

YOUNGSTOWN STATE UNIVERSITY

SINGLE AUDIT REPORT

June 30, 2018 and 2017



Dave Yost • Auditor of State

Board of Trustees
Youngstown State University
One University Plaza
Youngstown, Ohio 44555-3130

We have reviewed the *Independent Auditor Report* of Youngstown State University, Mahoning County, prepared by Crowe LLP, for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

November 20, 2018

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YOUNGSTOWN STATE UNIVERSITY

CONTENTS

	<i>Page</i>
<i>Message from President Tressel</i>	1
Financial Report	
<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>	24
<i>The Youngstown State University Foundation</i> <i>Statements of Financial Position</i>	25
<i>Youngstown State University Statements of</i> <i>Revenues, Expenses and Changes in Net Position</i>	26
<i>The Youngstown State University Foundation</i> <i>Statements of Activities and Change in Net Assets</i>	27
<i>Youngstown State University Statements of Cash Flows</i>	28
<i>Notes to Financial Statements</i>	30
Required Supplementary Information	
<i>Schedules of the University's Proportionate Share of the Net Pension Liability</i>	70
<i>Schedules of the University's Pension Contributions</i>	71
<i>Schedules of the University's Proportionate Share of the Net OPEB Liability</i>	72
<i>Schedules of the University's OPEB Contributions</i>	73
Other Information	
<i>Board of Trustees</i>	74
<i>Executive Officers</i>	75
<i>Schedule of Expenditures of Federal Awards</i>	76
<i>Notes to Schedule of Expenditures of Federal Awards</i>	78
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	80
Independent Auditor's Report on Compliance For Each Major Program; Report on Internal Control Over Compliance	82
<i>Schedule of Findings and Questioned Costs</i>	84

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YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT TRESSEL

October 12, 2018

Youngstown State University's efforts in enrollment, fundraising, research funding, campus development and student success continued on upward trends during fiscal year 2018, highlighted by a stellar national re-accreditation report.

Highlights of the past fiscal year:

- The Higher Learning Commission affirmed our accreditation through the year 2017, noting that the University is well-managed, extensively engaged and clearly focused on student success.
- Full-time equivalent enrollment increased for the third consecutive year.
- The freshman class high school grade point average was the highest in YSU history.
- The historic \$100 million "We See Tomorrow" fundraising campaign surpassed the \$75 million mark.
- Our faculty and staff earned \$8.9 million in research and service grants, the highest amount in nine years.
- The new Wick Avenue, complete with block "Y" crosswalks, red brick sidewalks and new lighting, opened.
- The new 194-bed Enclave student apartment complex opened on Wick Avenue. The apartments, as well as all other campus resident halls and apartments, reached capacity.
- The state approved a special \$4 million capital allocation to help fund YSU's Mahoning Valley Innovation and Commercialization Center in downtown Youngstown.
- Our Steel Bridge and Concrete Canoe teams placed first in the state, a first for YSU; our Intercollegiate Moot Court team remained nationally ranked; and students in University Theater's Fall production of "Dead Man's Cell Phone" were selected to perform the show at the Kennedy Center American College Theater Festival.
- YSU placed first in the state in the national RecycleMania competition, was again named a Tree Campus USA by the Arbor Foundation, was again designated a Military Friendly University and again received the Gold Level Award from the Healthy Business Council of Ohio for our employee wellness program, the only university in the state to receive the gold honor.
- More than 10,000 visitors attended public shows at YSU's Ward Beecher Planetarium, the most in more than a decade.
- We implemented the Penguin Tuition Promise, under which tuition is frozen over the four years of a student's enrollment.

In addition, a new economic impact study showed that YSU students, alumni and visitors, along with research, construction and entrepreneurial activities, pump nearly \$1 billion into the five-county regional economy every year, supporting close to 16,000 jobs. The report said YSU generates nearly six times more in tax dollars than it spends, and the University's return on investment for students outperforms the U.S. stock market.

And finally, the University launched a new strategic planning process this past fiscal year, led by a group of faculty, staff, students and administrators. We look forward to developing a strategic vision that facilitates positive change, builds on our current strengths, improves the culture of the campus community, and positions YSU to be even more successful in the years ahead.

Sincerely yours,



James P. Tressel
President

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Youngstown State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the University and its discretely presented component unit, as of June 30, 2018 and 2017, 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

As discussed in Note 1 to the financial statements, Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was effective for the University's fiscal year ending June 30, 2018. This Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to other post-employment benefits other than pensions. As a result, net position was restated by \$43,507,638 as of July 1, 2017 for the cumulative effect of the application of this pronouncement. 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 to 23, the Schedules of the University's Proportionate Share of the Net Pension Liability and the Net OPEB liability on page 70 and 72, and the Schedules of the University's Contributions on page 71 and 73, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information


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

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

The Message from President Tressel on page 1, Board of Trustees listing on page 74, and Executive Officers listing on page 75 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.


Crowe LLP

Columbus, Ohio
October 12, 2018

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of Youngstown State University's (the University or YSU) Financial Report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2018 with comparative information for the fiscal years ended June 30, 2017 and June 30, 2016. 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.

The faculty, staff, administrators, and students of Youngstown State University hold the following values essential to achieving the University's mission:

- **Centrality of Students** – The University is a student-centered institution committed to the education, development, well-being, and success of students of all ages and from all walks of life. In concert with its mission to help students grow intellectually, the University strives to foster students' personal, social, emotional, and career growth, as well as their capacities for lifelong learning, civic responsibility, and leadership.
- **Excellence and Innovation** – The University values excellence and innovation inside the classroom and out. Thus, the University strives to integrate curricular and cocurricular activities; to offer outstanding academic programs; to foster intellectual inquiry, exploration, and discovery; to transcend traditional boundaries; to apply and perfect knowledge; to encourage creativity; to provide effective tools, technologies, and facilities for learning; and to excel in research and scholarly activity, including the "scholarship of teaching and learning", an area of research that explores how individuals teach and learn.
- **Integrity and Human Dignity** – As a campus community, the University expects all conduct to be rooted in integrity, mutual respect, and civility. The University ethical behavior in scholarly and other endeavors; believe in the dignity and worth of all people; strive to foster an appreciation of, and respect for, differences among the human race; and celebrate the diversity that enriches the University and the world.
- **Collegiality and Public Engagement** – As scholar-citizens of many extended and interconnected communities, the University pledges to work collegially and cooperatively to enrich the cultural environment; establish productive partnerships; provide responsible leadership; address community and workforce needs; foster sustainability; and bring about the greater good of the collective whole; be it the University, the city of Youngstown, the state of Ohio, the region, or beyond.

The University started out as a single commercial law course offered by the local YMCA. Over a century later, it serves the Youngstown area with the same passion, and consists of the College of Graduate Studies and six undergraduate colleges: the Beeghly College of Education; the Bitonte College of Health and Human Services; the Cliffe College of Creative Arts & Communication; the College of Liberal Arts and Social Sciences; the College of Science, Technology, Engineering, and Mathematics; and the Williamson College of Business Administration. Degrees offered include associate, bachelor's, master's, and doctorate.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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 2018 enrollment was 12,696.

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 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)* and during fiscal year 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements significantly revised accounting for pension/OPEB costs and liabilities.

Prior to GASBs 68, 71 and 75, the accounting for pension/OPEB costs, was focused on a funding approach, which limited pension/OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each pension plan's *net pension/OPEB liability*.

Under the standards required by these statements, the net pension/OPEB liability equals the University's proportionate share of each pension/OPEB plan's collective present value of estimated future pension/OPEB benefits attributable to employees' past service minus plan assets available to pay these benefits. Pension/OPEB 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 and OPEB. The unfunded portions of these pension/OPEB promises are a present obligation, part of a bargained-for benefit to the employee, and are reported by the University as liabilities since the benefit of the exchange was received.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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 these liabilities. 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 by 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/OPEB liabilities. Changes in pension/OPEB benefits, contribution rates, and return on investments affect the balances of the net pension/OPEB liabilities, 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 payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension/OPEB liabilities are satisfied, these liabilities are separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASBs 68, 71 and 75, the University's statements, prepared on an accrual basis of accounting, include an annual pension/OPEB expense for the proportionate share of each pension plan's *change* in net pension/OPEB liability.

Overall key presentation elements of the financial statements include:

- Assets and liabilities are categorized as either current or noncurrent. Current assets and liabilities will be consumed or fulfilled within one year.
- Revenues and expenses are categorized as either operating or non-operating. Significant recurring sources of the University's revenues, including State of Ohio (State) appropriations, certain grants, gifts and investment income are considered non-operating, 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.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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 this component unit is contained in Note 16. Management's Discussion and Analysis focuses on the University and does not include the component unit.

The Statements of Net Position

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

A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2018, 2017, and 2016 follows:

	June 30, 2018	June 30, 2017	June 30, 2016
Assets			
Current assets	\$ 78,278,611	\$ 77,364,228	\$ 69,021,130
Noncurrent assets			
Capital assets, net	215,994,991	218,861,982	214,466,245
Other assets	24,776,093	26,721,064	28,553,736
Total noncurrent assets	<u>240,771,084</u>	<u>245,583,046</u>	<u>243,019,981</u>
Total Assets	<u>319,049,695</u>	<u>322,947,274</u>	<u>312,041,111</u>
Deferred Outflows of Resources	38,025,661	42,454,242	26,126,689
Liabilities			
Current liabilities	25,854,525	26,543,505	24,043,294
Noncurrent liabilities	246,716,632	267,534,628	235,587,218
Total Liabilities	<u>272,571,157</u>	<u>294,078,133</u>	<u>259,630,512</u>
Deferred Inflows of Resources	26,870,366	9,366,129	15,366,387
Total Net Position	<u>\$ 57,633,833</u>	<u>\$ 61,957,254</u>	<u>\$ 63,170,901</u>
Net Position			
Net investment in capital assets	\$ 136,184,268	\$ 135,402,713	\$ 134,289,273
Restricted	31,793,379	31,380,692	29,783,434
Unrestricted	<u>(110,343,814)</u>	<u>(104,826,151)</u>	<u>(100,901,806)</u>
Total Net Position	<u>\$ 57,633,833</u>	<u>\$ 61,957,254</u>	<u>\$ 63,170,901</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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 and investments that are restricted by donors or external parties as to their use. Also included are receivables deemed to be collectible in more than one year and capital assets. Current assets increased \$0.9 million from fiscal year 2017 to fiscal year 2018 and increased \$8.3 million from fiscal year 2016 to fiscal year 2017. Noncurrent assets decreased \$4.8 million from fiscal year 2017 to fiscal year 2018 and increased \$2.6 million from fiscal year 2016 to fiscal year 2017.

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 which include items relating to pensions/OPEB decreased \$4.4 million from fiscal year 2017 to fiscal year 2018 and increased \$16.3 million from fiscal year 2016 to fiscal year 2017.

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/OPEB liabilities. Current liabilities decreased \$0.7 million from fiscal year 2017 to fiscal year 2018 and increased \$2.5 million from fiscal year 2016 to fiscal year 2017. Noncurrent liabilities decreased \$20.8 million from fiscal year 2017 to fiscal year 2018 and increased \$31.9 million from fiscal year 2016 to fiscal year 2017.

Deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period. Deferred inflows of resources which include unamortized concession arrangements and items relating to pensions/OPEB increased \$17.5 million from fiscal year 2017 to fiscal year 2018 and decreased \$6 million from fiscal year 2016 to fiscal year 2017.

Assets

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

	June 30, 2018	June 30, 2017	June 30, 2016
Cash and cash equivalents	\$ 24,301,741	\$ 20,347,943	\$ 15,893,972
Investments	63,866,375	68,312,361	63,322,045
Accounts, loans and pledges receivable, net	13,200,765	13,766,885	16,632,850
Capital assets, net	215,994,991	218,861,982	214,466,245
Other	1,685,823	1,658,103	1,725,999
Total Assets	<u>\$ 319,049,695</u>	<u>\$ 322,947,274</u>	<u>\$ 312,041,111</u>

Cash and cash equivalents increased \$4 million or 19% from fiscal year 2017 to fiscal year 2018. The increase was primarily due to the sale of \$8 million in non-endowed investments to fund future capital projects. Deposits held by Trustees decreased from \$2.4 million at June 30, 2017 to \$24,870 at June 30, 2018. This decrease was primarily due to spend down of the remaining \$1.3 million of bond proceeds for the new Barnes & Noble bookstore and the transfer of \$0.7 million residual note payable project funds to prepay debt service in accordance with the escrow agreement.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Investments decreased \$4.4 million or 6.5% from fiscal year 2017 to fiscal year 2018. This was primarily due to the combination of increases due to reinvested investment income and realized gains and decreases due to the sale of investments and a lower market to cost ratio at June 30, 2018 compared to June 30, 2017.

Overall, net accounts, loans and pledges receivable decreased \$0.5 million from \$13.7 million at June 30, 2017 to \$13.2 million at June 30, 2018. Net accounts receivable decreased slightly at \$11.3 million at June 30, 2018 compared to \$11.4 million at June 30, 2017. This resulted from a combination of a slight decrease in year end activity on grants and capital projects, decreases in student receivables due to enrollment of more academically prepared students and an upward trend in retention rates, combined with an increase in gifts raised by YSUF on behalf of YSU in the month of June over the prior year.

Cash and cash equivalents increased \$4.5 million or 28% from fiscal year 2016 to fiscal year 2017. The increase was primarily due to an overall net decrease in cash used in operating activities combined with the expectation of future cash needs for operations. Deposits held by Trustee totaled \$2.4 million at June 30, 2017 compared to \$3.7 million at June 30, 2016.

Investments increased \$5 million or 8% from fiscal year 2016 to fiscal year 2017. This was primarily due to net unrealized gains resulting from a favorable market environment. Unrealized investments from non-endowments are non-spendable in accordance with the University's non-endowment investment policy.

Overall, net accounts, loans and pledges receivable decreased \$2.9 million from \$16.6 million at June 30, 2016 to \$13.7 million at June 30, 2017. Net accounts receivable decreased \$1.6 million or 12% from \$13 million to \$11.4 million. The decrease was due to increases in year end activity on grant subawards, new grants and several capital projects, combined with decreases in student receivables due to more emphasis on student financial awareness, bookstore receivables due to outsourcing the operations of the bookstore and gifts raised by YSUF on behalf of YSU in the month of June over the prior year. Net loans decreased \$0.4 million due to an increase in Perkins loans collected in fiscal year 2017 compared to fiscal year 2016. Net pledges decreased \$0.2 million or 30% due to collection of pledged gifts.

Refer to Note 3 for additional information on cash and cash equivalents, Note 4 for details on investments, Note 5 for information on accounts and loans receivable, and Note 6 for information on pledges receivable.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

At June 30, 2018, the University had \$216 million in capital assets, net of accumulated depreciation. Depreciation totaled \$12.7 million, \$12 million, and \$11 million in fiscal years 2018, 2017, and 2016 respectively. Details of net capital assets are shown below.

	June 30, 2018	June 30, 2017	June 30, 2016
Land	\$ 16,358,867	\$ 16,274,150	\$ 16,149,400
Buildings, net	107,252,793	106,222,258	111,129,063
Improvements to buildings, net	59,966,356	58,334,707	44,170,107
Improvements other than buildings, net	19,500,754	20,597,910	18,430,219
Construction in progress	4,115,034	7,626,467	18,623,424
Moveable equipment and furniture, net	7,427,750	8,533,399	4,833,535
Vehicles, net	358,645	374,963	295,031
Historical treasures	890,503	835,466	835,466
Capital lease asset	124,289	62,662	-
Total Capital Assets, net	<u>\$ 215,994,991</u>	<u>\$ 218,861,982</u>	<u>\$ 214,466,245</u>

Major capital activity during fiscal year 2018 included completion of the Barnes & Noble bookstore, the Cushwa Respiratory Care Lab, and improvements and development of the Campus Core and area's designated as gateways to YSU's campus. In addition, renovations took place in Meshel Hall's first and third floors, Ward Beecher Hall, and Bliss Hall Graduate offices. Repairs to the Fifth Avenue parking deck, replacement of the Jones Hall roof and upgrades to the underground steam and condensate lines originating at the Central Utility Plant were also completed. Construction in progress includes the Mahoning Valley Innovation & Commercialization Center, the Don Constantini Multimedia Center in Stambaugh Stadium, academic area renovations, and upgrades including renovations to the Natatorium and Ward Beecher Hall and Jones Hall Facility Upgrades.

Major capital activity during fiscal year 2017 included completion of a steam plant, that enabled YSU to produce its own steam heat, exterior repairs to Stambaugh Stadium and Moser Hall, and safety updates to the Wick Parking deck. In addition, instructional space upgrades were made to Cushwa, DeBartolo, and Ward Beecher Halls and five buildings received system upgrades. Construction in progress includes the construction of a new Barnes & Noble bookstore, renovations to Meshel Hall, and the replacement of the Jones Hall roof.

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

See Note 7 for additional information on capital assets.

Other assets remained flat from fiscal year 2017 to fiscal year 2018, and from fiscal year 2016 to fiscal year 2017.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Deferred Outflows/Inflows of Resources

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

Deferred Outflows of Resources	June 30, 2018	June 30, 2017	June 30, 2016
Related to pension	\$ 33,308,150	\$ 40,400,833	\$ 26,126,689
Related to OPEB	2,788,887	-	-
Bond refunding	1,928,624	2,053,409	-
Total Deferred Outflows of Resources	<u>\$ 38,025,661</u>	<u>\$ 42,454,242</u>	<u>\$ 26,126,689</u>

Deferred Inflows of Resources	June 30, 2018	June 30, 2017	June 30, 2016
Service concession agreements	\$ 482,500	\$ 570,000	\$ 657,500
Related to pension	22,729,229	8,796,129	14,708,887
Related to OPEB	3,658,637	-	-
Total Deferred Inflows of Resources	<u>\$ 26,870,366</u>	<u>\$ 9,366,129</u>	<u>\$ 15,366,387</u>

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

Deferred outflows of resources decreased \$4.4 million or 10.4% from fiscal year 2017 to fiscal year 2018. Deferred outflows related to pension decreased \$7.1 million primarily due to a combination of a \$18.5 million decrease in the net difference between projected and actual earnings on pension plan investments, including \$8.8 million related to the OPERS plan and \$9.7 million related to the STRS Ohio plan and a \$12.7 million increase attributed to changes in assumptions, including a \$4.5 million decrease related to the OPERS plan and a \$17.2 million increase related to the STRS Ohio plan. Deferred outflows related to OPEB increased \$2.8 million due to the implementation of GASB 75 in fiscal year 2018. Of this amount, \$2 million was attributed to changes in assumptions related to the OPERS OPEB plan.

Deferred inflows of resources increased \$17.5 million or 187% from fiscal year 2017 to fiscal year 2018. Deferred inflows of resources related to pension increased \$13.9 million primarily due to a \$11.4 million increase in the net difference between projected and actual earnings on pension plan investments, including \$8.8 million related to the OPERS plan and \$2.6 million related to the STRS Ohio plan. Deferred inflows related to OPEB increased \$3.7 million due to the implementation of GASB 75 in fiscal year 2018. This amount was primarily due to a \$2.6 million increase in the net difference between projected and actual earnings on OPEB plan investments, including \$2 million related to the OPERS plan and \$0.6 million related to the STRS Ohio plan and a \$1 million increase attributed to changes in assumptions relating to the STRS Ohio plan.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Deferred outflows of resources increased \$16.3 million or 62.5% from fiscal year 2016 to fiscal year 2017. The increase was largely due to a \$9.4 million increase in the amount attributed to changes in assumptions in the OPERS pension plan and a \$4.7 million increase in the amount attributed to the net difference between projected and actual earning on pension plan investments, including a \$9.7 million increase attributed to the STRS Ohio pension plan and a \$5 million decrease attributed to the OPERS pension plan. In addition, \$2 million was recorded as a deferred outflow due to advance refunding a portion of the 2009 bond series in fiscal year 2017.

Deferred inflows of resources decreased \$6 million or 39.1% from fiscal year 2016 to fiscal year 2017. The decrease was primarily due to a \$7.2 million decrease in the net difference between projected and actual earnings on STRS Ohio pension plan investments and a \$1.6 million increase due to a change in the STRS Ohio proportionate share of contributions.

See Note 13 and Note 14 for additional information on pension and OPEB 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. The unamortized amounts are reflected as Deferred Inflows of Resources in the Statement of Net Position.

Liabilities

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

	June 30, 2018	June 30, 2017	June 30, 2016
Accounts and construction payable	\$ 5,440,209	\$ 6,445,554	\$ 6,695,529
Payroll liabilities	8,943,359	7,761,247	7,041,919
Notes payable	15,017,057	16,000,000	16,000,000
Bonds payable, net	66,590,907	69,451,237	64,756,416
Unearned revenue	6,066,548	6,590,316	5,824,756
Compensated absences	8,295,752	8,798,062	9,016,430
Refundable advance	1,384,407	2,089,646	2,527,796
Other	1,382,030	1,587,617	1,421,973
Net pension liability	118,776,220	175,354,454	146,345,693
Net OPEB liability	40,674,668	-	-
Total Liabilities	<u>\$ 272,571,157</u>	<u>\$ 294,078,133</u>	<u>\$ 259,630,512</u>

Total liabilities decreased \$21.5 million or 7.3% from fiscal year 2017 to fiscal year 2018. Accounts and construction payable decreased \$1 million largely due to decreased year end activity on construction projects. Payroll liabilities increased \$1.2 million primarily due to the timing of the monthly pension contributions. Bonds payable decreased \$2.9 million and notes payable decreased \$1 million due to scheduled debt service payments. The \$0.7 million decrease in the refundable advance resulted from the return to the Department of Education, the federal share of the Federal Perkins Loan Revolving Fund excess liquid capital. This excess was due to collections

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

on loans exceeding the amount of new loans advanced. The net pension liability decreased \$56.6 million or 42.3%. The OPERS pension liability decreased \$18.4 million; whereas the STRS Ohio pension liability decreased \$38.2 million. The OPERS and STRS Ohio net pension liability balances were \$40.3 million and \$78.4 million at June 30, 2018 compared to \$58.7 million and \$116.6 million at June 30, 2017, respectively. The net OPEB liability increased \$40.7 million due to the implementation of GASB 75. The OPERS and STRS Ohio net OPEB liability balances were \$27.8 million and \$12.9 million at June 30, 2018, respectively.

Total liabilities increased \$34.4 million or 13.3% from fiscal year 2016 to fiscal year 2017. Bonds payable increased \$4.7 million largely due to a combination of the issuance of the 2016 bond series which included the advance refunding of a portion of the 2009 bond series with additional funds to construct a new bookstore and scheduled debt service payments. The net pension liability increased \$29 million or 19.8% from fiscal year 2016 to fiscal year 2017. The OPERS pension liability increased \$12.2 million or 26%; whereas the STRS Ohio liability increased \$16.8 million or 17%. The OPERS and STRS Ohio net pension liability balances were \$58.7 million and \$116.6 million at June 30, 2017 compared to \$46.5 million and \$99.8 million at June 30, 2016, respectively.

See Note 8 for a further breakout of payroll and other liabilities, Notes 9 and 10 for detailed information about the University's debt, Note 12 for information on long-term liabilities, Note 13 for information on retirement plans, and Note 14 for information on OPEB.

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 reconciliation below presents the University's total net position removing the impact of the deferred inflows and outflows relating to pensions/OPEB as presented in the Statement of Net Position.

	June 30, 2018	June 30, 2017	June 30, 2016
Total Net Position	\$ 57,633,833	\$ 61,957,254	\$ 63,170,901
Add			
Deferred inflows of resources related to pension/OPEB	26,387,866	8,796,129	14,708,887
Net pension/OPEB liability	159,450,888	175,354,454	146,345,693
Subtract			
Deferred outflows of resources related to pension/OPEB	(36,097,037)	(40,400,833)	(26,126,689)
Total Net Position without GASBs 68, 71 and 75	<u>\$ 207,375,550</u>	<u>\$ 205,707,004</u>	<u>\$ 198,098,792</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The following tables summarize the categories of net position including segregation of the unrestricted net position relating to the impact of GASBs 68, 71 and 75.

	June 30, 2018	June 30, 2017	June 30, 2016
Net investment in capital assets, net of related debt	\$ 136,184,268	\$ 135,402,713	\$ 134,289,273
Restricted, nonexpendable	5,435,363	5,202,624	5,178,994
Restricted, expendable	26,358,016	26,178,068	24,604,440
Unrestricted (without GASBs 68, 71 and 75)	39,397,903	38,923,599	34,026,085
GASBs 68, 71 and 75	<u>(149,741,717)</u>	<u>(143,749,750)</u>	<u>(134,927,891)</u>
Total Net Position	<u>\$ 57,633,833</u>	<u>\$ 61,957,254</u>	<u>\$ 63,170,901</u>

Overall, the University's total net position decreased \$4.3 million or 7.0% from \$62 million at June 30, 2017 to \$57.6 million at June 30, 2018. This resulted from excess expenses over revenue and included a \$6 million decrease attributed to GASBs 68, 71 and 75. Excluding the \$6 million decrease attributed to the impact of GASBs 68, 71 and 75, total net position increased \$1.7 million.

Overall, the University's total net position decreased \$1.2 million or 1.9% from \$63.2 million at June 30, 2016 to \$62 million at June 30, 2017. This resulted from excess expenses over revenue and includes a \$1.1 million increase in the net amount invested in capital assets, a \$1.6 million increase in restricted net position, and a \$3.9 million decrease in unrestricted net position. Excluding the impact of GASBs 68 and 71 which is included in unrestricted net position, total net position increased \$7.6 million and unrestricted net position increased \$4.9 million.

The net investment in capital assets consists of capital assets net of accumulated depreciation and deferred outflows relating to bond refunding reduced by outstanding balance of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The increase of \$0.8 million from fiscal year 2017 to fiscal year 2018 was due to net capital additions of \$9.8 million, \$3.7 million decrease in outstanding debt, and current year depreciation of \$12.7 million. Outstanding debt was \$81,607,964 at June 30, 2018 compared to \$85,451,237 at June 30, 2017.

The overall \$1.1 million increase in the net investment in capital assets from fiscal year 2016 to fiscal year 2017 was due to net capital additions of \$16.4 million, current year depreciation of \$12 million, \$2.1 million in deferred outflows relating to bond refunding and \$4.8 million addition in outstanding debt. Outstanding debt was \$85,451,237 at June 30, 2017 compared to \$80,756,416 at June 30, 2017.

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 2017 and 2016.

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, 2018	June 30, 2017	June 30, 2016
Current funds	\$ 16,820,639	\$ 15,451,718	\$ 13,942,390
Plant funds	9,306,452	10,500,894	10,442,672
Quasi-Endowments	171,537	166,066	159,886
Loan funds	59,388	59,390	59,492
Total Restricted Expendable Net Position	<u>\$ 26,358,016</u>	<u>\$ 26,178,068</u>	<u>\$ 24,604,440</u>

Current restricted funds include grants and sponsored programs, gifts which include scholarship donations and program support, and undistributed and distributed but unspent investment earnings on University endowment funds. Plant funds primarily include donations for construction or renovation projects. Quasi endowments consist of non-endowed restricted gifts designated by management to function similar to an endowment fund. Loan funds consist of gifts established for loan programs to students.

Total restricted expendable net position was \$26.4 million at June 30, 2018 compared to \$26.2 million at June 30, 2017, an increase of \$0.2 million. Current restricted funds increased \$1.4 million from \$15.4 million at June 30, 2017 to \$16.8 million at June 30, 2018; whereas restricted plant funds decreased \$1.2 million from \$10.5 million at June 30, 2017 to \$9.3 million at June 30, 2018.

The \$1.4 million increase in the current funds was primarily due to non-capital gift revenues exceeding expenses. These balances increased \$0.8 million. In addition, approximately \$0.3 million of the increase was due to investment income on University endowments exceeding the actual distributions based on spending policy. Undistributed investment earnings totaled \$4.1 million at June 30, 2018 compared to \$3.8 million at June 30, 2017.

The \$1.2 million decrease in plant funds was primarily due to the \$1.2 million spend down of bond proceeds for the new Barnes & Noble bookstore, and the \$1.4 million decrease in capital gift funds internally designated for debt service attributed to those projects. These capital gifts comprised approximately \$4.9 million of the \$9.3 million plant fund balance at June 30, 2018.

Total restricted, expendable net position was \$26.2 million at June 30, 2017 compared to \$24.6 million at June 30, 2016, an increase on \$1.6 million. Current restricted funds increased \$1.5 million from \$13.9 million at June 30, 2016 to \$15.4 million at June 30, 2017. Approximately \$0.4 million of the increase was due to investment income on University endowments exceeding the actual distributions allowable based on the University's spending policy. Undistributed investment earnings totaled \$3.8 million at June 30, 2017 compared to \$3.4 million at June 30, 2016. Approximately \$6.3 million of the \$10.5 million plant fund balance at June 30, 2017 related to gifts, which have been internally designated for future debt service attributed to those projects.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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, 2018	June 30, 2017	June 30, 2016
Current funds	\$ 8,567,394	\$ 17,392,283	\$ 10,966,922
Operating reserves	7,754,000	7,738,864	7,714,609
Plant funds	23,054,075	13,770,241	15,322,658
Loan funds	22,434	22,211	21,896
Total without GASBs 68 and 71	39,397,903	38,923,599	34,026,085
GASBs 68 and 71	(108,197,299)	(143,749,750)	(134,927,891)
GASB 75	(41,544,418)	-	-
Total Unrestricted Net Position	<u>\$ (110,343,814)</u>	<u>\$ (104,826,151)</u>	<u>\$ (100,901,806)</u>

Total unrestricted net position was (\$110.3 million) at June 30, 2018 compared to (\$104.8 million) at June 30, 2017. The decrease of \$5.5 million from fiscal year 2017 to fiscal year 2018 reflects an excess of expenses over revenues during fiscal year 2018 from noncapital activity. Funds relating to pension/OPEB decreased \$6 million from (\$143.7 million) at June 30, 2017 to (\$149.7 million) at June 30, 2018; whereas all other funds increased \$0.5 million.

Current funds decreased \$8.8 million from \$17.4 million at June 30, 2017 to \$8.6 million at June 30, 2018; whereas plant funds increased \$9.3 million from \$13.7 million to \$23 million, respectively. This shift of funds resulted from the sale of investments at a realized gain to fund future capital project needs.

The GASB 68 (Pension) fund increased \$35.5 million from (\$143.7 million) at June 30, 2017 to (\$108.2 million) at June 30, 2018, whereas the GASB 75 (OPEB) fund decreased \$41.5 million, including a decrease of \$43.5 million attributed to the cumulative effect of the GASB 75 implementation and an increase of \$2 million attributed to fiscal year 2018 activity.

Total unrestricted net position was (\$104.8 million) at June 30, 2017 compared to (\$100.9 million) at June 30, 2016. The decrease of \$3.9 million from fiscal year 2016 to fiscal year 2017 reflects an excess of expenses over revenues during fiscal year 2017 from noncapital activity. Excluding the impact of GASBs 68 and 71, total unrestricted net position increased \$4.9 million from \$34 million at June 30, 2016 to \$38.9 million at June 30, 2017. Approximately \$2.9 million of the increase was primarily due to unrealized gains in equity investments in the University's non-endowed investments from June 30, 2016 to June 30, 2017. Unrealized gains and losses on investments from non-endowments are non-spendable in accordance with the University's non-endowment investment policy and totaled \$7.6 million at June 30, 2017 compared to \$4.8 million at June 30, 2016.

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 non-operating revenues and expenses of the University. Annual State appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

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

	June 30, 2018	June 30, 2017	June 30, 2016
Operating Revenues			
Net tuition, fees and other student charges	\$ 80,328,208	\$ 80,777,230	\$ 83,532,926
Auxiliary enterprises	20,124,228	20,049,797	23,930,810
Grants and contracts	12,641,642	11,682,160	9,543,964
Other	3,494,128	3,749,859	2,381,917
Total Operating Revenues	<u>116,588,206</u>	<u>116,259,046</u>	<u>119,389,617</u>
Operating Expenses	<u>163,331,494</u>	<u>200,869,989</u>	<u>194,668,690</u>
Operating Loss	(46,743,288)	(84,610,943)	(75,279,073)
Nonoperating Revenues (Expenses)			
State appropriations	43,261,001	42,973,090	41,813,887
Gifts, grants, and contracts	31,434,047	30,197,521	30,771,333
Investment income	4,431,242	5,513,140	793,961
Other	(3,440,990)	(3,488,584)	(3,142,302)
Net Nonoperating Revenues	<u>75,685,300</u>	<u>75,195,167</u>	<u>70,236,879</u>
Loss Before Other Revenues, Expenses, and Changes	28,942,012	(9,415,776)	(5,042,194)
Other Revenues, Expenses, and Changes			
State capital appropriations	6,659,994	5,643,430	8,539,064
Capital grants and gifts	3,307,888	2,446,917	2,081,270
Other	274,323	111,782	86,080
Total Other Revenues, Expenses, and Changes	<u>10,242,205</u>	<u>8,202,129</u>	<u>10,706,414</u>
Change in Net Position	39,184,217	(1,213,647)	5,664,220
Net Position at Beginning of the Year, originally stated	61,957,254	63,170,901	57,506,681
Cumulative effect of GASB 75 implementation	(43,507,638)		
Net Position at End of the Year	<u>\$ 57,633,833</u>	<u>\$ 61,957,254</u>	<u>\$ 63,170,901</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Revenues

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

	June 30, 2018	June 30, 2017	June 30, 2016
Net tuition, fees, and other student charges	\$ 80,328,208	\$ 80,777,230	\$ 83,532,926
Gifts, grants and contracts	47,383,577	44,326,598	42,396,567
State appropriations	43,261,001	42,973,090	41,813,887
Auxiliary enterprises	20,124,228	20,049,797	23,930,810
Investment income	4,431,242	5,513,140	793,961
State capital appropriations	6,659,994	5,643,430	8,539,064
Other revenue	4,176,659	4,223,889	3,265,243
Total Revenues	<u>\$ 206,364,909</u>	<u>\$ 203,507,174</u>	<u>\$ 204,272,458</u>

Overall, the University's total revenues increased \$2.9 million or 1.4% between fiscal year 2017 and fiscal year 2018. The majority of the University's revenue, 60% in fiscal year 2018 and 61% in fiscal year 2017, is attributed to State appropriations, and net tuition and fees. Combined, these two revenue streams remained relatively flat at \$123.6 million in fiscal year 2018 compared to \$123.7 million in fiscal year 2017.

Net tuition, fees and other student charges decreased \$0.4 million or 0.6% from fiscal year 2017 to fiscal year 2018. This was due to a combination of a \$2.3 million increase in gross tuition and fees offset by a \$2.7 million increase in the scholarship allowance, resulting from the University's continued investment in merit-based aid. Increased scholarship spending has been strategic and deliberate insofar as it has helped the University stabilize enrollment levels, and increase the proportion of students likely to succeed academically. Gifts, grants, and contracts increased \$3 million or 6.9% from fiscal year 2017 to fiscal year 2018 due to a \$2.2 million increase in gifts, including gifts for the construction of a multimedia center and athletic facilities; a \$0.5 million increase in Pell grants due to a combination of a slight decrease in the number of students receiving Pell grants and an increase in the average aid per student; and a \$0.3 million increase in grants and contracts activity. Investment income decreased \$1.1 million or 19.6% from fiscal year 2017 to fiscal year 2018 primarily due to unrealized losses in the non-endowed investments. State capital appropriations increased \$1 million from fiscal year 2017 to fiscal year 2018 due to increased activity on academic area renovations and the purchase of and renovation to a building in downtown Youngstown for the Mahoning Valley Innovation and Commercialization Center.

Overall, the University's total revenues decreased \$0.8 million or 0.4% between fiscal year 2017 and fiscal year 2016. The majority of the University's revenue, 61% in both fiscal years 2017 and 2016, is attributed to State appropriations, and net tuition and fees. Combined, these two revenue streams decreased \$1.6 million or 1.3% from fiscal year 2016 to fiscal year 2017.

Net tuition, fees and other student charges decreased \$2.7 million or 3.3% from fiscal year 2016 to fiscal year 2017 due to increases in the scholarship allowance resulting from an increase in academic based scholarships, reflecting a higher proportion of academically prepared students. Gifts, grants, and contracts increased \$1.9 million or 4.5% from fiscal year 2016 to fiscal year

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

2017 primarily due to a combination of a \$0.8 million decrease in Pell grants due to a slight decrease in the number of students receiving Pell grants and a \$1.8 million increase in federal grant activity. State appropriations increased \$1.2 million or 2.8%. Auxiliary enterprises revenue decreased \$3.8 million or 16.2% from fiscal year 2016 to fiscal year 2017 mainly due to the outsourcing of the bookstore. Investment income increased \$4.7 million or 594% primarily due to unrealized gains in non-endowed equity investments resulting from a more favorable market environment during fiscal year 2017. State capital appropriations decreased \$2.9 million or 33.9% from fiscal year 2016 to fiscal year 2017 primarily due to the completion of projects such as a steam plant, building renovations, and roof repairs.

Expenses

Operating expenses can be displayed by either functional classification or natural classification. The functional classification can be found on the Statements of Revenues, Expenses, and Changes in Net Position. The University has no control over the pension/OPEB expenses attributed to the implementations of GASBs 68, 71 and 75; therefore, these expenses are segregated for presentation purposes.

Following is a recap of total operating expenses by natural classification.

	June 30, 2018	June 30, 2017	June 30, 2016
Compensation	\$ 118,788,153	\$ 115,235,986	\$ 116,932,285
Operations	48,805,289	44,929,371	47,217,814
Scholarships	20,518,590	19,897,530	19,524,818
Depreciation and amortization	12,735,133	11,985,243	11,075,611
Operating Expenses without GASBs 68, 71 and 75 accruals	200,847,165	192,048,130	194,750,528
GASBs 68 and 71 pension expense accruals	(35,552,451)	8,821,859	(81,838)
GASB 75 OPEB expense accrual	(1,963,220)		
Total operating expenses	<u>\$ 163,331,494</u>	<u>\$ 200,869,989</u>	<u>\$ 194,668,690</u>

Following is a recap of total operating expenses by functional classification.

	June 30, 2018	June 30, 2017	June 30, 2016
Instruction	\$ 64,538,138	\$ 63,992,250	\$ 66,150,400
Research	4,616,124	3,964,546	1,857,198
Public service	6,416,759	6,055,604	5,455,226
Academic support	15,149,971	14,832,935	14,046,280
Student services	10,742,141	10,235,953	10,074,308
Institutional support	23,501,601	19,751,657	21,868,146
Operation and maintenance of plant	17,455,934	15,968,540	17,717,619
Scholarships	16,028,918	15,630,861	15,218,376
Auxiliary enterprises	29,662,446	29,630,541	31,287,364
Depreciation and amortization	12,735,133	11,985,243	11,075,611
Total operating expenses	<u>\$ 200,847,165</u>	<u>\$ 192,048,130</u>	<u>\$ 194,750,528</u>

Excluding the impact of the pension and OPEB accruals, total operating expenses increased \$8.8 million or 4.6% from \$192 million during fiscal year 2017 to \$200.8 million in fiscal year 2018.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

This increase was largely due to a \$3.6 million increase in compensation and a \$3.8 million increase in operations.

Salary and wages increased \$2 million or 2.2% from \$87.9 million in fiscal year 2017 to \$89.9 million in fiscal year 2018; whereas fringe benefits increased \$1.6 million or 5.9% from \$27.3 million to \$28.9 million, respectively. The increase in fringe benefits was due to an increase in health care costs. Overall fringe benefits as a percentage of salaries and wages was 32.15% in fiscal year 2018 compared to 31.1% in fiscal year 2017.

Operations increased \$3.9 million or 8.6% from \$44.09 million in fiscal year 2017 to \$48.8 million in fiscal year 2018. The increase was largely due to \$0.8 million funding of a portion of the City of Youngstown's Wick Avenue Improvements and a \$0.8 million increase in furnishings for several areas, including the new Kilcawley Center annex, a space updated for student interactions, and the Meshel Hall renovations. In addition, there was an increase of approximately \$0.5 million in subaward activity on a federal grant related to additive manufacturing, a \$0.5 million partial write-off of project plan expenses previously capitalized as construction in progress for a renovation project that did not move forward and for which the value has diminished, a \$0.4 million increase in food service expense due to increased occupancy and usage of meal plans on campus, and \$0.2 million for IT upgrades in student housing. Overall, utilities remained relatively flat during fiscal year 2018 compared to fiscal year 2017 and bad debt expense continued to decrease reflecting the impact of enrollment of more academically prepared students.

A large portion of all aid is classified as a scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Position. Therefore, the net \$0.6 million increase in scholarship expense is a partial reflection of a \$0.5 million increase in federal financial aid for Pell grant recipients, a \$0.4 million increase in state support and a \$0.3 million decrease in external support. Overall, the University disbursed \$49.3 million to students in fiscal year 2018 compared to \$45.9 million in fiscal year 2017, including \$19.8 million and \$19.3 million in federal Pell grants, respectively.

Pension and OPEB expense attributed to GASBs 68, 71 and 75 decreased \$46.3 million from \$8.8 million during fiscal year 2017 to (\$37.5 million) during fiscal year 2018. These expenses are the result of changes in the deferred outflows/inflows and liabilities related to pension/OPEB, including the cumulative effect of the GASB 75 implementation. The \$46.3 million decrease is comprised of a \$2.4 million decrease related to the OPERS plans and a \$43.9 million decrease related to the STRS Ohio plans. OPERS pension/OPEB expense totaled \$5 million and \$7.4 million during fiscal year 2018 and fiscal year 2017, respectively; whereas STRS Ohio pension/OPEB expense totaled (\$42.5) million and \$1.4 million, respectively. The STRS Ohio plan expenses are reflected as a reduction in Instruction on the Statement of Revenues, Expenses, and Changes in Net Position. The University has no control over the factors affecting these changes.

Excluding the impact of GASBs 68 and 71 pension expense accruals, total operating expenses decreased \$2.7 million or 1.4% from \$194.7 million during fiscal year 2016 to \$192 million during fiscal year 2017. This was largely due to a \$1.7 million decrease in compensation and a \$2.3 million decrease in operations.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Salary and wages decreased \$0.6 million or 0.6% from \$88.5 million in fiscal year 2016 to \$87.9 million in fiscal year 2017 remaining relatively flat and included a \$0.8 million decrease due to outsourcing the Bookstore; whereas fringe benefits decreased \$1.1 million or 4% from \$28.4 million to \$27.3 million, respectively. The decrease in fringe benefits was due to a combination of a slight increase of \$0.5 million in health care costs and a \$2.6 million decrease in tuition remission largely due to restructuring the graduate assistantship program from being fringe benefit based to scholarship based. Overall fringe benefits as a percentage of salaries and wages was 31.1% in fiscal year 2017 compared to 32.1% in fiscal year 2016.

Operations decreased \$2.3 million or 4.9% from \$47.2 million in fiscal year 2016 to \$44.9 million in fiscal year 2017. The net decrease was largely due to the outsourcing of the Bookstore, a decrease in utility costs as a result of the University building its own steam plant combined with an increase in federal grant activity, primarily subawards, and the University investing in a service agreement to ensure energy savings.

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses, and Changes in Net Position. Therefore, the \$0.4 million increase in scholarship expense is a partial reflection of a \$0.8 million decrease in federal financial aid for Pell grant recipients and a \$0.4 million increase in external support. Overall, the University disbursed \$45.9 million to students in fiscal year 2017 compared to \$41.6 million in fiscal year 2016, including \$19.3 million and \$20.1 million in federal Pell grants, respectively.

Pension expense attributed to GASB 68 and 71 increased \$8.9 million from (\$81,838) during fiscal year 2016 to \$8.8 million during fiscal year 2017.

See Note 13 for additional information on retirement plans and Note 14 for additional information on other post employment benefits (OPEB).

Total operating and non-operating expenses for the University were \$167,180,692, \$204,720,822, and \$198,608,238 in fiscal years 2018, 2017 and 2016, respectively.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

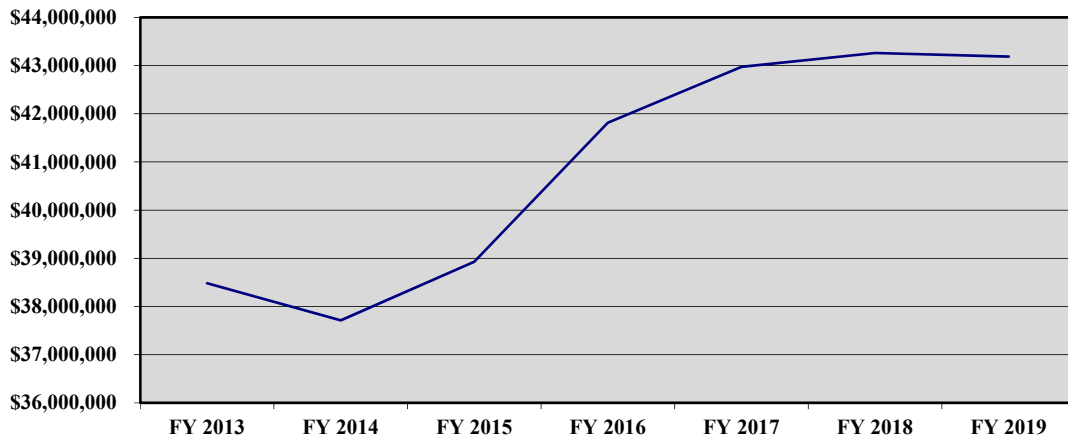
Economic Factors for the Future

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

Based on the most recent estimate provided by the Ohio Department of Higher Education, State Share of Instruction (SSI) funding for the University is expected to remain stable over the next two-year biennium. This is consistent with the statewide SSI appropriation, which is also expected to remain stable for the next two-year period. The University's state funding levels are also tied to strategic decisions YSU has made to better position itself in the performance based SSI formula, in which degrees awarded and course completions 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 and program costs, and enrollment levels.

The following graph reflects six years actual data for State Appropriations plus the budgeted amount for fiscal year 2019.

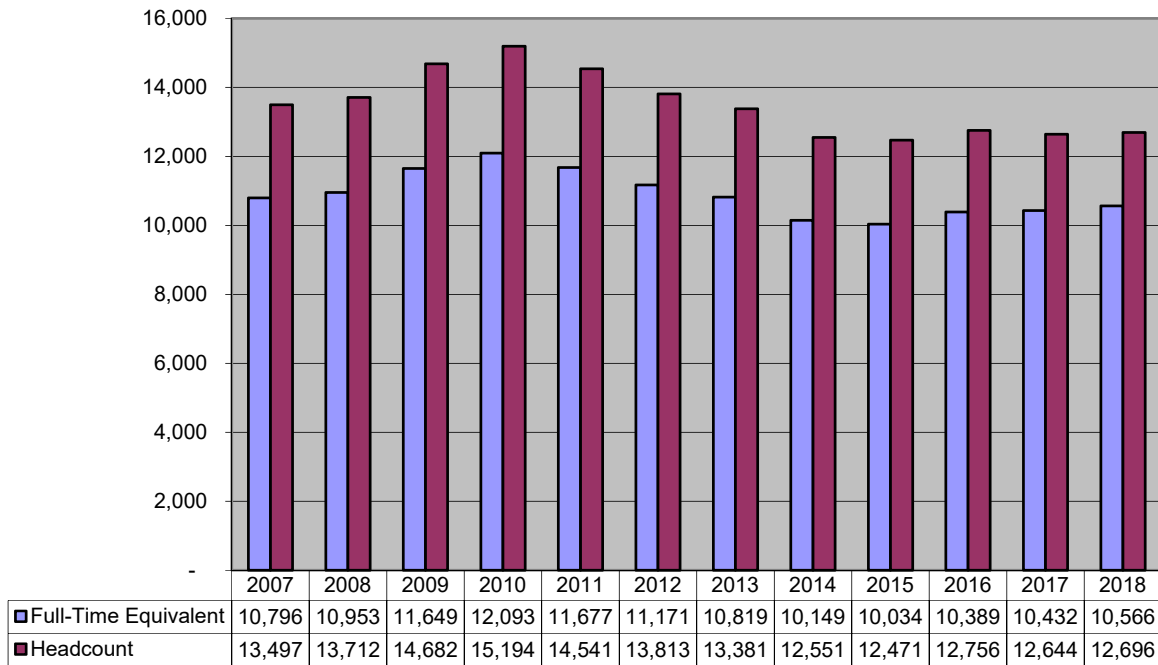
**State Appropriations
Fiscal Years 2013 through 2019**



YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONT.)

Fall Semester Enrollment Trends 2007 through 2018



As expected, Fall 2018 enrollments are 1.28% higher than the prior Fall semester on a full-time equivalency (FTE) basis. Having achieved enrollment stability over the past three years represents a sharp turnaround in the University’s enrollment trend, following a five-year decline in FTE enrollments between Fall 2011 and 2015. The results of the University’s new incoming student enrollments, coupled with the academic quality of those students, provide significant cause for continued optimism for the future.

For Fall 2018, the University experienced increases in new freshman for the fourth consecutive year, a 31% increase in that time. For the second consecutive year, over 330 new freshmen entered the Honors College compared to 96 just four years earlier.

Freshman GPA averages were the highest in University history for the fifth straight year. Efforts to widen the University’s appeal beyond its traditional footprint also appear to be showing continued signs of success. Enrollment increases were noted for out-of-state and multicultural freshman, as well as the number of Ohio counties represented in the freshman class.

The University’s freshman to sophomore retention rate dipped slightly to 73.33% from 74.85% last year, although this year was still the second highest freshmen retention in YSU history, representing further evidence that the University has stabilized and reversed its enrollment trend. Finally, early results for Fall 2019 suggest another strong class is forthcoming.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF NET POSITION AT JUNE 30, 2018 AND 2017

	June 30, 2018	June 30, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 24,301,741	\$ 20,347,943
Investments	39,824,962	42,885,491
Restricted investments	576,113	693,494
Interest receivable	141,428	125,659
Accounts receivable, net	11,338,042	11,437,865
Pledges receivable, net	177,348	225,435
Loans receivable, net	479,115	449,341
Inventories	210,783	133,742
Prepaid expenses and unearned charges	1,229,079	1,065,258
Total Current Assets	78,278,611	77,364,228
Noncurrent Assets		
Investments	14,026,682	15,638,099
Endowments and other restricted investments	9,438,618	9,095,277
Pledges receivable, net	428,689	584,448
Loans receivable, net	777,571	1,069,796
Other noncurrent assets	104,533	333,444
Nondepreciable capital assets	21,364,404	24,736,083
Depreciable capital assets, net	194,630,587	194,125,899
Total Noncurrent Assets	240,771,084	245,583,046
Total Assets	319,049,695	322,947,274
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	33,308,150	40,400,833
Deferred outflows related to OPEB	2,788,887	-
Bond refunding	1,928,624	2,053,409
Total Deferred Outflows of Resources	38,025,661	42,454,242
LIABILITIES		
Current Liabilities		
Accounts payable	3,192,548	3,441,896
Construction payable	2,247,661	3,003,658
Payroll liabilities	8,943,359	7,761,247
Bonds payable	2,865,000	2,610,000
Notes payable	329,655	616,894
Capital lease payable	31,071	13,657
Compensated absences	928,950	983,560
Unearned revenue	6,066,548	6,590,316
Other liabilities	1,249,733	1,522,277
Total Current Liabilities	25,854,525	26,543,505
Noncurrent Liabilities		
Bonds payable, net	63,725,907	66,841,237
Notes payable	14,687,402	15,383,106
Capital lease payable	101,226	51,683
Compensated absences	7,366,802	7,814,502
Refundable advance	1,384,407	2,089,646
Net pension liability	118,776,220	175,354,454
Net OPEB liability	40,674,668	-
Total Noncurrent Liabilities	246,716,632	267,534,628
Total Liabilities	272,571,157	294,078,133
DEFERRED INFLOWS OF RESOURCES		
Service concession agreements	482,500	570,000
Deferred inflows related to pension	22,729,229	8,796,129
Deferred inflows related to OPEB	3,658,637	-
Total Deferred Resources of Inflows	26,870,366	9,366,129
NET POSITION		
Net investment in capital assets	136,184,268	135,402,713
Restricted, nonexpendable	5,435,363	5,202,624
Restricted, expendable	26,358,016	26,178,068
Unrestricted	(110,343,814)	(104,826,151)
Total Net Position	\$ 57,633,833	\$ 61,957,254

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
ASSETS		
Cash and cash equivalents	\$ 3,120,370	\$ 1,707,990
Investments	243,921,774	228,395,689
Property purchased for Youngstown State University	228,965	-
Pledges receivable, net	4,798,437	4,033,499
Pledges receivable for Youngstown State University, net	5,795,099	5,548,252
Prepaid expenses and other assets	983,721	986,450
Beneficial interest in remainder trusts	-	416,938
Property and equipment, net	37,728	50,590
TOTAL ASSETS	<u>\$ 258,886,094</u>	<u>\$ 241,139,408</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 678,908	\$ 489,963
Grant commitments to Youngstown State University	8,322,749	8,161,200
Accrued liabilities and other	158,690	80,217
TOTAL LIABILITIES	<u>9,160,347</u>	<u>8,731,380</u>
NET ASSETS		
Unrestricted	152,312,802	147,197,446
Temporarily restricted	16,037,771	13,018,654
Permanently restricted	81,375,174	72,191,928
TOTAL NET ASSETS	<u>249,725,747</u>	<u>232,408,028</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 258,886,094</u>	<u>\$ 241,139,408</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, 2018 AND 2017

	June 30, 2018	June 30, 2017
OPERATING REVENUES		
Tuition, fees, and other student charges (net of scholarship allowance of \$28,791,176 in 2018 and \$26,026,072 in 2017)	\$ 80,328,208	\$ 80,777,230
Federal grants and contracts	6,083,592	5,728,561
State grants and contracts	5,554,639	5,059,050
Local grants and contracts	422,130	340,687
Private grants and contracts	581,281	553,862
Sales and services	501,089	565,764
Auxiliary enterprises	20,124,228	20,049,797
Other operating revenues	2,993,039	3,184,095
Total Operating Revenues	116,588,206	116,259,046
OPERATING EXPENSES		
Instruction	22,382,293	66,004,195
Research	4,693,888	4,057,587
Public service	6,782,854	6,563,742
Academic support	16,037,470	16,100,315
Student services	11,388,167	11,177,058
Institutional support	24,726,731	22,754,337
Operation and maintenance of plant	18,137,208	16,966,110
Scholarships	16,028,918	15,630,861
Auxiliary enterprises	30,418,832	29,630,541
Depreciation and amortization	12,735,133	11,985,243
Total Operating Expenses	163,331,494	200,869,989
Operating Loss	(46,743,288)	(84,610,943)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	43,261,001	42,973,090
Federal grants	20,253,989	19,790,347
Private gifts	11,180,058	10,407,174
Unrestricted investment income, net of investment expense	3,664,249	4,598,736
Restricted investment income, net of investment expense	766,993	914,404
Interest on capital asset-related debt	(3,808,716)	(3,844,329)
Other nonoperating revenues, net	367,726	355,745
Net Nonoperating Revenues	75,685,300	75,195,167
Loss Before Other Revenues, Expenses, and Changes	28,942,012	(9,415,776)
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	6,659,994	5,643,430
Capital grants and gifts	3,307,888	2,446,917
Other, net	274,323	111,782
Total Other Revenues, Expenses, and Changes	10,242,205	8,202,129
Change In Net Position	39,184,217	(1,213,647)
NET POSITION		
Net Position at Beginning of the Year, originally stated	61,957,254	63,170,901
Cumulative effect of GASB 75 implementation	(43,507,638)	-
Net Position at End of the Year	\$ 57,633,833	\$ 61,957,254

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, 2018 AND 2017

	June 30, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 2,945,158	\$ 2,567,648	\$ 9,687,255	\$ 15,200,061
In-kind donations	-	-	-	-
Investment earnings	1,712,541	898,564	-	2,611,105
Net realized gain on sale of investments	2,062,742	1,059,235	-	3,121,977
Net unrealized change in long-term investments	8,731,534	4,062,723	-	12,794,257
Change in beneficial interest in remainder trusts	-	-	3,807	3,807
Reclassification due to change in donor restriction	-	500,000	(500,000)	-
Net assets released from restrictions	6,076,869	(6,069,053)	(7,816)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	21,528,844	3,019,117	9,183,246	33,731,207
EXPENSES				
Distribution to Youngstown State University for scholarships and other programs	13,702,473	-	-	13,702,473
Administrative expenditures	2,710,865	-	-	2,710,865
Benefits for retired Youngstown University faculty	150	-	-	150
TOTAL EXPENSES	16,413,488	-	-	16,413,488
INCREASE (DECREASE) IN NET ASSETS	5,115,356	3,019,117	9,183,246	17,317,719
Net Assets - Beginning of Year	147,197,446	13,018,654	72,191,928	232,408,028
Net Assets - End of Year	\$ 152,312,802	\$ 16,037,771	\$ 81,375,174	\$ 249,725,747

	June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 2,836,642	\$ 3,772,845	\$ 7,081,186	\$ 13,690,673
In-kind donations	4,854	-	-	4,854
Investment earnings	1,806,580	806,708	-	2,613,288
Net realized gain on sale of investments	3,887,635	1,733,243	-	5,620,878
Net unrealized change in long-term investments	13,921,388	2,352,408	-	16,273,796
Change in beneficial interest in remainder trusts	-	-	17,356	17,356
Reclassification due to change in donor restriction	-	-	-	-
Net assets released from restrictions	3,715,366	(3,715,366)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	26,172,465	4,949,838	7,098,542	38,220,845
EXPENSES				
Distribution to Youngstown State University for scholarships and other programs	12,208,543	-	-	12,208,543
Administrative expenditures	2,852,536	-	-	2,852,536
Benefits for retired Youngstown University faculty	900	-	-	900
TOTAL EXPENSES	15,061,979	-	-	15,061,979
INCREASE (DECREASE) IN NET ASSETS	11,110,486	4,949,838	7,098,542	23,158,866
Net Assets - Beginning of Year	136,086,960	8,068,816	65,093,386	209,249,162
Net Assets - End of Year	\$ 147,197,446	\$ 13,018,654	\$ 72,191,928	\$ 232,408,028

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018	June 30, 2017
Cash Flows from Operating Activities		
Student tuition and fees	\$ 79,926,985	\$ 79,975,455
Federal, state, and local grants and contracts	12,048,270	11,089,855
Private grants and contracts	621,969	735,853
Sales and services of educational and other departmental activities	20,813,272	21,783,811
Payments to suppliers	(53,496,407)	(48,808,266)
Payments to employees	(88,693,212)	(87,215,677)
Payments for benefits	(29,390,607)	(27,383,844)
Payments for scholarships	(16,075,346)	(15,717,567)
Student loans issued	(147,208)	(155,218)
Student loans collected	495,912	527,506
Student loan interest and fees collected	168,764	134,911
Other receipts, net	2,789,893	2,944,508
Total Cash Flows Used In Operating Activities	(70,937,715)	(62,088,673)
Cash Flows from Noncapital Financing Activities		
Federal grants	19,556,456	19,338,860
State educational appropriations	43,261,001	42,973,090
Direct lending receipts	55,753,073	60,549,455
Direct lending disbursements	(55,744,772)	(59,206,331)
Private gifts	11,125,868	10,910,904
Other	274,323	111,782
Other nonoperating expenses	281,626	268,445
Total Cash Flows Provided by Noncapital Financing Activities	74,507,575	74,946,205
Cash Flows from Investing Activities		
Proceeds from sale of investments	48,885,739	14,462,125
Purchase of investments	(44,439,753)	(19,452,441)
Interest on investments	4,415,473	5,485,602
Total Cash Flows Provided by Investing Activities	8,861,459	495,286
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	6,738,111	5,336,842
Private capital gifts and grants	3,201,419	3,035,594
Purchase of capital assets	(10,492,550)	(16,211,965)
Principal payments on capital debt	(3,621,071)	(2,466,389)
Bonds payable proceeds	-	5,248,151
Interest payments on capital debt	(4,303,430)	(3,841,080)
Total Cash Flows Used In Capital and Related Financing Activities	(8,477,521)	(8,898,847)
Change in Cash and Cash Equivalents	3,953,798	4,453,971
Cash and Cash Equivalents, Beginning of Year	20,347,943	15,893,972
Cash and Cash Equivalents, End of Year	\$ 24,301,741	\$ 20,347,943

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

	June 30, 2018	June 30, 2017
Operating loss	\$ (46,743,288)	\$ (84,610,943)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	12,735,133	11,985,243
Provision for bad debts	125,985	569,407
Gifts in kind	28,798	39,517
Changes in assets and liabilities:		
Accounts receivable, net	42,414	(408,498)
Loans receivable, net	420,470	384,875
Inventories	(77,040)	(48,911)
Prepaid expenses and unearned charges	(163,821)	(14,615)
Accounts payable	(249,348)	(211,901)
Accrued and other liabilities	1,278,737	821,314
Unearned revenue	(317,774)	802,348
Compensated absences	(502,310)	(218,368)
Net pension liability	(56,578,234)	29,008,761
Net OPEB liability	(2,832,970)	-
Deferred outflows related to pension	7,092,683	(14,274,144)
Deferred outflows related to OPEB	(2,788,887)	-
Deferred inflows related to pension	13,933,100	(5,912,758)
Deferred inflows related to OPEB	3,658,637	-
Net Cash Flows Used In Operating Activities	<u>\$ (70,937,715)</u>	<u>\$ (62,088,673)</u>

Noncash Investing and Financing Transactions

Additional Capital Leases	<u>\$ 95,084</u>	<u>\$ 76,729</u>
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In January 2017, the University issued \$25,525,000 in Series 2016 General Receipts bonds. The proceeds from the bond sale were used for a partial advance refunding of the Series 2009 General Receipts bonds, resulting in a retirement of these bonds of \$19,930,000. See Note 9 for further discussion on this non-cash transaction.

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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*, 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.

As required by the GASB, resources are classified for accounting and reporting purposes into the following four net position categories:

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The University reports as a business type activity, as defined by GASB Statement No. 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

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 – 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 95 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 endowment spending policy states that annual distributions each fiscal year are set to 5% of the twelve-quarter average of the market value for the preceding twelve calendar quarters. In calculating the twelve-quarter average, census dates of March 31, June 30, September 30 and December 31 for the previous three years shall be used. Distributions greater than the calculated amount require written justification and Board of Trustees' approval.

Accounts Receivable – Accounts receivable consist of transactions relating to tuition and fees, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of allowance for uncollectible amounts.

Pledges Receivable – The University received pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a gift representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of a conditional pledge, revenue is recognized when the gift is received. Pledges are recorded net of an allowance for uncollectible amounts and are discounted to net present value. The University entered into a development services agreement with the Foundation. As part of the agreement, new pledges are recorded by the Foundation and payments on University pledges are collected by the Foundation and remitted to the University on a monthly basis.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Inventories – Inventories are stated at the lower of cost or net realizable value.

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

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

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

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

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

Compensated Absences – Accumulated unpaid vacation and sick leave benefits are 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 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 related to the net pension/OPEB liability and refunding of bonds. Deferred inflows of resources in the University’s financial statements related to the net pension/OPEB liability and service concession arrangements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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/OPEB – For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans 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 non-operating 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 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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 amounts reported in the financial statements and disclosures in the notes to financial statements. Actual results could differ from these estimates.

Adoption of New Accounting Pronouncements – In fiscal year 2018, the provisions of the following GASB Statements became effective:

- 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. 81, *Irrevocable Split-Interest Agreements*, issued March 2016. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 85, *Omnibus 2017*, issued March 2017. The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt.

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

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations.
- GASB Statement No. 84, *Fiduciary Activities*, issued January 2017. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

- GASB Statement No. 87, *Leases*, issued June 2017. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, issued April 2018. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.
- GASB Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*, issued August 2018. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

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

Adoption of Accounting Principle – The effect of the University's adoption of GASB Statement No. 75 was a restatement of deferred outflows, deferred inflows and net liability relating to OPEB at July 1, 2017. Previously, OPEB 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 GASB 75, the University is required to report a proportionate share of the retirement system's net OPEB liability (or unfunded liability) and other activity, including OPEB expense on the University's financial statements and also to provide disclosures in the Notes to the Financial Statements (See Note 14 Other Post-Employment Benefits). 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

The effect of this change resulted in a net decrease in net position of the University at July 1, 2017 of \$43,507,638. The University did not retroactively implement this statement as of July 1, 2016 because it was not deemed practical. The OPEB 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 2016.

Reclassification – Certain reclassifications have been made to the fiscal year 2017 amounts to conform with the fiscal year 2018 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 \$43,261,001 in fiscal year 2018 compared to \$42,973,090 in fiscal year 2017. The State Share of Instruction (SSI) is determined annually by the Ohio Department of Higher Education.

Capital appropriations from the State totaled \$6,659,994 in fiscal year 2018 compared to \$5,643,430 in fiscal year 2017 and included funding for equipment and the construction/major renovations of plant facilities.

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

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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

Cash and Cash Equivalents at June 30, 2018 and June 30, 2017 consist of the following:

	2018	2017
Carrying Amount	<u>\$ 24,301,741</u>	<u>\$ 20,347,943</u>
FDIC Insured	\$ 3,250,000	\$ 5,792,147
Uninsured but collateralized by pools of securities pledged by the depository banks	1,718,276	4,059,773
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>9,696,643</u>	<u>11,784,788</u>
Bank Balance	<u>\$ 14,664,919</u>	<u>\$ 21,636,708</u>

The difference in carrying amount and bank balance is caused by items in transit and outstanding checks, including a \$10,610,139 transfer from the Star Plus account to the Star Ohio account. Deposits held in safekeeping by a bank, as trustee or escrow agent, included in cash totaled \$24,870 at June 30, 2018 and \$2,392,415 at June 30, 2017, which approximates market. These deposits, including interest on the investments, are retained in the trust for projects funded by bond proceeds and payment of principal and interest on outstanding indebtedness. The University's Star Plus account deposits are federally insured and totaled \$2,500,000 at June 30, 2018 and \$5,042,147 at June 30, 2017.

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, 2018 and June 30, 2017, 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

Level 1 – Investments reflect prices quoted in active markets.

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

Level 3 – Investments reflect prices based upon unobservable sources.

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

Assets classified in Level 1 of the fair value hierarchy are valued directly from a primary external pricing vendor. Level 2 inputs are valued using a matrix pricing model.

As of June 30, 2018, the University had the following investments measured at fair value:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
U.S. Government Obligations	\$ -	\$ 4,323,219	\$ -	\$ 4,323,219
Corporate Bonds	-	9,869,027	-	9,869,027
Foreign Bonds	-	43,273	-	43,273
U.S. Government Bonds	-	2,309,426	-	2,309,426
Bond Mutual Funds	11,900,561	-	-	11,900,561
Preferred Stock	-	306,025	-	306,025
Common Stock	6,111,323	-	-	6,111,323
Equity Mutual Funds	29,003,521	-	-	29,003,521
Totals	<u>\$ 47,015,405</u>	<u>\$ 16,850,970</u>	<u>\$ -</u>	<u>\$ 63,866,375</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

As of June 30, 2017, the University had the following investments measured at fair value:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
U.S. Government Obligations	\$ -	\$ 5,571,562	\$ -	\$ 5,571,562
Corporate Bonds	-	9,999,400	-	9,999,400
Foreign Bonds	-	29,639	-	29,639
U.S. Government Bonds	-	2,254,001	-	2,254,001
Bond Mutual Funds	11,096,293	-	-	11,096,293
Preferred Stock	-	575,569	-	575,569
Common Stock	6,171,416	-	-	6,171,416
Equity Mutual Funds	32,614,481	-	-	32,614,481
Totals	\$49,882,190	\$18,430,171	\$ -	\$ 68,312,361

As of June 30, 2018, 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	\$ 4,323,219	\$ 179,395	\$ 3,573,987	\$ 569,837	\$ -
Corporate Bonds	9,869,027	809,995	7,919,746	1,124,205	15,081
Foreign Bonds	43,273	-	43,273	-	-
U.S. Government Bonds	2,309,426	280,432	321,520	752,176	955,298
Bond Mutual Funds	11,900,561	11,900,561	-	-	-
Preferred and Common Stock	6,417,348	6,417,348	-	-	-
Equity Mutual Funds	29,003,521	29,003,521	-	-	-
Totals	\$63,866,375	\$48,591,252	\$ 11,858,526	\$ 2,446,218	\$ 970,379

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

As of June 30, 2017, 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	\$ 5,571,562	\$ -	\$ 5,126,082	\$ 445,480	\$ -
Corporate Bonds	9,999,400	917,986	7,766,730	1,304,284	10,400
Foreign Bonds	29,639	-	29,639	-	-
U.S. Government Bonds	2,254,001	5,536	693,227	529,348	1,025,890
Bond Mutual Funds	11,096,293	11,096,293	-	-	-
Preferred and Common Stock	6,746,985	6,746,985	-	-	-
Equity Mutual Funds	32,614,481	32,614,481	-	-	-
Totals	\$68,312,361	\$51,381,281	\$ 13,615,678	\$ 2,279,112	\$ 1,036,290

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

As of June 30, 2018, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 9,869,027	\$ 2,676,914	\$ 1,402,334	\$ 2,503,187	\$ 2,564,284	\$ 722,308
Foreign Bonds	43,273	43,273	-	-	-	-
U.S. Government Bonds	2,309,426	1,732,200	577,226	-	-	-
Bond Mutual Funds	11,900,561	5,329,055	1,461,994	1,150,681	3,620,243	338,588
Totals	<u>\$ 24,122,287</u>	<u>\$ 9,781,442</u>	<u>\$ 3,441,554</u>	<u>\$ 3,653,868</u>	<u>\$ 6,184,527</u>	<u>\$ 1,060,896</u>

As of June 30, 2017, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 9,999,400	\$ 2,263,325	\$ 948,546	\$ 2,516,540	\$ 3,346,098	\$ 924,891
Foreign Bonds	29,639	29,639	-	-	-	-
U.S. Government Bonds	2,254,001	1,624,992	629,009	-	-	-
Bond Mutual Funds	\$ 11,096,293	5,102,185	1,566,469	815,961	3,361,938	249,740
Totals	<u>\$ 23,379,333</u>	<u>\$ 9,020,141</u>	<u>\$ 3,144,024</u>	<u>\$ 3,332,501</u>	<u>\$ 6,708,036</u>	<u>\$ 1,174,631</u>

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2018, \$4,632,084 or 7% of the University’s portfolio was held in an intermediate bond fund and \$1,807,373 or 3% was held in a short term bond fund. As of June 30, 2017, \$4,156,099 or 6% of the University’s portfolio was held in an intermediate term bond fund and \$1,272,010 or 2% 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, 2018 and 2017, 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, 2018 and 2017, 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 5 – Accounts and Loans Receivable

Accounts and loans receivable at June 30, 2018 and June 30, 2017 consist of the following:

	2018	2017
Accounts receivable		
Student accounts	\$ 7,170,967	\$ 7,680,039
Grants and contracts	2,199,614	2,389,961
State appropriations	2,081,671	2,159,788
Other receivables	3,568,754	3,362,455
Total Accounts receivable	15,021,006	15,592,243
Less: Allowance for doubtful accounts	3,682,964	4,154,378
Accounts receivable, net	<u>\$ 11,338,042</u>	<u>\$ 11,437,865</u>
Loans receivable - student notes	\$ 1,712,248	\$ 2,133,318
Less: Allowance for doubtful accounts	455,562	614,181
Loans receivable, net	1,256,686	1,519,137
Less: current portion	479,115	449,341
Loans receivable, noncurrent portion	<u>\$ 777,571</u>	<u>\$ 1,069,796</u>

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2018 and June 30, 2017 were as follows:

	2018	2017
Pledges receivable	\$ 678,030	\$ 903,786
Less: Allowance for doubtful accounts	32,350	53,812
Present value discount	39,643	40,091
Pledges receivable, net	606,037	809,883
Less: current portion	177,348	225,435
Pledges receivable, noncurrent portion	<u>\$ 428,689</u>	<u>\$ 584,448</u>

Pledges have been discounted to net present value using June 30, 2018 and June 30, 2017 U.S. Treasury Note rates of 2.625% (5-year) and 2.75% (7-year) in fiscal year 2018 and 1.75% (5-year) and 2.00% (7-year) in fiscal year 2017.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 16,274,150	\$ 84,717	\$ -	\$ -	\$ 16,358,867
Construction in progress	7,626,467	3,410,025	526,883	(6,394,575)	4,115,034
Historical treasures	835,466	41,476	-	13,561	890,503
Depreciable assets:					
Buildings	279,765,390	1,483,451	69,770	4,320,290	285,499,361
Improvements to buildings	76,302,097	2,872,136	-	1,700,424	80,874,657
Improvements other than buildings	40,638,570	918,405	1,000,000	200,719	40,757,694
Moveable equipment and furniture	38,368,157	1,382,678	621,698	159,581	39,288,718
Vehicles	1,403,118	104,067	63,749	-	1,443,436
Capital lease	76,729	95,084	-	-	171,813
Total cost	<u>461,290,144</u>	<u>10,392,039</u>	<u>2,282,100</u>	<u>-</u>	<u>469,400,083</u>
Less accumulated depreciation:					
Buildings	173,543,132	4,773,206	69,770	-	178,246,568
Improvements to buildings	17,967,390	2,940,911	-	-	20,908,301
Improvements other than buildings	20,040,660	2,216,280	1,000,000	-	21,256,940
Moveable equipment and furniture	29,834,758	2,647,909	621,699	-	31,860,968
Vehicles	1,028,155	120,385	63,749	-	1,084,791
Capital lease	14,067	33,457	-	-	47,524
Total accumulated depreciation	<u>242,428,162</u>	<u>12,732,148</u>	<u>1,755,218</u>	<u>-</u>	<u>253,405,092</u>
Capital assets, net	<u>\$ 218,861,982</u>	<u>\$ (2,340,109)</u>	<u>\$ 526,882</u>	<u>\$ -</u>	<u>\$ 215,994,991</u>

Projects completed and transferred from construction in progress during fiscal year 2018 included the Barnes & Noble bookstore, the Cushwa Respiratory Care Lab, renovations to Meshel Hall's first and third floors, improvements and development of the Campus Core and area's designated as gateways to YSU's campus, replacement of the Jones Hall roof, renovations to Ward Beecher Hall as well as upgrades to its HVAC system, renovations to the Bliss Hall Graduate offices, repairs to the Fifth Avenue Parking Deck and upgrades to the underground steam and condensate lines originating at the Central Utility Plant.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Capital assets activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 16,149,400	\$ 124,750	\$ -	\$ -	\$ 16,274,150
Construction in progress	18,623,424	6,523,695	8,728	(17,511,924)	7,626,467
Historical treasures	835,466	-	-	-	835,466
Depreciable assets:					
Buildings	280,003,837	-	238,447	-	279,765,390
Improvements to buildings	59,574,347	2,516,009	-	14,211,741	76,302,097
Improvements other than buildings	37,385,002	3,327,739	1,000,000	925,829	40,638,570
Moveable equipment and furniture	33,673,810	3,628,366	1,308,373	2,374,354	38,368,157
Vehicles	1,336,632	186,181	119,695	-	1,403,118
Capital lease	-	76,729	-	-	76,729
Total cost	<u>447,581,918</u>	<u>16,383,469</u>	<u>2,675,243</u>	<u>-</u>	<u>461,290,144</u>
Less accumulated depreciation:					
Buildings	168,874,774	4,902,434	234,076	-	173,543,132
Improvements to buildings	15,404,240	2,563,150	-	-	17,967,390
Improvements other than buildings	18,954,783	2,085,877	1,000,000	-	20,040,660
Moveable equipment and furniture	28,840,275	2,302,855	1,308,372	-	29,834,758
Vehicles	1,041,601	106,249	119,695	-	1,028,155
Capital lease	-	14,067	-	-	14,067
Total accumulated depreciation	<u>233,115,673</u>	<u>11,974,632</u>	<u>2,662,143</u>	<u>-</u>	<u>242,428,162</u>
Capital assets, net	<u>\$ 214,466,245</u>	<u>\$ 4,408,837</u>	<u>\$ 13,100</u>	<u>\$ -</u>	<u>\$ 218,861,982</u>

Projects completed and transferred from construction in progress during fiscal year 2017 included the Steam Plant Project, building exterior repairs to Stambaugh Stadium and Moser Hall, Instructional Space Upgrades to Cushwa Hall and DeBartolo Hall, and Building System Upgrades to several campus buildings.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 8 – Payroll and Other Liabilities

Payroll and other liabilities at June 30, 2018 and 2017 consist of the following:

	2018	2017
Payroll liabilities:		
Accrued compensation	\$ 5,789,318	\$ 5,407,924
Accrued benefits	290,008	185,401
Accrued health care benefits and insurance payable	1,234,757	1,003,033
Retirement system contribution payable	1,629,276	1,164,889
Totals	<u>\$ 8,943,359</u>	<u>\$ 7,761,247</u>
Other liabilities:		
Deposits held in custody	\$ 500,110	\$ 606,039
Interest payable	271,841	641,020
Other liabilities	477,772	275,218
Totals	<u>\$ 1,249,723</u>	<u>\$ 1,522,277</u>

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2018 are completed, totaled \$10.8 million compared to \$9.4 million at June 30, 2017. These amounts do not constitute expenses incurred or liabilities.

Note 9 – Bonds

In January 2017, the University issued \$25,525,000 in Series 2016 General Receipts bonds. The proceeds from the bond sale were used for a partial advanced refunding of the Series 2009 General Receipts bonds and to construct a bookstore. As a result, \$19,930,000 of the 2009 bonds advanced refunded were considered to be defeased and the liability was removed from the University's long-term obligations. In addition, a deferred outflow of resources was recorded and will be amortized over the remaining life of the new debt. As of June 30, 2018 and 2017, the amount recorded as a deferred outflow was \$1,928,624 and \$2,053,409, respectively.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Details of the bonds payable for the General Receipts Bonds, Series 2016 as of June 30, 2018 follow:

Bond Component	Rate	Yield	Maturity Through	Original Principal
Serial Bond	3.000%	1.56%	2019	\$ 215,000
Serial Bond	4.000%	1.86%	2020	1,145,000
Serial Bond	5.000%	2.10%	2021	1,190,000
Serial Bond	5.000%	2.34%	2022	1,255,000
Serial Bond	5.000%	2.53%	2023	1,320,000
Serial Bond	5.000%	2.76%	2024	1,380,000
Serial Bond	5.000%	2.93%	2025	1,455,000
Serial Bond	5.000%	3.09%	2026	1,525,000
Serial Bond	5.000%	3.23%	2027	1,600,000
Serial Bond	3.000%	3.32%	2028	1,665,000
Serial Bond	3.250%	3.49%	2029	1,710,000
Serial Bond	5.000%	3.44%	2030	1,780,000
Serial Bond	5.000%	3.50%	2031	1,870,000
Serial Bond	3.500%	3.74%	2032	1,945,000
Serial Bond	3.625%	3.86%	2033	2,010,000
Serial Bond	3.625%	3.92%	2034	2,085,000
Term Bond	4.000%	4.12%	2035	310,000
Term Bond	4.000%	4.12%	2036	320,000
Term Bond	4.000%	4.12%	2037	335,000
Term Bond	4.000%	4.12%	2038	350,000
Total				\$25,465,000

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, 2018 follow:

Bond Component	Rate	Yield	Maturity Through	Original Principal
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				\$ 15,250,000

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

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

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

Details of the bonds payable for the General Receipts Bonds (Taxable Build America Bonds), Series 2010 as of June 30, 2018 follow:

Bond Component	Rate/Yield *	Maturity Through	Original Principal
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>\$23,745,000</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 Williamson College of Business Administration building, renovate and replace portions of the existing Wick Pollock Inn, refund the remaining General Receipts Bonds, Series 1997 and Series 1998, refund the General Receipts Bond Anticipation Notes, Series 2008 (BAN), and pay a portion of the costs of issuance of the bonds. In January 2017, \$19,930,000 of the bonds were advanced refunded with the issuance of the Series 2016 General Receipts bonds. The outstanding amount defeased and in escrow was \$19,930,000 at June 30, 2018 and June 30, 2017, respectively.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

The General Receipts Bonds, Series 2009 as of June 30, 2018 has a remaining principal balance of \$885,000 at a rate of 4.375% and yield of 4.400% that matures in fiscal year 2019.

The indebtedness created through all issues of the General Receipts Bonds is bound by the Amended and Restated Trust Indenture dated as of March 1, 2009. The Series 2010 Bonds, Series 2011 Bonds, and Series 2016 Bonds are also bound by the First Supplemental Trust Indenture dated as of February 2010; and in addition, the Series 2011 Bonds and Series 2016 Bonds are also bound by the Second Supplemental Trust Indenture dated as of July 1, 2011, and the Series 2016 Bonds are also bound by the Third Supplemental Trust Indenture dated December 1, 2010. The University has complied with all covenant requirements.

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

Maturities of all bonds payable and debt service for fiscal years subsequent to June 30, 2018 follow (also see Note 12):

Fiscal Year	General Receipts Bonds		
	Principal	Interest	Total
2019	\$ 2,865,000	\$ 3,267,202	\$ 6,132,202
2020	2,980,000	3,131,322	6,111,322
2021	3,095,000	2,988,709	6,083,709
2022	3,230,000	2,835,360	6,065,360
2023	3,365,000	2,671,779	6,036,779
2024-2028	19,235,000	10,437,141	29,672,141
2029-2033	23,850,000	4,827,177	28,677,177
2034-2038	6,725,000	297,048	7,022,048
Totals	<u>\$ 65,345,000</u>	<u>\$ 30,455,738</u>	<u>\$ 95,800,738</u>

NOTE: Expected future federal subsidies for the BABs is \$4,709,435

Federal subsidies received by the University were \$484,817 in fiscal year 2018 and \$495,109 in fiscal year 2017. These are reported as non-operating federal grant revenue. Interest expense on indebtedness was \$3,252,847 in fiscal year 2018 and \$3,305,769 in fiscal year 2017. On construction-related debt, net interest cost of \$8,849 was capitalized in fiscal year 2018, and \$85,640 in fiscal year 2017.

Note 10 – Notes Payable

During fiscal year 2016, the University entered into a 14 year performance contract with Johnson Controls for campus energy savings measures. The contract amount of \$16 million includes an assured performance providing for an annual measured cost savings of not less than \$2 million per year and was financed through PNC Equipment Finance over 14 years at an interest rate of 3.366% and requires annual installment payments. Title to the assets vests in the University. Security of the debt is limited to the revenues appropriated for such purpose. In March 2018, in accordance with the escrow agreement, \$725,988 in residual project funds were transferred to the debt service fund and were used to pre-pay debt service originally scheduled for fiscal year 2019, resulting in a reduced amount due in that year.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Details of the revised installment schedule follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 329,655	\$ 132,947	\$ 462,602
2020	773,135	494,378	1,267,513
2021	858,969	468,354	1,327,323
2022	950,358	439,441	1,389,799
2023	1,078,602	407,452	1,486,054
2024	1,203,064	371,147	1,574,211
2025	1,324,741	330,651	1,655,392
2026	1,438,667	286,061	1,724,728
2027	1,549,719	237,635	1,787,354
2028	1,712,940	185,472	1,898,412
2029	1,869,472	127,814	1,997,286
2030	1,927,735	60,223	1,987,958
Totals	<u>\$ 15,017,057</u>	<u>\$ 3,541,575</u>	<u>\$ 18,558,632</u>

The University has complied with all covenant requirements. Interest expense on indebtedness was \$555,869 in fiscal year 2018 and \$538,560 in fiscal year 2017.

Note 11 – Capital Leases

The University leases mailroom equipment under a capital lease agreement which bears interest of 9.9%. In addition, the University also leases equipment for its print shop under a capital lease agreement which bears imputed interest of 10.08%. The net book value of capital leased assets included in net capital assets in the Statement of Net Position at June 30, 2018 and June 30, 2017 was \$124,289 and \$62,662, respectively.

Future minimum lease payments under the capital lease are as follows:

Year Ending June 30,	Mailroom Equipment	Print Shop Equipment	Total
2019	\$ 19,520	\$ 23,400	\$ 42,920
2020	19,520	23,400	42,920
2021	19,520	23,400	42,920
2022	1,626	23,400	25,026
2023	-	5,834	5,834
Total future minimum lease payments	<u>60,186</u>	<u>99,434</u>	<u>159,620</u>
Less amount representing interest	<u>8,504</u>	<u>18,819</u>	<u>27,323</u>
Total obligations under capital lease	<u>\$ 51,682</u>	<u>\$ 80,615</u>	<u>\$ 132,297</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 12 – Long-Term Liabilities (excluding net pension/OPEB liabilities)

Long-term liability activity (also see Notes 9, 10, and 11) for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 67,955,000	\$ -	\$ 2,610,000	\$ 65,345,000	\$ 2,865,000
Unamortized premium/discount	1,496,237	-	250,330	1,245,907	-
Bonds payable, net	69,451,237	-	2,860,330	66,590,907	2,865,000
Note payable	16,000,000	-	982,943	15,017,057	329,655
Capital leases	65,340	95,084	28,127	132,297	31,071
Compensated absences	8,798,062	-	502,310	8,295,752	928,950
Refundable advance	2,089,646	-	705,239	1,384,407	-
Total long-term liabilities	<u>\$ 96,404,285</u>	<u>\$ 95,084</u>	<u>\$ 5,078,949</u>	<u>\$ 91,420,420</u>	<u>\$ 4,154,676</u>

Long-term liability activity (also see Notes 9, 10, and 11) for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 64,815,000	\$ 25,525,000	\$ 22,385,000	\$ 67,955,000	\$ 2,610,000
Unamortized premium/discount	(58,584)	1,578,181	23,360	1,496,237	-
Bonds payable, net	64,756,416	27,103,181	22,408,360	69,451,237	2,610,000
Note payable	16,000,000	-	-	16,000,000	616,894
Capital leases	-	76,729	11,389	65,340	13,657
Compensated absences	9,016,430	60,000	278,368	8,798,062	983,560
Refundable advance	2,527,796	17,375	455,525	2,089,646	-
Total long-term liabilities	<u>\$ 92,300,642</u>	<u>\$ 27,257,285</u>	<u>\$ 23,153,642</u>	<u>\$ 96,404,285</u>	<u>\$ 4,224,111</u>

Note 13 – Retirement Plans

Net Pension Liability

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

The net pension liability represents the University’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

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

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

Plan Descriptions

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

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

Benefits Provided

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

OPERS Benefits

Under OPERS, retirement benefits are specific to each pension plan and members must meet the eligibility requirements based on their age and years of service credit within the plan. Retirement eligibility also varies by division and transition group. Members who were eligible to retire under law in effect prior to SB 343 before January 7, 2013 are included in transition Groups A and B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

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

Under the Traditional Plan, for Groups A and B, the annual benefit is based on 2.2% of FAS multiplied by the actual years of service credit for the first 30 years of service credit and 2.5% for years of service credit in excess of 30 years. For Group C the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service credit in excess of 35. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Member-Directed participants must have attained the age of 55, have money on deposit in the Defined Contribution Plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five year period at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts.

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual cost-of-living adjustment is provided on the member's base benefit and is not compounded. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their benefit. The cost-of-living adjustment varies somewhat, but is generally defined as the Consumer Price Index not to exceed 3%. A death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and the Combined Plan. Death benefits are not available to beneficiaries of Member-Directed Plan participants.

STRS Ohio Benefits

The Defined Benefit Plan offers an annual retirement allowance based on the final average salary multiplied by a percentage that varies based on years of service. Effective Aug. 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until Aug. 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The Defined Benefit Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the Defined Benefit Plan and the Defined Contribution Plan. In the Combined Plan, 12% of the 14% member rate goes to the Defined Contribution Plan and the remaining 2% is applied to the Defined Benefit Plan. Member contributions to the Defined Contribution Plan are allocated among investment choices by the member, and contributions to the Defined Benefit Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular Defined Benefit Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

A Defined Benefit Plan or Combined Plan member with 5 or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the Defined Contribution Plan who become disabled are entitled only to their account balance. If a member of the Defined Contribution Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participates in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the Defined Benefit, Defined Contribution or Combined Plans.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

In April 2017, the Retirement Board made the decision to reduce cost of living adjustments granted on or after July 1, 2017 to 0% to preserve the fiscal integrity of the system. Benefit recipients base benefit and past cost of living increases are not affected by this change.

Contributions

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

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

Employee Contribution Rate						
Period	STRS Ohio		OPERS		OPERSLE	
	Traditional	ARP	Traditional	ARP	Traditional	ARP
7/1/16-6/30/18	14.0%	14.0%	10.0%	10.0%	13.0%	13.0%
7/1/15-6/30/16	13.0%	13.0%	10.0%	10.0%	13.0%	13.0%

The employer contribution rates, which include health care, for the current and preceding two fiscal years follow:

Employer Contributions								
Fiscal Year	STRS Ohio			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS Ohio	ARP		OPERS	ARP		
7/1/17-6/30/18	14.00%	4.47%	9.53%	14.00%	2.44%	11.56%	18.10%	18.10%
7/1/15-6/30/17	14.00%	4.50%	9.50%	14.00%	0.77%	13.23%	18.10%	18.10%

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

Employer Contributions								
Fiscal Year	STRS Ohio			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS Ohio	ARP		OPERS	ARP		
2018	\$ 4,891,587	\$ 303,782	\$ 641,948	\$ 4,912,096	\$ 109,793	\$ 520,165	\$ 273,204	\$ -
2017	\$ 4,794,476	\$ 312,907	\$ 653,459	\$ 4,725,695	\$ 35,328	\$ 606,748	\$ 282,124	\$ -
2016	\$ 4,841,012	\$ 312,415	\$ 658,094	\$ 4,653,438	\$ 34,885	\$ 599,387	\$ 305,815	\$ -

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

At June 30, 2018 and June 30, 2017, the University reported a liability for its proportional share of the net pension liability of OPERS/STRS Ohio. The net pension liability was measured as of December 31, 2017 and December 31, 2016 for the OPERS plan and June 30, 2017 and June 30, 2016 for the STRS Ohio plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on its contributions to the pension plan relative to the contributions of all participating reporting units.

Plan	Measurement Date	Net Pension Liability		Proportionate Share		Percent Change
		2018	2017	2018	2017	
OPERS	December 31	\$ 40,346,952	\$ 58,744,558	0.259492%	0.259332%	0.000160%
STRS Ohio	July 1	78,429,268	116,609,896	0.330156%	0.348370%	-0.018214%
		<u>\$ 118,776,220</u>	<u>\$ 175,354,454</u>			

Total pension expense for the years ended June 30, 2018 and June 30, 2017, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, is presented below. Pension expense is allocated to institutional functions on the Statement of Revenues, Expenses, and Changes in Net Position.

Plan	Fiscal year 2018	Fiscal year 2017
	Total Pension Expense	Total Pension Expense
OPERS	\$ 8,171,181	\$ 12,474,196
STRS Ohio	(33,423,392)	6,498,193
Total	<u>\$ (25,252,211)</u>	<u>\$ 18,972,389</u>

At June 30, 2018 and June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,235,398	\$ 1,693,701	\$ 4,804,830	\$ 430,630
Net difference between projected and actual earnings on pension plan investments	-	11,385,073	18,487,233	-
Changes in assumptions	22,049,762	-	9,376,197	-
Change in proportionate share of contributions	32,895	9,650,455	19,699	8,365,499
University contributions subsequent to the measurement date	7,990,095	-	7,712,874	-
Totals	<u>\$ 33,308,150</u>	<u>\$ 22,729,229</u>	<u>\$ 40,400,833</u>	<u>\$ 8,796,129</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

Year Ended June 30	Amount
2019	\$ 3,406,886
2020	3,436,244
2021	(740,025)
2022	(3,494,928)
2023	(7,092)
Thereafter	(12,259)
Totals	<u>\$ 2,588,826</u>

Actuarial Assumptions

For the June 30, 2018 financial statements, the total pension liability is based on the results of actuarial valuations and determined using the following actuarial assumptions applied to all periods included in the measurement:

	OPERS as of 12/31/17	STRS Ohio as of 6/30/17
Actuarial cost method	Individual entry age	Entry age normal
Cost of living	Pre 1/7/2013 retirees: 3% simple, Post 1/7/2013 retirees: 3% simple through 2018, then 2.15% simple	0% effective July 1, 2017
Salary increases, including inflation	3.25%-10.75%	12.5% at age 20 to 2.5% at age 65
Inflation	3.25%	2.50%
Investment rate of return	7.5%	7.45%, net of investment expenses, including inflation
Experience study date	Period of 5 years ended December 2015	Period of 5 years ended July 1, 2016
Mortality basis	RP-2014 combined mortality table	RP-2014 combined mortality table (Projection Scale MP-2016)

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

For the June 30, 2017 financial statements, the total pension liability is based on the results of actuarial valuations and determined using the following actuarial assumptions applied to all periods included in the measurement:

	OPERS as of 12/31/16	STRS Ohio as of 6/30/16
Actuarial cost method	Individual entry age	Entry age normal
Cost of living	Pre 1/7/2013 retirees: 3% simple, Post 1/7/2013 retirees: 3% simple through 2018, then 2.15% simple	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA paid on fifth anniversary of retirement date
Salary increases, including inflation	3.25%-10.75%	12.25% at age 20 to 2.75% at age 70
Inflation	3.25%	2.75%
Investment rate of return	7.5%	7.75%, net of investment expenses, including inflation
Experience study date	Period of 5 years ended December 2015	Period of 5 years ended July 1, 2012
Mortality basis	RP-2014 mortality table projected 20 years using Projection Scale AA	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)

Discount rate

The discount rate used to measure the total pension liability for OPERS was 7.50% as of June 30, 2018 and June 30, 2017. The discount rate used to measure the total pension liability for STRS Ohio was 7.45% as of June 30, 2018 and 7.75% as of June 30, 2017, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that employer contributions will be made at the contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The OPERS rate of return is arithmetic and determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The STRS Ohio rate of return is based on 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% for plan year ended June 30, 2017 and 2.5% for plan year ended June 30, 2016 and does not include investment expenses.

The allocation of investment assets within the OPERS portfolio is approved by the Board as outlined in the annual investment plan. STRS Ohio utilizes investment consultants to determine the long-term expected rate of return by developing best estimates of expected future real rates of return for each major asset class.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

The target allocation and expected real rates of return for each major asset class are summarized as follows:

OPERS as of 12/31/17		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	23.0%	2.20%
Domestic equity	19.0%	6.37%
International equity	20.0%	7.88%
Real estate	10.0%	5.26%
Private equity	10.0%	8.97%
Other	18.0%	5.26%
Totals	<u>100.0%</u>	

STRS Ohio as of 6/30/17		
Asset Class	Target Allocation	Long-Term expected Real Rate of Return
Domestic equity	28.0%	7.35%
International equity	23.0%	7.55%
Alternatives	17.0%	7.09%
Fixed income	21.0%	3.00%
Real estate	10.0%	6.00%
Liquidity reserves	1.0%	2.25%
Totals	<u>100.0%</u>	

OPERS as of 12/31/16		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	23.0%	2.75%
Domestic equity	20.7%	6.34%
International equity	18.3%	7.95%
Real estate	10.0%	4.75%
Private equity	10.0%	8.97%
Other	18.0%	4.92%
Totals	<u>100.0%</u>	

STRS Ohio as of 6/30/16		
Asset Class	Target Allocation	Long-Term expected Real Rate of Return
Domestic equity	31.0%	8.00%
International equity	26.0%	7.85%
Alternatives	14.0%	8.00%
Fixed income	18.0%	3.75%
Real estate	10.0%	6.75%
Liquidity reserves	1.0%	3.00%
Totals	<u>100.0%</u>	

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

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

Plan	June 30, 2018 (\$ in thousands)					
	1% Decrease		Current Discount Rate		1% Increase	
OPERS	6.50%	\$ 72,092	7.50%	\$ 40,347	8.50%	\$ 13,904
STRS Ohio	6.45%	112,426	7.45%	78,429	8.45%	49,792
		<u>\$ 184,518</u>		<u>\$ 118,776</u>		<u>\$ 63,696</u>

Plan	June 30, 2017 (\$ in thousands)					
	1% Decrease		Current Discount Rate		1% Increase	
OPERS	6.50%	\$ 89,980	7.50%	\$ 58,744	8.50%	\$ 32,725
STRS Ohio	6.75%	154,965	7.75%	116,610	8.75%	84,255
		<u>\$ 244,945</u>		<u>\$ 175,354</u>		<u>\$ 116,980</u>

Pension plan fiduciary net position

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

Payable to the Pension Plan

The University reported a payable of \$1,629,276 and \$1,164,889 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 14 – Other Post-Employment Benefits (OPEB)

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

Net OPEB Liability

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

The net OPEB liability represents the University's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 75 assumes the liability is solely the obligation of the employer, because the employer benefits from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description

STRS Ohio is a cost sharing health plan that provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective Jan. 1, 2019. Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. The STRS Ohio report can be obtained at <http://www.strsoh.org/publications/annual.reports.html>.

Funding Policy

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 0% of the covered payroll was allocated to post-employment health care for the years ended June 30, 2017, 2016 and 2015. The University's contributions allocated to post-employment health care for the years ended June 30, 2017, 2016, and 2015 were \$0.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Ohio Public Employees Retirement System (OPERS)

Plan Description

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed participants in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed plan participants may be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code. The OPERS report can be obtained at <https://www.opers.org/financial/reports.shtml>.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at a rate of 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017 and 2.0% during calendar years 2016 and 2015. The portion of employer contributions allocated to health care decreased to 0.0% for calendar year 2018. The portion of the University's calendar year 2017, 2016 and 2015 contributions to OPERS used to fund post-retirement benefits was \$385,609, \$696,094 and \$692,105, respectively.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

As recommended by OPERS actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the University reported a liability for its proportional share of the net OPEB liability of OPERS/STRS Ohio. The net OPEB liability was measured as of December 31, 2017 for the OPERS plan and June 30, 2017 for the STRS Ohio plan. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. The University's proportion of the net OPEB liability was based on its contributions to the OPEB plan relative to the contributions of all participating reporting units.

Plan	Measurement Date	Net OPEB Liability 2018	Proportionate Share 2018
OPERS	December 31	\$ 27,793,199	0.255940%
STRS Ohio	July 1	12,881,469	0.330156%
		<u>\$ 40,674,668</u>	

Total OPEB expense for the years ended June 30, 2018 including employer contributions and accruals associated with recognition of net OPEB liabilities and related deferrals, is presented below. OPEB expense is allocated to institutional functions on the Statement of Revenues, Expenses, and Changes in Net Position.

Plan	Fiscal year 2018
	Total OPEB Expense
OPERS	\$ 2,157,729
STRS Ohio	(3,930,728)
Total	<u>\$ (1,772,999)</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 765,248	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	2,620,993
Changes in assumptions	2,023,639	1,037,644
Change in proportionate share of contributions	-	-
University contributions subsequent to the measurement date	-	-
Totals	<u>\$ 2,788,887</u>	<u>\$ 3,658,637</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2019	\$ (308,778)
2020	(308,778)
2021	(308,778)
2022	(1,346,423)
2023	1,384,114
Thereafter	18,893
Totals	<u>\$ (869,750)</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Actuarial Assumptions

For the June 30, 2018 financial statements, the total OPEB liability is based on the results of actuarial valuations and determined using the following actuarial assumptions applied to all periods included in the measurement:

	OPERS as of 12/31/17	STRS Ohio as of 6/30/17
Actuarial cost method	Individual entry age	Entry age normal
Cost of living		0% effective July 1, 2017
Salary increases, including inflation	3.25%-10.75%	12.5% at age 20 to 2.5% at age 65
Payroll increases		3%
Inflation	3.25%	2.50%
Investment rate of return	6.50%	7.45%, net of investment expenses, including inflation
Blended discount rate of return		4.13%
Single discount rate	3.85%	
Municipal bond rate	3.31%	
Health care cost trends	7.5% initial, 3.25% ultimate in 2028	6%-11% initial, 4.5% ultimate
Experience study date	Period of 5 years ended December 31, 2015	Period of 5 years ended June 30, 2016
Mortality basis	RP-2014 combined mortality table	RP-2014 combined mortality table (Projection Scale MP-2016)

Discount rate

The discount rate used to measure the total OPEB liability was 3.85% for OPERS at June 30, 2018. A single discount rate of 3.85% for OPERS represents the long-term expected rate of return of 65% for the funded benefit payments and the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating of 3.31% for the unfunded benefit payments. The projection of cash flows used to determine the OPERS discount rate assumed that employer contributions will be made at rates equal to the actuarially determined rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date. The OPERS rate of return is arithmetic and determined using a building block method in which best estimate ranges of expected future real rates of returns are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target allocation.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

The discount rate used to measure the total OPEB liability was 4.13% for STRS Ohio at June 30, 2018. The projection of cash flows used to determine the STRS Ohio discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, a blended discount rate of 4.13%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% for the unfunded benefit payments, was used to measure the total STRS Ohio OPEB liability as of June 30, 2018. The STRS Ohio rate of return is based on 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses.

The allocation of investment assets within the OPERS Health Care portfolio is approved by the Board as outlined in the annual investment plan. STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board.

The target allocation and expected real rates of return for each major asset class are summarized as follows:

OPERS as of 12/31/17			STRS Ohio as of 6/30/17		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Asset Class	Target Allocation	Long-Term expected Real Rate of Return
Fixed income	34.0%	1.88%	Domestic equity	28.0%	7.35%
Domestic equity	21.0%	6.37%	International equity	23.0%	7.55%
REITs	6.0%	5.91%	Alternatives	17.0%	7.09%
International equity	22.0%	7.88%	Fixed income	21.0%	3.00%
Other	17.0%	5.39%	Real estate	10.0%	6.00%
Totals	<u>100.0%</u>		Liquidity reserves	1.0%	2.25%
			Totals	<u>100.0%</u>	

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

June 30, 2018 (\$ in thousands)						
Plan	1% Decrease		Current Discount Rate		1% Increase	
OPERS	2.85%	\$ 36,924	3.85%	\$ 27,793	4.85%	\$ 20,406
STRS Ohio	3.13%	17,293	4.13%	12,882	5.13%	9,395
		<u>\$ 54,217</u>		<u>\$ 40,675</u>		<u>\$ 29,801</u>
Plan	1% Decrease		Current Trend Rate		1% Increase	
OPERS		\$ 26,592		\$ 27,793		\$ 29,034
STRS Ohio		8,949		12,882		18,056
		<u>\$ 35,541</u>		<u>\$ 40,675</u>		<u>\$ 47,090</u>

OPEB plan fiduciary net position

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

Payable to the OPEB Plan

The University reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

Note 15 – Contingencies and Risk Management

During fiscal year 2018, the University formed a 19-member Risk Council that will establish a Risk Management Program that provides a forum and process to strategically identify risks that are of utmost importance and develop coordinated and holistic mitigation plans that appropriately addresses those risks. The implementation of Enterprise Risk Management will provide the framework to proactively and continuously manage risks in a manner consistent with the University's mission, goals and culture.

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

The University is self-insured for all medical and drug employee health care benefits and fully insured for dental and vision employee health care benefits. The self-insured plan includes stop loss provisions.

Liabilities for estimates of outstanding claims and claims incurred but not reported under self-insurance programs have been recorded. Changes in the self-insured health care liabilities included in accrued health care benefits payable (also see Note 8) at June 30, 2018, June 30, 2017, and June 30, 2016 were as follows:

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017	2016
Liability at beginning of fiscal year	\$ 974,065	\$ 1,004,491	\$ 1,208,506
Current year claims including changes in estimates	14,444,546	12,067,377	12,942,152
Claim payments	<u>(14,215,271)</u>	<u>(12,097,803)</u>	<u>(13,146,167)</u>
Liability at end of fiscal year	<u>\$ 1,203,340</u>	<u>\$ 974,065</u>	<u>\$ 1,004,491</u>

Health insurance claims are based upon estimates of the claims liabilities. Estimates are based upon past experience, medical inflation trends, and current claims outstanding, including year end lag analysis. Differences between the estimated claims payable and actual claims paid are reported in the Statements of Revenues, Expenses, and Changes in Net Position.

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

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

Note 16 – Component Unit

Youngstown State University Foundation (YSUF or Foundation) is a legally separate nonprofit organization exempt from federal income tax and classified as a public charity. YSUF is devoted to the support, expansion, and development of educational programs at the University that are useful and beneficial to the students and the community. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University.

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

YSUF investments consist of the following at June 30, 2018 and 2017:

	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Investments				
Cash and cash equivalents	\$ 2,318,271	\$ -	\$ -	\$ 2,318,271
Common stock - U.S. stocks	48,497,285	-	-	48,497,285
Mutual funds:				
Exchange traded	46,049,742	-	-	46,049,742
Money market	3,305,188	-	-	3,305,188
Fixed income	16,593,966	8,753,958	-	25,347,924
Equity	50,972,297	2,159,824	-	53,132,121
Total mutual funds	<u>116,921,193</u>	<u>10,913,782</u>	-	<u>127,834,975</u>
Alternative investments:				
Private equity	-	-	18,802,017	18,802,017
Commodities hedge funds	-	-	1,454,276	1,454,276
Total alternative investments	<u>-</u>	<u>-</u>	<u>20,256,293</u>	<u>20,256,293</u>
Total	<u>\$ 167,736,749</u>	<u>\$ 10,913,782</u>	<u>\$ 20,256,293</u>	<u>\$ 198,906,824</u>
Investments measured at NAV				
Hedge funds				45,014,950
Total assets				<u>\$ 243,921,774</u>
	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2017
Investments				
Cash and cash equivalents	\$ 1,425,565	\$ -	\$ -	\$ 1,425,565
Common stock - U.S. stocks	38,193,906	-	-	38,193,906
Mutual funds:				
Exchange traded	40,601,321	-	-	40,601,321
Money market	4,856,994	-	-	4,856,994
Fixed income	19,502,023	10,494,303	-	29,996,326
Equity	52,445,279	1,727,834	-	54,173,113
Total mutual funds	<u>117,405,617</u>	<u>12,222,137</u>	-	<u>129,627,754</u>
Alternative investments:				
Private equity	-	-	16,190,876	16,190,876
Commodities hedge funds	-	-	1,931,787	1,931,787
Total alternative investments	<u>-</u>	<u>-</u>	<u>18,122,663</u>	<u>18,122,663</u>
Total	<u>\$ 157,025,088</u>	<u>\$ 12,222,137</u>	<u>\$ 18,122,663</u>	<u>\$ 187,369,888</u>
Investments measured at NAV				
Hedge funds				41,025,801
Total assets				<u>\$ 228,395,689</u>
Other Assets				
Beneficial interest in remainder trusts	<u>-</u>	<u>-</u>	<u>\$ 416,938</u>	<u>\$ 416,938</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Financial support from YSUF was \$8,161,200 for the fiscal year ended June 30, 2018 and \$8,067,599 for the fiscal year ended June 30, 2017. Financial support from YSUF has been committed for fiscal year 2019 in the amount of \$8,322,749.

Complete financial statements for the Youngstown State University Foundation can be obtained from The Youngstown State University Foundation.

YOUNGSTOWN STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of the University's Proportionate Share of the Net Pension Liability Plan Years Ended 2014 to 2017

Plan Year	University's proportion of the net pension liability (asset)	University's proportionate share of the net pension liability (asset)	University's covered payroll	University's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Ohio Public Employees Retirement System (OPERS)					
2017	0.259492%	\$ 40,346,952	\$ 40,446,282	99.75%	81.00%
2016	0.259332%	\$ 58,744,558	\$ 39,595,195	148.36%	80.00%
2015	0.269315%	\$ 46,516,739	\$ 39,715,198	117.13%	85.00%
2014	0.284240%	\$ 34,173,082	\$ 40,769,505	83.82%	84.00%
State Teachers Retirement System (STRS Ohio)					
2017	0.330156%	\$ 78,429,268	\$ 41,735,926	187.92%	75.30%
2016	0.348370%	\$ 116,609,806	\$ 41,521,217	280.84%	66.80%
2015	0.361214%	\$ 99,828,954	\$ 42,774,459	233.38%	72.10%
2014	0.384452%	\$ 93,512,061	\$ 44,313,510	211.02%	74.70%

The plan year ends on June 30 for STRS Ohio and December 31 for OPERS.

YOUNGSTOWN STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION (CONT.)

Schedules of the University's Pension Contributions

Fiscal Year	Statutorily required contribution	Contributions in relation to the statutorily required contributions	Annual contribution deficiency	University's covered payroll	Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll
Ohio Public Employees Retirement System (OPERS)					
2018	\$ 5,104,871	\$ 5,104,871	\$ -	\$ 41,095,514	12.88%
2017	\$ 5,043,147	\$ 5,043,147	\$ -	\$ 39,901,665	12.64%
2016	\$ 4,994,138	\$ 4,994,138	\$ -	\$ 39,458,926	12.66%
2015	\$ 5,095,976	\$ 5,095,976	\$ -	\$ 40,264,007	12.66%
State Teachers Retirement System (STRS Ohio)					
2018	\$ 5,195,369	\$ 5,195,369	\$ -	\$ 41,735,926	12.45%
2017	\$ 5,107,383	\$ 5,107,383	\$ -	\$ 41,199,747	12.40%
2016	\$ 5,153,427	\$ 5,153,427	\$ -	\$ 41,521,217	12.41%
2015	\$ 5,318,436	\$ 5,315,436	\$ -	\$ 42,774,459	12.43%

YOUNGSTOWN STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION (CONT.)

Schedules of the University's Proportionate Share of the Net OPEB Liability Plan Year Ended 2017

Plan Year	University's proportion of the net OPEB liability (asset)	University's proportionate share of the net OPEB liability (asset)	University's covered payroll	University's proportionate share of the collective net OPEB liability as a percentage of the employer's covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
Ohio Public Employees Retirement System (OPERS)					
2017	0.255940%	\$ 27,793,199	\$ 40,446,282	68.72%	60.70%
State Teachers Retirement System (STRS Ohio)					
2017	0.330156%	\$ 12,881,469	\$ 41,735,926	30.86%	47.10%

The plan year ends on June 30 for STRS Ohio and December 31 for OPERS.

YOUNGSTOWN STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION (CONT.)

Schedules of the University's OPEB Contributions

Fiscal Year	Statutorily required contribution	Contributions in relation to the statutorily required contributions	Annual contribution deficiency	University's covered payroll	Contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll
Ohio Public Employees Retirement System (OPERS)					
2018	\$ 190,221	\$ 190,221	\$ -	\$ 41,095,514	0.46%
State Teachers Retirement System (STRS Ohio)					
2018	\$ -	\$ -	\$ -	\$ 41,735,926	0.00%

YOUNGSTOWN STATE UNIVERSITY

OTHER INFORMATION

Board of Trustees

Capri S. Cafaro	<i>Executive in Residence American University's School of Public Affairs</i>
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Molly S. Seals	<i>Retired, Vice President of Human Resources Program Delivery Mercy Health Youngstown</i>
Franklin S. Bennett, Jr.	<i>Secretary to the Board of Trustees</i>

YOUNGSTOWN STATE UNIVERSITY

OTHER INFORMATION

Executive Officers

Mr. James P. Tressel, M.A.	<i>President</i>
Joseph Mosca, Ph.D.	<i>Provost and Vice President for Academic Affairs</i>
Neal P. McNally, M.P.A.	<i>Vice President for Finance & Administration</i>
Holly A. Jacobs, J.D.	<i>Vice President and General Counsel</i>

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA #	Pass Through Number	Expenditures to Subrecipients	Federal Expenditures
Student Financial Aid Cluster				
Department of Education:				
<i>Direct programs:</i>				
Federal Supplemental Educational Opportunity Grants	84.007			334,518
Federal Work Study Program	84.033			457,072
Federal Perkins Loan Program (see Note 2)	84.038			2,096,360
Federal Pell Grant Program	84.063			19,769,172
Federal Direct Student Loans (see Note 2)	84.268			55,744,772
Total Student Financial Aid Cluster				78,401,894
Research and Development Cluster				
Department of Commerce:				
<i>Direct program:</i>				
Arrangements for Interdisciplinary Research Infrastructure	11.619		77,300	75,452
<i>Pass-through program:</i>				
Sea Grant Support				
National Oceanic & Atmospheric Administration (NOAA)				
The Ohio State University	11.417	60055607		140
Total Department of Commerce			77,300	75,592
Department of Defense:				
<i>Direct program:</i>				
Basic and Applied Scientific Research	12.300			144,668
Air Force Defense Research Sciences Program	12.800			179,843
<i>Pass-through program:</i>				
Air Force Defense Research Sciences Program				
University of Akron	12.800	YSU-03989		40,861
National Center for Defense Manufacturing and Machining(NCDMM)				
The University of Dayton Research Institute	12.800	RSC16035	1,181,115	1,768,302
The University of Dayton Research Institute	12.800	RSC17041	19,383	65,330
National Center for Defense Manufacturing and Machining(NCDMM)	12.800	N/A	520,873	928,586
National Center for Defense Manufacturing and Machining(NCDMM)	12.800	N/A	35,759	71,423
National Center for Defense Manufacturing and Machining(NCDMM)	12.800	N/A		141
Total 12.800			1,757,130	3,054,486
Total Department of Defense			1,757,130	3,199,154
National Aeronautics and Space Administration:				
<i>Pass-through program:</i>				
Science				
Ohio Space Grant Consortium	43.001	N/A		370
Universities Space Research Association (USRA)	43.001	04555-029		24,751
Space Telescope Science Institute	43.001	HST-GO-15235.004-A		14,822
Total National Aeronautics and Space Administration				39,943
National Science Foundation:				
<i>Direct program:</i>				
Mathematical and Physical Sciences	47.049			17,233
Computer and Information Science and Engineering	47.070			129,077
Education and Human Resources	47.076			23,889
<i>Pass-through program:</i>				
Mathematical and Physical Sciences				
Lewis and Clark College	47.049	2017-CAS-NSF-1272		15,281
Case Western Reserve University	47.049	RESS11941		2,877
Total 47.049				18,158
Total National Science Foundation				188,357
Environmental Protection Agency:				
<i>Direct program:</i>				
Regional Wetland Program Development Grants	66.461		11,155	33,021
Total Environmental Protection Agency			11,155	33,021
Department of Education:				
<i>Pass-through program:</i>				
Special Education Grants to States				
The University of Dayton Research Institute	84.027	RSC17019		-750
The University of Cincinnati	84.027	010994-002		24,389
Total 84.027				23,639
Transition Programs for Students with Intellectual Disabilities into Higher Education				
The Ohio State University	84.407A	60051504		24,183
Total Department of Education				47,822
Department of Health and Human Services				
<i>Pass-through program:</i>				
Aging Research				
University of Pittsburgh	93.866	0048408 (127307-1)		49,835
Total Department of Health and Human Services				49,835
Total Research and Development Cluster			1,845,585	3,633,724

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA #	Pass Through Number	Expenditures to Subrecipients	Federal Expenditures
TRIO Cluster				
Department of Education				
<i>Direct program:</i>				
TRIO_Upward Bound	84.047A			270,967
Total TRIO Cluster				<u>270,967</u>
Other Programs				
Department of Commerce:				
<i>Pass-through program:</i>				
NOAA Mission-Related Education Awards				
Consortium for Ocean Leadership	11.008	SA#18-04		9,000
Total Department of Commerce				9,000
Appalachian Regional Commission				
<i>Direct program:</i>				
Appalachian Area Development	23.002			22,975
Total Appalachian Regional Commission				22,975
National Aeronautics and Space Administration:				
<i>Direct program:</i>				
Science	43.001			5,000
<i>Pass-through program:</i>				
Education				
Space Telescope Science Institute	43.008	N/A		9,850
Total National Aeronautics and Space Administration				14,850
National Endowment for the Arts				
<i>Direct program:</i>				
Promotion of the Arts_Grants to Organizations and Individuals	45.024			53,275
Total National Endowment for the Arts				53,275
Small Business Administration				
<i>Pass-through program:</i>				
Small Business Development Centers				
State of Ohio, Development Services Agency	59.037	N/A		232,893
Total Small Business Administration				232,893
Department of Education				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			3,450
<i>Pass-through program:</i>				
Special Education_Grants to States				
The University of Dayton Research Institute	84.027	RSC16070		3,355
The University of Dayton Research Institute	84.027	RSC16064		12,500
Total 84.027				15,855
Twenty-First Century Community Learning Centers				
State of Ohio Department of Education	84.287	USAS 599		878,756
Improving Teaching Quality State Grants				
State of Ohio Department of Education	84.367A	N/A		96,224
College Access Challenge Grant Program				
DC Department of Higher Education	84.378A	N/A		19,000
Total Department of Education				1,013,285
Department of Health and Human Services				
<i>Direct program:</i>				
Nurse Anesthetist Traineeships	93.124			23,901
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243			56,595
<i>Pass-through program:</i>				
Stephanie Tubbs Jones Child Welfare Services Program				
State of Ohio Department of Jobs and Family Services	93.645	G-1819-06-0337		5,243
Foster Care-Title IV-E				
State of Ohio Department of Jobs and Family Services	93.658	G-1617-06-0271		32,903
State of Ohio Department of Jobs and Family Services	93.658	G-1819-06-0337		74,802
Total 93.658				107,705
Health Careers Opportunity Program				
Northeast Ohio Medical University	93.822	G0033-S		17,205
Northeast Ohio Medical University	93.822	G0033-BB		34,733
Total 93.822				51,938
Total Department of Health and Human Services				245,382
Total Other Programs			0	<u>1,591,660</u>
Grand Total of Federal Expenditures			<u>1,845,585</u>	<u>83,898,245</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Note 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Youngstown State University under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Youngstown State University.

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

Note 2 – Loans

Federal Direct Loan Program

The University participates in the Federal Direct Loan Program (84.268). The University originates but does not provide funding for Federal Direct Loans (FDL). The amount presented on the Schedule of Expenditures of Federal Awards represents the value of new FDL processed by the University for the year ended June 30, 2018.

Federal Perkins Loan Program

The amount presented on the Schedule of Expenditures of Federal Awards for the Federal Perkins Loan Program (84.038) represents the value of new loans made or received during the audit period, plus the beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements. The amount outstanding for the Federal Perkins Loan Program at June 30, 2018 is \$1,577,087. Total new loans disbursed under the Federal Perkins Loan Program for the fiscal year ended June 30, 2018 were \$168,924, which includes the loans to students and administrative expenditures.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.) FOR THE YEAR ENDED JUNE 30, 2018

Note 3 – Subrecipient Awards

Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedule of Expenditures of Federal Awards. For the years ended June 30, 2018 and June 30, 2017, the University provided expenditures to subrecipients as follows:

CFDA#	Federal Granting Agency	2018	2017
11.619	Department of Commerce (DOC)	\$ 77,300	\$ 152,231
12.800	Department of Defense (DOD)	1,757,130	1,299,022
66.461	Environmental Protection Agency (EPA)	11,155	-
		<u>\$ 1,845,585</u>	<u>\$ 1,451,253</u>

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

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Youngstown State University (the “University”), a component unit of the State of Ohio, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements, and have issued our report thereon dated October 12, 2018. Our report includes a reference to other auditors who audited the financial statements of the Youngstown State University Foundation, a component unit of the University, as described in our report on the University’s financial statements. The financial statements of the Youngstown State University Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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


Crowe LLP

Columbus, Ohio
October 12, 2018

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

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Report on Compliance for Each Major Federal Program

We have audited Youngstown State University's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2018. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

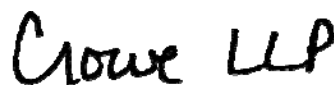
Report on Internal Control Over Compliance

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

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

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

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



Crowe LLP

Columbus, Ohio
October 12, 2018

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

_____ Yes X None
Reported

Noncompliance material to financial statements noted?

_____ Yes X No

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

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

_____ Yes X None
Reported

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

_____ Yes X No

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018 (CONT.)

Identification of major programs:

<u>Name of Federal Program or Cluster Number(s)</u>	<u>CFDA</u>
U.S. Department of Education Student Financial Aid Cluster:	
Federal Pell Grant Program	84.063
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Direct Student Loans	84.268

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

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

There were no findings for the year ended June 30, 2018.

Section III - Federal Award Findings

There were no findings for the year ended June 30, 2018.

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018 (CONT.)

Prior Year Audit Findings

There were no findings for the year ended June 30, 2017.

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Dave Yost • Auditor of State

YOUNGSTOWN STATE UNIVERSITY

MAHONING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 4, 2018**