation (pension expense), \$1.3 of which is reflected in instruction. In order to compare 2015 total operating expenses to the prior years, the effect of GASBs 68 and 71 is added back to total operating expenses. Following is a recap of total operating expenses by natural classification.

	June 30, 2015	June 30, 2014	June 30, 2013
Compensation	\$ 119,022,196	\$ 122,144,817	\$ 121,308,570
Operations	43,982,094	43,490,982	45,142,640
Scholarships	20,365,896	21,403,818	23,399,981
Depreciation and Amortization	11,472,394	11,261,313	10,473,282
Operating expenses	<u>194,842,580</u>	<u>198,300,930</u>	<u>200,324,473</u>
Add: GASBs 68 and 71	1,732,998		
Operating Expenses without GASBs 68 and 71	<u>\$ 196,575,578</u>		

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.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Position. Therefore, the \$1 million decrease in scholarship expense 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 expenses decreased \$2 million or 1% between fiscal year 2014 and fiscal year 2013. Total compensation increased slightly from \$121.3 million in fiscal year 2013 to \$122.1 million in fiscal year 2014. Salary and wages remained relatively flat at \$92.5 million in fiscal year 2014 and \$92.6 million in fiscal year 2013 despite a 2% contractual compensation increase, reflective of strategic elimination of staff vacancies and efforts to control and reduce personnel costs. Fringe benefits increased approximately \$900,000 or 3% from \$28.7 million to \$29.6 million due to increased health care claims. Operations expenses decreased \$1.7 million or 4% due to continued spending containment.

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and changes in Net Position. Therefore, the \$2 million decrease in scholarships expense is a partial reflection of a \$1.7 million decrease in federal financial aid for Pell grant recipients and a \$1.7 million increase in support from YSUF. Overall, the University disbursed \$43.8 million to students in both fiscal years 2014 and 2013, including \$24.3 million and \$26.0 million in Federal Pell grants, respectively.

Total operating and non operating expenses for the University were \$197,303,378, \$203,121,023, and \$206,124,073, in fiscal years 2015, 2014 and 2013, respectively.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Economic Factors for the Future

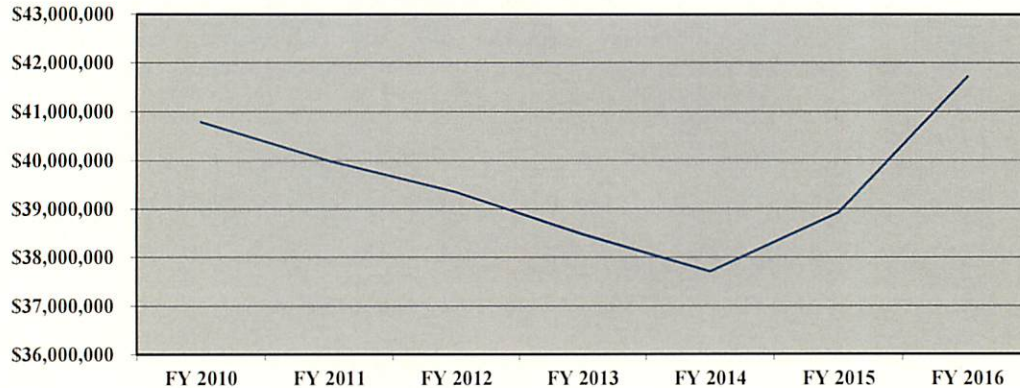
Looking to the future, management believes the University is well-positioned to continue its favorable financial condition and level of excellence in service to students.

Based on the most recent estimate provided by the Ohio Department of Higher Education (formerly the Ohio Board of Regents), State Share of Instruction (SSI) funding for the University is expected to rise by \$2.8 million or 7.2%. This increase is partially attributable to an increase in the statewide SSI appropriation, as enacted in House Bill 64, the State's operating budget legislation.

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 2016. Fiscal years 2010 and 2011 do not include federal stimulus funds.

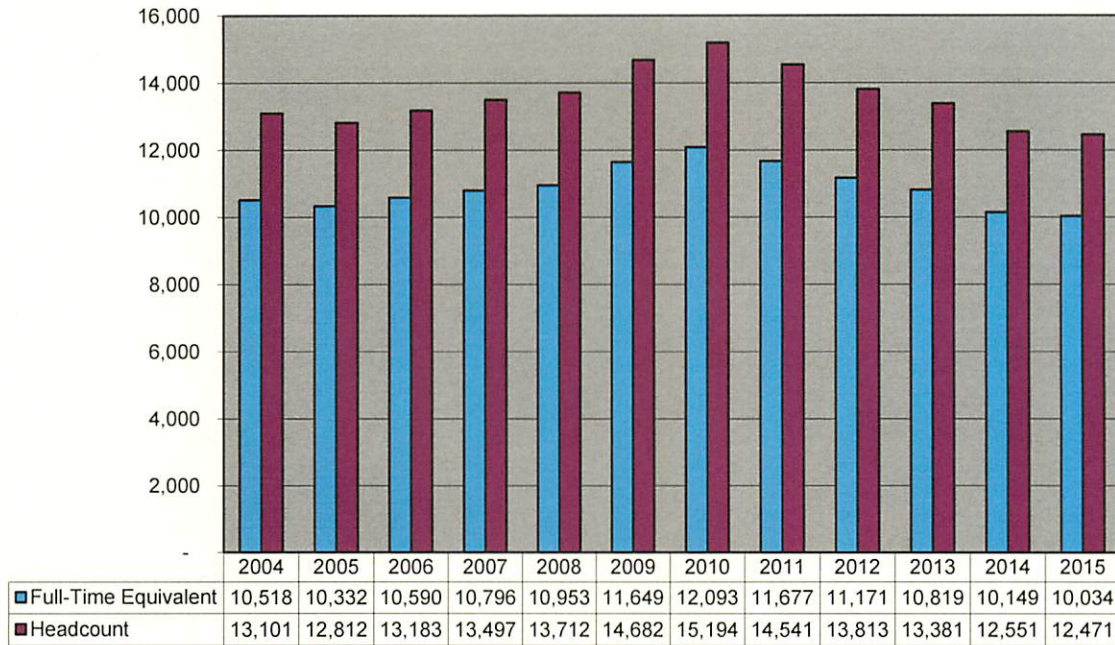
**State Appropriations
Fiscal Years 2010 through 2016**



YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Fall Semester Enrollment Trends 2004 through 2015



As expected, Fall 2015 enrollments have stabilized following a four year decline of over 17%. The results of the University's new incoming student enrollments, coupled with the academic quality of those students, provide significant cause for optimism for Spring 2016 and beyond.

For Fall 2015, the University experienced increases in high school students enrolled in the College Credit Plus program; new freshman, graduate, 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 the traditional footprint also appear to be showing some early signs of success. Enrollment increases were noted for out of state freshmen as well as the Ohio counties and number of high schools represented in the freshmen class.

Further support of management's belief that the University has turned a corner is the freshmen to sophomore retention which increased from Fall 2013 to Fall 2014. Finally, early results for Fall 2016 are even more positive than expected, running far ahead of Fall 2015 at this same time.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF NET POSITION AT JUNE 30, 2015 AND 2014

	June 30, 2015	June 30, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 11,472,553	\$ 16,762,273
Investments	39,133,843	35,414,416
Restricted investments	866,522	281,476
Interest receivable	94,242	102,084
Accounts receivable, net	10,735,452	8,597,917
Pledges receivable, net	1,140,910	1,839,740
Loans receivable, net	404,434	435,703
Inventories	1,186,416	1,657,629
Prepaid expenses and unearned charges	1,385,085	1,627,000
Total Current Assets	66,419,457	66,718,238
Noncurrent Assets		
Investments	14,723,869	17,056,568
Endowments and other restricted investments	8,333,945	7,973,129
Pledges receivable, net	1,526,422	2,324,067
Loans receivable, net	1,771,897	2,039,946
Other noncurrent assets	187,782	205,005
Cash surrender value of life insurance	311,993	301,415
Nondepreciable capital assets	22,858,918	22,904,624
Depreciable capital assets, net	175,893,857	178,256,258
Total Noncurrent Assets	225,608,683	231,061,012
Total Assets	292,028,140	297,779,250
DEFERRED OUTFLOWS OF RESOURCES		
Pension OPERS	4,448,632	-
Pension STRS	6,162,539	-
Total Deferred Outflows of Resources	10,611,171	-
LIABILITIES		
Current Liabilities		
Accounts payable	2,963,665	3,269,184
Construction payable	1,931,359	1,787,022
Payroll liabilities	7,543,616	7,573,736
Bonds payable	1,865,000	1,790,000
Notes payable	1,139,444	1,100,593
Compensated absences	736,034	983,146
Unearned revenue	5,294,416	5,418,952
Other liabilities	810,173	1,447,121
Total Current Liabilities	22,283,707	23,369,754
Noncurrent Liabilities		
Bonds payable, net	64,793,996	66,708,512
Notes payable	-	1,139,444
Compensated absences	9,107,728	8,913,310
Refundable advance	2,581,299	2,628,561
Net pension liability	127,685,143	-
Total Noncurrent Liabilities	204,168,166	79,389,827
Total Liabilities	226,451,873	102,759,581
DEFERRED INFLOWS OF RESOURCES		
Service concession agreements	745,000	382,500
Pension OPERS	635,671	-
Pension STRS	17,300,086	-
Total Deferred Inflows of Resources	18,680,757	382,500
NET POSITION		
Net investment in capital assets	132,793,340	133,638,628
Restricted - Nonexpendable	8,312,725	8,155,510
Restricted - Expendable	21,733,084	21,222,141
Unrestricted	(105,332,468)	31,620,890
Total Net Position	\$ 57,506,681	\$ 194,637,169

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u> (As Restated)
ASSETS		
Cash and cash equivalents	\$ 4,341,923	\$ 3,965,721
Investments	218,740,363	226,773,293
Investments held for others	3,474,650	3,216,100
Property acquired for resale to Youngstown State University	-	95,341
Pledges receivable, net	731,033	-
Pledges receivable for Youngstown State University, net	1,346,918	-
Other assets	20,098	12,920
Property and equipment, net	22,344	15,287
Beneficial interest in remainder trusts	441,661	669,486
TOTAL ASSETS	<u>\$ 229,118,990</u>	<u>\$ 234,748,148</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 522,776	\$ 12,276
Grant commitments to Youngstown State University for scholarship awards	7,722,375	7,394,304
Funds held for others	3,474,650	3,216,100
TOTAL LIABILITIES	<u>11,719,801</u>	<u>10,622,680</u>
 NET ASSETS		
Unrestricted	152,937,194	161,925,106
Temporarily restricted	6,799,238	9,091,700
Permanently restricted	57,662,757	53,108,662
TOTAL NET ASSETS	<u>217,399,189</u>	<u>224,125,468</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 229,118,990</u>	 <u>\$ 234,748,148</u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	June 30, 2015	June 30, 2014
OPERATING REVENUES		
Tuition, fees, and other student charges (net of scholarship allowance of \$22,051,829 in 2015 and 22,427,278 in 2014)	\$ 84,357,825	\$ 87,064,562
Federal grants and contracts	4,113,501	3,056,136
State grants and contracts	4,675,489	4,884,522
Local grants and contracts	153,686	208,966
Private grants and contracts	398,156	317,288
Sales and services	508,200	419,693
Auxiliary enterprises	22,098,719	22,804,151
Other operating revenues	1,961,489	1,880,843
Total Operating Revenues	118,267,065	120,636,161
OPERATING EXPENSES		
Instruction	66,393,543	67,123,276
Research	2,721,990	1,933,865
Public service	4,768,094	4,670,516
Academic support	14,053,028	14,978,678
Student services	9,625,128	9,018,683
Institutional support	22,612,180	25,668,789
Operation and maintenance of plant	16,526,726	16,411,586
Scholarships	16,358,672	17,126,520
Auxiliary enterprises	30,310,825	30,107,704
Depreciation and amortization	11,472,394	11,261,313
Total Operating Expenses	194,842,580	198,300,930
Operating Loss	(76,575,515)	(77,664,769)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	38,930,258	37,712,282
Federal grants	22,747,643	24,807,884
Private gifts	10,967,220	9,560,647
Unrestricted investment income, net of investment expense	1,288,186	4,337,195
Restricted investment income, net of investment expense	277,849	1,144,059
Interest on capital asset-related debt	(3,454,055)	(3,360,561)
Other nonoperating expenses, net	(1,879,076)	(1,062,109)
Net Nonoperating Revenues	68,878,025	73,139,397
Loss Before Other Revenues, Expenses, and Changes	(7,697,490)	(4,525,372)
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	6,174,875	4,195,720
Capital grants and gifts	1,069,282	2,482,221
Other	65,572	448,643
Total Other Revenues, Expenses, and Changes	7,309,729	7,126,584
Change In Net Position	(387,761)	2,601,212
NET POSITION		
Net Position at beginning of the year, originally stated	194,637,169	192,035,957
Cumulative effect of GASBs 68 and 71 implementation	(136,742,727)	-
Net Position at beginning of the year, as restated	57,894,442	192,035,957
Net Position at End of the Year	\$ 57,506,681	\$ 194,637,169

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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

	June 30, 2014 (as restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Contributions	\$ 144,032	\$ 31,373	\$ 2,498,412	\$ 2,673,817
In-kind donations	-	-	-	-
Investment earnings	2,850,909	25,388	-	2,876,297
Net realized gain on sale of investments	2,463,649	1,929,008	-	4,392,657
Net unrealized (loss) gain on long-term investments	19,304,229	3,134,272	-	22,438,501
Change in beneficial interest in remainder trusts	-	-	83,511	83,511
Net assets released from restrictions	1,373,398	(1,373,398)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	26,136,217	3,746,643	2,581,923	32,464,783
EXPENSES				
Distribution to Youngstown State University - Scholarships and other	8,399,544	-	-	8,399,544
Administrative expenditures	1,883,305	-	-	1,883,305
Benefits for retired Youngstown University faculty	2,275	-	-	2,275
TOTAL EXPENSES	10,285,124	-	-	10,285,124
DONOR RECLASSIFICATIONS	-	(1,018,415)	1,018,415	-
INCREASE (DECREASE) IN NET ASSETS	15,851,093	2,728,228	3,600,338	22,179,659
Net Assets - Beginning of Year - as restated	146,074,013	6,363,472	49,508,324	201,945,809
Net Assets - End of Year	<u>\$ 161,925,106</u>	<u>\$ 9,091,700</u>	<u>\$ 53,108,662</u>	<u>\$ 224,125,468</u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Cash Flows from Operating Activities		
Student tuition and fees	\$ 83,469,446	\$ 85,754,058
Federal, state, and local grants and contracts	9,252,531	8,337,937
Private grants and contracts	446,764	328,401
Sales and services of educational and other departmental activities	21,849,847	23,200,737
Payments to suppliers	(47,075,352)	(45,629,635)
Payments to employees	(90,341,601)	(93,460,353)
Payments for benefits	(30,522,935)	(29,600,103)
Payments for scholarships	(16,316,513)	(17,194,143)
Student loans issued	(146,195)	(649,621)
Student loans collected	477,591	440,751
Student loan interest and fees collected	159,717	67,561
Other receipts, net	1,816,723	1,757,992
Total Cash Flows Used In Operating Activities	<u>(66,929,977)</u>	<u>(66,646,418)</u>
Cash Flows from Noncapital Financing Activities		
Federal grants	22,723,447	24,727,107
State educational appropriations	38,930,258	37,712,282
Direct lending receipts	67,086,876	76,485,875
Direct lending disbursements	(68,491,854)	(76,494,907)
Private gifts	10,861,294	7,775,730
Other	65,572	448,643
Other nonoperating expenses	(1,489,452)	(677,409)
Total Cash Flows Provided by Noncapital Financing Activities	<u>69,686,141</u>	<u>69,977,321</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	23,051,150	13,105,897
Purchase of investments	(25,383,740)	(18,791,925)
Interest on investments	1,573,877	5,498,253
Total Cash Flows Used In Investing Activities	<u>(758,713)</u>	<u>(187,775)</u>
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	5,811,369	4,526,242
Private capital gifts and grants	2,221,092	4,335,092
Purchase of capital assets	(8,902,727)	(11,900,663)
Principal payments on capital debt	(2,890,593)	(2,798,066)
Interest payments on capital debt	(3,526,312)	(3,442,023)
Total Cash Flows Used In Capital and Related Financing Activities	<u>(7,287,171)</u>	<u>(9,279,418)</u>
Change in Cash and Cash Equivalents	(5,289,720)	(6,136,290)
Cash and Cash Equivalents, Beginning of Year	<u>16,762,273</u>	<u>22,898,563</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,472,553</u>	<u>\$ 16,762,273</u>

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating loss	\$ (76,575,515)	\$ (77,664,769)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	11,472,394	11,261,313
Provision for bad debts	1,097,692	2,017,286
Gifts in kind	30,978	97,881
Changes in assets and liabilities:		
Accounts receivable, net	(1,085,805)	(1,071,714)
Loans receivable, net	316,347	(214,160)
Inventories	471,213	109,938
Prepaid expenses and unearned charges	241,915	(594,458)
Accounts payable	(305,519)	92,743
Accrued and other liabilities	(637,391)	(546,289)
Unearned revenue	(170,594)	(112,732)
Compensated absences	(52,694)	(21,457)
Net pension liability	(9,057,584)	-
Deferred outflow-pension	(10,611,171)	-
Deferred inflow-pension	17,935,757	-
Net Cash Flows Used In Operating Activities	<u><u>\$ (66,929,977)</u></u>	<u><u>\$ (66,646,418)</u></u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

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

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

The University's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

The University, together with Kent State University and The University of Akron, created a consortium to establish and govern Northeastern Education Television of Ohio, Inc. (NETO), which operates Western Reserve Public Media which is made up of two separately licensed public television stations (WNEO and WEAO). These organizations are legally separate from the University; accordingly, their financial activity is not included within the accompanying financial statements.

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

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

Summary of Significant Accounting Policies

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

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

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

Endowment Policy – The University Endowment Fund consists of 99 named funds. Each named fund is assigned a number of shares in the University Endowment Fund based on the value of the gifts to that named fund. The University's policy is to limit annual distributions to no greater than accumulated income earned. Distributions greater than the accumulated income earned require written justification and Board of Trustees' approval. In December 2014, the Board of Trustees approved a new endowment spending policy, implemented in July 2015, where annual distributions each fiscal year will be set to 5% of the twelve-quarter average of the market value for the preceding twelve calendar quarters. In calculating the twelve-quarter average, census dates of March 31, June 30, September 30 and December 31 for the previous three years shall be used. Any distribution greater than this would require written justification and Board of Trustees' approval.

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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

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

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

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

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

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

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

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

Refundable Advances from Government for Federal Loans – Funds provided by the United States government under the Federal Perkins Loan program are loaned to qualified students and

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

re-loaned after collections. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying financial statements.

Deferred Outflows and Inflows of Resources – Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require further exchange of goods or services. Deferred inflows of resources represent the acquisition of resources that are applicable to a future resource period. Deferred outflows of resources in the University's financial statements consist of differences between projections and actual in the OPERS and STRS Ohio pension plans and contributions subsequent to the measurement dates of the plans. Deferred inflows of resources in the University's financial statements consist of unamortized service concession arrangements and differences between projections and the actual in the OPERS and STRS Ohio pension plans.

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

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

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

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

Scholarship Allowances and Student Aid – Tuition, fees, and other student charges are reflected net of scholarship allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Certain aid (such as loans and funds awarded to students by third parties) is accounted for as a third party payment (credited to the student's account as if the student made the

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

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

Management’s Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from these estimates.

Adoption of New Accounting Pronouncements – In fiscal year 2015, the provisions of the following GASB Statements became effective:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013. The requirements of this Statement are effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.
- GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, issued November 2013. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

See adoption of accounting principle section below and Note 13 for more information on the effect of GASB Statements Nos. 68 and 71. GASB Statement 69 did not have any impact on the financial statements.

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

- GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued June 2015. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015 except those provisions that address employers and governmental nonemployer contribution entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. This objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP).
- GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015. The requirements of this Statement are effective for reporting periods beginning after December

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

31, 2015. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues.

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

Adoption of Accounting Principle – Due to the University's adoption of GASBs 68 and 71, net position was restated at July 1, 2014. Previously, pension expense was reported equal to the amount remitted as statutory contributions. Information describing the retirement plans, contribution rates and where to find information about the plans was included in the Notes to the Financial Statements. With the adoption of GASBs 68 and 71, the University is required to report a proportionate share of the retirement system's net pension liability (or unfunded liability) and other activity, including pension expense on the University's financial statements and also provide disclosures in the Notes to the Financial Statements (See Note 13 Defined Benefit Pension Plans). This standard only impacts financial reporting and does not affect the amount the University is required to fund under Ohio law. Under Ohio law, employers are not required to pay more than the current statutory contribution.

The effect of this change resulted in a net decrease in net position of the University at July 1, 2014 of \$136,742,727. The University did not retroactively implement these statements as of July 1, 2013 because it was not deemed practical. The defined benefit plans in which the University participates did not have the information readily available. Therefore, certain disclosures required under previous GASB statements are disclosed for fiscal year 2014.

Reclassification – Certain reclassifications have been made to the fiscal year 2014 amounts to conform with the fiscal year 2015 presentation. These reclassifications had no effect on the total net position or change in net position.

Note 2 – State Support

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

State appropriations totaled \$38,930,258 in fiscal year 2015; compared to \$37,712,282 in fiscal year 2014. The State Share of Instruction (SSI) is determined annually by the Ohio Department of Higher Education (formerly Ohio Board of Regents).

Capital appropriations from the State totaled \$6,174,875 in fiscal year 2015 compared to \$4,195,720 in fiscal year 2014 and included funding for equipment and the construction/major renovations of plant facilities.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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

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

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

Note 3 – Cash and Cash Equivalents

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

The aggregate cost of repurchase agreements, which approximates fair value, included in cash and cash equivalents is \$2,083,878 and \$2,586,357 at June 30, 2015 and 2014, respectively.

Depository funds held in the name of the University are secured by a pool of securities with a value of at least 105% of the total value of monies on deposit at the depository bank. During fiscal year 2009, the University entered into a continuing deposit security agreement with its depository bank to ensure continuous collateralization of its deposits. All collateral, both specific and pooled, is held by the Federal Reserve Bank or by a designated trustee as agent for the public depositories used by the University.

Cash and Cash Equivalents at June 30, 2015 and June 30, 2014 consist of the following:

	2015	2014
Carrying Amount	<u>\$ 11,472,553</u>	<u>\$ 16,762,273</u>
FDIC Insured	\$ 5,817,914	\$ 5,815,682
Uninsured but collateralized by pools of securities pledged by the depository banks	3,883,274	7,639,356
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>3,274,251</u>	<u>4,194,116</u>
Bank Balance	<u>\$ 12,975,439</u>	<u>\$ 17,649,154</u>

The difference in carrying amount and bank balance is caused by items in transit and outstanding checks. Deposits held in safekeeping by a bank, as trustee or escrow agent, included in cash

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

totaled \$1,671,240 as of June 30, 2015 and \$3,656,287 as of June 30, 2014, which approximates market. These deposits, including interest on the investments, are retained in the trust for projects funded by bond proceeds and payment of principal and interest on outstanding indebtedness. During fiscal year 2014, the University opened a Star Ohio Plus account. These deposits are federally insured and totaled \$5,008,195 and \$5,003,888 at June 30, 2015 and 2014, respectively.

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2015 and June 30, 2014, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

Note 4 – Investments

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

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

The University utilizes an investment advisor and investment manager for non-endowment funds. The University's endowment funds were managed by the Youngstown State University Foundation until the agreement was terminated by YSUF in November 2013.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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

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

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

As of June 30, 2014, the University had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 9,672,919	\$ 1,584,061	\$ 7,881,043	\$ 184,577	\$ 23,238
Corporate Bonds	8,641,793	685,431	6,762,194	1,184,037	10,131
U.S. Government Bonds	1,965,627	-	569,078	864,727	531,822
Bond Mutual Funds	13,971,974	13,971,974	-	-	-
Preferred and Common Stock	6,331,274	6,331,274	-	-	-
Equity Mutual Funds	20,142,002	20,142,002	-	-	-
Totals	\$ 60,725,589	\$ 42,714,742	\$ 15,212,315	\$ 2,233,341	\$ 565,191

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

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

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

As of June 30, 2014, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 8,641,793	\$ 2,342,309	\$ 760,144	\$ 2,004,809	\$ 3,258,689	\$ 275,842
U.S. Government Bonds	1,965,627	1,448,148	517,479	-	-	-
Bond Mutual Funds	13,971,974	7,090,138	1,372,308	934,280	888,798	3,686,450
Totals	\$ 24,579,394	\$ 10,880,595	\$ 2,649,931	\$ 2,939,089	\$ 4,147,487	\$ 3,962,292

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2015, \$5,140,428 or 8% of the University's portfolio was held in an intermediate term bond fund and \$3,214,825 or 5% was held in a short-term bond fund. As of June 30, 2014, \$6,007,541 or 10% of the University's portfolio was held in an intermediate bond fund and \$3,339,497 or 6% was held in a short-term bond fund. The University's investment policy and asset allocation guidelines contain provisions to manage credit risk.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments that are both unregistered and uninsured are exposed to custodial credit risk if investments are held by the counterparty, or are held by the counterparty's trust department or agent but not in the name of the University. At June 30, 2015 and 2014, the University had no exposure to custodial credit risk. The University does not address custodial credit risk in its investment policy and asset allocation guidelines.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2015 and 2014, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

Note 5 – Accounts and Loans Receivable

Accounts and loans receivable at June 30, 2015 and June 30, 2014 consist of the following:

	2015	2014
Accounts receivable		
Student accounts	\$ 10,641,281	\$ 9,935,733
Grants and contracts	1,304,892	1,611,473
State appropriations	1,402,082	1,038,576
Other receivables	3,133,608	1,958,449
Total Accounts receivable	16,481,863	14,544,231
Less: Allowance for doubtful accounts	5,746,411	5,946,314
Accounts receivable, net	<u>\$ 10,735,452</u>	<u>\$ 8,597,917</u>
Loans receivable - student notes	\$ 2,830,696	\$ 3,148,968
Less: Allowance for doubtful accounts	654,365	673,319
Loans receivable, net	2,176,331	2,475,649
Less: current portion	404,434	435,703
Loans receivable, noncurrent portion	<u>\$ 1,771,897</u>	<u>\$ 2,039,946</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2015 and June 30, 2014 were as follows:

	2015	2014
Pledges receivable	\$ 2,903,613	\$ 4,521,565
Less: Allowance for doubtful accounts	127,797	190,394
Present value discount	108,484	167,364
Pledges receivable, net	<u>2,667,332</u>	<u>4,163,807</u>
Less: current portion	1,140,910	1,839,740
Pledges receivable, noncurrent portion	<u>\$ 1,526,422</u>	<u>\$ 2,324,067</u>

Pledges have been discounted to net present value using June 30, 2015 and June 30, 2014 U.S. Treasury Note rates of 1.62% (5-year) and 2.12% (7-year), respectively.

Note 7 – Capital Assets

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 15,686,564	\$ 33,800	\$ 28,294	\$ -	\$ 15,692,070
Construction in progress	8,523,237	4,632,206	37,077	(6,541,278)	6,577,088
Historical treasures	635,466	-	-	-	635,466
Depreciable assets:					
Buildings	279,943,243	158,115	-	-	280,101,358
Improvements to buildings	41,368,195	2,343,872	-	2,006,441	45,718,508
Improvements other than buildings	29,397,426	1,734,340	1,000,000	4,427,720	34,559,486
Moveable equipment and furniture	30,952,908	2,336,616	804,703	107,117	32,591,938
Vehicles	1,212,443	77,727	68,504	-	1,221,666
Total cost	<u>407,719,482</u>	<u>11,316,676</u>	<u>1,938,578</u>	<u>-</u>	<u>417,097,580</u>
Less accumulated depreciation:					
Buildings	154,860,239	5,189,021	-	-	160,049,260
Improvements to buildings	10,127,676	1,525,402	-	-	11,653,078
Improvements other than buildings	16,639,422	1,649,768	1,000,000	-	17,289,190
Moveable equipment and furniture	23,928,677	2,786,804	760,456	-	25,955,025
Vehicles	966,095	92,554	68,504	-	990,145
Total accumulated depreciation	<u>206,522,109</u>	<u>11,243,549</u>	<u>1,828,960</u>	<u>-</u>	<u>215,936,698</u>
Capital assets, net	<u>\$ 201,197,373</u>	<u>\$ 73,127</u>	<u>\$ 109,618</u>	<u>\$ -</u>	<u>\$ 201,160,882</u>

Projects completed and transferred from Construction in progress during fiscal year 2014 included the DeBartolo Hall and Cushwa Hall Renovations and the construction of an outdoor athletic facility.

Note 8 – Payroll and Other Liabilities

Payroll and other liabilities at June 30, 2015 and 2014 consist of the following:

	2015	2014
Payroll liabilities:		
Accrued compensation	\$ 5,004,530	\$ 5,100,483
Accrued benefits	166,851	174,899
Accrued health care benefits and insurance payable	1,234,509	1,123,691
Retirement system contribution payable	1,137,726	1,174,663
Totals	<u>\$ 7,543,616</u>	<u>\$ 7,573,736</u>
Other liabilities:		
Deposits held in custody	\$ 453,194	\$ 445,654
Interest payable	169,392	192,133
Other liabilities	187,587	809,334
Totals	<u>\$ 810,173</u>	<u>\$ 1,447,121</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2015 are completed, totaled \$8 million compared to \$7.1 million at June 30, 2014. These amounts do not constitute expenses incurred or liabilities.

Note 9 – Bonds

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

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

Bond Component	Rate	Yield	Maturity Through	Original Principal
Serial Bond	4.00%	2.13%	2016	\$ 575,000
Serial Bond	4.00%	2.45%	2017	595,000
Serial Bond	5.00%	2.90%	2018	625,000
Serial Bond	5.00%	3.28%	2019	655,000
Serial Bond	5.00%	3.58%	2020	690,000
Serial Bond	3.50%	3.82%	2021	720,000
Serial Bond	3.75%	3.98%	2022	450,000
Serial Bond	5.00%	3.98%	2022	300,000
Serial Bond	4.00%	4.14%	2023	780,000
Term Bond	5.00%	4.55%	2026	2,570,000
Term Bond	5.00%	5.08%	2034	9,085,000
Total				<u>\$ 17,045,000</u>

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

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

The University designated the Series 2010 Bonds both as Build America Bonds and as Qualified Bonds and intends to apply for Credit Payments pursuant only to the extent that the Series 2010 Bonds remain Qualified Bonds, which requires the University to comply with certain covenants

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

and to establish certain facts and expectations with respect to the Series 2010 Bonds, the use and investment of proceeds thereof and the use of property financed thereby.

Details of the bonds payable for the General Receipts Bonds (Taxable Build America Bonds), Series 2010 as of June 30, 2015 follow:

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

* Does not reflect impact of federal subsidies

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

Details of the bonds payable for the General Receipts Bonds, Series 2009 as of June 30, 2015 follow:

Bond Component	Rate	Yield	Maturity Through	Original Principal
Serial Bond	4.000%	3.700%	2016	\$ 1,290,000
Serial Bond	4.000%	4.000%	2017	1,335,000
Serial Bond	4.125%	4.200%	2018	860,000
Serial Bond	4.375%	4.400%	2019	885,000
Serial Bond	4.500%	4.600%	2020	925,000
Serial Bond	4.625%	4.750%	2021	965,000
Serial Bond	4.750%	4.900%	2022	1,010,000
Term Bond	5.000%	5.080%	2024	2,170,000
Serial Bond	5.125%	5.180%	2025	1,170,000
Term Bond	5.250%	5.340%	2030	6,815,000
Term Bond	5.500%	5.540%	2034	6,875,000
Total				<u>\$ 24,300,000</u>