

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

pass through by OBR through the SSI. No funds were received during fiscal year 2012. These funds were intended to offset the reduction in SSI. These funds are reported as Federal appropriations and are also reflected as non operating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets.

Capital appropriations from the State totaled \$133,552 in fiscal year 2012 and \$998,881 in fiscal year 2011 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 Board of Regents.

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 Assets. In addition, the appropriations by the General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by the University, and the related debt service payments are not recorded in the University's accounts.

### **Note 3 – Cash and Cash Equivalents**

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

The aggregate cost of repurchase agreements, which approximates fair value, included in cash and cash equivalents is \$2,240,736 and \$1,420,864 at June 30, 2012 and 2011, respectively.

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

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Cash and Cash Equivalents at June 30, 2012 and 2011 consist of the following:

	2012	2011
Carrying Amount (Cash and cash equivalents)	<u>\$ 25,918,304</u>	<u>\$ 28,926,599</u>
FDIC Insured	\$ 875,865	\$ 769,448
Uninsured but collateralized by pools of securities pledged by the depository banks	15,857,196	21,994,973
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>10,827,643</u>	<u>6,593,008</u>
Bank Balance	<u>\$ 27,560,704</u>	<u>\$ 29,357,429</u>

The difference in carrying amount and bank balance is caused by items in transit and outstanding checks. Deposits held in safekeeping by a bank, as trustee or escrow agent, included in cash totaled \$13,293,310 as of June 30, 2012 and \$20,237,638 as of June 30, 2011, 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.

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, 2012, 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 managers for non-endowment and endowment funds. The University's endowment funds are managed by the Youngstown State University Foundation (see Note 17).

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

As of June 30, 2012, the University had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 7,349,821	\$ 811,995	\$ 5,440,029	\$ 1,038,931	\$ 58,866
Corporate Bonds	10,419,256	839,074	6,808,512	2,734,226	37,444
U.S. Government Bonds	4,012,555	733	1,074,180	1,701,381	1,236,261
Preferred and Common Stock	29,157,392	29,157,392	-	-	-
Other Securities	207,095	102,615	104,480	-	-
<b>Totals</b>	<b>\$51,146,119</b>	<b>\$30,911,809</b>	<b>\$ 13,427,201</b>	<b>\$ 5,474,538</b>	<b>\$ 1,332,571</b>

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

As of June 30, 2011, the University had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 7,758,537	\$ 1,841,464	\$ 5,145,920	\$ 653,264	\$ 117,889
Corporate Bonds	12,688,736	928,732	8,777,420	2,889,448	93,136
U.S. Government Bonds	4,202,482	3,151	126,200	1,881,207	2,191,924
Preferred and Common Stock	32,995,618	32,894,658	-	-	100,960
Other Securities	455,365	245,824	209,541	-	-
<b>Totals</b>	<b>\$58,100,738</b>	<b>\$35,913,829</b>	<b>\$ 14,259,081</b>	<b>\$ 5,423,919</b>	<b>\$ 2,503,909</b>

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

As of June 30, 2012, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 10,419,256	\$ 3,168,108	\$ 761,502	\$ 3,103,391	\$ 2,839,002	\$ 547,253
U.S. Government Bonds	4,012,555	3,763,923	248,632	-	-	-
<b>Totals</b>	<b>\$14,431,811</b>	<b>\$ 6,932,031</b>	<b>\$ 1,010,134</b>	<b>\$ 3,103,391</b>	<b>\$ 2,839,002</b>	<b>\$ 547,253</b>

As of June 30, 2011, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 12,688,736	\$ 4,839,024	\$ 1,674,825	\$ 3,536,296	\$ 2,597,839	\$ 40,752
U.S. Government Bonds	4,202,483	4,202,483	-	-	-	-
<b>Totals</b>	<b>\$16,891,219</b>	<b>\$ 9,041,507</b>	<b>\$ 1,674,825</b>	<b>\$ 3,536,296</b>	<b>\$ 2,597,839</b>	<b>\$ 40,752</b>

**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.

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

*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, 2012, \$6,668,039 or 13% of the University’s portfolio is held in a bond fund and \$5,267,296 or 10% is held in a bond index fund. As of June 30, 2011, \$9,114,763 or 16% of the University’s portfolio is held in a bond fund and \$5,637,330 or 10% is held in a bond index 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, 2012, 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, 2012, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

### **Note 5 – Accounts and Loans Receivable**

Accounts and loans receivable at June 30, 2012 and June 30, 2011 consist of the following:

	2012	2011
Accounts receivable		
Student accounts	\$ 10,903,448	\$ 9,460,238
Grants and contracts	2,374,574	3,460,556
State and Federal appropriations	57,323	148,287
Other receivables	1,737,770	1,850,147
Subtotal	15,073,115	14,919,228
Less: Allowance for doubtful accounts	4,738,980	3,630,160
Accounts receivable, net	<u>\$ 10,334,135</u>	<u>\$ 11,289,068</u>
Loans receivable - student notes	\$ 2,872,799	\$ 2,898,968
Less: Allowance for doubtful accounts	647,994	603,339
Loans receivable, net	<u>\$ 2,224,805</u>	<u>\$ 2,295,629</u>

In fiscal year 2011, the University recorded \$19,006,093 in bond proceeds receivables, which relates to the purchase of the University Courtyard Apartments from University Housing Corporation, a related entity. See Notes 9 and 17 for details.

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## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

### Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2012 and June 30, 2011 were as follows:

	2012	2011
Total Pledges receivable	\$ 6,022,508	\$ 8,095,267
Less: allowance for doubtful accounts	280,427	401,232
present value discount	103,579	379,627
Pledges receivable, net	5,638,502	7,314,408
Less: current portion	2,335,406	1,604,697
Pledges receivable, noncurrent portion	<u>\$ 3,303,096</u>	<u>\$ 5,709,711</u>

Pledges have been discounted to net present value using June 30, 2012 U.S. Treasury Note rates of 0.75% (5-year) and 1.0% (7-year) in fiscal year 2012 and 1.5% (5-year) and 2.375% (7-year) in fiscal year 2011.

### Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 15,443,959	\$ 16,220	\$ 2,915	\$ -	\$ 15,457,264
Construction in progress	16,786,160	5,937,411	-	(13,897,556)	8,826,015
Historical treasures	457,218	17,000	-	96,248	570,466
Depreciable assets:					
Buildings	269,155,937	732,650	49,134	10,800,012	280,639,465
Improvements to buildings	32,675,988	361,928	-	174,038	33,211,954
Improvements other than buildings	24,491,069	2,554,348	1,381,450	2,740,073	28,404,040
Moveable equipment and furniture	32,040,629	1,413,514	1,696,604	924,950	32,682,489
Vehicles	1,145,905	84,349	36,142	-	1,194,112
Capital leases	877,926	-	-	(837,765)	40,161
Total cost	<u>393,074,791</u>	<u>11,117,420</u>	<u>3,166,245</u>	<u>-</u>	<u>401,025,966</u>
Less accumulated depreciation:					
Buildings	144,644,377	5,521,627	16,951	-	150,149,053
Improvements to buildings	7,532,893	1,240,880	-	-	8,773,773
Improvements other than buildings	16,281,988	1,297,683	1,230,989	-	16,348,682
Moveable equipment and furniture	24,338,691	2,307,387	1,692,379	827,790	25,781,489
Vehicles	919,413	76,473	29,724	-	966,162
Capital leases	859,250	8,032	-	(827,790)	39,492
Total accumulated depreciation	<u>194,576,612</u>	<u>10,452,082</u>	<u>2,970,043</u>	<u>-</u>	<u>202,058,651</u>
Capital assets, net	<u>\$ 198,498,179</u>	<u>\$ 665,338</u>	<u>\$ 196,202</u>	<u>\$ -</u>	<u>\$ 198,967,315</u>

The WATTS Center was completed and transferred from Construction in progress to Buildings in fiscal year 2012.

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Capital assets activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 15,070,329	\$ 421,232	\$ 47,602	\$ -	\$ 15,443,959
Construction in progress	28,098,667	14,591,497	-	(25,904,004)	16,786,160
Historical treasures	381,115	76,103	-	-	457,218
Depreciable assets:					
Buildings	229,352,488	16,165,548	631,830	24,269,731	269,155,937
Improvements to buildings	31,715,518	540,845	-	419,625	32,675,988
Improvements other than buildings	24,647,039	530,823	1,000,000	313,207	24,491,069
Moveable equipment and furniture	28,977,294	2,488,428	326,534	901,441	32,040,629
Vehicles	1,121,376	109,760	85,231	-	1,145,905
Capital leases	954,302	-	76,376	-	877,926
Total cost	<u>360,318,128</u>	<u>34,924,236</u>	<u>2,167,573</u>	<u>-</u>	<u>393,074,791</u>
Less accumulated depreciation:					
Buildings	140,729,371	4,504,065	589,059	-	144,644,377
Improvements to buildings	6,105,020	1,427,873	-	-	7,532,893
Improvements other than buildings	16,255,925	1,026,063	1,000,000	-	16,281,988
Moveable equipment and furniture	22,418,557	2,234,041	313,907	-	24,338,691
Vehicles	938,912	65,732	85,231	-	919,413
Capital leases	807,401	127,815	75,966	-	859,250
Total accumulated depreciation	<u>187,255,186</u>	<u>9,385,589</u>	<u>2,064,163</u>	<u>-</u>	<u>194,576,612</u>
Capital assets, net	<u>\$ 173,062,942</u>	<u>\$ 25,538,647</u>	<u>\$ 103,410</u>	<u>\$ -</u>	<u>\$ 198,498,179</u>

The new Williamson College of Business Administration building was completed and transferred from Construction in progress to Buildings in fiscal year 2011.

### Note 8 – Payroll and Other Liabilities

Payroll and other liabilities at June 30, 2012 and 2011 consist of the following:

	2012	2011
Payroll liabilities:		
Accrued compensation	\$ 5,407,986	\$ 6,964,223
Accrued benefits	198,390	163,889
Accrued health care benefits and insurance payable	982,364	2,157,782
Retirement system contribution payable	1,262,517	1,909,627
Totals	<u>\$ 7,851,257</u>	<u>\$ 11,195,521</u>
Other liabilities:		
Faculty Severance Plan	\$ 803,957	\$ 1,560,000
Deposits held in custody	362,611	343,350
Interest payable	234,514	218,230
Other liabilities	268,078	393,316
Totals	<u>\$ 1,669,160</u>	<u>\$ 2,514,896</u>

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## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

In March 2010, the University's Board of Trustees approved a Faculty Severance Plan to be administered by Educators Preferred Corporation. The plan was voluntary and was a one-time offer to full-time faculty who had fifteen or more years of full-time service with YSU as of the end of the 2010 Spring semester, or who were eligible to retire between December 2010 and August 14, 2011. Faculty who met the eligibility requirement could elect to either resign or retire with an effective date between December 2010 and August 14, 2011. The related expense included in the Statement of Revenue, Expenses, and Changes in Net Assets at June 30, 2011 was \$1.74 million.

In addition, the University recorded a \$17,214,925 payable at June 30, 2011 relating to the purchase of the University Courtyard Apartments from University Housing Corporation, a related entity. The payable was paid in full upon receipt of the Series 2011 bond proceeds in July 2011. See Notes 9 and 17 for details.

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2012 are completed, totaled \$5,568,824 and included \$814,226 in State capital appropriations compared to \$6,943,905 and \$456,217 at June 30, 2011, respectively. Encumbrances at June 30, 2012 included commitments related to the auditorium and parking projects. These amounts do not constitute expenses incurred or liabilities.

### **Note 9 – Bonds**

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

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## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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

Bond Component	Rate	Yield	Maturity Through	Original Principal
Serial Bond	2.00%	0.90%	2013	\$ 525,000
Serial Bond	3.00%	1.32%	2014	535,000
Serial Bond	3.00%	1.74%	2015	555,000
Serial Bond	4.00%	2.13%	2016	575,000
Serial Bond	4.00%	2.45%	2017	595,000
Serial Bond	5.00%	2.90%	2018	625,000
Serial Bond	5.00%	3.28%	2019	655,000
Serial Bond	5.00%	3.58%	2020	690,000
Serial Bond	3.50%	3.82%	2021	720,000
Serial Bond	3.75%	3.98%	2022	450,000
Serial Bond	5.00%	3.98%	2022	300,000
Serial Bond	4.00%	4.14%	2023	780,000
Term Bond	5.00%	4.55%	2026	2,570,000
Term Bond	5.00%	5.08%	2034	9,085,000
Total				<u>\$ 18,660,000</u>

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

In March 2010, the University issued \$25,335,000 of General Receipts Bonds (Taxable Build America Bonds), Series 2010 to provide funding to pay costs associated with facilities planning for the University's College of Science, Technology, Engineering and Mathematics (STEM), convert the old college of business building for use as a laboratory, office and classroom space, renovate Kilcawley Center, reconfigure and replace campus parking facilities, begin construction on 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.

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## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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

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

\* Does not reflect impact of federal subsidies

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

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

Bond Component	Rate	Yield	Maturity Through	Original Principal
Serial Bond	3.0000%	2.550%	2013	\$ 1,160,000
Serial Bond	3.2500%	3.000%	2014	1,200,000
Serial Bond	3.7500%	3.400%	2015	1,235,000
Serial Bond	4.0000%	3.700%	2016	1,290,000
Serial Bond	4.0000%	4.000%	2017	1,335,000
Serial Bond	4.1250%	4.200%	2018	860,000
Serial Bond	4.3750%	4.400%	2019	885,000
Serial Bond	4.5000%	4.600%	2020	925,000
Serial Bond	4.6250%	4.750%	2021	965,000
Serial Bond	4.7500%	4.900%	2022	1,010,000
Term Bond	5.0000%	5.080%	2024	2,170,000
Serial Bond	5.1250%	5.180%	2025	1,170,000
Term Bond	5.2500%	5.340%	2030	6,815,000
Term Bond	5.5000%	5.540%	2034	6,875,000
Total				<u>\$ 27,895,000</u>

The indebtedness created through all issues of the General Receipts Bonds is bound by the Amended and Restated Trust Indenture dated as of March 1, 2009. The Series 2010 Bonds and Series 2011 Bonds are also bound by the First Supplemental Trust Indenture dated as of

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## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

February 2010; and in addition, the Series 2011 Bonds are also bound by the Second Supplemental Trust Indebtedness dated as of July 1, 2011. The University has complied with all covenant requirements.

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

Maturities of all bonds payable and debt service for fiscal years subsequent to June 30, 2012 follow:

Fiscal Year	General Receipts Bonds		Total
	Principal	Interest	
2013	\$ 1,685,000	\$ 3,706,215	\$ 5,391,215
2014	1,735,000	3,656,040	5,391,040
2015	1,790,000	3,597,033	5,387,033
2016	1,865,000	3,528,252	5,393,252
2017	2,455,000	3,441,348	5,896,348
2018-2022	13,815,000	15,391,341	29,206,341
2023-2027	16,985,000	11,518,374	28,503,374
2028-2032	21,435,000	6,128,759	27,563,759
2033-2034	10,125,000	592,620	10,717,620
Totals	<u>\$ 71,890,000</u>	<u>\$ 51,559,982</u>	<u>\$ 123,449,982</u>

NOTE: Expected future federal subsidies for the BABs is \$7,905,414

Federal subsidies received by the University were \$535,999 in fiscal year 2012 and \$558,333 in fiscal year 2011. These are reported as non-operating federal grant revenue. Interest expense on indebtedness was \$2,668,571 in fiscal year 2012 and \$1,288,226 fiscal year 2011. On construction-related debt, net interest cost of \$1,123,283 was capitalized in fiscal year 2012, and \$1,811,817 in fiscal year 2011.

### Note 10 – Notes Payable

During fiscal year 2006, the University's Board of Trustees authorized the Administration to secure third party financing to implement energy conservation measures for its building, structures and systems using an installment financing plan, pursuant to Ohio Revised Code, Section 3345.65; with repayment of such loan with the annual savings in energy and operating costs realized as a result of such improvements.

In addition, the University entered into a ten year performance contract with Johnson Controls, which includes an assured performance providing for an annual measured cost savings of \$1,296,298. The contract amount of \$9,796,000 was financed with Chase Equipment Leasing, Inc. over 10 years, bears interest at 3.53%, and requires equal annual installment payments.