

**BOARD OF TRUSTEES  
AUDIT SUBCOMMITTEE**  
**John R. Jakubek, Chair**  
**Leonard D. Schiavone, Vice Chair**  
**David C. Deibel**  
**Harry Meshel**  
**Joshua M. Prest**  
**Sudershan K. Garg, *Ex-Officio***  
**Cynthia E. Anderson, *Ex-Officio***

**Tuesday, December 4, 2012**  
**2:00 p.m. or immediately following**  
**previous meeting**

**Tod Hall**  
**Board Meeting Room**

**AGENDA**

- A. Disposition of Minutes for Meetings Held June 7, 2011; and September 18, 2012**
- B. Old Business**
- C. Subcommittee Item**
  - 1. Discussion Items**
    - a. Required Communications with the Board of Trustees** **Tab 1**  
Dennis Obyc, Crowe Horwath 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, 2012 and 2011** **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. Report of Internal Auditors, Packer Thomas** **Tab 4**  
Packer Thomas will provide an update on work in progress, Continuous Monitoring Reports on Payroll and Purchasing and a quarterly report of services.
    - e. Resolution to Renew Audit Subcommittee Charter** **Tab 5**  
Katrena Davidson, Interim Controller, will report.

**D. New Business**

**E. Adjournment**

**YOUNGSTOWN STATE UNIVERSITY  
REQUIRED COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE  
DECEMBER 4, 2012**

- I. Auditor's Responsibility Under Auditing Standards Generally Accepted In The United States Of America
- II. Auditor's Responsibility Under Government Auditing Standards
- III. Significant Accounting Policies And Management Judgments and Accounting Estimates
  - a. Significant Accounting Policies – Footnote 1
  - b. 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
- IV. Auditor's Judgments About Qualitative Aspects of Significant Accounting Practices
- V. Corrected And Uncorrected Misstatements – None
- VI. Other Communications
  - a. Other Information in Documents Containing Audited Financial Statements – MD&A
  - b. Significant Difficulties Encountered During The Audit – None
  - c. Disagreements With Management – None
  - d. Consultations With Other Accountants - None noted
  - e. Representations The Auditor Is Requesting From Management – See management representations letter
  - f. Significant Issues Discussed, Or Subject To Correspondence, With Management - None
  - g. Other Finding or Issues We Find Relevant or Significant - See management comment letter

---

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.

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, 2012, in accordance with auditing standards generally accepted in the United States of America, 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>Information Technology - Password Complexity</b>	
<b>Observation:</b>	Currently, the password requirements for the Windows Active Directory indicated less rigorous requirements than current industry standards.
<b>Recommendation:</b>	We recommend an enhancement of Windows Active Directory password requirements such as enabling password complexity, history and change requirements.
<b>Management's Response:</b>	We agree. The University Security Practice document clearly sets improved password management as a standard. It is a project within ITS priorities and is scheduled to be addressed after certain pressing infrastructure projects have been completed. We would anticipate completing this upgrade within two years.

<b>PERKINS DEFAULT RATE AND DEFAULT NOTICES</b>	
<b>Observation:</b>	<p>During compliance testing, we noted the University has a Perkins cohort default rate of 15.22% in the current year. Per the Code of Federal Regulations, an institution is considered to have administrative capability if the institution has a cohort default rate on loans made under the Federal Perkins Loan Program to students for attendance at that institution that does not exceed 15 percent.</p> <p>Additionally, we noted an instance where a student did not receive their first overdue notice as required by the Code of Federal Regulations.</p>
<b>Recommendation:</b>	<p>We recommend Perkins Loan collection procedures be reviewed to identify areas that may bring the cohort default rate below 15 percent.</p> <p>In addition, we recommend management implement monitoring procedures to ensure the Campus Loan Manager system is programmed to send notices in accordance with program guidelines.</p>
<b>Management's Response:</b>	<p>We agree. The Perkins loan collection process is being reviewed for alternative collection procedures to improve the collectability of past due Perkins loans.</p> <p>The due diligence invoice cycle in the Perkins Campus Loan Manager software will be changed to ensure that due diligence notifications are sent to borrowers in accordance with federal regulations.</p>

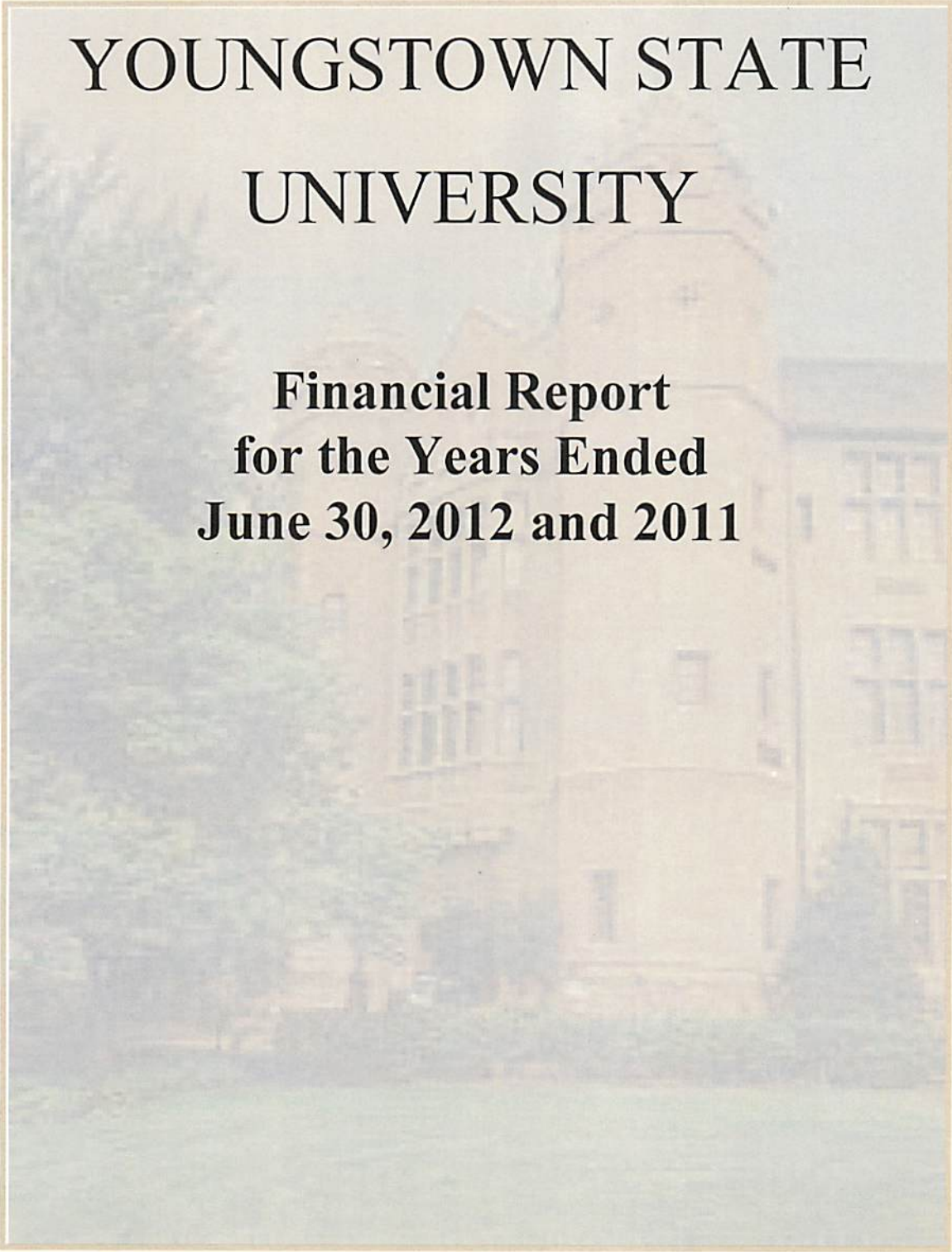
The University's response has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

This communication is intended solely for the information and use of management, the Board of Trustees, others within the organization, federal awarding agencies and the Office of the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

*Crowe Horwath LLP*

Crowe Horwath LLP

Columbus, Ohio  
October 12, 2012



YOUNGSTOWN STATE  
UNIVERSITY

**Financial Report  
for the Years Ended  
June 30, 2012 and 2011**

# YOUNGSTOWN STATE UNIVERSITY

## CONTENTS

	<i>Page</i>
<i>Message from President Anderson</i> .....	1
<b><i>Financial Report</i></b>	
<i>Report of Independent Auditors</i> .....	2
<i>Management's Discussion and Analysis</i> .....	4
<i>Basic Financial Statements</i>	
<i>Youngstown State University Statements of Net Assets</i> .....	18
<i>The Youngstown State University Foundation</i> <i>Statements of Financial Position</i> .....	19
<i>Youngstown State University Statements of</i> <i>Revenues, Expenses and Changes in Net Assets</i> .....	20
<i>The Youngstown State University Foundation</i> <i>Statements of Activities and Change in Net Assets</i> .....	21
<i>Youngstown State University Statements of Cash Flows</i> .....	22
<i>Notes to Financial Statements</i> .....	24
<b><i>Board of Trustees</i></b> .....	48
<b><i>Principal Administrators</i></b> .....	49

# YOUNGSTOWN STATE UNIVERSITY

## MESSAGE FROM PRESIDENT ANDERSON

October 12, 2012

This past year was one full of significant challenges, innovations and accomplishments, undertaken with the resolute and thoughtful determination that are the hallmarks of Youngstown State University. As we witness a slowly progressing economic recovery here in the Valley, across the state and the nation, we are more mindful than ever of the vital role the University must play in supporting the success of our students and in providing the academic and research resources that will help guide us all toward a more productive and meaningful future.

In the midst of contending with a very challenging budget year that included a 15-percent cut in state funding and a 4-percent drop in enrollment in the Fall, through prudent management the University was able to balance the budget while maintaining and even enhancing services to students. To reach the goals that our strategic plan calls for—to evolve YSU into an urban research university of regional, national and international prominence—we will need to continue to sustain the kind of momentum and accomplishments which we realized in fiscal year 2012, a few of which I am proud to share.

- YSU added five new degree programs – Ph.D. in Materials Science and Engineering; Educational Specialist degree in School Psychology; Master of Respiratory Care; Bachelor of Arts in Dance Management; and Bachelor of Science in Dental Hygiene.
- For the third consecutive year, YSU was named to the President’s Higher Education Community Service Honor Roll and was designated a “Military Friendly School.”
- YSU played a leading role to bring the Pilot Institute for Manufacturing Innovation to Youngstown, and will be one of the few players at the table as this Institute moves forward. We have positioned ourselves as a significant center of research and education excellence, and our central involvement in this project is yet another indication of our evolution toward an urban research institution of distinction.
- While total overall giving was down over last fiscal year (total overall giving includes Major Gifts, Annual Fund, Planned Gifts and Special Projects), giving to the various scholarship and endowment funds went up. YSU saw an increase in the number of donors to the University, with faculty/staff giving reaching a record high in fiscal year 2012, raising our total to 4,403 donors. Additionally, the Annual Fund continues its seven-year upward trend.
- Over the summer, we welcomed a new Dean of the Beeghly College of Education, Charles Howell. We also brought on board our new Vice President for University Advancement, Scott Evans; our new Police Chief, John Beshara; our new Associate Vice President and Chief Technology officer, Ken Schindler; and our first Director of Distance Learning, Millie Rodriguez.
- YSU hosted numerous state, national and international conferences this year, including: the Sustainable Energy Forum, the 36<sup>th</sup> Annual Ohio Professional and Student Conference on Aging, the annual meeting of the East Lakes Division of the Association of American Geographers, and the Asia-Pacific Economic Cooperation Summit, among many others.
- And finally, please indulge me in offering just three examples of how our students excel on so many levels.
  - Jessica Valsi and Rochelle Beiersdorfer became the first YSU students ever to receive the prestigious Critical Language Scholarship from the U.S. Department of State. Rochelle studied in China, and Jessica in Turkey.
  - Brittany Chalfant graduated this spring and was offered a full scholarship to pursue a Master’s degree in chemical engineering at the Massachusetts Institute of Technology, the highest-ranked engineering school in the world.
  - Kathleen Smith earned national recognition as a 2012 Goldwater Scholarship Honorable Mention, one of the nation’s premier awards for undergraduate students.

While our economic position has been disappointing, most of our other institutional success indicators are positive, helping us realize our core values of academic excellence and student success, and ensuring that Youngstown State University stands ready to meet the challenges of the rapidly changing higher education landscape.

Sincerely,



Cynthia E. Anderson  
President



## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees  
Youngstown State University  
Youngstown, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Youngstown State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2012 and 2011, which collectively comprise of the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of University's management. Our responsibility is to express our 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 of material misstatement. The financial statements of the Youngstown State University Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our 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, 2012 and 2011 and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Governmental Accounting Standards Board requires that the Management's Discussion and Analysis (MD&A) on pages 4 through 17 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the 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 12, 2012

# 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, 2012 with comparative information for the fiscal years ended June 30, 2011 and June 30, 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

### Introduction

Youngstown State University, an urban research university, emphasizes a creative, integrated approach to education, scholarship, and service. The University places students at its center; leads in the discovery, dissemination, and application of knowledge; advances civic, scientific, and technological development; and fosters collaboration to enrich the region and the world.

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 2012 enrollment is 13,813.

### Using the Financial Statements

The University's financial report includes three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, 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* 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. 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)

# YOUNGSTOWN STATE UNIVERSITY

---

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

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. 39, *Determining Whether Certain Organizations Are Component Units*, The Youngstown State University Foundation (YSUF or Foundation) is treated as component unit of the University. The University Housing Corporation (UHC) was recognized as a component unit in fiscal year 2011, but not in fiscal year 2012. The University purchased the University Courtyard Apartments from UHC at the end of fiscal year 2011. Therefore, beginning in fiscal year 2012, the operations of UHC are reflected on the University's financial statements. 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

- Decreased enrollment
- Decreased State support and loss of Federal stimulus funds
- Continued healthy Senate Bill 6 ratios
- Reduced aggregate compensation and operating expenses through implementation of an early retirement incentive program (ERIP) and a faculty severance plan
- Decreased health care costs resulting from changes in the health care benefit plans
- Completed The Watson and Tressel Training Site (WATTS) Center, an indoor athletic facility
- Included University Courtyard Apartments operations
- Continued implemented a Strategic Planning Initiative focusing on four Cornerstones: Accounting and Sustainability, Student Success, Urban Research University Transition, and Regional Engagement

# YOUNGSTOWN STATE UNIVERSITY

---

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

### The Statements of Net Assets

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 assets – is an indicator of the current financial condition of the University.

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Assets</b>			
Current assets	\$ 67,998,180	\$ 96,018,091	\$ 91,214,072
Capital assets, net	198,967,315	198,498,179	173,062,942
Other assets	<u>31,574,900</u>	<u>35,186,161</u>	<u>40,517,945</u>
Total Assets	<u>298,540,395</u>	<u>329,702,431</u>	<u>304,794,959</u>
<b>Liabilities</b>			
Current liabilities	22,232,197	46,809,016	29,788,163
Noncurrent liabilities	<u>84,452,709</u>	<u>89,390,197</u>	<u>71,649,829</u>
Total Liabilities	<u>106,684,906</u>	<u>136,199,213</u>	<u>101,437,992</u>
Total Net Assets	<u>\$ 191,855,489</u>	<u>\$ 193,503,218</u>	<u>\$ 203,356,967</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	135,463,081	140,443,646	142,454,074
Restricted	27,256,853	26,280,372	26,783,201
Unrestricted	<u>29,135,555</u>	<u>26,779,200</u>	<u>34,119,692</u>
Total Net Assets	<u>\$ 191,855,489</u>	<u>\$ 193,503,218</u>	<u>\$ 203,356,967</u>

### Assets

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Cash and cash equivalents	\$ 25,918,304	\$ 28,926,599	\$ 52,906,489
Investments	51,146,119	58,100,738	53,358,522
Accounts, loans and pledges receivable, net	18,197,442	20,899,105	21,320,642
Bond proceeds receivable	-	19,006,093	-
Capital assets, net	198,967,315	198,498,179	173,062,942
Other	<u>4,311,215</u>	<u>4,271,717</u>	<u>4,146,364</u>
Total Assets	<u>\$ 298,540,395</u>	<u>\$ 329,702,431</u>	<u>\$ 304,794,959</u>

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.

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

---

Cash and cash equivalents decreased \$24 million or 45% from fiscal year 2010 to fiscal year 2011. The decrease was primarily due to the spending of \$16 million of prior year bond proceeds on capital projects, a \$1.5 million shift of cash equivalents to fund a new investment account, \$1.2 million in ERIP payments, and a \$2.1 million increase in healthcare costs. Deposits held by Trustee totaled \$20,237,638 June 30, 2011 compared to \$36,283,379 at June 30, 2010. Investments increased \$4.7 million or 9% from fiscal year 2010 to fiscal year 2011 due to the impact of the composition of the investment portfolio, shift of cash to the new investment fund, and purchases and sales activity. Investments were shifted to shorter maturities to limit long term credit risk due to low interest rates.

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. 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.

Overall, net accounts, loans and pledges receivable decreased \$420,000 or 2% from fiscal year 2010 to fiscal year 2011. Gross student accounts receivable increased \$1.9 million primarily due to the impact of enrollment and tuition increases as well as procedures over Title IV federal financial aid. State capital appropriations decreased by \$500,000 as a result of the completion of the state funded portion of the new WCBA building project. Net pledges decreased by \$1.4 million due to the inflow of receipts from the Centennial Campaign. Net loans decreased \$200,000 because collections exceeded loan advances. The \$19,006,093 bond proceeds receivable relates to the purchase of the University Courtyard Apartments. The purchase was made in June 2011 through bond financing. The bonds proceeds were received in July 2011. See Notes 9 and 17 for details.

See Notes 5 and 6 for additional information on net accounts, loans, and pledges receivable.

# YOUNGSTOWN STATE UNIVERSITY

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

At June 30, 2012, the University had \$198,967,315 in capital assets, net of accumulated depreciation. Depreciation totaled \$10,452,082, \$9,385,589, and \$9,470,165 in fiscal years 2012, 2011, and 2010 respectively. Details of net capital assets are shown below.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Land	\$ 15,457,264	\$ 15,443,959	\$ 15,070,329
Buildings, net	130,490,412	124,511,560	88,623,117
Improvements to buildings, net	24,438,181	25,143,095	25,610,498
Improvements other than buildings, net	12,055,358	8,209,081	8,391,114
Construction in progress	8,826,015	16,786,160	28,098,667
Moveable equipment and furniture, net	6,901,000	7,701,938	6,558,737
Vehicles, net	227,950	226,492	182,464
Historical treasures	570,466	457,218	381,115
Capital leased assets, net	669	18,676	146,901
Total Capital Assets, net	<u>\$ 198,967,315</u>	<u>\$ 198,498,179</u>	<u>\$ 173,062,942</u>

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. Construction continued on the Porter and Mary 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 Center, which is scheduled to be completed in early fiscal year 2012. Several Parking renovation projects are also in progress and reflected in construction in progress at June 30, 2011.

Major capital activity during fiscal year 2010 included completion of the second phase of the West Campus Gateway Project, Beeghly Center and Jones Hall roof renovations, Coffelt Hall renovations, and a new entrance to Tod Hall. The University broke ground on the WATTS Center and continued construction on the new WCBA building scheduled to open on August 15, 2010. These two projects are reflected in construction in progress at June 30, 2010.

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, deferred revenue, and compensated absences. The following table summarizes balances at:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Accounts and construction payable	\$ 4,266,084	\$ 5,729,657	\$ 9,791,870
Payable to UHC	-	17,214,945	-
Payroll liabilities	7,851,257	11,195,521	10,503,836
Notes payable	4,329,923	5,321,732	6,554,724
Bonds and capital leases payable, net	72,048,760	73,334,860	55,529,200
Deferred revenue	4,802,290	6,081,217	5,655,858
Compensated absences	9,032,479	12,065,045	9,793,129
Refundable advance	2,684,953	2,741,340	2,782,279
Other	1,669,160	2,514,896	827,096
Total Liabilities	<u>\$ 106,684,906</u>	<u>\$ 136,199,213</u>	<u>\$ 101,437,992</u>

Total liabilities at June 30, 2012 decreased \$29.5 million or 22% over fiscal year 2011. The \$17.2 million payable to 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.

Total liabilities at June 30, 2011 increased \$34.8 million or 34% over fiscal year 2010. Overall, accounts and construction payables decreased \$4.1 million or 42% over the prior year primarily due to a decrease in payables due to the completion of the new WCBA building and Beeghly Center roof renovations, while year end activity increased for parking projects and AstroTurf replacement. The accounts payable UHC relates to the purchase of the University Courtyard Apartments from the University Housing Corporation. In June 2011, the University authorized, through Board Resolution, the issuance of General Receipts Bonds, Series 2011 in the amount of \$18,660,000. The bond proceeds, received in July 2011, were used to pay UHC in full. See Notes 9 and 17 for details. Payroll liabilities increase \$700,000 or 7% primarily due to increased health care costs. Compensated absences increased \$2.3 million or 23% over the past year primarily due to \$1.8 million in unpaid costs associated with the ERIP. Other liabilities increased \$1.7 million or 204% primarily due to \$1.56 million in unpaid costs associated with the Faculty Severance Plan.

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

Net Assets

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Invested in capital assets, net of related debt	\$ 135,463,081	\$ 140,443,646	\$ 142,454,074
Restricted-nonexpendable	6,535,407	5,980,963	5,230,061
Restricted-expendable	20,721,446	20,299,409	21,553,140
Unrestricted	<u>29,135,555</u>	<u>26,779,200</u>	<u>34,119,692</u>
Total Net Assets	<u>\$ 191,855,489</u>	<u>\$ 193,503,218</u>	<u>\$ 203,356,967</u>

Overall, the University's net assets 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 includes a \$5 million decrease in the net amount invested in capital assets, a \$1 million increase in restricted net assets, and a \$2.4 million increase in unrestricted net assets.

The University's net assets decreased \$9.8 million or 4.9% from \$203.4 million at June 30, 2010 to \$193.5 million at June 30, 2011. This resulted from excess expenses over revenues and includes a \$2 million decrease in the net amount invested in capital assets, a \$500,000 decrease in restricted net assets and a \$7.3 million decrease in unrestricted net assets.

Net assets invested in capital assets, net of related debt 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 \$5 million in 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 current year 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.

At June 30, 2011 capital assets increased \$25.4 million primarily due to construction in progress activity, the purchase of the University Courtyard Apartments, and depreciation expense of \$9.4 million. Outstanding plant debt was \$78,656,592 and unspent bond proceeds were \$19,690,217 compared to outstanding plant debt of \$62,083,924 and unspent bond and note proceeds of \$30,613,642 in fiscal year 2010.

Restricted non-expendable net assets consist primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was positive in fiscal years 2012 and 2011.

Restricted expendable net assets are 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.

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

The following table summarizes restricted expendable net assets at:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current funds	\$ 7,166,503	\$ 6,525,880	\$ 6,353,392
Plant funds	13,359,692	13,651,000	15,076,425
Quasi-Endowments	131,963	56,963	56,963
Loan funds	<u>63,288</u>	<u>65,566</u>	<u>66,360</u>
Total Restricted Expendable Net Assets	<u>\$ 20,721,446</u>	<u>\$ 20,299,409</u>	<u>\$ 21,553,140</u>

Current restricted funds include grants and sponsored programs and gifts, including scholarship donations and program support. These funds increased slightly from \$6.5 million at June 30, 2011 to \$7.1 million at June 30, 2012. Plant funds primarily include donations and pledges for construction or renovation. Approximately \$10.5 million of the \$13.4 million balance at June 30, 2012 relates to gifts which have been internally designated for future debt service attributed to those projects.

Current restricted funds include grants and sponsored programs and gifts, including scholarship donations and program support. These funds increased slightly from \$6.4 million at June 30, 2010 to \$6.5 million at June 30, 2011. Plant funds primarily include donations and pledges for construction or renovation. The net decrease of \$1.4 million or 9% was largely due to a combination of spending of capital gifts for the new WCBA building and the WATTS Center projects, funding of debt service attributed to the WCBA project, and an increase of gift funds for future debt service. Capital revenue for these projects totaling \$2.5 million is included in capital grants and gifts in the Statement of Revenues, Expenses, and Changes in Net Assets.

Unrestricted net assets are not subject to externally imposed restrictions. The following table summarizes unrestricted net assets at:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current funds	\$ 7,356,124	\$ 6,143,978	\$ 12,716,264
Operating reserves	8,670,049	8,549,683	8,522,683
Plant funds	13,084,030	12,058,242	12,853,071
Loan funds	<u>25,352</u>	<u>27,297</u>	<u>27,674</u>
Total Unrestricted Net Assets	<u>\$ 29,135,555</u>	<u>\$ 26,779,200</u>	<u>\$ 34,119,692</u>

The \$2.4 million increase in unrestricted net assets, reflects generally the excess of revenues over expenses during fiscal year 2012 from non capital asset activity. Unrestricted net assets are designated for future operations, plant construction and maintenance, and debt service.

# YOUNGSTOWN STATE UNIVERSITY

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

### Overall Analysis of Fiscal Year 2011 Versus 2010

The most significant factors affecting the decrease in net assets for fiscal year 2011 included the implementation of an early retirement incentive program (ERIP) and a faculty severance plan, spending of bond proceeds and capital gifts for the new WCBA building and WATTS Center, and the purchase of University Courtyard Apartments from UHC.

### The Statements of Revenues, Expenses, and Changes in Net Assets

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 assets follows:

	June 30, 2012	June 30, 2011	June 30, 2010
Operating Revenues			
Net tuition, fees and other student charges	\$ 88,491,653	\$ 85,801,400	\$ 82,354,269
Auxiliary enterprises	22,105,338	19,330,455	18,986,335
Grants and contracts	10,200,470	14,153,120	13,449,823
Other	2,466,280	2,391,157	2,195,520
Total Operating Revenues	123,263,741	121,676,132	116,985,947
Operating Expenses	202,319,959	220,457,885	205,485,037
Operating Loss	(79,056,218)	(98,781,753)	(88,499,090)
Nonoperating Revenues (Expenses)			
Federal and state appropriations	39,347,845	46,720,852	47,508,169
Gifts, grants, and contracts	38,219,829	40,130,229	35,631,160
Investment income	1,360,702	4,226,478	4,343,765
Other	(3,703,386)	(4,202,364)	(4,276,825)
Net Nonoperating Revenues	75,224,990	86,875,195	83,206,269
Loss Before Other Revenues, Expenses, and Changes	(3,831,228)	(11,906,558)	(5,292,821)
Other Revenues, Expenses, and Changes			
State capital appropriations	133,552	998,881	10,614,635
Capital grants and gifts	1,578,453	4,082,194	5,036,783
Other	471,494	14,636	26,614
Contribution of capital to UHC	-	(3,042,902)	-
Total Other Revenues, Expenses, and Changes	2,183,499	2,052,809	15,678,032
Change in Net Assets	(1,647,729)	(9,853,749)	10,385,211
Net Assets at Beginning of the Year	193,503,218	203,356,967	192,971,756
Net Assets at End of the Year	<u>\$ 191,855,489</u>	<u>\$ 193,503,218</u>	<u>\$ 203,356,967</u>

# YOUNGSTOWN STATE UNIVERSITY

---

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

### Revenues

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Net tuition, fees, and other student charges	\$ 88,491,653	\$ 85,801,400	\$ 82,354,269
Gifts, grants and contracts	50,470,246	58,380,179	54,144,380
State appropriations	39,347,845	39,992,134	40,791,039
Federal appropriations	-	6,728,718	6,717,130
Auxiliary enterprises	22,105,338	19,330,455	18,986,335
Investment income	1,360,702	4,226,478	4,343,765
Other revenue	2,903,865	2,660,784	2,431,603
State capital appropriations	133,552	998,881	10,614,635
Total Revenues	<u>\$ 204,813,201</u>	<u>\$ 218,119,029</u>	<u>\$ 220,383,156</u>

Overall, the University's total net revenues decreased \$13.3 million or 6% in fiscal year 2012 and decreased \$2.3 million or 1% in fiscal year 2011. The majority of the University's revenue, 62% in fiscal year 2012, 61% in fiscal year 2011, and 59% in fiscal year 2010 is attributed to Federal and State appropriations and net tuition and fees. Combined, these two revenue streams decreased \$4.7 million in fiscal year 2012 and increased \$2.7 million in 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 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 \$0.9 million or 87% from fiscal year 2011 to fiscal year 2012, primarily due to utilization of bond proceeds and gifts for current projects. Approximately \$10.1 million in Capital appropriations has been re-appropriated for future projects.

Overall, the University's total revenues decreased \$2.3 million or 1% in fiscal year 2011 and increased \$21.9 million or 11% in fiscal year 2010. The majority of the University's revenue, 61% in fiscal year 2011, 59% in fiscal year 2010, and 65% in fiscal year 2009 is attributed to Federal and State appropriations and net tuition and fees. Combined, these revenue streams increased \$2.7 million in fiscal year 2011 and \$1.8 million in fiscal year 2010.

# YOUNGSTOWN STATE UNIVERSITY

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

During fiscal years 2011 and 2010, the University received \$6.7 million in stimulus funds as a pass through the State Share of Instruction (SSI) to offset reductions in State appropriations. These are recorded as Federal appropriations. Net tuition, fees and other student charges increased \$3.5 million or 4% due to the combination of increased enrollment and increased tuition and mandatory fees. Gifts, grants, and contracts increased \$4.2 million or 7.8% over the prior year mainly due to a \$4.7 million or 17% increase in Federal Pell grants, resulting from an increase in the number of eligible students. State capital appropriations decreased \$9.6 million or 91% from fiscal year 2010 to fiscal year 2011, primarily due to completion of the new WCBA building and other campus renovations.

### 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 Assets. The table below summarizes the natural classification.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Compensation	\$ 126,365,366	\$ 139,775,937	\$ 128,827,835
Operations	41,496,195	44,852,343	42,375,839
Scholarships	23,911,055	26,360,841	24,713,583
Depreciation and Amortization	10,547,343	9,468,764	9,567,780
Total Operating Expenses	<u>\$ 202,319,959</u>	<u>\$ 220,457,885</u>	<u>\$ 205,485,037</u>

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 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 current year spending containment and \$1.74 million in faculty severance plan payments in the prior year. Both the ERIP and faculty severance plan resulted in extraordinary levels of vacant staff and faculty positions.

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Assets; therefore the \$2.4 million decrease in scholarship expense is 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 including \$29.9 million in Federal Pell grants compared to \$50.9 million and \$34 million in the prior year, respectively.

Overall operating expenses increased \$15 million or 7.38% between fiscal year 2011 and fiscal year 2010. Significant contributors to the increase included an increase of \$10.9 million or 8.5% in compensation including \$4.1 million in scheduled increases in salaries and wages, \$3.4 million in ERIP purchases and retirement related payouts, \$1.7 million in Faculty Severance Plan payout obligations and a \$2.7 million increase in health care costs. Operating expenses increased slightly by \$2.5 million or 5.8%.

## **YOUNGSTOWN STATE UNIVERSITY**

---

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

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Assets; therefore, the \$1.6 million increase in scholarships expense is a partial reflection of a combination of a \$4.7 million increase in federal financial aid for Pell grant recipients, a reduction in state supported aid, and a \$1.3 million decrease in donation supported scholarships. Overall, the University disbursed \$50.9 million to students including \$34 million in Federal Pell grants compared to \$47.1 million and \$27.8 in the prior year.

Also reflected on the Statement of Revenues, Expenses and Changes in Net Assets in the Other Revenue, Expenses and Changes section is the \$3 million contribution of capital to UHC. UHC's Statement of Activities reflects this as a contribution of capital from YSU. Therefore, the combined results of the acquisition on the financial statements of the University and UHC reflect no net gain or loss on this transaction and the property is recorded by the University on the same historical cost basis as it was prior to the acquisition. See Notes 9 and 17 for details.

Total operating and non-operating expenses were \$206,460,930, 227,972,778, and \$209,997,945, in fiscal years 2012, 2011 and 2010, 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

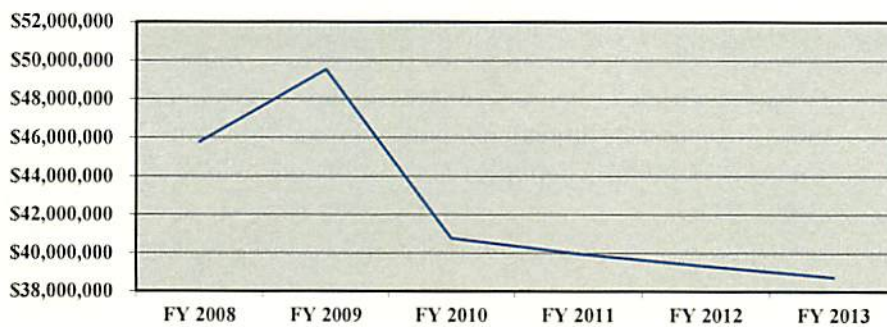
Looking to the future, management believes the University is well-positioned to continue its favorable financial condition and level of excellence in service to students. The University's healthy financial position is reflected in its Senate Bill 6 (SB6) composite scores. These scores are required to 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, 2012 was 2.6 compared to 2.3 at June 30, 2011 and 3.7 at June 30, 2010. The increase in the composite score in fiscal year 2012 reflects the effect of the increase in unrestricted net assets 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 has and continues to result in declines in state funding appropriations. A further reduction to the University's state appropriations of \$1 million is expected for fiscal year 2013.

The reduction in state funding support was partially offset by an increase in tuition and fees of 3.5% for fiscal year 2012 and fiscal year 2013. However, after several years of consistent enrollment growth, declines in enrollment levels in fiscal year 2012 and in the start of fiscal year 2013 has created additional budgetary challenges and uncertainty about the future.

The following graph reflects five years actual data plus the budgeted amount for fiscal year 2013. Fiscal years 2010 and 2011 do not include federal stimulus funds.

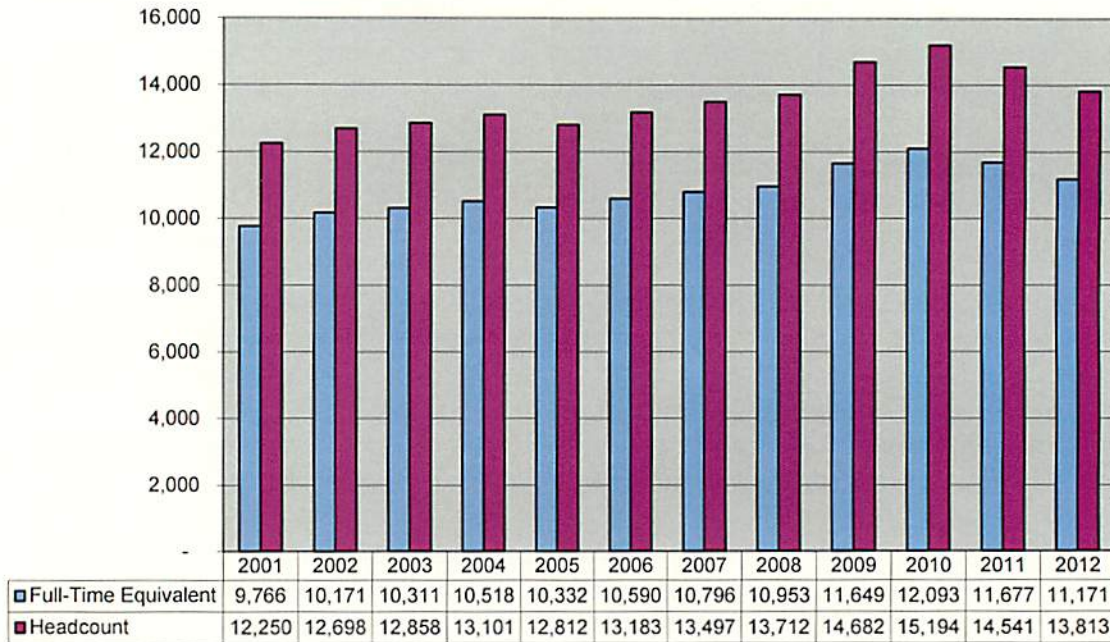
State Appropriations  
Fiscal Years 2008 through 2013



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

The following graph reflects fall enrollment trends.

**Fall Semester Enrollment Trends  
 2001 through 2012**



The reduction in state funding and the decline in enrollments have prompted the University to take actions to control operating expenses, especially personnel costs. The unusually large number of staff vacancies, largely due to the ERIP for eligible OPERS employees, has presented the University opportunities to streamline operations and realign personnel resources, which has resulted in administrative efficiencies and long-term cost reductions. The University has also implemented a Faculty Severance Plan for eligible faculty.

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 ASSETS AT JUNE 30, 2012 AND 2011

	June 30, 2012	June 30, 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 25,918,304	\$ 28,926,599
Investments	25,454,058	31,339,353
Restricted investments	58,909	70,249
Interest receivable	128,939	232,117
Accounts receivable, net	10,334,135	11,289,068
Bond proceeds receivable	-	19,006,093
Pledges receivable, net	2,335,406	1,604,697
Loans receivable, net	385,320	422,158
Inventories	1,806,882	2,073,655
Prepaid expenses and deferred charges	1,576,227	1,054,102
<b>Total Current Assets</b>	67,998,180	96,018,091
<b>Noncurrent Assets</b>		
Investments	19,248,586	20,983,550
Endowments and other restricted investments	6,384,566	5,707,586
Pledges receivable, net	3,303,096	5,709,711
Loans receivable, net	1,839,485	1,873,471
Unamortized bond issue cost	799,167	911,843
Nondepreciable capital assets	24,853,745	32,687,337
Depreciable capital assets, net	174,113,570	165,810,842
<b>Total Noncurrent Assets</b>	230,542,215	233,684,340
<b>Total Assets</b>	298,540,395	329,702,431
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	2,656,612	2,635,189
Payable to University Housing Corporation	-	17,214,945
Construction payable	1,609,472	3,094,468
Payroll liabilities	7,851,257	11,195,521
Bonds payable	1,685,000	1,120,000
Notes payable	1,026,820	991,809
Capital leases payable	806	91,712
Compensated absences	930,780	2,619,259
Deferred revenue	4,802,290	6,081,217
Other liabilities	1,669,160	1,764,896
<b>Total Current Liabilities</b>	22,232,197	46,809,016
<b>Noncurrent Liabilities</b>		
Bonds payable, net	70,362,954	72,122,342
Notes payable	3,303,103	4,329,923
Capital leases payable	-	806
Compensated absences	8,101,699	9,445,786
Refundable advance	2,684,953	2,741,340
Other liabilities	-	750,000
<b>Total Noncurrent Liabilities</b>	84,452,709	89,390,197
<b>Total Liabilities</b>	106,684,906	136,199,213
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	135,463,081	140,443,646
Restricted - Nonexpendable	6,535,407	5,980,963
Restricted - Expendable	20,721,446	20,299,409
Unrestricted	29,135,555	26,779,200
<b>Total Net Assets</b>	\$ 191,855,489	\$ 193,503,218

See accompanying notes to financial statements.

# THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

## STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2012 AND 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,419,999	\$ 4,351,623
Accrued interest receivable	266,224	292,176
Due from University Housing Corporation	-	92,000
Prepaid insurance	12,655	5,142
Property acquired for resale to Youngstown State University	43,931	54,491
Investments-at fair value		
Common stock	139,186,976	132,856,637
Preferred stock	4,733,018	5,846,282
Fixed income securities		
U.S. Government and Agencies	5,618,905	5,691,399
Corporate	33,209,361	28,060,100
Temporary cash investments	2,049,234	7,444,673
	<u>184,797,494</u>	<u>179,899,091</u>
Contribution receivable from remainder trusts	1,857,264	1,756,945
Cash surrender value of insurance policies	22,323	36,087
Office furniture and equipment, at cost, less accumulated depreciation of \$40,086 in 2012 and \$37,358 in 2011	15,366	2,921
<b>TOTAL ASSETS</b>	<u><u>\$ 192,435,256</u></u>	<u><u>\$ 186,490,476</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 7,508	\$ -
Grant commitments to Youngstown State University for scholarship awards	5,157,940	3,570,000
<b>TOTAL LIABILITIES</b>	<u>5,165,448</u>	<u>3,570,000</u>
<b>NET ASSETS</b>		
Unrestricted		
Designated by Board for endowment	135,491,552	133,432,668
Undesignated	2,510,225	2,820,494
	<u>138,001,777</u>	<u>136,253,162</u>
Temporarily restricted	2,409,930	2,242,833
Permanently restricted	46,858,101	44,424,481
<b>TOTAL NET ASSETS</b>	<u>187,269,808</u>	<u>182,920,476</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 192,435,256</u></u>	<u><u>\$ 186,490,476</u></u>

See accompanying notes to financial statements.

# YOUNGSTOWN STATE UNIVERSITY

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	June 30, 2012	June 30, 2011
<b>OPERATING REVENUES</b>		
Tuition, fees, and other student charges (net of scholarship allowance of \$22,847,852 in 2012 and \$24,518,482 in 2011)	\$ 88,491,653	\$ 85,801,400
Federal grants and contracts	5,252,707	7,929,223
State grants and contracts	4,327,817	5,488,810
Local grants and contracts	252,137	419,063
Private grants and contracts	367,809	316,024
Sales and services	500,879	612,890
Auxiliary enterprises	22,105,338	19,330,455
Other operating revenues	1,965,401	1,778,267
<b>Total Operating Revenues</b>	123,263,741	121,676,132
<b>OPERATING EXPENSES</b>		
Instruction	69,553,141	75,383,754
Research	2,952,974	3,449,484
Public service	5,568,710	5,345,054
Academic support	13,441,001	15,163,078
Student services	8,607,040	9,485,179
Institutional support	28,284,064	34,944,804
Operation and maintenance of plant	14,616,937	16,299,957
Scholarships	21,033,400	23,478,751
Auxiliary enterprises	27,715,348	27,439,060
Depreciation and amortization	10,547,344	9,468,764
<b>Total Operating Expenses</b>	202,319,959	220,457,885
<b>Operating Loss</b>	(79,056,218)	(98,781,753)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	39,347,845	39,992,134
Federal appropriations	-	6,728,718
Federal grants	30,462,830	33,100,968
Private gifts	7,756,999	7,029,261
Unrestricted investment income, net of investment expense	1,012,197	3,250,947
Restricted investment income, net of investment expense	348,505	975,531
Interest on capital asset-related debt	(2,668,571)	(1,288,226)
Other nonoperating expenses, net	(1,034,815)	(2,914,138)
<b>Net Nonoperating Revenues</b>	75,224,990	86,875,195
<b>Loss Before Other Revenues, Expenses, and Changes</b>	(3,831,228)	(11,906,558)
<b>OTHER REVENUES, EXPENSES, AND CHANGES</b>		
State capital appropriations	133,552	998,881
Capital grants and gifts	1,578,453	4,082,194
Additions to the principal of endowments	471,494	14,636
Contribution of capital to UHC	-	(3,042,902)
<b>Total Other Revenues, Expenses, and Changes</b>	2,183,499	2,052,809
<b>Change In Net Assets</b>	(1,647,729)	(9,853,749)
<b>NET ASSETS</b>		
Net Assets at Beginning of the Year	193,503,218	203,356,967
Net Assets at End of the Year	\$ 191,855,489	\$ 193,503,218

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, 2012 AND 2011

	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>

	June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Contributions	\$ 368,098	\$ 119,750	\$ 1,526,556	\$ 2,014,404
Investment earnings	5,222,371	41,950	-	5,264,321
Liquidating dividends	509,461	-	-	509,461
Net realized gain on sale of investments	536,206	1,217	27,985	565,408
Net unrealized gain on long-term investments	23,173,216	479,223	5,806,462	29,458,901
Increase in value of deferred gifts	-	-	95,059	95,059
Donor directed reclassifications	-	(275,000)	275,000	-
Net assets released from restrictions	382,226	(382,226)	-	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>30,191,578</b>	<b>(15,086)</b>	<b>7,731,062</b>	<b>37,907,554</b>
<b>EXPENDITURES AND OTHER DISTRIBUTIONS:</b>				
Administrative expenditures	514,235	-	-	514,235
Distribution to Youngstown State University:				
Grants for property	39,672	-	-	39,672
Scholarships and other	5,666,280	-	-	5,666,280
Benefits for retired Youngstown University faculty	11,595	-	-	11,595
<b>TOTAL EXPENDITURES AND OTHER DISTRIBUTIONS</b>	<b>6,231,782</b>	<b>-</b>	<b>-</b>	<b>6,231,782</b>
Change in Net Assets	23,959,796	(15,086)	7,731,062	31,675,772
Net Assets at Beginning of the Year	112,293,366	2,257,919	36,693,419	151,244,704
<b>NET ASSETS</b>	<b>\$ 136,253,162</b>	<b>\$ 2,242,833</b>	<b>\$ 44,424,481</b>	<b>\$ 182,920,476</b>

See accompanying notes to financial statements.

# YOUNGSTOWN STATE UNIVERSITY

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	June 30, 2012	June 30, 2011
<b>Cash Flows from Operating Activities</b>		
Student tuition and fees	\$ 85,920,639	\$ 83,912,743
Federal, state, and local grants and contracts	10,827,845	13,908,062
Private grants and contracts	385,457	328,329
Sales and services of educational and other departmental activities	21,842,914	19,275,826
Payments to suppliers	(43,256,497)	(45,581,291)
Payments to employees	(98,895,013)	(96,403,527)
Payments for benefits	(33,831,672)	(40,467,061)
Payments for scholarships	(21,078,014)	(22,476,613)
Student loans issued	(372,916)	(186,337)
Student loans collected	416,121	363,504
Student loan interest and fees collected	47,518	42,714
Other receipts, net	1,930,847	1,728,120
<b>Total Cash Flows Used In Operating Activities</b>	(76,062,771)	(85,555,531)
<b>Cash Flows from Noncapital Financing Activities</b>		
Federal grants	30,435,698	33,128,856
Federal educational appropriations	-	6,729,144
State educational appropriations	39,347,845	39,992,134
Direct lending receipts	88,926,750	90,919,514
Direct lending disbursements	(88,899,773)	(90,919,514)
Private gifts	7,613,586	7,177,329
Additions to the principal of endowments	471,494	14,636
Other nonoperating expenses	(1,037,174)	(2,914,138)
<b>Total Cash Flows Provided by Noncapital Financing Activities</b>	76,858,426	84,127,961
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	27,109,070	39,527,101
Purchase of investments	(20,154,452)	(44,269,317)
Interest on investments	1,463,880	4,205,887
<b>Total Cash Flows Provided By (Used In) Investing Activities</b>	8,418,498	(536,329)
<b>Cash Flows from Capital and Related Financing Activities</b>		
State capital appropriations	224,516	1,539,320
Private capital gifts and grants	3,148,883	5,248,822
Payment to UHC for University Courtyard Apartments	(17,214,945)	-
Purchase of capital assets	(12,256,213)	(24,815,119)
Principal payments on capital debt	(2,203,521)	(2,411,378)
Bond proceeds	19,006,093	-
Bond issue cost	(200,586)	(248,490)
Interest payments on capital debt	(2,726,675)	(1,329,146)
<b>Total Cash Flows Used In Capital and Related Financing Activities</b>	(12,222,448)	(22,015,991)
<b>Change in Cash and Cash Equivalents</b>	(3,008,295)	(23,979,890)
<b>Cash and Cash Equivalents, Beginning of Year</b>	28,926,599	52,906,489
<b>Cash and Cash Equivalents, End of Year</b>	\$ 25,918,304	\$ 28,926,599

**YOUNGSTOWN STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS (CONT.)**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Operating loss	\$ (79,056,218)	\$ (98,781,753)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	10,547,344	9,468,764
Provision for bad debts	1,823,413	867,900
Gifts in kind	142,785	110,497
Changes in assets and liabilities:		
Accounts receivable, net	(1,012,558)	(1,844,320)
Loans receivable, net	26,169	169,734
Inventories	266,773	(16,165)
Prepaid expenses and deferred charges	(522,125)	(2,099)
Accounts payable	239,423	(377,676)
Accrued and other liabilities	(4,206,284)	2,254,062
Deferred revenue	(1,278,927)	323,609
Compensated absences	(3,032,566)	2,271,916
<b>Net Cash Flows Used In Operating Activities</b>	<u>\$ (76,062,771)</u>	<u>\$ (85,555,531)</u>
<b>Noncash Transaction</b>		
Purchase of University Courtyard Apartments through bond financing	<u>\$ -</u>	<u>\$ 17,214,945</u>

See accompanying notes to financial statements.

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 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*, 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. The University Housing Corporation (UHC) was recognized as a component unit in fiscal year 2011, but not in fiscal year 2012. The University purchased the University Courtyard Apartments at the end of fiscal year 2011. Therefore, beginning in fiscal year 2012, the operations of UHC are reflected on the University's financial statements. See Note 17 for additional information regarding component units.

The 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. 35, resources are classified for accounting and reporting purposes into the following four net asset categories:

- Invested in capital assets, net of related debt – 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 – Net assets 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 YEAR ENDED JUNE 30, 2012

- Restricted Expendable – Net assets 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 – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets 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 net assets 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.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Budget Process – The operating budget for General, Auxiliary and Capital Funds 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. The current fiscal year spending plan is approved by the Board of Trustees.

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 Assets.



# YOUNGSTOWN STATE UNIVERSITY

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

Endowment Policy – The University Endowment Fund consists of 81 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 expenditures 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 assets-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 YEAR ENDED JUNE 30, 2012

Deferred Revenue – Deferred 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 Assets.

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 YEAR ENDED JUNE 30, 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 – GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*, issued June 2011. The provisions of this Statement are effective for periods beginning after June 15, 2011. This Statement is intended to improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The adoption of this guidance had no significant impact on the University's operating results or financial condition.

Newly Issued Accounting Pronouncements – As of June 30, 2012, the GASB issued the following statements not yet implemented by the University:

- 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

# YOUNGSTOWN STATE UNIVERSITY

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

government financial reports with information about how past transaction will continue to impact a government's financial statements in the future.

- 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 Statements 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.

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 2011 amounts to conform with the fiscal year 2012 presentation. These reclassifications had no effect on the total net assets or change in net assets.

### 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 Assets.

State appropriations totaled \$39,347,845 in fiscal year 2012, compared to \$39,992,134 in fiscal year 2011. The State Share of Instruction (SSI) is determined annually by the Ohio Board of Regents (OBR). The fiscal year 2010-11 biennium marked the first time that SSI formula allocations were, in part, based on successful course completions. During fiscal year 2011, the University received \$6,728,718 in American Recovery and Reinvestment Act (ARRA) funds as a

# YOUNGSTOWN STATE UNIVERSITY

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

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

Capital appropriations from the State totaled \$133,552 in fiscal year 2012 and \$998,881 in fiscal year 2011 and included funding for equipment and the construction/major renovations of plant facilities.

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

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

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

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

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

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

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

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED JUNE 30, 2012

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

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

The difference in carrying amount and bank balance is caused by items in transit and outstanding checks. Deposits held in safekeeping by a bank, as trustee or escrow agent, included in cash totaled \$13,293,310 as of June 30, 2012 and \$20,237,638 as of June 30, 2011, which approximates market. These deposits, including interest on the investments, are retained in the trust for projects funded by bond proceeds and payment of principal and interest on outstanding indebtedness.

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2012, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

### Note 4 – Investments

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

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

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

# YOUNGSTOWN STATE UNIVERSITY

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

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

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

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

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

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

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

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

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

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

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

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

# YOUNGSTOWN STATE UNIVERSITY

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

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2012, \$6,668,039 or 13% of the University's portfolio is held in a bond fund and \$5,267,296 or 10% is held in a bond index fund. As of June 30, 2011, \$9,114,763 or 16% of the University's portfolio is held in a bond fund and \$5,637,330 or 10% is held in a bond index fund. The University's investment policy and asset allocation guidelines contain provisions to manage credit risk.

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments that are both unregistered and uninsured are exposed to custodial credit risk if investments are held by the counterparty, or are held by the counterparty's trust department or agent but not in the name of the University. At June 30, 2012, the University had no exposure to custodial credit risk. The University does not address custodial credit risk in its investment policy and asset allocation guidelines.

*Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2012, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

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

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

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

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



# YOUNGSTOWN STATE UNIVERSITY

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

### Note 6 – Pledges Receivable

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

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

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

### Note 7 – Capital Assets

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

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

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

# YOUNGSTOWN STATE UNIVERSITY

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

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

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

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

### Note 8 – Payroll and Other Liabilities

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

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

# YOUNGSTOWN STATE UNIVERSITY

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

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

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

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

### Note 9 – Bonds

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

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.)

### FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

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

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

# YOUNGSTOWN STATE UNIVERSITY

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

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

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

\* Does not reflect impact of federal subsidies

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

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

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

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

# YOUNGSTOWN STATE UNIVERSITY

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

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

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

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

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

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

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

### Note 10 – Notes Payable

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

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

# YOUNGSTOWN STATE UNIVERSITY

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

Details of the installment schedule follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 1,026,820	\$ 152,846	\$ 1,179,666
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	\$ 4,329,923	\$ 388,743	\$ 4,718,666

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 – Leases

#### Capital Lease Obligations

The University leases an inserting and folding system for its mailroom under a capital lease agreement which bears interest at 7.84%. The net book value of capital leased assets included in net Capital Assets in the Statements of Net Assets at June 30, 2012 and 2011, was \$669 and \$18,676, respectively. Future minimum lease payments under the capital lease in fiscal year 2013 are \$811 including \$5 in interest.

#### Operating Lease Obligations

The University, in its fifth renewal option which ends June 30, 2013, has 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%.

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

Year Ending June 30,	Classroom	Mailroom Equipment	Total
2013	\$ 159,005	\$ 34,056	\$ 193,061
2014	-	34,056	34,056
2015	-	34,056	34,056
2016	-	28,380	28,380
Total future minimum lease payments	159,005	130,548	289,553
Less amount representing maintenance	-	42,274	42,274
Less amount representing interest	-	15,071	15,071
Total obligations under operating leases	\$ 159,005	\$ 73,203	\$ 232,208

# YOUNGSTOWN STATE UNIVERSITY

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

### 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 and \$3,110,252 in fiscal year 2011 are reflected in the Statement of Revenues, Expenses and Changes in Net Assets.

### Note 13 – Long-Term Liabilities

Long-term liability activity (also see notes 9-12) 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>

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 55,440,000	\$ 18,660,000	\$ 1,090,000	\$ 73,010,000	\$ 1,120,000
Unamortized premium/discount	(91,704)	346,093	(22,047)	232,342	-
Bonds payable, net	55,348,296	19,006,093	1,067,953	73,242,342	1,120,000
Note payable	6,554,724	-	1,232,992	5,321,732	991,809
Capital leases payable	180,904	-	88,386	92,518	91,712
Compensated absences	9,793,129	3,631,188	1,359,272	12,065,045	2,619,259
Refundable advance	2,782,279	38,869	79,808	2,741,340	-
Other liabilities	-	1,740,000	180,000	1,560,000	810,000
Total long-term liabilities	<u>\$ 74,659,332</u>	<u>\$ 24,416,150</u>	<u>\$ 4,008,411</u>	<u>\$95,022,977</u>	<u>\$ 5,632,780</u>



# YOUNGSTOWN STATE UNIVERSITY

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

### 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 (OPERSE), 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 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.

# YOUNGSTOWN STATE UNIVERSITY

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

### 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 years follow:

Employee Contribution Rate						
Period	STRS		OPERS		OPERSLE	
	Traditional	ARP	Traditional	ARP	Traditional	ARP
1/1/12-6/30/12	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%
1/1/10-12/31/10	10.0%	10.0%	10.0%	10.0%	11.1%	11.1%
7/1/09-12/31/09	10.0%	10.0%	10.0%	10.0%	10.1%	10.1%

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

Employer Contribution Rate								
Period	STRS			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS	ARP		OPERS	ARP		
1/1/11-6/30/12	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	18.10%	18.10%
1/1/10-12/31/10	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.87%	17.87%
7/1/09-12/31/09	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.63%	17.63%

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		
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	\$ -
2010	\$ 5,580,112	\$ 203,623	\$ 610,868	\$ 5,158,797	\$ 32,985	\$ 538,233	\$ 203,259	\$ -

The OPERS employee contributions to the ARP totaled \$555,362 and the STRS Ohio employee contributions to the ARP totaled \$651,979.

### 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.

# YOUNGSTOWN STATE UNIVERSITY

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

### 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 2012, 2011 and 2010. The portion of the University's 2012, 2011 and 2010 contributions to STRS Ohio used to fund post-employment benefits was \$398,644, \$413,979 and \$398,579, 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 year 2011, 5.5% from 1/1/10-2/28/10 and 5.0% from 3/1/10-12/31/10, 7.0% from 1/1/09-3/31/09 and 5.5% from 4/1/09-12/31/09. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011, 4.73% from 1/1/10-2/28/10 and 4.23% from 3/1/10-12/31/10, 5.90% from 1/1/09-3/31/09 and 4.73% from 4/1/09-12/31/09. The portion of the University's 2012, 2011 and 2010 contributions to OPERS used to fund post retirement benefits was \$1,706,795, \$2,039,931, and \$2,188,584. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

### Note 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.

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED JUNE 30, 2012

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, 2012 and June 30, 2011 were as follows:

	2012	2011
Liability at beginning of fiscal year	\$ 2,133,325	\$ 1,513,811
Current year claims including changes in estimates	14,367,259	16,907,723
Claim payments	<u>(15,541,867)</u>	<u>(16,288,209)</u>
Liability at end of fiscal year	<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 Assets.

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

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

# YOUNGSTOWN STATE UNIVERSITY

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

### 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. The University Housing Corporation (UHC) was recognized as a component unit in fiscal year 2011, but not in fiscal year 2012 due to the immaterial activity.

### YSUF

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 \$4,762,500 for the fiscal year ended June 30, 2012 and \$4,519,000 for the fiscal year ended June 30, 2011. Financial support from YSUF has been committed for fiscal year 2013 in the amount of \$5,157,940. Amounts reflected in deferred revenue were \$1,192,500 at June 30, 2011. In addition, rental income from YSUF of \$10,630 for the fiscal year ended June 30, 2012 and \$10,560 for the fiscal year ended June 30, 2011 was recorded and is reflected in the University's Statements of Revenues, Expenses and Changes in Net Assets.

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, 2012 and June 30, 2011 was \$7,016,626 and \$6,306,642, respectively. The management services are provided at no charge and investments are made in a manner consistent with the YSUF funds.

### UHC

In fiscal year 2011, the University acquired through bond financing, the University Courtyard Apartments and assumed UHC's contracts. The acquisition cost was approximately \$17.2 million. Because of the component unit relationship between the University and UHC, the acquisition of the University Courtyard Apartments was recognized by the University on the historical cost basis of UHC. Therefore, the University recorded the property at approximately

# YOUNGSTOWN STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED JUNE 30, 2012

\$14.2 million, the net book value of the property by UHC prior to the acquisition. The resulting difference of \$3 million was reflected by the University as a contribution of capital to UHC.

The following details the transaction.

YSU Series 2011 Bond proceeds to UHC	\$ 18,442,000
UHC cash to YSU	(1,227,055)
Fair value of property	<u>\$ 17,214,945</u>
Buildings, net	\$ 13,801,372
Other capital assets, net	288,317
Property, facilities and equipment, net	14,089,689
Assets	276,756
Liabilities	(194,403)
Net book value of property	<u>\$ 14,172,042</u>
YSU contribution of capital to UHC	<u>\$ 3,042,903</u>

The \$3,042,902 was reflected on YSU's Statement of Revenues, Expenses and Changes in Net Assets as a contribution of capital to UHC; whereas it was reflected on UHC's Statement of Activities as a contribution of capital from YSU. Therefore, the combined results of the acquisition on the financial statements of the University and UHC reflected no net gain or loss on the transaction and the property was recorded by the University on the same historical cost basis as it was prior to the acquisition.

The proceeds from the sale were used by UHC to redeem the UHC's outstanding series 2002 bonds payable. Summarized fiscal year 2011 information for UHC follows:

As of July 31, 2011 (UHC's fiscal year end)	
Cash and investments	\$ 209,000
Unrestricted net assets	\$ 209,000
For the year ended July 31, 2011	
Revenue	\$ 2,388,000
Expenses	\$(2,705,000)
Interest rate swap	\$ 610,000
Contribution of capital from YSU	\$ 3,043,000

# YOUNGSTOWN STATE UNIVERSITY

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

### BOARD OF TRUSTEES AS OF JUNE 30, 2012

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</i>  <i>President Blood &amp; Cancer Center, Inc.</i>  <i>Hematologist/Oncologist St. Joseph Health Center and St. Elizabeth Health Center</i>
James B. Greene	<i>Retired Executive Comco 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>
Carol S. Weimer	<i>Special Education Teacher Liberty High School</i>
Franklin S. Bennett, Jr.	<i>Secretary to the Board of Trustees</i>

# **YOUNGSTOWN STATE UNIVERSITY**

---

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

### **PRINCIPAL ADMINISTRATORS AS OF JUNE 30, 2012**

Dr. Cynthia E. Anderson	<i>President</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>





**YOUNGSTOWN STATE UNIVERSITY**

**Audited Senate Bill 6 Ratios and Composite Score  
For Year Ended June 30, 2012**

**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 FY12, YSU met all interim and annual financial reporting requirements as of 10-31-12 and maintained a positive SB6 Composite Score of 2.6. The calculation for FY12 follows:

SB6 Factor Ranges						Factor	Weight	Score
0	1	2	3	4	5			
<0	0 to .29	.30 to .59	<b>.60 to .99</b>	1.0 to 2.50	>2.50	3	0.3	0.9
<b>Viability Ratio</b>								
			<b>0.6528</b>					
0	1	2	3	4	5			
<-.10	-.10 to .049	.05 to .099	<b>.10 to .249</b>	.25 to .49	=>.50	3	0.5	1.5
<b>Primary Ratio</b>								
			<b>0.2432</b>					
0	1	2	3	4	5			
<-.05	<b>-.05 to 0</b>	0 to .009	.01 to .029	.03 to .049	=>.05	1	0.2	<u>0.2</u>
	<b>-0.0081</b>							
<b>Net Income Ratio</b>								
<b>YSU Composite Score for FY12</b>								<u><u>2.6</u></u>

<b><u>Five Year Comparison</u></b>	<b><u>FY12</u></b>	<b><u>FY11</u></b>	<b><u>FY10</u></b>	<b><u>FY09</u></b>	<b><u>FY08</u></b>
Net Factor Scores:					
Viability Ratio	0.9	0.6	0.9	1.2	1.5
Primary Ratio	1.5	1.5	2.0	2.0	2.0
Net Income Ratio	<u>0.2</u>	<u>0.2</u>	<u>0.8</u>	<u>0.6</u>	<u>0.6</u>
<b>SB6 Composite Score</b>	<b>2.6</b>	<b>2.3</b>	<b>3.7</b>	<b>3.8</b>	<b>4.1</b>



**CONTINUOUS MONITORING -  
PAYROLL  
INTERNAL AUDIT REPORT**

*November 5, 2012*

DISTRIBUTION

Audit Subcommittee: Dr. John Jakubek  
Atty. Leonard Schiavone  
Mr. David Deibel  
Mr. Harry Meshel  
Mr. Joshua Prest

Chairman of the  
Board of Trustees: Dr. Sudershan Garg

Management: Dr. Cynthia Anderson  
Mr. Eugene Grilli  
Ms. Katrena Davidson  
Ms. Lisa Reichert



# YOUNGSTOWN STATE UNIVERSITY

## **CONTINUOUS MONITORING - PAYROLL INTERNAL AUDIT REPORT**

### CONTENTS

Cover Letter

Overview and Summary of Results

Attachment A



**PACKER · THOMAS**  
Certified Public Accountants & Business Consultants  
**PROVEN TRUE.**



“In the long run, if you don’t put ethics before profits,  
there won’t be a long-run.”



# PACKER · THOMAS

Certified Public Accountants & Business Consultants

Youngstown State University  
One University Plaza  
Youngstown, Ohio 44555

The results of our continuous monitoring of the payroll process for the three month period ending September 30, 2012 are attached for your review. We have reviewed all of the results of this monitoring with management.

PACKER THOMAS  
November 5, 2012

6601 Westford Place  
Suite 101  
Canfield, Ohio  
44514

330-533-9777  
1-800-943-4278  
Fax: 330-533-1734  
[www.packerthomas.com](http://www.packerthomas.com)



PACKER · THOMAS

Certified Public Accountants & Business Consultants

PROVEN TRUE.



"In the long run, if you don't put ethics before profits,  
there won't be a long-run."

**Youngstown State University  
Continuous Monitoring - Payroll  
For the period covering 7/1/12-9/30/12**

The goal of continuous monitoring is to provide greater transparency of the operations of the University and a more timely evaluation of operations for management and the Board of Trustees. Our continuous monitoring process consists of the analysis of information from the University’s system, processes, transactions, and controls. The timely analysis of this information helps to ensure compliance with policies and procedures and identify trends that may need to be addressed. In many cases, continuous monitoring can act as an early warning to detect control failure.

These analyses are intended to provide trends in operational controls between regularly scheduled internal audits. These trends are then reviewed by management in order for them to determine whether or not the results need to be investigated further. Continuous monitoring is not intended to replace normal internal audit procedures which are more in-depth and include inquiries, walkthroughs, and specific testing conducted on various sample sizes. However we have listed below the results of our procedures.

	PROCEDURES	RESULT
1.)	Duplicate check numbers	
2.)	Duplicate direct deposit numbers	
3.)	Duplicate back account numbers	
4.)	Excessive regular hours worked	We noted one employee who worked 98.50 hours but did not receive overtime pay for the 18.5 hours worked over 80 hours. Management has been informed and the employee has been issued a corrected check for overtime of 18.5 hours. All responsible parties have been reminded of the importance of accurate record keeping and control procedures.
5.)	Excessive overtime hours worked	Refer to Attachment A for analysis of overtime by department by quarter.
6.)	Terminated employees receiving payment after termination	
7.)	Employees who have changed their own employee records in the system	

	Items identified do not require further investigation per management
	Exception(s) found in testing



“In the long run, if you don’t put ethics before profits, there won’t be a long-run.”

Attachment A- YSU Payroll Continuous Monitoring Report as of September 30, 2012

	see below							
	<u>1st Q 2013</u>	<u>4th Q 2012</u>	<u>3rd Q 2012</u>	<u>2nd Q 2012</u>	<u>1st Q2012</u>	<u>4th Q2011</u>	<u>3rd Q2011</u>	<u>2nd Q 2011</u>
Facilities Maintenance	8,195.00	2,271.69	2,451.34	-	15,248.26	13,918.24	13,814.71	16,714.50
Police Department	6,137.48	1,343.76	6,880.11	12,620.33	16,701.69	7,820.89	4,297.06	12,897.73
Parking	-	-	1,465.70	3,140.46	1,494.99	-	-	715.68
Admin Assistants	1,195.68	-	-	-	1,766.48	-	-	-
Account Clerk	-	-	-	-	-	-	-	1,091.52
Network Services	-	-	-	-	-	-	-	6,691.20
University Development	-	-	-	-	-	-	-	-
Press Operator	-	-	-	-	-	-	-	-
Automotive	-	-	-	-	-	-	-	-
	<b>15,528.16</b>	<b>3,615.45</b>	<b>10,797.15</b>	<b>15,760.79</b>	<b>35,211.42</b>	<b>21,739.13</b>	<b>18,111.77</b>	<b>38,110.63</b>

**Brief explanation for overtime**

**1st QTR 2013**

Facilities	Worked OT to cover co-workers shifts per Michael Orto (supervisor) Remove and install new lights and exit signs Kilcawley House
Police Department	Commencement, Bookstore, Court, and OVI Checkpoint Worked OT bc Football games, Bookstore security, and holiday Deficit, Webcheck, Fingerprinting, Bookstore
Admin Assts	Worked OT first day of semester, football games, and covered co-workers shifts



**CONTINUOUS MONITORING -  
PURCHASING  
INTERNAL AUDIT REPORT**

*November 5, 2012*

DISTRIBUTION

Audit Subcommittee: Dr. John Jakubek  
Atty. Leonard Schiavone  
Mr. David Deibel  
Mr. Harry Meshel  
Mr. Joshua Prest

Chairman of the  
Board of Trustees: Dr. Sudershan Garg

Management: Dr. Cynthia Anderson  
Mr. Eugene Grilli  
Ms. Katrena Davidson  
Mr. William Wheelock





# YOUNGSTOWN STATE UNIVERSITY

## **CONTINUOUS MONITORING - PURCHASING INTERNAL AUDIT REPORT**

### CONTENTS

Cover Letter

Overview and Summary of Results



“In the long run, if you don’t put ethics before profits,  
there won’t be a long-run.”



# PACKER · THOMAS

Certified Public Accountants & Business Consultants

Youngstown State University  
One University Plaza  
Youngstown, Ohio 44555

The results of our continuous monitoring of the purchasing process for the three month period ending September 30, 2012 are attached for your review. We have reviewed all of the results of this monitoring with management.

*Packer Thomas*

PACKER THOMAS  
November 5, 2012

Chase Tower  
6 Federal Plaza Central  
Suite 1000  
Youngstown, Ohio  
44503

330-744-4277  
1-800-943-4278  
Fax: 330-744-1734  
[www.packerthomas.com](http://www.packerthomas.com)



PACKER · THOMAS

Certified Public Accountants & Business Consultants

PROVEN TRUE.



"In the long run, if you don't put ethics before profits,  
there won't be a long-run."

**Youngstown State University  
Continuous Monitoring - Purchasing  
For the period covering 7/1/12-9/30/12**

The goal of continuous monitoring is to provide greater transparency of the operations of the University and a more timely evaluation of operations for management and the Board of Trustees. Our continuous monitoring process will consist of the analysis of information from the University’s system, processes, transactions, and controls. The timely analysis of this information helps to ensure compliance with policies and procedures and identify trends that may need to be addressed. In many cases, continuous monitoring can act as an early warning to detect control failure.

These analyses are intended to provide trends in operational controls between regularly scheduled internal audits. These trends are then reviewed by management in order for them to determine whether or not the results need to be investigated further. Continuous monitoring is not intended to replace normal internal audit procedures which are more in-depth and include inquiries, walkthroughs, and specific testing conducted on various sample sizes. However we have listed below the results of our procedures.

	PROCEDURES	RESULT
<b>Purchase Order and Pcard</b>		
1.)	Purchase orders missing from sequential order	
2.)	Purchase orders generated on weekends	
3.)	Duplicate purchase order numbers	
4.)	Purchase orders just below authorization amount	
5.)	Analysis of large dollar volume vendors	
6.)	Vendors with same address as employee	
7.)	Duplicate invoices paid	
8.)	Single transaction split to circumvent approval for both PO and Pcard	
<b>Vendor Master List</b>		
9.)	No vendor address	
10.)	Vendors with same address as employee	
11.)	Unauthorized users making changes to the vendor master list	

Items identified do not require further investigation per management
Exception(s) found in testing



“In the long run, if you don’t put ethics before profits, there won’t be a long-run.”



# PACKER · THOMAS

Certified Public Accountants & Business Consultants

**Youngstown State University**  
Internal Audit- Packer Thomas  
Internal audit contract year 2012-2013

Summary of hours through October, 2012

6601 Westford Place  
Suite 101  
Canfield, Ohio  
44406-9924

330-533-9777  
1-800-943-4278  
Fax: 330-533-1734  
[www.packerthomas.com](http://www.packerthomas.com)

Internal audit project	Hours through October 2012	Status of project
Accounts payable	204	40% complete
Student affairs	16	
Student accounts	438	85% complete
Continuous monitoring	34	Continuous
Risk Assessment, Board Meetings, ERIP, misc.	76	Continuous
<b>Total hours to date</b>	<b>768</b>	

Total contract	\$	226,000
Services to date	\$	92,726
Contract remaining	\$	<u>133,274</u>

**RESOLUTION TO RENEW AUDIT SUBCOMMITTEE CHARTER**

**WHEREAS**, the Audit Subcommittee Charter provides that the Subcommittee's Charter and performance shall be reviewed and assessed at least every three years, and that any changes to the Subcommittee's Charter shall be submitted to the Board of Trustees for approval; and

**WHEREAS**, the Audit Subcommittee's Charter and performance have been reviewed and assessed; and

**WHEREAS**, the changes to the Charter are recommended for approval by the Board of Trustees;

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Trustees of Youngstown State University does hereby approve and renew the Audit Subcommittee Charter as written.