

**BOARD OF TRUSTEES  
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Randy J. Dunn, *Ex-Officio***

**Thursday, December 12, 2013  
2:00 p.m. or immediately following  
previous meeting**

**Tod Hall  
Board Meeting Room**

**AGENDA**

- A. Disposition of Minutes for Meeting Held September 12, 2013**
- B. Old Business**
- C. Subcommittee Item**
  - 1. Discussion Items**
    - a. Required Communication with the Board of Trustees** **Tab 1**  
Dennis Obyc, Crowe Horwarth LLP, will report.
    - b. Crowe Horwath Management Letter with Management Response** **Tab 2**  
Dennis Obyc, Crowe Horwath LLP, and Gene Grilli, Vice President for Finance and Administration, will report.
    - c. Financial Report for the Years Ended June 30, 2013 and 2012** **Tab 3**  
Gene Grilli, Vice President for Finance and Administration, will provide a summary of the Financial Report and discussion of Senate Bill 6 Ratios.
    - d. Executive Summaries for Strategic Plan Cornerstones** **Tab 4**  
Cornerstone Chairs: Evans, Fahey, Grilli and Khawaja, will report.
    - e. Internal Audit** **Tab 5**  
Representatives from Packer Thomas, will report.

**D. New Business**

**E. Adjournment**

**AGENDA ITEM: C.1.a.**

**AGENDA TOPIC:** Required Communication with the Board of Trustees

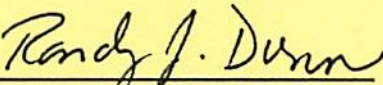
**CONTACT:** Dennis Obyc, Crowe Horwarth LLP

**BACKGROUND:** In accordance with auditing standards, the external auditors are required to communicate certain items relating to the external audit to those charged with governance, including the auditors responsibilities, an overview of the planned scope and timing of the audit, significant accounting policies, management judgments and accounting estimates, auditor's judgments about qualitative aspects of significant accounting practices, corrected and uncorrected misstatements and other communications.

**SUMMARY AND ANALYSIS:** This is a standard required communication presented by external auditors. Dennis Obyc of Crowe Horwath LLP will be communicating details of the attached report to the Audit Subcommittee of the Board of Trustees.

**RESOLUTION: N/A – DISCUSSION ITEM ONLY**

**REVIEWED AS TO FORM AND CONTENT:**

  
Randy J. Dunn, President



**YOUNGSTOWN STATE UNIVERSITY  
REQUIRED COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE  
DECEMBER 12, 2013**

- I. Auditor's Responsibility Under Auditing Standards Generally Accepted In The United States Of America
- II. Auditor's Responsibility Under Government Auditing Standards
- III. Planned Scope and Timing of the Audit
- IV. Significant Accounting Policies And Management Judgments and Accounting Estimates
  - Significant Accounting Policies – See Note 1 of the financial statements
    - ◆ Component Unit
    - ◆ GASB 63 – Deferred outflows and deferred inflows and net position
  - Management's Judgments And Accounting Estimates
    - ◆ Allowance for doubtful accounts and bad debt expense
    - ◆ Pledges receivable
    - ◆ Allowance for uncollectible pledges
    - ◆ Useful life of fixed assets
    - ◆ Compensated absences
    - ◆ Reserve for self-insurance
    - ◆ Fair values of investment securities and other financial instruments
  - Future GASB Statements No. 65 (2014), GASB Statement 68 (2015)
- V. Auditor's Judgments About Qualitative Aspects of Significant Accounting Practices.
- VI. Corrected And Uncorrected Misstatements – None noted in the current year
- VII. Other Communications
  - Other Information in Documents Containing Audited Financial Statements – Management's Discussion and Analysis
  - Significant Difficulties Encountered During The Audit - None
  - Disagreements With Management - None
  - Consultations With Other Accountants – None known
  - Representations The Auditor Is Requesting From Management – Separate management representations letter
  - Significant Issues Discussed, Or Subject To Correspondence, With Management - None
  - Other Findings or Issues We Find Relevant or Significant - Included in OMB A-133 and Management Letter

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We were pleased to serve Youngstown State University as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this information or any matters further, should you desire. This information is intended solely for the information and use of Those Charged with Governance and, if appropriate, management and is not intended to be and should not be used by anyone other than these specified parties.

**AGENDA ITEM: C.1.b.**

**AGENDA TOPIC:** Crowe Horwath Management Letter with Management Response

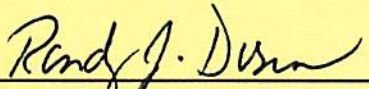
**CONTACT(S):** Dennis Obyc, Crowe Horwath LLP and Gene Grilli, Vice President for Finance and Administration

**BACKGROUND:** The management letter 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. A control deficiency 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.

**SUMMARY AND ANALYSIS:** The management letter contains auditor comments and management responses for four control deficiencies in the areas of grant processing, grant reporting, procurement card purchases, and competitive bidding.

**RESOLUTION:** N/A – DISCUSSION ITEM ONLY

**REVIEWED AS TO FORM AND CONTENT:**

  
\_\_\_\_\_  
Randy J. Dunn, President

To the Board of Trustees  
 Youngstown State University  
 Youngstown, Ohio

In planning and performing our audit of the financial statements of Youngstown State University ("University") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the University's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain matters that we wish to communicate to you. Matters communicated in this letter are classified as deficiencies based on Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*. A control deficiency 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.

<b>GRANT PROCESSING</b>	
<b>Observation:</b>	During our testing, we noted grant projects that have not been closed out after the grant period has ended.
<b>Recommendation:</b>	We recommend that the University implement policies and procedures to ensure that grants are being closed-out in a timely manner at the end of the grant period in conjunction with final invoicing.
<b>Management's Response:</b>	More timely close out is expected since the filling of the vacant Grants Coordinator position in the Controller's Office in July 2013. Current policy requires the final close-out of a grant within six months of the end of the grant period. System controls are in place to prevent posting after the six month period. In addition, a spreadsheet identifying grants that need to be closed is maintained and monitored by the Associate Controller.

<b>GRANT REPORTING</b>	
<b>Observation:</b>	During our testing, we noted certain progress or annual reports were not reviewed by an individual besides the preparer prior to submission by the Project Investigator. In addition, we noted certain reports were not submitted to the granting agency within the required timeframe defined by the grant agreement.
<b>Recommendation:</b>	We recommend the University review its current policies to ensure review and oversight procedures over the reporting requirements are implemented and that reports are submitted in a timely manner.
<b>Management's Response:</b>	More timely submission of financial reports is expected since the filling of the vacant Grants Coordinator position in the Controller's Office in July 2013. In addition, an oversight procedure will be implemented by the grants and sponsored programs office to monitor the timely submission of the reports by the Principal Investigator. Non-compliance by the Principal Investigator will be communicated to the appropriate supervisors who will provide and recommend guidance, including disciplinary actions as needed.

<b>PROCUREMENT CARD PURCHASES</b>	
<b>Observation:</b>	During testing of employee purchases made with University issued procurement cards, we noted instances where supporting documentation for purchases could not be provided. In addition, we noted an instance in which the supervisor's approval was not documented.
<b>Recommendation:</b>	We recommend the University review its current procedures in regards to procurement cards to ensure adherence to University policy.
<b>Management's Response:</b>	The Controller's Office and Procurement Services have performed a comprehensive review of procedures to ensure that internal controls are in place to prevent, identify and resolve instances of non-compliance. Procedures in place include both preventative and detective controls as well as consequences. Audit efforts (Controller's Office and Internal Audit) and targeted training have increased and consequences enforced, including suspension and cancelation of cardholder privileges and personnel actions. A memo from the Vice President for Finance and Administration has been distributed campus wide to communicate areas of continued non-compliance, cardholder and supervisor/financial manager responsibilities and consequences for non-compliance.

<b>COMPETITIVE BIDDING</b>	
<b>Observation:</b>	During our testing of competitive bidding, we noted two contracts were competitively bid and awarded according to policy. However additional project funds became available and the University's facilities department initiated change orders to the contracts for additional services prior to obtaining the required approval or waiver by the Vice President for Finance and Administration.
<b>Recommendation:</b>	While the original contracts for both vendors were bid and awarded according to policy, we recommend the University review its procedures to ensure all departments follow University policy when expanding existing contracts.
<b>Management's Response:</b>	Policies and procedures were reviewed and a Change Order processing procedure implemented. Procedures include a clearly defined pre-approval process based on dollar levels, required supporting documentation, and requirement that all change orders to the Contractor be distributed by Procurement Services through the Purchase Order/Change Order process.

*The University's written response to the deficiencies identified in our audit were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.*

The purpose of this letter 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 University's internal control over financial reporting or on compliance. This letter 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. Accordingly, this letter is not suitable for any other purpose.

*Crowe Horwath LLP*

Crowe Horwath LLP

Columbus, Ohio  
October 14, 2013



**AGENDA ITEM: C.1.c.**

**AGENDA TOPIC:** Financial Report for the Years Ended June 30, 2013 and 2012

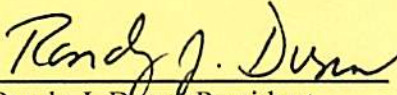
**CONTACT(S):** Dennis Obyc, Crowe Horwath LLP and Gene Grilli, Vice President for Finance and Administration

**BACKGROUND:** The University's Financial Statements for the years ended June 30, 2013 and 2012 were audited by Crowe Horwath LLP. The University has contracted with Crowe Horwath LLP for audit services for the five year period July 1, 2012 through June 30, 2017.

**SUMMARY AND ANALYSIS:** The University received an unqualified or clean opinion from the auditors. The Senate Bill 6 summary sheet is attached to the FY 2013 Financial Report.

**RESOLUTION: N/A – DISCUSSION ITEM ONLY**

**REVIEWED AS TO FORM AND CONTENT:**

  
Randy J. Dunn, President

**Audited Senate Bill 6 Ratios and Composite Score  
For Year Ended June 30, 2013**

**Background**

Senate Bill 6 provides a formalized structure for monitoring the financial health of state Colleges and Universities in Ohio. SB6 rules require certain quarterly reports to be filed with the Ohio Board of Regents, annual unaudited and audited reports to be filed with the Auditor of State, and the use of ratio analysis to quantify an institution's financial health.

The SB6 factors are determined by the range in which each component ratio falls. The component ratios include the viability, primary reserve, and net income ratios:

- The **viability** ratio measures the capability of the University to satisfy debt obligations by dividing expendable funds by plant debt.
- The **primary** ratio measures the financial strength of an institution by comparing expendable funds to total operating expenses plus interest on long term debt. This ratio receives the heaviest weight in the composite score.
- The **net income** ratio indicates whether total activities resulted in a surplus or a deficit and indicates whether the institution is living within available resources by dividing the change in total net assets by total revenues.

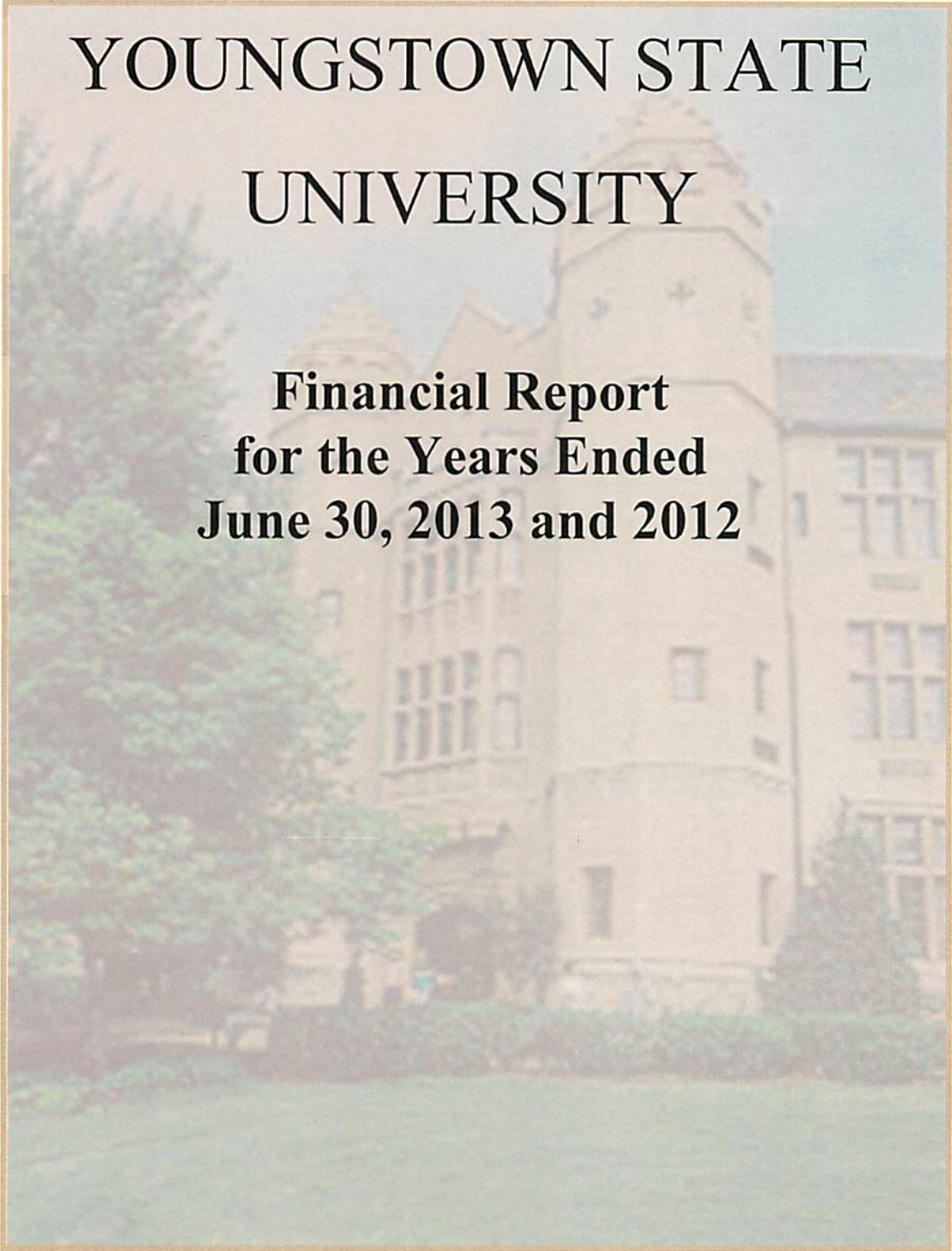
The composite score is then calculated by weighting and adding the three component ratio factors. Calculations from audited financial statements are required to be reported annually. The maximum composite score is 5 and the threshold for **fiscal watch is 1.75**.

**Senate Bill 6 Ratios and Composite Score**

For FY13, YSU met all interim and annual financial reporting requirements as of 10-31-13 and maintained a positive SB6 Composite Score of 3.3. The calculation for FY13 follows:

SB6 Factor Ranges						Factor	Weight	Score
0	1	2	3	4	5			
<0	0 to .299	.30 to .599	.60 to .999	1.0 to 2.499	=>2.50	3	0.3	0.9
<b>Viability Ratio</b>								
0	1	2	3	4	5			
<-.10	-.10 to .049	.05 to .099	.10 to .249	.25 to .499	=>.50	4	0.5	2.0
<b>Primary Ratio</b>								
0	1	2	3	4	5			
<-.05	-.05 to -.001	0 to .009	.01 to .029	.03 to .049	=>.05	2	0.2	<u>0.4</u>
<b>Net Income Ratio</b>								
<b>YSU Composite Score for FY13</b>								<u><u>3.3</u></u>

<b><u>Five Year Comparison</u></b>	<b><u>FY13</u></b>	<b><u>FY12</u></b>	<b><u>FY11</u></b>	<b><u>FY10</u></b>	<b><u>FY09</u></b>
Net Factor Scores:					
Viability Ratio	0.9	0.9	0.6	0.9	1.2
Primary Ratio	2.0	1.5	1.5	2.0	2.0
Net Income Ratio	<u>0.4</u>	<u>0.2</u>	<u>0.2</u>	<u>0.8</u>	<u>0.6</u>
<b>SB6 Composite Score</b>	<b>3.3</b>	<b>2.6</b>	<b>2.3</b>	<b>3.7</b>	<b>3.8</b>

The background of the cover is a faded, sepia-toned photograph of a large, multi-story university building with a prominent central tower. The building is surrounded by green trees and a lawn. The text is overlaid on this image.

YOUNGSTOWN STATE  
UNIVERSITY

**Financial Report  
for the Years Ended  
June 30, 2013 and 2012**

This report is subject to review and acceptance by the Auditor of State's office, and the requirements of Ohio Revised Code Section 117.25 are not met until the auditor of State certifies this report. This process will be completed by the Auditor of State in a reasonable timeframe and reports are subject to change if the Auditor of State determines that modification of a report is necessary to comply with required accounting or auditing standards or OMB Circular A-133.

# YOUNGSTOWN STATE UNIVERSITY

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# YOUNGSTOWN STATE UNIVERSITY

## MESSAGE FROM PRESIDENT DUNN

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October 14, 2013

FY 2013 will surely be recognized in the annals of Youngstown State University as a year filled with very significant challenges, accomplishments and changes. Under the able leadership of my predecessor, Dr. Cynthia A. Anderson, and her team, the University weathered significant financial setbacks caused by falling enrollment and cuts in state funding, and remains an invaluable and vibrant educational resource for our community, the state of Ohio and the nation.

The list of accolades and achievements I can report to you fills me with pride and assures me that our future bodes well in spite of the challenges facing our university in particular and higher education in general. Consider a few of these:

- Siemens Corp. provided a generous in-kind grant for state-of-the-art product lifecycle management software and training to YSU's College of Science, Technology, Engineering and Mathematics. The in-kind grant is a core component in the continuing efforts of the new National Additive Manufacturing Innovation Institute in downtown Youngstown to prepare a modern workforce in the Cleveland-Pittsburgh TechBelt and throughout the United States.
- *Forbes* magazine has included Youngstown State University as one of America's Top Colleges for 2013.

YSU ranks among the top third of similar universities and colleges nationally in Washington Monthly's 2013 College Guide and Rankings.

YSU placed 21st among nearly 400 post-secondary institutions in Ohio for providing the greatest lifetime return on investment in a report released by *AffordableCollegesOnline.org*.

A study by *OnlineCollegesDatabase.org* ranked YSU's Beeghly College of Education as one of the nation's top 40 schools for teacher education.

*edCetera*, an education technology blog, cited YSU as one of 10 schools nationwide for its use of cutting edge technology.

- YSU raised a record \$10 million in private support from alumni, corporations, foundations and friends in the 2012-13 fiscal year. The previous record was \$6.4 million in fiscal year 2007-08.

Nearly 3,000 students received \$1.7 million in additional scholarship funding in the 2013-14 academic year thanks to increased support from the YSU Foundation. The Foundation, under a new distribution plan approved earlier this year, allocated \$6.8 million to YSU for student scholarships, up from \$5.1 million the previous year. That's a 33 percent boost in funding.

# YOUNGSTOWN STATE UNIVERSITY

## MESSAGE FROM PRESIDENT DUNN (CONT.)

- YSU launched a renewed effort in distance education, introducing seven new online master's and bachelor's degrees that students can take from the comfort of their own homes or offices starting this fall semester. Programs starting this fall semester are: Master of Business Administration, Master of Science in Engineering Management, Master of Science in Criminal Justice, Master of Science in Respiratory Care, Master of Science in Teacher Education, Early Childhood Education, Bachelor of Science in Public Health and Bachelor of Science in Applied Science in Allied Health
- For the fourth consecutive year, YSU was named to the President's Higher Education Community Service Honor Roll, the highest federal recognition a college or university can receive for its commitment to volunteering, service-learning and civic engagement.
- The Youngstown State University English Festival celebrated its 35th year this past spring and welcomed its 100,000th student participant.
- The new home of YSU's Business College, Williamson Hall, featuring cutting-edge energy-efficient design and systems, was awarded LEED Gold certification by the U.S. Green Building Council, the first building on the YSU campus to earn the Gold standard.

As we begin a new chapter in YSU's storied history, I am confident that we are well positioned to meet the formidable challenges that face us because of our budget situation. As I have told the University community on several occasions, I do believe we have a very good strategic plan that was developed under Dr. Anderson's leadership, a plan that has all of the elements to move us in the right direction to serve our students and our community with valuable programs and services. Adding an "overlay" to that plan to emphasize three key "drivers" to help focus and energize our strategic plan (enrollment, engagement and excellence), I believe will solidify the tactical work of meeting the plan's most important goals.

After three months on the job, I know we have the right people here to accomplish important advances for our students and our community, and I am inspired by the Penguin pride, loyalty and "can-do" culture that is at the heart of this great University.

Sincerely yours,



Randy J. Dunn  
President

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Youngstown State University  
Youngstown, Ohio

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Youngstown State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2013 and 2012, 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. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 and the discretely presented component unit of the University, as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 5 through 18 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Columbus, Ohio  
October 14, 2013

# YOUNGSTOWN STATE UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of Youngstown State University's (YSU or University) Financial Report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2013 with comparative information for the fiscal years ended June 30, 2012 and June 30, 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

During fiscal year 2013, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and certain other new GASB statements became effective. Please see *Adoption of New Accounting Pronouncements* in Note 1 of the financial statements for further details.

### 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.

Founded in 1908 under the sponsorship of the Young Men's Christian Association, the University was originally established as the School of Law of the Youngstown Association School. The University was re-chartered in 1921 as the Youngstown Institute of Technology, in 1928 as Youngstown College, and in 1955 as Youngstown University. The University joined the Ohio system of higher education in 1967 and became Youngstown State University. The University is located on a 140 acre campus near downtown Youngstown, Ohio and is at the center of a metropolitan area of 603,000 people, located equidistant (approximately 60 miles) from both Pittsburgh and Cleveland. The University consists of six undergraduate colleges and the School of Graduate Studies and Research. Fall 2013 enrollment is 13,381.

### 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.

# YOUNGSTOWN STATE UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Key presentation elements include:

- Assets and liabilities are categorized as either current or noncurrent. Current assets and liabilities will be consumed or fulfilled within one year.
- Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the University's revenues, including State of Ohio (State) appropriations, certain grants, gifts and investment income are considered nonoperating, as defined by GASB Statement No. 35.
- University scholarships that represent reduced tuition (i.e. are applied to student accounts rather than refunded to students) are shown as a reduction of tuition, fees and other student charges, while payments made directly to students are presented as scholarship expense. Third party scholarships are treated as though the students made the payments themselves.
- Capital assets are reported net of accumulated depreciation.

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, The Youngstown State University Foundation (YSUF or Foundation) is treated as component unit of the University. The Foundation is discretely presented in this report by presentation of the individual financial statements immediately following the University's respective GASB financial statements. Additional information on component units is contained in Note 17. Management's Discussion and Analysis focuses on the University and does not include the component unit.

Complete financial statements for the Youngstown State University Foundation can be obtained from The Youngstown State University Foundation, 606 Wick Avenue, Youngstown, Ohio 44502.

### Financial and Other University Highlights

- Announced the hiring of the University's eighth President, Dr. Randy Dunn
- Continued decline in enrollment
- Continued decline in State support
- Continued healthy Senate Bill 6 ratios
- Decreased health care costs resulting from changes in the health care benefit plans
- Completed renovation of the Pollock House
- Continued implementation of a Strategic Planning Initiative focusing on four Cornerstones: Accounting and Sustainability, Student Success, Urban Research University Transition, and Regional Engagement
- Awarded LEED Gold certification by the U.S. Green Building Council for the new Williamson College of Business Administration building which features cutting-edge energy-effective design and systems

# YOUNGSTOWN STATE UNIVERSITY

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

- Awarded an Engineering Excellence Award in two categories – Building/Technology Systems and Energy – from the American Council of Engineering Companies of Ohio along with LEED Silver certification by the U.S. Green Building Council for the new Watson and Tressel Training Site

### The Statements of Net Position

These statements present the financial position of the University at the end of the fiscal year and include all assets and liabilities of the University. The difference between total assets and total liabilities – net position – is an indicator of the current financial condition of the University.

A summary of the University's assets, liabilities and net position follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Assets</b>			
Current assets	\$ 68,038,365	\$ 67,998,180	\$ 96,018,091
Capital assets, net	201,197,373	198,967,315	198,498,179
Other assets	<u>31,773,861</u>	<u>31,574,900</u>	<u>35,186,161</u>
Total Assets	<u>301,009,599</u>	<u>298,540,395</u>	<u>329,702,431</u>
<b>Liabilities</b>			
Current liabilities	26,017,851	22,232,197	46,809,016
Noncurrent liabilities	<u>82,465,934</u>	<u>84,452,709</u>	<u>89,390,197</u>
Total Liabilities	<u>108,483,785</u>	<u>106,684,906</u>	<u>136,199,213</u>
Total Net Position	<u>\$ 192,525,814</u>	<u>\$ 191,855,489</u>	<u>\$ 193,503,218</u>
<b>Net Position</b>			
Invested in capital assets	\$ 134,408,668	\$ 135,463,081	\$ 140,443,646
Restricted	28,154,243	27,256,853	26,280,372
Unrestricted	<u>29,962,903</u>	<u>29,135,555</u>	<u>26,779,200</u>
Total Net Position	<u>\$ 192,525,814</u>	<u>\$ 191,855,489</u>	<u>\$ 193,503,218</u>

### Assets

Assets primarily consist of cash and cash equivalents, investments, receivables and capital assets as reflected in the following table:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Cash and cash equivalents	\$ 22,898,563	\$ 25,918,304	\$ 28,926,599
Investments	55,039,561	51,146,119	58,100,738
Accounts, loans and pledges receivable, net	17,945,418	18,197,442	20,899,105
Bond proceeds receivable	-	-	19,006,093
Capital assets, net	201,197,373	198,967,315	198,498,179
Other	<u>3,928,684</u>	<u>4,311,215</u>	<u>4,271,717</u>
Total Assets	<u>\$ 301,009,599</u>	<u>\$ 298,540,395</u>	<u>\$ 329,702,431</u>

Cash and cash equivalents decreased \$3 million or 12% from fiscal year 2012 to fiscal year 2013. The net decrease resulted from a combination of decreased enrollment and state funding,

# **YOUNGSTOWN STATE UNIVERSITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

reduction of operating expenses through cost containment measures, and the spending of prior year's bond proceeds on capital projects. Deposits held by Trustee totaled \$7.2 million at June 30, 2013 compared to \$13.1 million at June 30, 2012. Investments increased \$3.9 million or 8% from fiscal year 2012 to fiscal year 2013 due to a favorable market environment. Endowment principal and operating reserves are included in noncurrent assets and are invested in long-term maturities. The Statement of Cash Flows provides information on sources and uses of the University's cash and cash equivalents.

Overall, net accounts, loans, and pledges receivable remained fairly consistent at June 30, 2013 compared to June 30, 2012. Although gross student accounts receivable remained flat, there was a notable increase in the allowance for doubtful accounts, primarily due to the projected uncollectability of accounts resulting from the return of Title IV funds. Management is reviewing internal policies and procedures and collection efforts to minimize and manage the risk of bad debt. Net pledges receivable increased slightly over the prior year due to a combination of payments on pledges for the WCBA Building and the WATTS Indoor Athletic Facility; and new pledges for a Veterans Resource Center, an outdoor athletic facility and a Center of Health and Welfare.

Cash and cash equivalents decreased \$3 million or 10% from fiscal year 2011 to fiscal year 2012; whereas investments decreased \$7 million or 12%. Decreased enrollment, reduced state funding, and elimination of the federal stimulus funding contributed to the overall decrease. In addition, there was \$6.9 million of prior year bond proceeds spent on capital projects and \$2.7 million in Early Retirement Incentive Program (ERIP) payments. Refer to Notes 3 and 4 for additional information on cash and cash equivalents, and investments.

Overall, net accounts, loans and pledges receivable decreased \$2.7 million or 13% from fiscal year 2011 to fiscal year 2012. Gross student accounts receivables increased \$1.4 million primarily due to the impact of tuition increases. Federal grants and contracts decreased \$1.1 million the result of a decrease in year end activity compared to the prior year. The \$1.1 million increase in the allowance for doubtful accounts reflects the continued impact of Title IV federal financial aid changes. Net pledges decreased \$1.7 million largely due to payment of pledges for the WCBA Building and the WATTS Indoor Athletic Center. See Notes 5 and 6 for additional information on net accounts, loans, and pledges receivable.

## YOUNGSTOWN STATE UNIVERSITY

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### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

At June 30, 2013, the University had \$201,197,373 in capital assets, net of accumulated depreciation. Depreciation totaled \$10,444,021, \$10,452,082, and \$9,385,589 in fiscal years 2013, 2012, and 2011 respectively. Details of net capital assets are shown below.

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Land	\$ 15,686,564	\$ 15,457,264	\$ 15,443,959
Buildings, net	125,083,004	130,490,412	124,511,560
Improvements to buildings, net	31,240,519	24,438,181	25,143,095
Improvements other than buildings, net	12,758,004	12,055,358	8,209,081
Construction in progress	8,523,237	8,826,015	16,786,160
Moveable equipment and furniture, net	7,024,231	6,901,000	7,701,938
Vehicles, net	246,348	227,950	226,492
Historical treasures	635,466	570,466	457,218
Capital leased assets, net	-	669	18,676
Total Capital Assets, net	<u>\$ 201,197,373</u>	<u>\$ 198,967,315</u>	<u>\$ 198,498,179</u>

Major capital activity during fiscal year 2013 included completion of the Pollock House renovation, home to YSU's President. Construction continued on an outdoor athletic facility that includes a new soccer field, track, and softball field. Interior renovations began on Cushwa and DeBartolo Halls, two of YSU's academic buildings, which are scheduled to be completed by the start of Fall semester in August. A second phase of improvements in DeBartolo Hall will take place next summer. These three projects are included in construction in progress at June 30, 2013.

Major capital activity during fiscal year 2012 included the completion of the WATTS Indoor Athletic Center, and three parking-related projects, including phase 2 of the renovation to the M2 Parking Deck and two campus surface lots. In addition, the Astroturf was replaced on Beede Field at Stambaugh Stadium. Renovation continued on the Pollock House, which will house the University's President. Completion is scheduled in early fiscal year 2013.

Major capital activity during fiscal year 2011 included the completion and grand opening of the new Williamson College of Business Administration (WCBA) building. The old Williamson Hall was converted to the Lincoln Building, where the Department of Mathematics is housed. In addition, YSU purchased the University Courtyard Apartments and completed the West Campus Concrete renovation project. Work continued on the WATTS Indoor Athletic Center and several Parking renovation projects, both reflected in construction in progress at June 30, 2011.

See Note 7 for additional information on capital assets.

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

**Liabilities**

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Accounts and construction payable	\$ 5,657,067	\$ 4,266,084	\$ 5,729,657
Payable to University Housing Corporation	-	-	17,214,945
Payroll liabilities	8,491,849	7,851,257	11,195,521
Notes payable	3,303,103	4,329,923	5,321,732
Bonds and capital leases payable, net	70,293,249	72,048,760	73,334,860
Unearned revenue	7,099,828	4,802,290	6,081,217
Compensated absences	9,917,913	9,032,479	12,065,045
Refundable advance	2,635,179	2,684,953	2,741,340
Other	1,085,597	1,669,160	2,514,896
Total Liabilities	<u>\$ 108,483,785</u>	<u>\$ 106,684,906</u>	<u>\$ 136,199,213</u>

Total liabilities increased \$1.8 million or 1.7% from fiscal year 2012 to fiscal year 2013. Accounts and construction payable increased \$1.4 million over the prior year primarily due to increased year end activity for renovations on academic buildings. Payroll liabilities increased largely due to timing of payment of retirement liabilities. Notes and Bonds payable decreased \$2.8 million due to scheduled debt service payments. Unearned revenue increased \$2.3 million due to amounts received from grants and contract sponsors that have not yet been earned and from gifts that have not met eligibility requirements. Compensated absences increased largely due to an increase in estimated accrued sick leave balances. Other liabilities decreased approximately \$600,000 due to payment of the prior year's unpaid costs associated with the Faculty Severance Plan.

Total liabilities at June 30, 2012 decreased \$29.5 million or 22% over fiscal year 2011. The \$17.2 million payable to University Housing Corporation (UHC) relates to the purchase of the University Courtyard Apartments and was paid in full in July 2011 when the proceeds from the General Receipts Bonds, Series 2011, issued in June 2011, were received. Payroll liabilities decreased \$3.3 million primarily due to an overall decrease in salaries and wages due to the impact of the ERIP and a significant decrease in health care expenses. Compensated absences decreased \$3 million due to payment of the \$1.8 million ERIP liability in full and a \$900,000 reduction in the vacation accrual also due to the impact of the ERIP and give backs by administration.

See Note 8 for a further breakout of payroll and other liabilities. See Notes 9-13 for more detailed information about the University's debt and long-term liabilities, compensated absences, and early retirement program.

# YOUNGSTOWN STATE UNIVERSITY

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

### Net Position

Net position represents the residual interest in the University's assets after liabilities are deducted. The following table summarizes the categories of net position at:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Invested in capital assets	\$ 134,408,668	\$ 135,463,081	\$ 140,443,646
Restricted-nonexpendable	7,162,823	6,535,407	5,980,963
Restricted-expendable	20,991,420	20,721,446	20,299,409
Unrestricted	29,962,903	29,135,555	26,779,200
Total Net Position	<u>\$ 192,525,814</u>	<u>\$ 191,855,489</u>	<u>\$ 193,503,218</u>

Overall, the University's total net position remained relatively flat compared to the prior year. The net position was \$192.5 million at June 30, 2013 compared to \$191.9 million at June 30, 2012. The slight increase resulted from excess revenues over expenses and includes a \$1.1 million decrease in the net amount invested in capital assets, a \$900,000 increase in restricted net position, and an \$800,000 increase in unrestricted net position.

The amount invested in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and increased by unspent borrowings at year end. The overall decrease of \$1.1 million from fiscal year 2012 to fiscal year 2013 was due to the spending of \$6 million for capital projects financed with bond proceeds a \$2.8 million reduction in outstanding debt, net capital additions of \$12.7 million and current year depreciation of \$10.4 million. Outstanding plant debt was \$73,596,352 and unspent bond proceeds were \$6,095,020 compared to \$76,378,683 and \$12,075,282 at June 30, 2012.

Overall, the University's total net position decreased \$1.6 million or 1% from \$193.5 million at June 30, 2011 to \$191.9 million at June 30, 2012. This resulted from excess expenses over revenues and included a \$5 million decrease in the net amount invested in capital assets, a \$1 million increase in restricted net position, and a \$2.4 million increase in unrestricted net position.

The overall decrease of net position invested in capital assets of \$5 million from fiscal year 2011 to fiscal year 2012 was largely due to the spending of \$7.6 million for capital projects financed with bond proceeds, a \$2.3 million reduction in outstanding debt, net capital assets additions of \$10.9 million and depreciation of \$10.5 million. Outstanding plant debt was \$76,378,683 and unspent bond proceeds were \$12,075,282 at June 30, 2012 compared to \$78,656,592 and \$19,690,217 at June 30, 2011.

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 2013 and 2012.



# 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:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current funds	\$ 8,423,655	\$ 7,166,503	\$ 6,525,880
Plant funds	12,372,096	13,359,692	13,651,000
Quasi-Endowments	137,377	131,963	56,963
Loan funds	58,292	63,288	65,566
Total Restricted Expendable Net Position	<u>\$ 20,991,420</u>	<u>\$ 20,721,446</u>	<u>\$ 20,299,409</u>

Total restricted expendable net position was \$21 million at June 30, 2013 compared to \$20.7 million at June 30, 2012. Current restricted funds include grants and sponsored programs and gifts, including scholarship donations and program support. These funds increased slightly from \$7.2 million at June 30, 2012 to \$8.4 million at June 30, 2013. Plant funds primarily include donations and pledges for construction or renovation. Approximately \$10.6 million of the \$12.4 million balance at June 30, 2013 relates to gifts which have been internally designated for future debt service attributed to those projects.

Total restricted expendable net position was \$20.7 million at June 30, 2012 compared to \$20.3 million at June 30, 2011. Current restricted funds increased slightly from \$6.5 million at June 30, 2011 to \$7.1 million at June 30, 2012. Approximately \$10.5 million of the \$13.4 million plant fund balance at June 30, 2012 related to gifts which were internally designated for future debt service attributed to those projects.

Unrestricted net position is not subject to externally imposed restrictions and is designated for future operations, plant construction and maintenance, and debt service. The following table summarizes unrestricted net position at:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current funds	\$ 7,979,549	\$ 7,356,124	\$ 6,143,978
Operating reserves	8,772,753	8,670,049	8,549,683
Plant funds	13,188,674	13,084,030	12,058,242
Loan funds	21,927	25,352	27,297
Total Unrestricted Net Position	<u>\$ 29,962,903</u>	<u>\$ 29,135,555</u>	<u>\$ 26,779,200</u>

Total unrestricted net position was \$29.9 million at June 30, 2013 compared to \$29.1 million at June 30, 2012. The increase of approximately \$800,000 from fiscal year 2012 to fiscal year 2013 reflects generally the excess of revenues over expenses during fiscal year 2013 from non capital asset activity.

Total unrestricted net position was \$29.1 million at June 30, 2012 compared to \$26.8 million at June 30, 2011. The \$2.3 million increase reflects generally the excess of revenues over expenses during fiscal year 2012 from non capital asset activity.

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

**The Statements of Revenues, Expenses, and Changes in Net Position**

These statements present the operating results and the nonoperating revenues and expenses of the University. Annual State appropriations, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Operating Revenues			
Net tuition, fees and other student charges	\$ 88,938,239	\$ 88,491,653	\$ 85,801,400
Auxiliary enterprises	22,070,093	22,105,338	19,330,455
Grants and contracts	10,249,636	10,200,470	14,153,120
Other	2,216,714	2,466,280	2,391,157
Total Operating Revenues	<u>123,474,682</u>	<u>123,263,741</u>	<u>121,676,132</u>
Operating Expenses	<u>200,381,753</u>	<u>202,319,959</u>	<u>220,457,885</u>
Operating Loss	(76,907,071)	(79,056,218)	(98,781,753)
Nonoperating Revenues (Expenses)			
Federal and state appropriations	38,480,351	39,347,845	46,720,852
Gifts, grants, and contracts	36,186,489	38,219,829	40,130,229
Investment income	3,635,834	1,360,702	4,226,478
Other	(5,433,031)	(3,703,386)	(4,202,364)
Net Nonoperating Revenues	<u>72,869,643</u>	<u>75,224,990</u>	<u>86,875,195</u>
Loss Before Other Revenues, Expenses, and Changes	(4,037,428)	(3,831,228)	(11,906,558)
Other Revenues, Expenses, and Changes			
State capital appropriations	2,904,410	133,552	998,881
Capital grants and gifts	1,686,317	1,578,453	4,082,194
Other	117,026	471,494	14,636
Contribution of capital to UHC	-	-	(3,042,902)
Total Other Revenues, Expenses, and Changes	<u>4,707,753</u>	<u>2,183,499</u>	<u>2,052,809</u>
Change in Net Position	670,325	(1,647,729)	(9,853,749)
Net Position at Beginning of the Year	191,855,489	193,503,218	203,356,967
Net Position at End of the Year	<u>\$ 192,525,814</u>	<u>\$ 191,855,489</u>	<u>\$ 193,503,218</u>

# YOUNGSTOWN STATE UNIVERSITY

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

### Revenues

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Net tuition, fees, and other student charges	\$ 88,938,239	\$ 88,491,653	\$ 85,801,400
Gifts, grants and contracts	48,239,468	50,470,246	58,380,179
State appropriations	38,480,351	39,347,845	39,992,134
Federal appropriations	-	-	6,728,718
Auxiliary enterprises	22,070,093	22,105,338	19,330,455
Investment income	3,635,834	1,360,702	4,226,478
Other revenue	2,583,283	2,903,865	2,660,784
State capital appropriations	2,904,410	133,552	998,881
Total Revenues	<u>\$ 206,851,678</u>	<u>\$ 204,813,201</u>	<u>\$ 218,119,029</u>

Overall, the University's total revenues increased \$2 million or 1% between fiscal year 2013 and fiscal year 2012. The majority of the University's revenue, 62% in both fiscal years 2013 and 2012 is attributed to State appropriations, and net tuition and fees. Combined, these two revenue streams decreased \$420,000 in fiscal year 2013 from fiscal year 2012.

Net tuition, fees and other student charges remained relatively flat from fiscal year 2012 to fiscal year 2013 due to a combination of increased tuition and fees, and decreased enrollment. Gifts, grants, and contracts decreased \$2.2 million or 4% over the prior year primarily due to a combination of a decrease in federal grant activity, including a \$4 million decrease in Pell Grants due to decreased enrollment, an increase in state grant activity, including increased state support for the Ohio College Opportunity Grants and a \$1 million multi-year pledge for a Center for Health and Welfare. Capital gifts and grants increased slightly from \$1.6 million in fiscal year 2012 to \$1.7 million in fiscal year 2013. Current year activity included \$1.1 million in pledges and gifts for an outdoor athletic facility and a Veterans Resource Center. Investment income increased \$2.3 million or 167% primarily due to unrealized gains in equities. State Capital Appropriations increased \$2.8 million from fiscal year 2012 to fiscal year 2013 due to the prior year's capital activity being financed with bond proceeds and gifts.

Overall, the University's total revenues decreased \$13.3 million or 6% between fiscal year 2012 and fiscal year 2011. The majority of the University's revenue, 62% in fiscal year 2012 and 61% in fiscal year 2011 was attributed to Federal and State appropriations, and net tuition and fees. Combined, these two revenue streams decreased \$4.7 million in fiscal year 2012 from fiscal year 2011.

Net tuition, fees and other student charges increased \$2.7 million or 3%, due to increased tuition and mandatory fees. Gifts, grants, and contracts decreased \$7.9 million or 14% over the prior year primarily due to a combination of a \$2.7 million decrease in federal grant activity including a \$1 million decrease due to elimination of the Academic Competitiveness and the National SMART federal aid grants, a \$2.6 million decrease in Pell Grants due to decreased enrollment, a \$1.2 million decrease in Ohio College Opportunity Grants due to decreased enrollment and an

# YOUNGSTOWN STATE UNIVERSITY

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

overall decrease in state funding, and a \$1.4 million decrease in gifts due to completion of fundraising for the WATTS Center. Combined, Federal and State appropriations decreased \$7.4 million from fiscal year 2011 to fiscal year 2012. The University received \$6.7 million in Federal stimulus funds as a pass through the State Share of Instruction (SSI) to offset reductions in State appropriation in both fiscal years 2011 and 2010; whereas these funds were not received in fiscal year 2012. The \$2.8 million increase in Auxiliary Enterprises resulted mainly from first year activity of the University Courtyard Apartments. Investment income decreased \$2.9 million or 68% primarily due to a lower asset base and lower interest yields on fixed income investments compared to the prior year. State Capital appropriations decreased \$.9 million or 87% from fiscal year 2011 to fiscal year 2012, primarily due to utilization of bond proceeds and gifts for capital projects. Approximately \$10.1 million in Capital appropriations has been re-appropriated for future projects.

### Expenses

Operating expenses can be displayed in two formats: functional classification and natural classification. The functional classification can be found on the Statements of Revenues, Expenses, and Changes in Net Position. The table below summarizes the natural classification.

	June 30, 2013	June 30, 2012	June 30, 2011
Compensation	\$ 121,308,570	\$ 126,365,366	\$ 139,775,937
Operations	45,142,640	41,496,195	44,852,343
Scholarships	23,399,981	23,911,055	26,360,841
Depreciation and Amortization	10,530,562	10,547,343	9,468,764
Total Operating Expenses	<u>\$ 200,381,753</u>	<u>\$ 202,319,959</u>	<u>\$ 220,457,885</u>

Total operating expenses decreased \$1.9 million or 1% between fiscal year 2013 and fiscal year 2012. The \$5.1 million or 4% decrease in compensation included a \$3 million decrease salaries and wages and a \$2.1 million decrease in fringe benefits. Personnel costs were lower in fiscal year 2013 compared to fiscal year 2012 largely due to the continued impact of an early retirement incentive plan (ERIP) and a faculty severance plan which resulted in staff and faculty vacancies. In addition, there were no contractual compensation increases in fiscal year 2013 and health care costs decreased \$3 million due to reduced claims and increased employee contributions. Operations expenses increased \$3.6 million or 9% primarily due to increased bad debt and utility costs. The increase in bad debt is attributed to the projected uncollectability of student accounts resulting from the return of Title IV funds. Despite unit costs increases in utilities, consumption per square foot has been controlled by energy conservation efforts.

A large portion of all financial aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Position. Therefore, the \$.5 million decrease in scholarship expense between fiscal year 2013 and fiscal year 2012 is a partial reflection of a combination of a \$4 million decrease in federal financial aid for Pell grant recipients and \$.5 million increase in state supported aid, primarily the Ohio College Opportunity Grants. Overall, the University disbursed \$43.8 million to students in fiscal year 2013, including \$26 million in Federal Pell grants compared to \$46.8 million and \$29.9 million in fiscal year 2012, respectively.

# YOUNGSTOWN STATE UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Total operating expenses decreased \$18.1 million or 8% between fiscal year 2012 and fiscal year 2011. The \$13.4 million or 9.6% decrease in compensation included a \$5.2 million decrease in salaries and wages, a \$2.3 million decrease in ERIP OPERS purchases, and a \$3.5 million decrease in health care costs resulting from changes in the health care benefit plans. Operations expenses decreased \$3.3 million or 7.5% due to a combination of spending containment and \$1.74 million in faculty severance plan payments in the prior year. Both the ERIP and faculty severance plan resulted in significant levels of vacant staff and faculty positions.

The \$2.4 million decrease in scholarship expense between fiscal year 2012 and fiscal year 2011 was a partial reflection of a combination of a \$2.6 million decrease in federal financial aid for Pell grant recipients, a \$1.2 million reduction in state supported aid, and a \$.5 million increase in scholarship donations. Overall, the University disbursed \$46.8 million to students in fiscal year 2012, including \$29.9 million in Federal Pell grants compared to \$50.9 million and \$34 million in fiscal year 2011, respectively.

Total operating and non-operating expenses were \$206,181,353, \$206,460,930, and \$227,972,778, in fiscal years 2013, 2012 and 2011, respectively. Fiscal year 2011 includes \$3,042,902 contribution of capital to UHC for the purchase of The University Courtyard Apartments.

# YOUNGSTOWN STATE UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

### Economic Factors for the Future

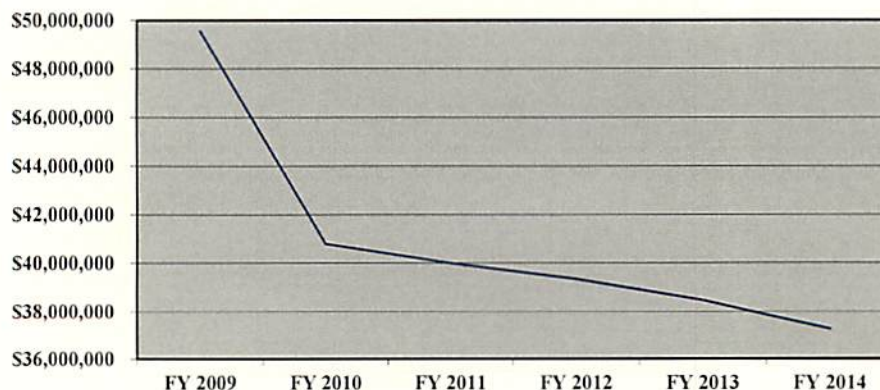
Looking to the future, management believes the University is well-positioned to continue its favorable financial condition and level of excellence in service to students. The University's healthy financial position is reflected in its Senate Bill 6 (SB6) composite scores. These scores are required to be calculated by Ohio legislation and provide a formalized structure for monitoring the financial health of the State's colleges and universities. These ratios, calculated annually, assess viability, financial strength and net income. The overall maximum score is 5 and the threshold for fiscal watch is 1.75. The University's SB6 composite score for the year ended June 30, 2013 was 3.3 compared to 2.6 at June 30, 2012 and 2.3 at June 30, 2011. The increase in the composite score in fiscal year 2013 reflects the effect of the increase in unrestricted net position and the reduction of long term debt.

Despite interim increases in state funding during the fiscal years 2010-2011 biennium that were funded by a one-time infusion of \$619 million federal stimulus dollars from the American Recovery & Reinvestment Act, the trend in state funding over the past decade has been decidedly negative. Consequently, a structural deficit in the state's higher education budget continues to result in declines in state funding appropriations. A further reduction to the University's state appropriations of \$1.1 million is expected for fiscal year 2014.

The reduction in state funding support was partially offset by an increase in tuition and fees of 3.5% for fiscal year 2013 and 2.4% in fiscal year 2014. However, the University's enrollment levels have steadily fallen each year since fiscal year 2012, creating additional budgetary challenges and uncertainty about the future.

The following graph reflects five years actual data for State Appropriations plus the budgeted amount for fiscal year 2014. Fiscal years 2010 and 2011 do not include federal stimulus funds.

State Appropriations  
Fiscal Years 2009 through 2014

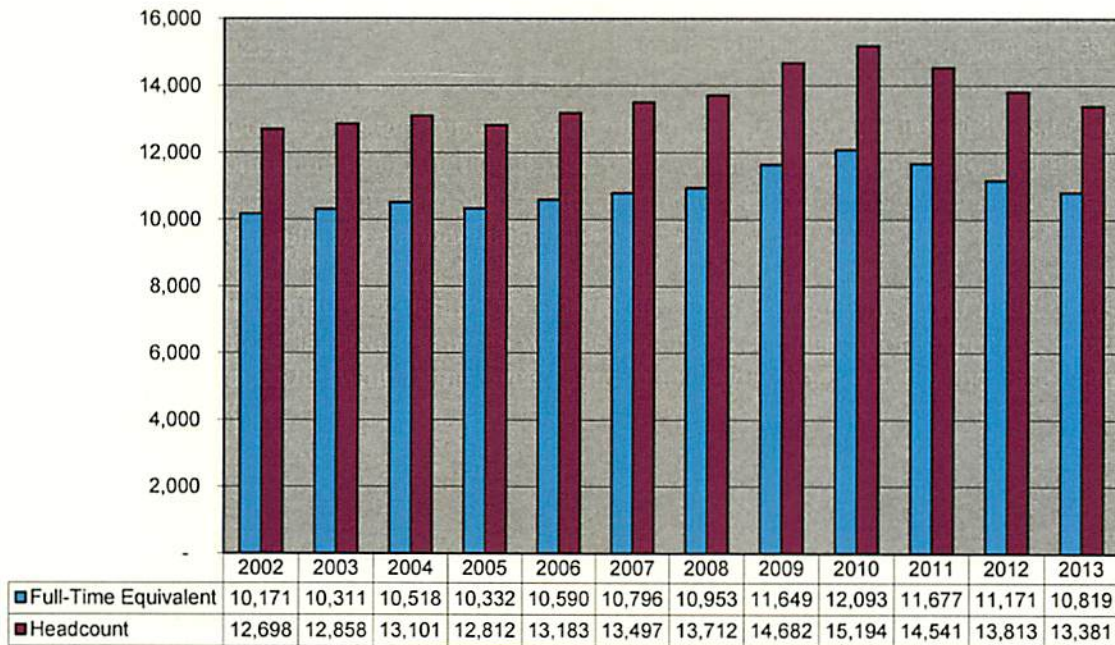


# YOUNGSTOWN STATE UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The following graph reflects fall enrollment trends.

**Fall Semester Enrollment Trends  
2002 through 2013**



The continued reductions in state funding and enrollment necessitate the University to take actions to mitigate enrollment and tuition pressure by increasing retention efforts, out of state recruitment and investing resources in web-based programs. The University continues to control operating expenses, especially personnel costs.

The University has negotiated generally concessionary labor agreements with each of its four bargaining units. These labor agreements will help control compensation expenses, especially for health care insurance for which employee contributions will progressively increase each year through fiscal year 2014.

# YOUNGSTOWN STATE UNIVERSITY

## STATEMENTS OF NET POSITION AT JUNE 30, 2013 AND 2012

	June 30, 2013	June 30, 2012
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 22,898,563	\$ 25,918,304
Investments	29,631,200	25,454,058
Restricted investments	-	58,909
Interest receivable	119,083	128,939
Accounts receivable, net	9,822,573	10,334,135
Pledges receivable, net	2,368,109	2,335,406
Loans receivable, net	398,728	385,320
Inventories	1,767,566	1,806,882
Prepaid expenses and unearned charges	1,032,543	1,576,227
<b>Total Current Assets</b>	<b>68,038,365</b>	<b>67,998,180</b>
<b>Noncurrent Assets</b>		
Investments	18,369,540	19,248,586
Endowments and other restricted investments	7,038,821	6,384,566
Pledges receivable, net	3,515,580	3,303,096
Loans receivable, net	1,840,428	1,839,485
Unamortized bond issue cost	712,627	799,167
Cash surrender value of life insurance	296,865	-
Nondepreciable capital assets	24,845,267	24,853,745
Depreciable capital assets, net	176,352,106	174,113,570
<b>Total Noncurrent Assets</b>	<b>232,971,234</b>	<b>230,542,215</b>
<b>Total Assets</b>	<b>301,009,599</b>	<b>298,540,395</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	3,176,441	2,656,612
Construction payable	2,480,626	1,609,472
Payroll liabilities	8,491,849	7,851,257
Bonds payable	1,735,000	1,685,000
Notes payable	1,063,067	1,026,820
Capital leases payable	-	806
Compensated absences	885,443	930,780
Unearned revenue	7,099,828	4,802,290
Other liabilities	1,085,597	1,669,160
<b>Total Current Liabilities</b>	<b>26,017,851</b>	<b>22,232,197</b>
<b>Noncurrent Liabilities</b>		
Bonds payable, net	68,558,249	70,362,954
Notes payable	2,240,036	3,303,103
Compensated absences	9,032,470	8,101,699
Refundable advance	2,635,179	2,684,953
<b>Total Noncurrent Liabilities</b>	<b>82,465,934</b>	<b>84,452,709</b>
<b>Total Liabilities</b>	<b>108,483,785</b>	<b>106,684,906</b>
<b>NET POSITION</b>		
Invested in capital assets	134,408,668	135,463,081
Restricted - Nonexpendable	7,162,823	6,535,407
Restricted - Expendable	20,991,420	20,721,446
Unrestricted	29,962,903	29,135,555
<b>Total Net Position</b>	<b>\$ 192,525,814</b>	<b>\$ 191,855,489</b>

See accompanying notes to financial statements.



# THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

## STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2013 AND 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,923,229	\$ 5,419,999
Accrued interest receivable	66,851	266,224
Prepaid insurance	8,316	12,655
Property acquired for resale to Youngstown State University	61,321	43,931
Investments-at fair value		
Common stock	42,550,036	139,186,976
Preferred stock	889,310	4,733,018
Mutual funds	25,115,807	-
Fixed income securities		
U.S. Government and Agencies	209,205	5,618,905
Corporate	22,635,356	33,209,361
Temporary cash investments	<u>114,328,828</u>	<u>2,049,234</u>
	205,728,542	184,797,494
Contribution receivable from remainder trusts	1,962,843	1,857,264
Cash surrender value of insurance policies	-	22,323
Office furniture and equipment, at cost, less accumulated depreciation of \$43,392 in 2013 and \$40,086 in 2012	19,581	15,366
<b>TOTAL ASSETS</b>	<u><u>\$ 210,770,683</u></u>	<u><u>\$ 192,435,256</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 4,398	\$ 7,508
Grant commitments to Youngstown State University for scholarship awards	<u>5,144,741</u>	<u>5,157,940</u>
<b>TOTAL LIABILITIES</b>	<u>5,149,139</u>	<u>5,165,448</u>
<b>NET ASSETS</b>		
Unrestricted		
Designated by Board for endowment	150,585,496	135,491,552
Undesignated	<u>269,320</u>	<u>2,510,225</u>
	150,854,816	138,001,777
Temporarily restricted	2,748,261	2,409,930
Permanently restricted	<u>52,018,467</u>	<u>46,858,101</u>
<b>TOTAL NET ASSETS</b>	<u>205,621,544</u>	<u>187,269,808</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 210,770,683</u></u>	<u><u>\$ 192,435,256</u></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, 2013 AND 2012

	June 30, 2013	June 30, 2012
<b>OPERATING REVENUES</b>		
Tuition, fees, and other student charges (net of scholarship allowance of \$20,440,155 in 2013 and \$22,847,852 in 2012)	\$ 88,938,239	\$ 88,491,653
Federal grants and contracts	4,333,700	5,252,707
State grants and contracts	5,321,145	4,327,817
Local grants and contracts	184,663	252,137
Private grants and contracts	410,128	367,809
Sales and services	525,596	500,879
Auxiliary enterprises	22,070,093	22,105,338
Other operating revenues	1,691,118	1,965,401
<b>Total Operating Revenues</b>	123,474,682	123,263,741
<b>OPERATING EXPENSES</b>		
Instruction	68,182,874	71,365,454
Research	2,877,032	3,001,098
Public service	4,964,058	5,668,665
Academic support	14,014,648	13,698,874
Student services	8,525,638	8,780,164
Institutional support	26,986,977	25,712,030
Operation and maintenance of plant	15,356,351	14,797,582
Scholarships	20,586,195	21,033,400
Auxiliary enterprises	28,357,418	27,715,348
Depreciation and amortization	10,530,562	10,547,344
<b>Total Operating Expenses</b>	200,381,753	202,319,959
<b>Operating Loss</b>	(76,907,071)	(79,056,218)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	38,480,351	39,347,845
Federal grants	26,478,422	30,462,830
Private gifts	9,708,067	7,756,999
Unrestricted investment income, net of investment expense	2,830,320	1,012,197
Restricted investment income, net of investment expense	805,514	348,505
Interest on capital asset-related debt	(3,105,933)	(2,668,571)
Other nonoperating expenses, net	(2,327,098)	(1,034,815)
<b>Net Nonoperating Revenues</b>	72,869,643	75,224,990
<b>Loss Before Other Revenues, Expenses, and Changes</b>	(4,037,428)	(3,831,228)
<b>OTHER REVENUES, EXPENSES, AND CHANGES</b>		
State capital appropriations	2,904,410	133,552
Capital grants and gifts	1,686,317	1,578,453
Additions to the principal of endowments	117,026	471,494
<b>Total Other Revenues, Expenses, and Changes</b>	4,707,753	2,183,499
<b>Change In Net Position</b>	670,325	(1,647,729)
<b>NET POSITION</b>		
Net Position at Beginning of the Year	191,855,489	193,503,218
Net Position at End of the Year	\$ 192,525,814	\$ 191,855,489

See accompanying notes to financial statements.

# THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

## STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Contributions	\$ 574,191	\$ 365,000	\$ 1,288,690	\$ 2,227,881
Investment earnings	6,038,444	39,515	-	6,077,959
Liquidating dividends	-	-	-	-
Net realized gain on sale of investments	12,377,901	67,626	2,083,295	14,528,822
Net unrealized gain on long-term investments	1,986,262	118,826	1,682,802	3,787,890
Increase in value of deferred gifts	-	-	105,579	105,579
Net assets released from restrictions	252,636	(252,636)	-	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>21,229,434</b>	<b>338,331</b>	<b>5,160,366</b>	<b>26,728,131</b>
<b>EXPENDITURES AND OTHER DISTRIBUTIONS:</b>				
Administrative expenditures	914,899	-	-	914,899
Distribution to Youngstown State University:				
Grants for property	267	-	-	267
Scholarships and other	7,457,894	-	-	7,457,894
Benefits for retired Youngstown University faculty	3,335	-	-	3,335
<b>TOTAL EXPENDITURES AND OTHER DISTRIBUTIONS</b>	<b>8,376,395</b>	<b>-</b>	<b>-</b>	<b>8,376,395</b>
Change in Net Assets	12,853,039	338,331	5,160,366	18,351,736
Net Assets at Beginning of the Year	138,001,777	2,409,930	46,858,101	187,269,808
<b>NET ASSETS</b>	<b>\$ 150,854,816</b>	<b>\$ 2,748,261</b>	<b>\$ 52,018,467</b>	<b>\$ 205,621,544</b>

	June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Contributions	\$ 610,595	\$ 78,300	\$ 1,562,827	\$ 2,251,722
Investment earnings	5,817,239	35,025	-	5,852,264
Liquidating dividends	32,232	-	-	32,232
Net realized gain on sale of investments	618,117	4,897	239,453	862,467
Net unrealized gain on long-term investments	1,243,166	106,999	531,021	1,881,186
Increase in value of deferred gifts	-	-	100,319	100,319
Donor directed reclassifications	-	-	-	-
Net assets released from restrictions	58,124	(58,124)	-	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>8,379,473</b>	<b>167,097</b>	<b>2,433,620</b>	<b>10,980,190</b>
<b>EXPENDITURES AND OTHER DISTRIBUTIONS:</b>				
Administrative expenditures	745,604	-	-	745,604
Distribution to Youngstown State University:				
Grants for property	-	-	-	-
Scholarships and other	5,877,614	-	-	5,877,614
Benefits for retired Youngstown University faculty	7,640	-	-	7,640
<b>TOTAL EXPENDITURES AND OTHER DISTRIBUTIONS</b>	<b>6,630,858</b>	<b>-</b>	<b>-</b>	<b>6,630,858</b>
Change in Net Assets	1,748,615	167,097	2,433,620	4,349,332
Net Assets at Beginning of the Year	136,253,162	2,242,833	44,424,481	182,920,476
<b>NET ASSETS</b>	<b>\$ 138,001,777</b>	<b>\$ 2,409,930</b>	<b>\$ 46,858,101</b>	<b>\$ 187,269,808</b>

See accompanying notes to financial statements.

# YOUNGSTOWN STATE UNIVERSITY

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	June 30, 2013	June 30, 2012
<b>Cash Flows from Operating Activities</b>		
Student tuition and fees	\$ 87,058,941	\$ 85,920,639
Federal, state, and local grants and contracts	10,602,466	10,887,963
Private grants and contracts	447,733	393,225
Sales and services of educational and other departmental activities	22,261,899	22,692,085
Payments to suppliers	(44,168,749)	(43,256,497)
Payments to employees	(91,964,333)	(98,895,013)
Payments for benefits	(27,848,653)	(33,831,672)
Payments for scholarships	(20,592,885)	(21,078,014)
Student loans issued	(408,025)	(372,916)
Student loans collected	347,045	416,121
Student loan interest and fees collected	46,535	47,518
Other receipts, net	1,808,479	1,930,847
<b>Total Cash Flows Used In Operating Activities</b>	(62,409,547)	(75,145,714)
<b>Cash Flows from Noncapital Financing Activities</b>		
Federal grants	26,422,174	30,435,698
State educational appropriations	38,480,351	39,347,845
Direct lending receipts	81,096,490	88,926,750
Direct lending disbursements	(81,098,908)	(88,899,773)
Private gifts	10,264,828	6,696,529
Additions to the principal of endowments	117,026	471,494
Other nonoperating expenses	(2,327,098)	(1,037,174)
<b>Total Cash Flows Provided by Noncapital Financing Activities</b>	72,954,863	75,941,369
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	19,119,656	27,109,070
Purchase of investments	(23,013,098)	(20,154,452)
Interest on investments	3,645,690	1,463,880
<b>Total Cash Flows Provided By (Used In) Investing Activities</b>	(247,752)	8,418,498
<b>Cash Flows from Capital and Related Financing Activities</b>		
State capital appropriations	1,592,635	224,516
Private capital gifts and grants	2,736,907	3,148,883
Payment to UHC for University Courtyard Apartments	-	(17,214,945)
Purchase of capital assets	(11,737,926)	(12,256,213)
Principal payments on capital debt	(2,712,626)	(2,203,521)
Bond proceeds	-	19,006,093
Bond issue cost	-	(200,586)
Interest payments on capital debt	(3,196,295)	(2,726,675)
<b>Total Cash Flows Used In Capital and Related Financing Activities</b>	(13,317,305)	(12,222,448)
<b>Change in Cash and Cash Equivalents</b>	(3,019,741)	(3,008,295)
<b>Cash and Cash Equivalents, Beginning of Year</b>	25,918,304	28,926,599
<b>Cash and Cash Equivalents, End of Year</b>	\$ 22,898,563	\$ 25,918,304

**YOUNGSTOWN STATE UNIVERSITY**

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**STATEMENTS OF CASH FLOWS (CONT.)**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**Reconciliation of Operating Loss to Net Cash Used in Operating Activities**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating loss	\$ (76,907,071)	\$ (79,056,218)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	10,530,562	10,547,344
Provision for bad debts	3,199,800	1,823,413
Gifts in kind	15,490	142,785
Changes in assets and liabilities:		
Accounts receivable, net	(1,626,276)	(1,012,558)
Loans receivable, net	(74,160)	26,169
Inventories	39,316	266,773
Prepaid expenses and deferred charges	543,684	(522,125)
Accounts payable	519,829	239,423
Accrued and other liabilities	76,386	(4,206,284)
Unearned revenue	387,459	(361,870)
Compensated absences	885,434	(3,032,566)
<b>Net Cash Flows Used In Operating Activities</b>	<u>\$ (62,409,547)</u>	<u>\$ (75,145,714)</u>

See accompanying notes to financial statements.

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

### 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 provides a wide range of opportunities in higher education primarily to residents in northeastern Ohio and western Pennsylvania. The University offers degrees at the undergraduate, graduate and doctoral levels.

In accordance with Governmental Accounting Standards Board (GASB) Statement No.14, *The Reporting Entity*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the University's financial statements are included, as a discretely presented component unit, in the State of Ohio's (State) Comprehensive Annual Financial Report. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Youngstown State University Foundation's (YSUF or Foundation) financial statements are included, as a discretely presented component unit, in the University's financial report by presentation of the individual financial statements of the entity immediately following the University's respective GASB financial statements. See Note 17 for additional information regarding the University's component unit.

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

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

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

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

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

### Summary of Significant Accounting Policies

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

Budget Process – The operating budget for General Fund and Auxiliaries is presented to the Board of Trustees annually for approval. Quarterly, a budget to actual report for the General Operating Fund is presented to the Board of Trustees. In accordance with Ohio Revised Code Section 3345.03, an annual budget is filed with the Ohio Board of Regents and the legislative budget office of the legislative services commission. Quarterly reports are submitted to the Board of Regents. If it appears that the projected expenses of the University will exceed projected revenues, the Board of Regents is required to direct the Board of Trustees to reduce expenses accordingly.

The State approves a capital budget every two years. YSU submits requests to the Ohio Board of Regents, which sends the requests to the Governor. State capital improvements budget project lists are presented to the Board of Trustees for endorsement.

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

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

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Endowment Policy – The University Endowment Fund consists of 92 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. Investments are managed by the Foundation. The University's policy is to distribute realized gains and investment income monthly, based on each fund's pro-rata share to the total endowment shares.

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

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

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

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

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

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

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



# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

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

Refundable Advances from Government for Federal Loans – Funds provided by the United States government under the Federal Perkins Loan program are loaned to qualified students and re-loaned after collections. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying financial statements.

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

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

Scholarship Allowances and Student Aid – Financial aid provided to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). 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. Under the alternative method followed by the University, these amounts are computed by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

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, 2013 AND 2012

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

Adoption of New Accounting Pronouncements – In fiscal year 2013, the provisions of the following GASB Statements became effective:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership into which state and local governments are increasingly entering.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, issued November 2010. The provisions of this Statement are effective for periods beginning after June 15, 2012. This Statement is designed to improve financial reporting for government entities by amending the requirements of Statement No. 14, *The Financial Reporting Entity* and Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet user needs and to address reporting entity issues that have arisen since those Statements were issued in 1991 and 1999, respectively.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* issued December 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to enhance the usefulness of its Codification by incorporating guidance the previously could only be found in certain Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. In addition, the pronouncement does change the name of the Statement of Net Assets to the Statement of Net Position. A corresponding change has been made to the Statement of Revenues, Expenses and Changes in Net Position.

The adoption of these GASB statements had no significant impact on the University's financial condition, operating results or financial statements. In addition, because the University had no

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

deferred outflows or deferred inflows at June 30, 2013, it has elected not to present these captions on the Statement of Net Position.

Newly Issued Accounting Pronouncements – As of June 30, 2013, the GASB issued the following statements not yet implemented by the University:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.
- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013. The requirements of this Statement are effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013. The provisions of this Statement are effective for periods beginning after June 15, 2013. This Statement specifies the information required to be disclosed by the governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

Reclassification – Certain reclassifications have been made to the fiscal year 2012 amounts to conform with the fiscal year 2013 presentation. These reclassifications had no effect on the total net position or change in net position.

### Note 2 – State Support

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

State appropriations totaled \$38,480,351 in fiscal year 2013, compared to \$39,347,845 in fiscal year 2012. The State Share of Instruction (SSI) is determined annually by the Ohio Board of Regents (OBOR).

Capital appropriations from the State totaled \$2,904,410 in fiscal year 2013 and \$133,552 in fiscal year 2012 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 Position. 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 \$4,240,019 and \$2,240,736 at June 30, 2013 and 2012, respectively.

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

Cash and Cash Equivalents at June 30, 2013 and June 30, 2012 consist of the following:

	2013	2012
Carrying Amount (Cash and cash equivalents)	\$ 22,898,563	\$ 25,918,304
FDIC Insured	\$ 846,001	\$ 875,865
Uninsured but collateralized by pools of securities pledged by the depository banks	12,507,044	15,857,196
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	11,346,182	10,827,643
Bank Balance	\$ 24,699,227	\$ 27,560,704

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 \$7,166,021 as of June 30, 2013 and \$13,293,310 as of June 30, 2012, 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, 2013, 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.

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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).

As of June 30, 2013, the University had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 9,203,450	\$ 1,082,708	\$ 7,544,158	\$ 536,027	\$ 40,557
Corporate Bonds	9,435,130	637,846	7,221,969	1,539,788	35,527
U.S. Government Bonds	2,492,757	2,355	252,398	1,541,014	696,990
Preferred and Common Stock	33,805,771	33,805,771	-	-	-
Other Securities	102,453	102,453	-	-	-
<b>Totals</b>	<b>\$55,039,561</b>	<b>\$35,631,133</b>	<b>\$ 15,018,525</b>	<b>\$ 3,616,829</b>	<b>\$ 773,074</b>

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

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, 2013, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 9,435,130	\$ 1,754,126	\$ 878,096	\$ 2,687,179	\$ 3,601,701	\$ 514,028
U.S. Government Bonds	2,492,757	1,985,843	506,914	-	-	-
<b>Totals</b>	<b>\$11,927,887</b>	<b>\$ 3,739,969</b>	<b>\$ 1,385,010</b>	<b>\$ 2,687,179</b>	<b>\$ 3,601,701</b>	<b>\$ 514,028</b>

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>

**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

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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, 2013, \$5,964,481 or 11% of the University's portfolio is held in a bond fund. 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. 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, 2013, 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, 2013, 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, 2013 and June 30, 2012 consist of the following:

	2013	2012
Accounts receivable		
Student accounts	\$ 10,980,633	\$ 10,903,448
Grants and contracts	1,804,110	2,374,574
State appropriations	1,369,098	57,323
Other receivables	1,775,590	1,737,770
Subtotal	15,929,431	15,073,115
Less: Allowance for doubtful accounts	6,106,858	4,738,980
Accounts receivable, net	<u>\$ 9,822,573</u>	<u>\$ 10,334,135</u>
Loans receivable - student notes	\$ 2,941,105	\$ 2,872,799
Less: Allowance for doubtful accounts	701,949	647,994
Loans receivable, net	<u>\$ 2,239,156</u>	<u>\$ 2,224,805</u>

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

### Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2013 and June 30, 2012 were as follows:

	2013	2012
Total Pledges receivable	\$ 6,411,404	\$ 6,022,508
Less: Allowance for doubtful accounts	297,077	280,427
Present value discount	230,638	103,579
Pledges receivable, net	5,883,689	5,638,502
Less: current portion	2,368,109	2,335,406
Pledges receivable, noncurrent portion	<u>\$ 3,515,580</u>	<u>\$ 3,303,096</u>

Pledges have been discounted to net present value using June 30, 2013 U.S. Treasury Note rates of 1.375% (5-year) and 1.875% (7-year) in fiscal year 2013 and 0.75% (5-year) and 1.0% (7-year) in fiscal year 2012.

### Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 15,457,264	\$ 229,300	\$ -	\$ -	\$ 15,686,564
Construction in progress	8,826,015	5,888,206	360,801	(5,830,183)	8,523,237
Historical treasures	570,466	65,000	-	-	635,466
Depreciable assets:					
Buildings	280,639,465	48,483	744,705	-	279,943,243
Improvements to buildings	33,211,954	3,539,509	2,154	4,618,886	41,368,195
Improvements other than buildings	28,404,040	1,360,375	1,000,250	633,261	29,397,426
Moveable equipment and furniture	32,682,489	2,064,647	4,412,425	618,197	30,952,908
Vehicles	1,194,112	106,455	88,124	-	1,212,443
Capital leases	40,161	-	-	(40,161)	-
Total cost	<u>401,025,966</u>	<u>13,301,975</u>	<u>6,608,459</u>	<u>-</u>	<u>407,719,482</u>
Less accumulated depreciation:					
Buildings	150,149,053	5,204,516	493,330	-	154,860,239
Improvements to buildings	8,773,773	1,356,058	2,155	-	10,127,676
Improvements other than buildings	16,348,682	1,290,740	1,000,000	-	16,639,422
Moveable equipment and furniture	25,781,489	2,504,650	4,396,954	39,492	23,928,677
Vehicles	966,162	88,057	88,124	-	966,095
Capital leases	39,492	-	-	(39,492)	-
Total accumulated depreciation	<u>202,058,651</u>	<u>10,444,021</u>	<u>5,980,563</u>	<u>-</u>	<u>206,522,109</u>
Capital assets, net	<u>\$ 198,967,315</u>	<u>\$ 2,857,954</u>	<u>\$ 627,896</u>	<u>\$ -</u>	<u>\$ 201,197,373</u>

The Pollock House, which is home to YSU's President, was completed and transferred from Construction in progress to Improvements to buildings in fiscal year 2013.



# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
<b>Nondepreciable assets:</b>					
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
<b>Depreciable assets:</b>					
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
<b>Total cost</b>	<b>393,074,791</b>	<b>11,117,420</b>	<b>3,166,245</b>	<b>-</b>	<b>401,025,966</b>
<b>Less accumulated depreciation:</b>					
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
<b>Total accumulated depreciation</b>	<b>194,576,612</b>	<b>10,452,082</b>	<b>2,970,043</b>	<b>-</b>	<b>202,058,651</b>
<b>Capital assets, net</b>	<b>\$ 198,498,179</b>	<b>\$ 665,338</b>	<b>\$ 196,202</b>	<b>\$ -</b>	<b>\$ 198,967,315</b>

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

### Note 8 – Payroll and Other Liabilities

Payroll and other liabilities at June 30, 2013 and 2012 consist of the following:

	2013	2012
<b>Payroll liabilities:</b>		
Accrued compensation	\$ 5,685,309	\$ 5,407,986
Accrued benefits	157,641	198,390
Accrued health care benefits and insurance payable	1,093,467	982,364
Retirement system contribution payable	1,555,432	1,262,517
<b>Totals</b>	<b>\$ 8,491,849</b>	<b>\$ 7,851,257</b>
<b>Other liabilities:</b>		
Faculty Severance Plan	\$ -	\$ 803,957
Deposits held in custody	337,263	362,611
Interest payable	213,858	234,514
Other liabilities	534,476	268,078
<b>Totals</b>	<b>\$ 1,085,597</b>	<b>\$ 1,669,160</b>

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 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.

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2013 are completed, totaled \$6.9 million compared to \$5.6 million at June 30, 2012. 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.

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	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>\$ 18,135,000</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.

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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 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 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.

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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	3.250%	3.000%	2014	\$ 1,200,000
Serial Bond	3.750%	3.400%	2015	1,235,000
Serial Bond	4.000%	3.700%	2016	1,290,000
Serial Bond	4.000%	4.000%	2017	1,335,000
Serial Bond	4.125%	4.200%	2018	860,000
Serial Bond	4.375%	4.400%	2019	885,000
Serial Bond	4.500%	4.600%	2020	925,000
Serial Bond	4.625%	4.750%	2021	965,000
Serial Bond	4.750%	4.900%	2022	1,010,000
Term Bond	5.000%	5.080%	2024	2,170,000
Serial Bond	5.125%	5.180%	2025	1,170,000
Term Bond	5.250%	5.340%	2030	6,815,000
Term Bond	5.500%	5.540%	2034	6,875,000
Total				\$ 26,735,000

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 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, 2013 follow (also see Note 13):

Fiscal Year	General Receipts Bonds		Total
	Principal	Interest	
2014	\$ 1,735,000	\$ 3,656,039	\$ 5,391,039
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	2,550,000	3,334,195	5,884,195
2019-2023	14,370,000	14,718,655	29,088,655
2024-2028	17,770,000	10,560,678	28,330,678
2029-2034	27,670,000	5,017,567	32,687,567
Totals	\$ 70,205,000	\$ 47,853,767	\$ 118,058,767

NOTE: Expected future federal subsidies for the BABs is \$7,369,414

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Federal subsidies received by the University were \$512,683 in fiscal year 2013 and \$535,999 in fiscal year 2012. These are reported as non-operating federal grant revenue. Interest expense on indebtedness was \$3,105,933 in fiscal year 2013 and \$2,668,571 fiscal year 2012. On construction-related debt, net interest cost of \$662,766 was capitalized in fiscal year 2013, and \$1,123,283 in fiscal year 2012.

### **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.

Details of the installment schedule follows (also see Note 13):

Fiscal Year	Principal	Interest	Total
2014	\$ 1,063,067	\$ 116,600	\$ 1,179,667
2015	1,100,593	79,073	1,179,666
2016	1,139,443	40,224	1,179,667
Totals	<u>\$ 3,303,103</u>	<u>\$ 235,897</u>	<u>\$ 3,539,000</u>

Title to the assets vests in the University. The debt is secured by a pledge of all University general receipts, excluding State appropriations and receipts previously pledged or otherwise restricted. The University has complied with all covenant requirements.

### **Note 11 – Operating Lease**

The University, in its sixth renewal option which ends June 30, 2015, has as an operating lease for the purpose of classroom and general office purposes. The University has another operating lease for the usage of mailroom equipment which ends April 30, 2016 and bears interest at 9.904%.

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Future minimum lease payments under the operating leases are as follows:

Year Ending June 30,	Classroom	Mailroom Equipment	Total
2014	\$ 159,005	\$ 34,056	\$ 193,061
2015	159,005	34,056	193,061
2016	-	28,380	28,380
Total future minimum lease payments	318,010	96,492	414,502
Less amount representing maintenance	-	31,246	31,246
Less amount representing interest	-	8,558	8,558
Total obligations under operating leases	<u>\$ 318,010</u>	<u>\$ 56,688</u>	<u>\$ 374,698</u>

### Note 12 – Compensated Absences

During fiscal year 2009, the University's Board of Trustees authorized the development of a limited Early Retirement Incentive Program (ERIP) for all eligible employees who are members of the Ohio Public Employees Retirement System (OPERS). The effective period for eligibility determination in the planned ERIP was January 1, 2011 through December 31, 2011. The University purchased up to two (2) years of service credit for eligible employees who voluntarily participated. The University abided by the rules as established by (OPERS) except as otherwise specified in labor agreements. Expenses of \$833,711 in fiscal year 2012 are reflected in the Statement of Revenues, Expenses and Changes in Net Position. Also see Note 13.

### Note 13 – Long-Term Liabilities

Long-term liability activity (also see Notes 9-12) for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$71,890,000	\$ -	\$ 1,685,000	\$70,205,000	\$ 1,735,000
Unamortized premium/discount	157,954	-	69,705	88,249	-
Bonds payable, net	72,047,954	-	1,754,705	70,293,249	1,735,000
Note payable	4,329,923	-	1,026,820	3,303,103	1,063,067
Capital leases payable	806	-	806	-	-
Compensated absences	9,032,479	885,434	-	9,917,913	885,443
Refundable advance	2,684,953	36,117	85,891	2,635,179	-
Other liabilities	803,957	-	803,957	-	-
Total long-term liabilities	<u>\$88,900,072</u>	<u>\$ 921,551</u>	<u>\$ 3,672,179</u>	<u>\$86,149,444</u>	<u>\$ 3,683,510</u>

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 73,010,000	\$ -	\$ 1,120,000	\$ 71,890,000	\$ 1,685,000
Unamortized premium/discount	232,342	-	74,388	157,954	-
Bonds payable, net	73,242,342	-	1,194,388	72,047,954	1,685,000
Note payable	5,321,732	-	991,809	4,329,923	1,026,820
Capital leases payable	92,518	-	91,712	806	806
Compensated absences	12,065,045	-	3,032,566	9,032,479	930,780
Refundable advance	2,741,340	31,027	87,414	2,684,953	-
Other liabilities	1,560,000	-	756,043	803,957	803,957
Total long-term liabilities	<u>\$95,022,977</u>	<u>\$ 31,027</u>	<u>\$ 6,153,932</u>	<u>\$88,900,072</u>	<u>\$ 4,447,363</u>

### **Note 14 - Retirement Plans**

#### **Basic Retirement Benefits**

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS Ohio). Certain OPERS members are covered by the law enforcement benefit provisions (OPERSLE), Section 145.33(B) of the Ohio Revised Code. These retirement programs are statewide, cost-sharing, multiple-employer defined benefit plans. Each provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits for plan members and beneficiaries. These plans also provide health care benefits to vested retirees. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code.

Plan Options - Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to invest all their member contributions and employer contributions. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member. In addition, the defined benefit payment is at a reduced level from the regular DB Plan.

Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Both administrators issue a stand-alone financial report. Interested parties may obtain a copy of the OPERS report by making a written request to 277 East Town St., Columbus, OH, 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377), and the STRS Ohio report by

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

making a written request to 275 East Broad Street, Columbus, Ohio, 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

### Alternative Retirement Plan

In 1997, the State approved an Alternative Retirement Plan (ARP) for full-time academic and administrative employees which allows new employees and those with less than five years of service to opt out of STRS Ohio and OPERS and contribute to one of the ARPs formed as Section 401(a) defined contribution plans. The legislation, as amended, requires employees and employers to contribute to the ARPs at the same rates as STRS Ohio and OPERS employee contributions.

### Employee and Employer Contributions

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates for the current and preceding two fiscal years follow:

Employee Contribution Rate						
Period	STRS		OPERS		OPERSLE	
	Traditional	ARP	Traditional	ARP	Traditional	ARP
1/1/13-6/30/13	10.0%	10.0%	10.0%	10.0%	12.6%	12.6%
1/1/12-12/31/12	10.0%	10.0%	10.0%	10.0%	12.1%	12.1%
1/1/11-12/31/11	10.0%	10.0%	10.0%	10.0%	11.6%	11.6%
7/1/10-12/31/10	10.0%	10.0%	10.0%	10.0%	11.1%	11.1%

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

Employer Contribution Rate								
Period	STRS			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS	ARP		OPERS	ARP		
1/1/11-6/30/13	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	18.10%	18.10%
7/1/10-12/31/10	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.87%	17.87%

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

Employer Contributions								
Fiscal Year	STRS			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS	ARP		OPERS	ARP		
2013	\$ 5,178,454	\$ 215,196	\$ 645,879	\$ 4,847,954	\$ 41,891	\$ 719,884	\$ 262,764	\$ -
2012	\$ 5,581,018	\$ 226,206	\$ 684,577	\$ 5,495,523	\$ 42,946	\$ 734,723	\$ 224,091	\$ -
2011	\$ 5,795,702	\$ 213,889	\$ 641,948	\$ 5,557,471	\$ 39,352	\$ 682,041	\$ 217,456	\$ -

The OPERS employee contributions to the ARP totaled \$544,131 and the STRS Ohio employee contributions to the ARP totaled \$615,122.



# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

### Note 15 – Other Postemployment Benefits (OPEB)

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

#### *State Teachers Retirement System of Ohio*

STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for 2013, 2012 and 2011. The portion of the University's 2013, 2012 and 2011 contributions to STRS Ohio used to fund post-employment benefits was \$369,890, \$398,644 and \$413,979, respectively.

#### *Ohio Public Employees Retirement System*

OPERS provides post-employment health care coverage to age-and-service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar years 2012 and 2011, 5.5% from 1/1/10-2/28/10 and 5.0% from 3/1/10-12/31/10. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar years 2012 and 2011, 4.73% from 1/1/10-2/28/10 and 4.23% from 3/1/10-12/31/10. The portion of the University's 2013, 2012 and 2011 contributions to OPERS used to fund post retirement benefits was \$1,449,088, \$1,706,795, and \$2,039,931. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

### Note 16 – Contingencies and Risk Management

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

The University was self-insured for all employee health care benefits. 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 (see Note 8) at June 30, 2013 and June 30, 2012 were as follows:

	2013	2012	2011
Liability at beginning of fiscal year	\$ 958,717	\$ 2,133,325	\$ 1,513,811
Current year claims including changes in estimates	10,655,411	13,192,651	16,907,723
Claim payments	(10,548,786)	(14,367,259)	(16,288,209)
Liability at end of fiscal year	<u>\$ 1,065,342</u>	<u>\$ 958,717</u>	<u>\$ 2,133,325</u>

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

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

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the Bureau) based on estimates that incorporate the past experience, as well as other considerations including the

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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 17 – Component Unit

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

YSUF is a legally separate nonprofit organization exempt from federal income tax and classified as a public charity. YSUF is devoted to the support, expansion, and development of educational programs at the University that are useful and beneficial to the students and the community. In order to maintain its public charity classification, YSUF must exclusively support the University, be responsive to its needs and distribute substantially all of its net income (other than net long-term capital gain) to the University. Because 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.

Financial support from YSUF was \$5,157,940 for the fiscal year ended June 30, 2013 and \$4,762,500 for the fiscal year ended June 30, 2012. Financial support from YSUF has been committed for fiscal year 2014 in the amount of \$6,859,781. Amounts reflected in unearned revenue were \$1,622,214 at June 30, 2013. In addition, rental income from YSUF of \$13,076 for the fiscal year ended June 30, 2013 and \$10,630 for the fiscal year ended June 30, 2012 was recorded and is reflected in the University's Statements of Revenues, Expenses and Changes in Net Position.

Under the terms of an agreement with the University, the Foundation serves as an investment manager for the University's endowments and on occasion funds related to specific capital fundraising projects of a more long term nature. Proceeds are forwarded to the University on an as needed basis to satisfy the individual endowment purposes. Fair value of such investments held by YSUF at June 30, 2013 and June 30, 2012 was \$7,986,988 and \$7,016,626, respectively. The management services are provided at no charge and investments are made in a manner consistent with the YSUF funds.

# YOUNGSTOWN STATE UNIVERSITY

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## BOARD OF TRUSTEES AS OF JUNE 30, 2013

Delores Crawford	<i>Community Affairs Director WKBN</i>
David C. Deibel	<i>Owner and President Boardman Steel</i>
Dr. Sudershan K. Garg, Chair	<i>Associate Professor of Internal Medicine Northeastern Ohio Universities College of Medicine  President Blood &amp; Cancer Center, Inc.  Hematologist/Oncologist St. Joseph Health Center and St. Elizabeth Health Center</i>
James B. Greene	<i>Retired Executive Compco Industries</i>
Dr. John R. Jakubek, Vice-Chair	<i>Anesthesiologist Bel-Park Anesthesia Associates, Inc. and St. Elizabeth Boardman Health Center</i>
Ryan Meditz	<i>Student Trustee</i>
Harry Meshel	<i>Former Ohio State Senator and Former Chair of the Ohio Democratic Party</i>
Joshua M. Prest	<i>Student Trustee</i>
Leonard D. Schiavone	<i>Partner and Treasurer Friedman &amp; Rummell Co., LPA</i>
Scott R. Schulick	<i>Vice President - Investments Stifel, Nicolaus and Co., Inc.</i>
Melissa Wasser	<i>Student Trustee</i>
Carole S. Weimer	<i>Retired Special Education Teacher Liberty High School</i>
Franklin S. Bennett, Jr.	<i>Secretary to the Board of Trustees</i>

# YOUNGSTOWN STATE UNIVERSITY

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## PRINCIPAL ADMINISTRATORS

AS OF JUNE 30, 2013

Dr. Cynthia E. Anderson	<i>President</i>
R. Scott Evans	<i>Vice President for University Advancement</i>
Jack Fahey	<i>Vice President for Student Affairs</i>
Eugene Grilli	<i>Vice President for Finance &amp; Administration</i>
Dr. Ikram Khawaja	<i>Provost and Vice President for Academic Affairs</i>

**AGENDA ITEM: C.1.d.**

**AGENDA TOPIC:** Executive Summaries for Strategic Plan Cornerstone

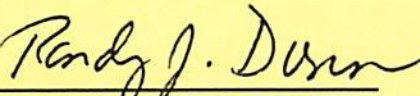
**STAFF CONTACT(S):** Scott Evans, Vice President for University Advancement; Jack Fahey, Vice President for Student Affairs; Gene Grilli, Vice President for Finance and Administration; and Ikram Khawaja, Provost and Vice President for Academic Affairs

**BACKGROUND:** The chairpersons of each of the four Strategic Plan Cornerstones report in summary form to the Board of Trustees at each quarterly meeting. (A comprehensive report of one cornerstone is reported in the appropriate committee.) The background material in the Audit Subcommittee includes the matrix of progress for all of the initiatives of the Strategic Plan.

**SUMMARY AND ANALYSIS:** Executive Summaries for Strategic Plan Cornerstones are attached.

**RESOLUTION: N/A – DISCUSSION ITEM ONLY**

**REVIEWED AS TO FORM AND CONTENT:**

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Randy J. Dunn, President

# YSU 2020

Cornerstone on Accountability and Sustainability  
Executive Summary  
December 2013

Most of the action on items under the Accountability and Sustainability Cornerstone fell under the areas of the New Budget Model, the Creation of the Central Database and the Improvement of Business Practices. The summary ends with a note about Shared Services.

## **New Budget Model:**

In order to meet an expected down turn in revenues and to do so under the new budget model, Area Division Officers were asked to reduce expenditures for FY 2014 and to utilize strategic priorities when considering where to reduce expenditures. Division Officers complied and strategic areas such as student recruitment and distance education were protected with reductions directed at less strategic areas. Personnel reductions were initiated and positions targeted from less strategic areas.

The decentralization of positions to division and departmental control is operational for staff positions and is under development for faculty positions. Recruitment costs are in the process of being decentralized to the divisions.

Finally, despite reductions in operating budgets for FY 2014, end-of-the-year carry-forward of budget balances has been preserved in principle.

## **Creation of the Central Database:**

YSU has entered into the data definition, assessment and refinement phase of this project. In order to make effective use of the data for decisions, the data must be properly attributed to the lowest organizational level possible, requiring a great number of individual decisions on data definitions, what data gets attributed to which actions/programs and whether the data that we have is the data we need. For example, one class of problems has to do with data that was previously analyzed and collected at the college or departmental level but must and should be attributed to programs within the department. Improving data is a necessary but time consuming process.

A second class of problems that must be resolved is the consistency of data over time. If we modify how we collect data today for better attribution, then do we / can we retroactively modify our data to ensure longitudinal consistency?

Finally, the programs that actually run the analyses on the institutional data have to be tested for accuracy.

### **Improvement of Business Practices:**

YSU has been active on three major fronts in trying to review and improve our business practices.

As an overarching issue, we have begun to look at a metric for efficiency that looks at increasing the percentage of direct instructional expenses against the total University expenses. Increasing the percentage of the budget given to direct instructional expenses, especially in a time of decreasing net revenues, means that we are becoming more efficient. The technique may also be compared across institutions since the relevant data is reported to the state and federal governments.

The second major activity that is underway is our effort to reduce “bad debt.” A committee is working on this issue now and is focused on three major improvements to reduce bad debt. The first is as simple as improving our contact information for current students, especially telephone numbers. We cannot intervene to help students if we cannot get in touch with them. The second activity is the provision of better and more timely financial management and debt repayment counseling. Finally, we will work with faculty to improve attendance taking, since proper attendance is related to the University’s ability to receive federal funds related to outstanding student tuition invoices.

The third major activity is centered on improving travel processes by making use of software that is provided by vendors and housed in the cloud. It enables individuals to do all travel activities from planning a trip, through reservations and payment to final reimbursement, all online.

### **Shared Services:**

Legislation in the State will now require reporting by higher education units on their shared services with other governmental and public organizations. IUC and the Ohio Association of Community Colleges are developing a reporting template for Ohio public universities. Reporting is expected to commence this calendar year.





# YSU 2020

## Cornerstone on Regional Engagement Executive Summary December 2013

The Regional Engagement Cornerstone team of YSU's 2020 Strategic Planning Initiative is pleased to provide the following update since the last report in September 2013. This summary discusses progress namely in the areas of reducing barriers to establish partnerships with YSU and diversity programming and outreach efforts. Successes in other initiative areas are mentioned as well.

It was decided that the focus would be placed on exploring barriers to academic partnerships with community colleges. As our recruiting demographic changes, a renewed importance will likely be placed on our positive and mutually beneficial relationships with two-year institutions. A task force has convened to address this challenge and has identified four primary components: 1) Faculty collaboration between the respective institutions is critical; 2) We should conduct a study to assess programs at the partner and host institution for program congruence; 3) We must streamline the transfer and articulation process; and 4) We must broaden and formalize our relationship with Eastern Gateway Community College. We are now reviewing the construct of possible Dual Admission agreements, to begin with Eastern Gateway Community College, as well as master agreements for transfer equates.

The Task Force for Diversity Programming was convened on September 10, 2013. The Task Force is comprised of college deans and/or a representative from each college who has been identified by the dean. Members of the Task Force will meet as needed throughout the 2013-2014 academic year to find ways that each college can support the Strategic Plan's commitment to diversity and inclusiveness. The focus areas are: Themes and Board Metrics, 2020 Metrics, Priorities, Initiatives, Resources, Who and Timelines. The Task Force will strive for intentional planning for diversity programming relative to the Strategic Plan: Regional Engagement Cornerstone. A Regional/Cultural Engagement Demographic Survey was drafted to gather data (e.g., gender, age, residence, ethnicity/race) and is still under review.

Successes in other initiative areas include the following:

- Youngstown State University and the Youngstown Warren Regional Chamber were recognized for their collaboration in developing the relationship with Siemens Corp. that led to a \$440 million in-kind software grant to YSU, at the Ohio Economic Development Association 2013 Annual Summit in Columbus.
- In July, the Youngstown Business Incubator ranked No. 11 out of 150 incubators worldwide on a list of the best university-affiliated incubators in the world. The University Business Incubator Index, based in Stockholm, compiled the list.
- The University collaborated with NASA Glenn and MAGENT- The Manufacturer's Advocacy and Growth Network – to conduct a “NASA Roadshow” event to assist local manufacturers in solving technical challenges. That event will be held December 5, 2013 at Kilcawley Center.

- The Athletic Department will begin investigating a third party to assist in the sales of football and basketball tickets.
- The new video scoreboard in Beeghly Center will enhance marketing and fundraising capabilities.
- A 10% increase in external funding for athletics was secured over the past year.
- The College of Creative Arts and Communication initiated several programs and collaborations to increase audience diversity.

The Cornerstone team is discovering a significant amount of new evidence of ways that YSU is actively engaging the region through the recent inclusion of leaders from the areas of marketing, communicating, alumni and events, diversity and multicultural affairs, the College of STEM and Bitonte College of Health and Human Services. The team will continue to discuss ways to track the new data and incorporate it into appropriate metrics.



# YSU 2020

## Cornerstone on Student Success Executive Summary December 2013

The Student Success Cornerstone is divided into three themes. Each theme has a host of initiatives and metrics. The themes are:

- Academic Achievement (fourteen initiatives, four completed, thirteen metrics)
- Student Satisfaction with Academic and Non-Academic Experiences (eight initiatives, zero completed, four metrics)
- Readiness for Post-College Success (four initiatives, two completed, four metrics)

### Progress on Initiatives

Significant progress has been made on twenty-three of twenty-six initiatives. Six are complete and only three initiatives have yet to be started. Highlights this quarter include:

- Completion of three objectives:
  - Support faculty development in teaching and learning.
  - Publish lists of companies that recruit on campus.
  - Enhance Job Fairs.
- We took the next step in our progression under “Examine and revise admissions and retention requirements.” We’ve begun the transition from open enrollment to open access by empowering an admissions committee to review all conditional student applications and deny admission to those students who are most unlikely to be successful.
- We expanded our marketing efforts to include a significant awareness campaign in the Northeast Ohio markets.
- Strong progress on many other initiatives. Currently, eleven of the remaining initiatives are more than halfway completed.

### Measurement/Metrics

The Student Success Cornerstone dashboards were shared with the Board of Trustees in May. These metrics as well as the metrics and data that feed into them are being updated regularly. Metrics updated (with trend) since the last quarter include:

- Degrees awarded (up)
- Entering freshmen average ACT (up)
- Retention rate (up)
- Course completion rate (up)
- % of students in good academic standing (up)

- International students (flat)
- Adult students (down)
- All NSSE scores (comparable)
- QOL University housing satisfaction (flat)
- ACUHO-I/EBI scores (flat)
- ACUI/EBI scores (flat)
- Graduates employed full-time (up)
- Graduates seeking additional education (up)

# YSU 2020

## Cornerstone on Urban Research University Transition Executive Summary December 2013

Progress continues on a number of initiatives within the Urban Research University Transition Cornerstone. These initiatives impact undergraduate and graduate education as well as international students.

Expanding online options for students is an institutional priority for YSU, and distance learning is included in the University's strategic plan as a way to improve student satisfaction with academic and non-academic experiences. With seven fully-online programs officially up and running, in addition to three programs set to launch in Fall 2014, the Distance Education office is hoping to hire a Student Success Specialist to provide customer service and to assist in the retention of 100% online students. The person in this position would work together with the Director to assist students from point of inquiry through graduation with applying, enrolling, and navigating the University's processes and procedures from a distance.

The Office of Distance Education is also focusing on making sure YSU offers the highest quality online programs and courses to its students. Currently, YSU has 48 courses under development. These courses will be peer reviewed to ensure they are meeting the expectation of highest quality, pedagogically-focused online courses from faculty trained in the best practices of online teaching. Currently, 156 YSU faculty members have received this distance education training.

The pace of externally funded awards to University faculty and staff has been fairly brisk to date in FY2014. In the first quarter, 28 projects totaling approximately \$2.435 million were approved for funding. In addition, 26 new proposals for external funding were submitted, requesting a total of \$3.09 million. These projects have a wide variety of objectives, including research, public service, scholarships, and academic program development. The amount of funding awarded so far in FY2014 compares very favorably with the total awards of \$3.6 million for all of FY2013.

International student enrollment has stabilized after a period of significant growth. The Center for International Studies and Programs has expanded strategic representation partnerships and now has active representation in India, Bangladesh, Nepal, and China. YSU's partnership with Chungbuk National University in Korea has recruited 2-3 Korean students for the past three semesters. International student applications reached an all-time high, with 70 new international students enrolling in fall 2013. In addition to working with the 192 degree-seeking international students, the English Language Institute enrolls an additional 46 pre-academic program students in a full-time, noncredit program of English as a Second Language, for a total of 238 international students.

An updated international student recruitment publication, which will provide YSU's partners and prospective international students with an exciting look at the university, community, and offerings, is underway. Beginning in spring 2014, the Provost's Scholarship will be made

available to international students in order to attract more international students with strong academic profiles. In February, YSU representatives will travel to China, Indonesia, Malaysia, Singapore, Thailand, and Vietnam to recruit more international students.

Fifteen YSU students are spending fall 2013 on a study abroad program. Students are studying in Australia, Brazil, China, England, Greece, India, Italy, Russia, Taiwan, Thailand, Turkey, and the Semester at Sea. An additional 36 YSU students will travel to other countries (30 students to the Bahamas and six students to the Czech Republic) as part of YSU courses this term.

YSU's participation in the Credit When It's Due (CWID) initiative has resulted in many Ohio students gaining additional academic credentials. The Credit When It's Due initiative is a national grant program designed to facilitate the implementation and improve the process of "reverse transfer" degree programs. CWID represents a joint venture of several foundations including the Lumina Foundation for Education, The Kresge Foundation, the Bill & Melinda Gates Foundation, USA Funds, and The Helios Education Foundation. As explained in the CWID grant announcement, "The initiative is designed to encourage partnerships of community colleges and universities to significantly expand programs that award associate degrees to transfer students when the students complete the requirements for the associate degree while pursuing a bachelor's degree." According to reports from Ohio institutions, a total of 594 associate degrees and three certificates were awarded in Ohio via CWID, and more than 1,400 degree audits were performed as part of the process.



**AGENDA ITEM: C.1.e.**

**AGENDA TOPIC:** Internal Audit

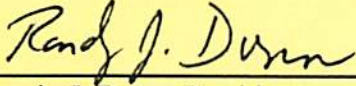
**CONTACT(S):** Representatives from Packer Thomas

**BACKGROUND:** Packer Thomas is the internal auditor of Youngstown State University. The original agreement between Packer Thomas and the University was signed on February 11, 2009. This agreement will end April of 2015.

**SUMMARY AND ANALYSIS:** With the approval of Audit Subcommittee Chair Schiavone, and the concurrence of BOT Chair Garg, representatives of our current internal audit firm Packer Thomas have requested time in front of the Subcommittee to present information on the topic of Internal Audit at the University for the future, given the expiration of their contract in the spring of 2014.

**RESOLUTION: N/A – DISCUSSION ITEM ONLY**

**REVIEWED AS TO FORM AND CONTENT:**

  
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Randy J. Dunn, President

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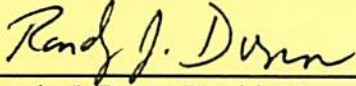
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Randy J. Dunn, President