

SINGLE AUDIT REPORT

Youngstown State University
Year Ended June 30, 2005



**Auditor of State
Betty Montgomery**

Board of Trustees
Youngstown State University
One University Plaza
Youngstown, Ohio 44455

We have reviewed the *Independent Auditor's Report* of the Youngstown State University, Mahoning County, prepared by Ernst & Young LLP for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 08, 2006

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Youngstown State University

Single Audit Report

Year Ended June 30, 2005

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YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT SWEET

October 7, 2005

Youngstown State University continued the focused implementation of its Centennial Strategic Plan during Fiscal Year 2005. By building on our strengths and implementing new initiatives, we are setting the stage for the University's Centennial in 2008 and beyond.

Progress continues despite the State of Ohio's increasingly challenging financial environment and consequent decline in State support for public higher education. Sound and focused management has enabled YSU to remain the most efficient and cost-effective State university in Ohio. The highlights of Fiscal Year 2005 include:

- The construction of the Andrews Student Recreation and Wellness Center. The University raised \$12.1 million in private donations to fund construction of the center which opened in September 2005.
- Successful completion of the first year of Youngstown Early College, a partnership with the Youngstown City School District that testifies to the University's commitment to improve educational attainment for inner-city high school students.
- Successful implementation of new administrative computing systems in the University's finance and advancement divisions. Through a partnership with SunGard Higher Education Solutions, YSU has committed to implement a comprehensive information technology improvement plan over a three-year period.
- Continued high marks in the 2004 Performance Report for Ohio's Colleges and Universities, an annual snapshot of how the state's public universities and colleges are performing.
- In fall 2004, YSU's enrollment reached 13,101, the highest level in nine years and above 13,000 for the first time since 1995. In addition, the graduating class of 2004-05 was the largest in a decade. Since 2000-01, the number of graduates has grown by 11 percent.
- Continued academic partnerships with local businesses and industry including Parker Hannifin, FirstEnergy and Delphi.
- Other highlights include the Dana School of Music designated an "All-Steinway School" with the delivery of 68 new Steinway pianos, placing it among the top music schools in the nation; and the Penguin Parade public arts project which raised more than \$200,000 for local charities and sparked an outpouring of community pride, imagination and support.

While the University has had to increase tuition to maintain academic quality and to offset the loss of state funds, our tuition remains the lowest among the comprehensive public universities in Ohio. In partnership with the YSU Foundation, we have taken a number of steps to help offset tuition increases with scholarship initiatives. The high-quality education offered at Youngstown State University is affordable and represents an investment offering tremendous, life-long tangible and intangible rewards for students.

Sincerely,



David C. Sweet
President

Report of Independent Auditors

The Board of Trustees
Youngstown State University

We have audited the accompanying statements of net assets of Youngstown State University (University), a component unit of the State of Ohio, as of June 30, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Youngstown State University Foundation, a discretely presented component unit of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the University's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Youngstown State University and its discretely presented component units, as of June 30, 2005 and 2004, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 4 through 16 are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2005 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the University taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2005 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst & Young LLP

October 7, 2005

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This 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, 2005 with comparative information for the fiscal years ended June 30, 2004 and 2003. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

In 1908, The Youngstown College was founded. In 1955, The Youngstown College became The Youngstown University. On September 1, 1967, The Youngstown University became officially known as Youngstown State University. The University is composed of six colleges and one school and operates on a main campus and a Metro College. Fall 2004 enrollment was approximately 13,100 students. There are approximately 670 full-time equivalents (FTE) faculty and the University employs more than 1,700 FTE.

Using the Financial Statements

Youngstown State 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 GASB 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) appropriations, 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.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, The Youngstown State University Foundation (YSUF or Foundation) and University Housing Corporation (UHC) are treated as component units of the University. Accordingly, these component units are discretely presented in this report by presentation of the individual financial statements of the units immediately following the University's respective GASB financial statements. Additional information on these component units is contained in Note 13 and is excluded from Management's Discussion and Analysis.

Complete financial statements for the University Housing Corporation can be obtained from University Housing Corporation, c/o Youngstown State University, Financial Affairs, University Plaza, Youngstown, Ohio 44555.

Financial and Other University Highlights

- Stable enrollment
- Continued decrease in State of Ohio support
- Positive Senate Bill 6 ratios
- Progress on four major planning initiatives including enrollment management, technology, the campus master plan, and the centennial capital campaign
- In the second year of a three year partnership with SunGard Higher Education Solutions to implement an Enterprise Resource Planning (ERP) System to replace all administrative and financial information systems within the University
- Substantial completion of West Gate Campus Gateway project

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, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Assets			
Current assets	\$ 35,321,462	\$ 40,245,160	\$ 36,779,811
Capital assets, net	152,956,510	142,257,459	142,861,175
Other assets	30,675,292	29,070,282	24,647,930
Total Assets	<u>218,953,264</u>	<u>211,572,901</u>	<u>204,288,916</u>
Liabilities			
Current liabilities	22,187,810	18,992,688	19,518,782
Noncurrent liabilities	21,232,048	20,937,814	21,804,367
Total Liabilities	<u>43,419,858</u>	<u>39,930,502</u>	<u>41,323,149</u>
Total Net Assets	<u>\$ 175,533,406</u>	<u>\$ 171,642,399</u>	<u>\$ 162,965,767</u>
Net Assets			
Invested in capital assets, net of related debt	139,692,381	128,979,986	128,791,756
Restricted - nonexpendable	5,267,429	5,125,548	5,018,540
Restricted - expendable	11,486,023	16,046,325	11,447,744
Unrestricted	19,087,573	21,490,540	17,707,727
Total Net Assets	<u>\$ 175,533,406</u>	<u>\$ 171,642,399</u>	<u>\$ 162,965,767</u>

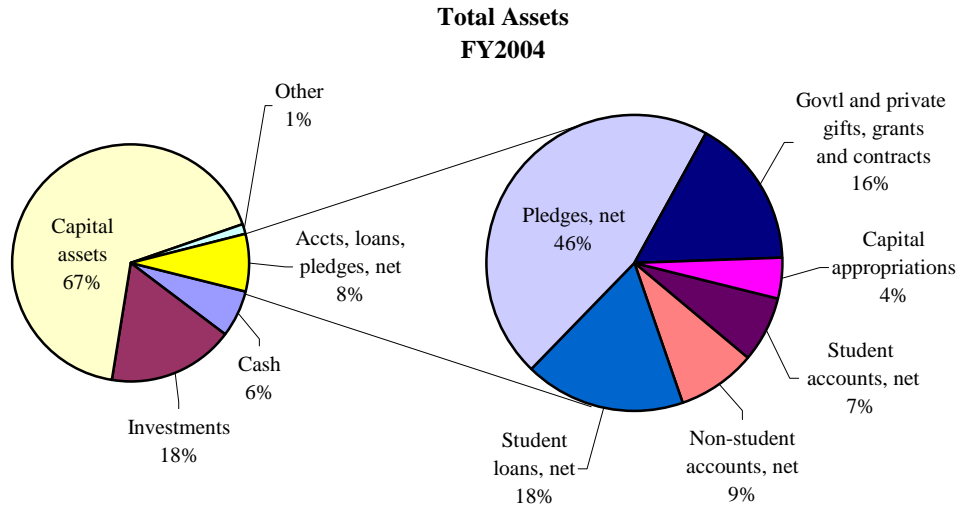
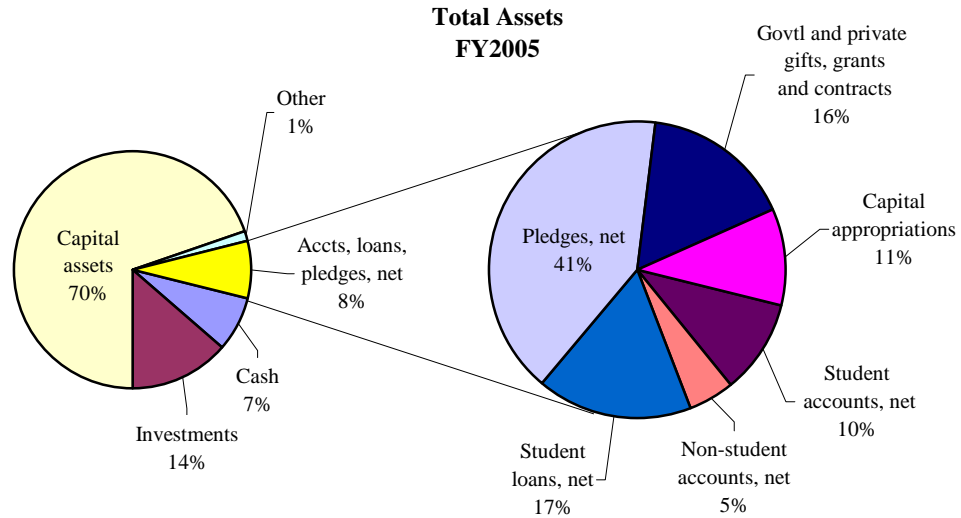
Assets

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

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Cash and cash equivalents	\$ 16,411,426	\$ 13,246,709	\$ 3,185,305
Investments	29,779,808	36,578,580	39,004,847
Accounts, loans and pledges receivable, net	17,053,878	16,492,723	16,351,710
Capital assets, net	152,956,510	142,257,459	142,861,175
Other	2,751,642	2,997,430	2,885,879
Total Assets	<u>\$ 218,953,264</u>	<u>\$ 211,572,901</u>	<u>\$ 204,288,916</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)



Total cash and cash equivalents, and investments decreased \$3.6 million in fiscal 2005 primarily due to liquidation of investments for the construction of the Andrews Recreation and Wellness Center. Invested balances for the construction of the Andrews Recreation and Wellness Center decreased \$5.1 million in fiscal year 2005 and were reflected in current assets at June 30, 2004. Endowment principal and other investments are included in noncurrent assets. The Statement of Cash Flows provides additional 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; and Notes 5 and 6 for accounts, loans, and pledges receivable.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

At June 30, 2005, the University had \$152,956,510 in capital assets, net of accumulated depreciation. Depreciation and amortization charges totaled \$8,320,547 in FY2005, \$7,853,906 in FY2004, and \$7,484,527 in FY2003. Details of capital assets, net are shown below.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Land	\$ 13,329,592	\$ 13,104,291	\$ 12,835,387
Buildings	109,440,750	111,032,198	114,053,556
Improvements other than buildings	6,410,980	7,231,219	7,690,540
Construction-in-progress	14,246,102	3,962,224	1,122,689
Moveable equipment and furniture	8,340,583	6,414,879	6,604,819
Vehicles	210,131	169,912	176,930
Historical treasures	297,513	297,513	297,513
Capital leased assets	680,859	45,223	79,741
Total	<u>\$ 152,956,510</u>	<u>\$ 142,257,459</u>	<u>\$ 142,861,175</u>

Major capital activity during the year included the addition of properties to allow for future expansion of the University campus, completion of projects including the Campus Electronic Upgrade and the Beeghly Gym Roof Renovations, technology upgrades, and the continued construction of the West Campus Gateway Project, which includes the Andrews Recreation and Wellness Center and Bookstore renovation and expansion. More detailed information about the University's capital assets is presented in Note 7 to the financial statements.

Liabilities

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

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Accounts and construction payable	\$ 3,249,294	\$ 1,161,860	\$ 1,397,920
Payroll liabilities	8,688,678	7,843,203	7,882,456
Bonds and capital leases payable, net	13,268,653	13,492,373	14,263,619
Deferred revenue	8,484,716	7,705,117	7,820,349
Compensated absences	6,636,242	6,092,104	6,114,964
Refundable advance	2,808,777	2,758,350	2,830,609
Other	283,498	877,495	1,013,232
Total Liabilities	<u>\$ 43,419,858</u>	<u>\$ 39,930,502</u>	<u>\$ 41,323,149</u>

Accounts and construction payable increased in fiscal 2005 primarily due to construction payables related to the West Campus Gateway Project. At June 30, 2005, the University had \$12,875,000 in principal debt outstanding compared to \$13,680,000 at June 30, 2004 and \$14,440,000 at June 30, 2003. More detailed information about the University's debt and long-term liabilities is presented in Note 9 to the financial statements. See Note 8 for a further breakout of accounts payable, accrued liabilities and other liabilities.

YOUNGSTOWN STATE UNIVERSITY

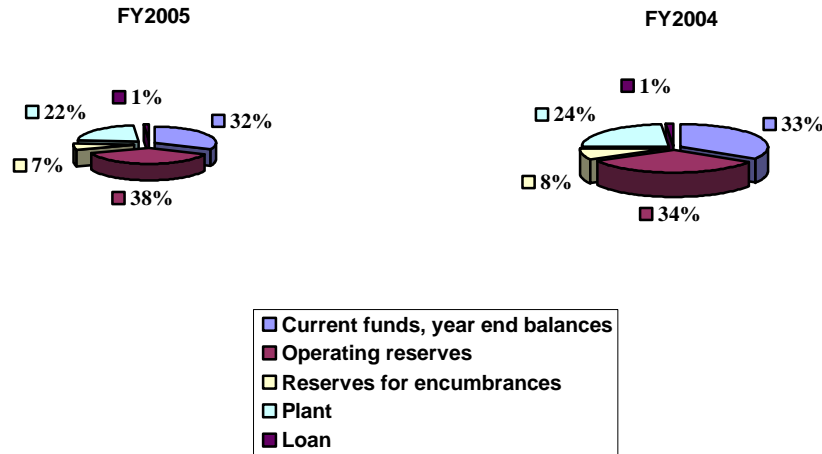
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Net Assets

Many of the University's unrestricted net assets have been designated or reserved for specific purposes such as operating reserves, capital projects and reserve for encumbrances. The following table shows allocations at:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Current funds, year end balances			
Unallocated			
General operating	\$ 2,984,084	\$ 3,406,987	\$ 3,139,119
Auxiliary enterprises	216,663	632,571	1,271,624
Allocated	<u>2,832,450</u>	<u>3,155,320</u>	<u>725,654</u>
Subtotal	6,033,197	7,194,878	5,136,397
Operating reserves			
General operating	6,308,386	6,308,386	5,828,386
Auxiliary enterprises	<u>970,000</u>	<u>922,500</u>	<u>1,270,000</u>
Subtotal	7,278,386	7,230,886	7,098,386
Reserves for encumbrances	1,275,559	1,732,291	1,689,685
Plant	4,228,827	5,060,881	3,511,405
Loan	<u>271,604</u>	<u>271,604</u>	<u>271,854</u>
Total	<u>\$ 19,087,573</u>	<u>\$ 21,490,540</u>	<u>\$ 17,707,727</u>

Unrestricted Net Assets



Overall, unrestricted net assets decreased \$2.4 million or 11% from June 30, 2004 to June 30, 2005. Current year end operating fund balances decreased \$1.1 million due to a reduction in the year end operating fund balance carry forward, transfers of Bookstore operating funds to fund the Bookstore expansion project, equipment purchases, and a decrease in the compensated sick leave reserve fund. In total, plant funds decreased \$0.8 million due to construction of the Bookstore expansion project which was approximately 90% complete at June 30, 2005. Also, reserves for encumbrances were significantly reduced due to anticipation of new financial system conversion.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

2004 Versus 2003

Assets increased in 2004 primarily due to receipt of gifts for the construction of the Andrews Recreation and Wellness Center. Liabilities decreased slightly from 2003 to 2004 with liabilities primarily consisting of accrued payroll and payroll withholding, debt, compensated absences, and deferred revenue. Net assets increased due to funds designated for the Technology Master Plan and in Auxiliary operating funds designated for future plant expenditures including parking improvements and the Bookstore expansion.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Operating Revenues			
Net tuition, fees and other student charges	\$ 62,490,186	\$ 58,880,154	\$ 52,824,818
Auxiliary enterprises	15,049,075	15,112,244	15,974,326
Grants and contracts	13,576,193	14,630,097	12,425,612
Other	1,825,178	1,995,908	1,058,226
Total Operating Revenues	<u>92,940,632</u>	<u>90,618,403</u>	<u>82,282,982</u>
Operating Expenses	<u>163,214,249</u>	<u>152,739,865</u>	<u>149,300,934</u>
Operating Loss	<u>(70,273,617)</u>	<u>(62,121,462)</u>	<u>(67,017,952)</u>
Nonoperating Revenues (Expenses)			
State appropriations	43,534,244	44,482,947	43,917,610
Gifts, grants, and contracts	19,560,137	19,338,226	21,037,452
Investment income	1,776,256	830,018	1,195,060
Other nonoperating expenses, net	(1,221,188)	(2,405,860)	(1,801,758)
Net Nonoperating Revenues:	<u>63,649,449</u>	<u>62,245,331</u>	<u>64,348,364</u>
(Loss) Income Before Other Revenues, Expenses, and Changes	(6,624,168)	123,869	(2,669,588)
Other Revenues, Expenses, and Changes			
State capital appropriations	8,477,922	4,947,102	7,064,521
Capital grants and gifts	1,987,639	3,535,536	3,205,174
Reallocation of Ohio workers' compensation liability	-	-	1,810,603
Other	49,614	70,125	35,923
Total Other Revenues, Expenses, and Changes	<u>10,515,175</u>	<u>8,552,763</u>	<u>12,116,221</u>
Increase in Net Assets	3,891,007	8,676,632	9,446,633
Net Assets at Beginning of Year	<u>171,642,399</u>	<u>162,965,767</u>	<u>153,519,134</u>
Net Assets at End of the Year	<u>\$ 175,533,406</u>	<u>\$ 171,642,399</u>	<u>\$ 162,965,767</u>

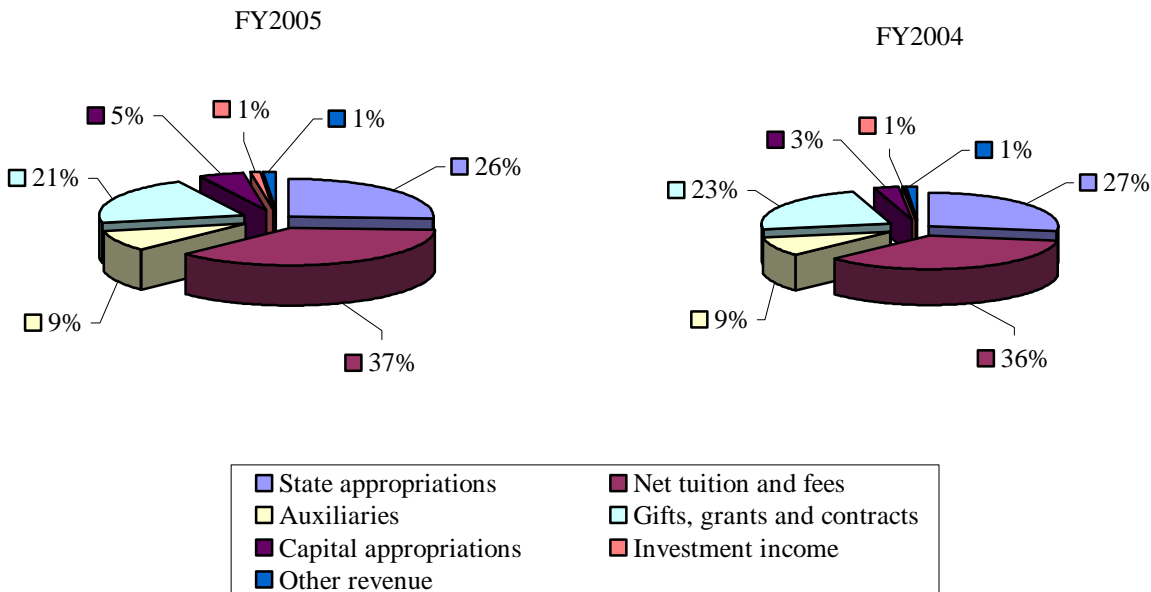
YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Revenues

Following is a graphic illustration 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, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Net tuition, fees and other student charges	\$ 62,490,186	\$ 58,880,154	\$ 52,824,818
Gifts, grants, and contracts	35,173,583	37,503,859	36,668,238
Auxiliary enterprises	15,049,075	15,112,244	15,974,326
State appropriations	43,534,244	44,482,947	43,917,610
Investment Income	1,776,256	830,018	1,195,060
Other revenue	2,277,135	2,089,195	1,418,727
State capital appropriations	8,477,922	4,947,102	7,064,521
Reallocation of Ohio workers' compensation liability	-	-	1,810,603
Total Revenues	\$ 168,778,401	\$ 163,845,519	\$ 160,873,903



Overall, the University's total net revenue increased \$4.9 million or 3.0%. The majority of the University's revenue, 63% in FY2005 and FY2004, is attributed to State appropriations and tuition and fees. Combined, these two revenue streams increased \$2.6 million from FY2004 to FY2005. State capital appropriations revenue increased approximately \$3.5 million primarily due to technology upgrades and the West Campus Gateway project.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

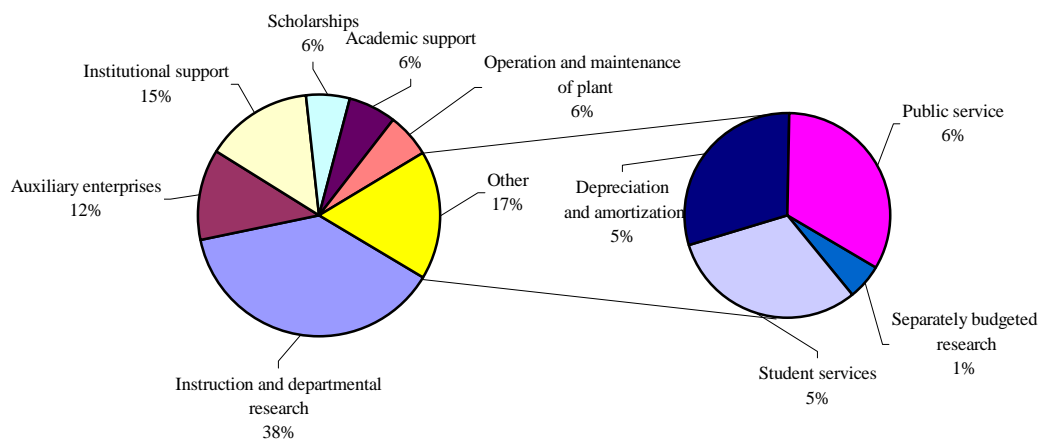
Expenses

Operating expenses can be displayed in two formats: natural classification and functional classification. The table below, summarizing both formats, is followed by graphs of the functional expenses.

Functional Classification	Natural Classification				2005	2004	2003
	Compensation	Operating	Scholarships	Depreciation and Amortization	Total Functional	Total Functional	Total Functional
Instruction and departmental research	\$ 57,383,386	\$ 4,492,161	\$ 38,501	\$ -	\$ 61,914,048	\$ 57,448,799	\$ 55,620,251
Separately budgeted research	1,060,390	469,580	13,421	-	1,543,391	1,545,185	1,175,276
Public service	5,103,525	4,193,655	44,363	-	9,341,543	8,537,256	7,859,113
Academic support	7,571,255	2,745,861	8,466	-	10,325,582	9,805,434	9,645,412
Student services	7,113,293	1,591,539	42,864	-	8,747,696	8,280,175	8,367,906
Institutional support	17,335,684	6,516,445	16,451	-	23,868,580	21,300,167	19,711,581
Operation and maintenance of plant	3,874,187	5,777,996	-	-	9,652,183	9,275,390	9,078,315
Scholarships	-	-	9,391,805	-	9,391,805	9,627,199	11,011,449
Auxiliary enterprises	7,196,715	10,333,184	2,578,975	-	20,108,874	19,066,354	19,347,104
Depreciation and amortization	-	-	-	8,320,547	8,320,547	7,853,903	7,484,527
Total Natural	\$ 106,638,435	\$ 36,120,421	\$ 12,134,846	\$ 8,320,547	\$ 163,214,249	\$ 152,739,862	\$ 149,300,934

Operating expenses by natural classification remained constant between FY2005 and FY2004. Overall operating expenses increased \$10.5 million or 6.8% from \$152.7 million in 2004 to \$163.2 million in 2005. The largest increase was in instruction and departmental research, which increased approximately 7% over the prior year, and is consistent with budgeted amounts and institutional goals emphasizing academic instruction. Additionally, institutional support increased \$2.5 million reflecting institutional commitment to technology improvements.

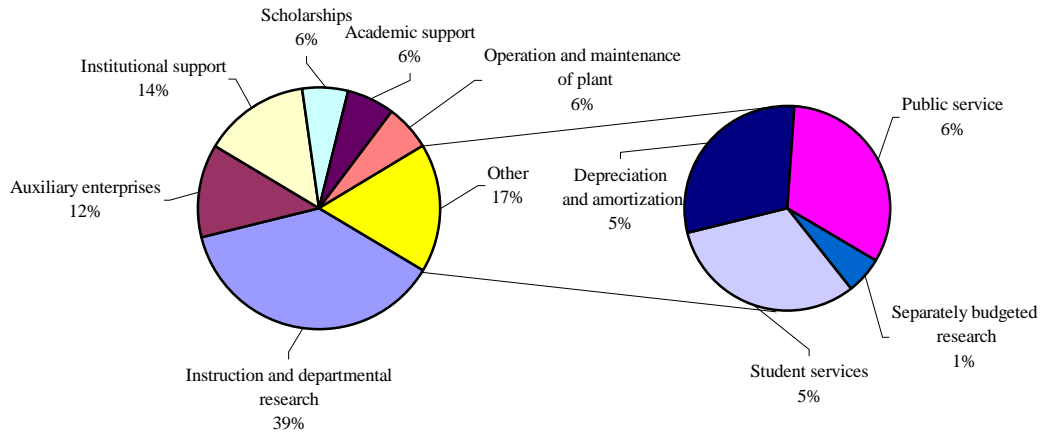
**Operating Expenses by Function
FY 2005**



YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Operating Expenses by Function FY 2004



The Statements of Cash Flows

The Statements of Cash Flows provide information about cash receipts and cash payments during the year. This statement also assists users in assessing the University's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

A summary of cash flows follows:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Cash provided (used) by:			
Operating activities	\$ (60,618,862)	\$ (53,334,657)	\$ (60,329,389)
Investing activities	8,716,735	3,245,449	(828,219)
Capital and related financing activities	(8,164,766)	(685,813)	(125,040)
Noncapital financing activities	63,231,610	60,836,425	61,524,781
Net increase in cash	<u>3,164,717</u>	<u>10,061,404</u>	<u>242,133</u>
Cash and cash equivalents - Beginning of year	13,246,709	3,185,305	2,943,172
Cash and cash equivalents - End of year	<u>\$ 16,411,426</u>	<u>\$ 13,246,709</u>	<u>\$ 3,185,305</u>

Material sources of cash included State appropriations, tuition and fees, and grants and contracts. Material uses of cash and cash equivalents were for payments to employees, suppliers, and vendors. Significant fluctuations between investing and capital financing activities occurred due to increased volume of construction activity during FY2005.

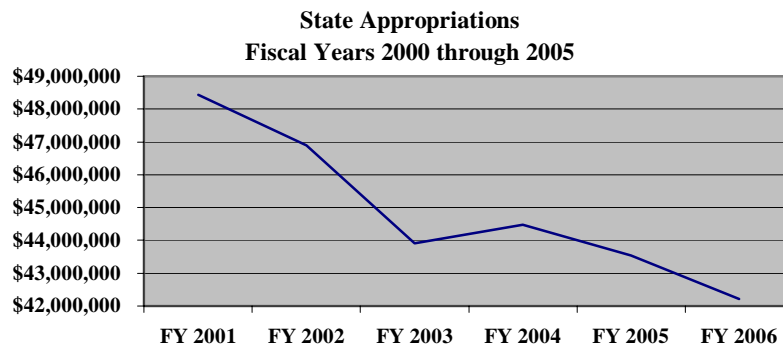
YOUNGSTOWN STATE UNIVERSITY

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 positive 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, 2005 was 3.3 compared to 4.0 at June 30, 2004 and 3.7 at June 30, 2003. The decrease in the composite score is primarily the result of expending reserves for the purpose of construction of the West Campus Gateway Project.

A crucial element to the University's future will continue to be its relationship with the State as work continues toward providing quality education at an affordable price. The University continues to experience a decline in its revenue from State appropriations as illustrated below:



Note: Graph includes five years actual plus budgeted amount for FY2006

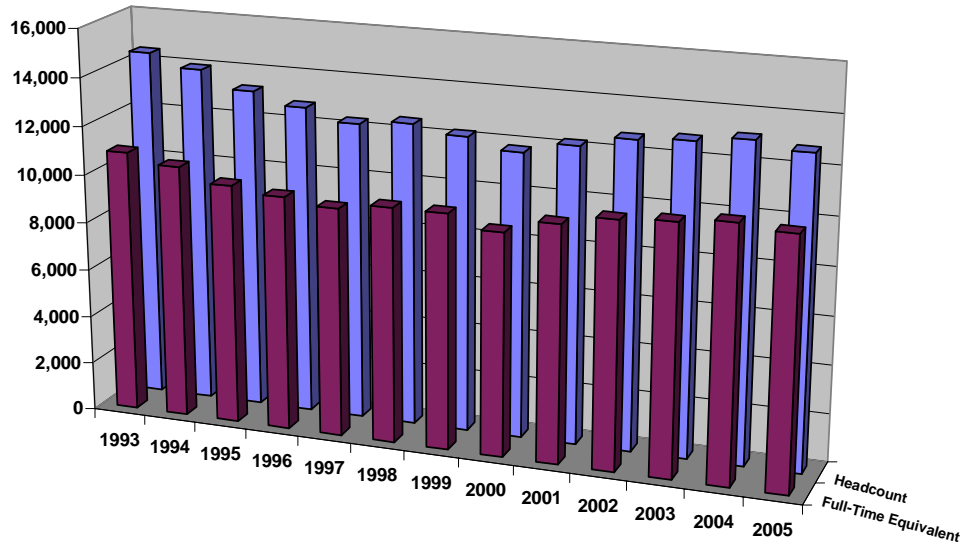
There is an inverse relationship between State support and the University's tuition rates, as declines in State appropriations continue to result in higher tuition, fees and other related charges.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The University's enrollment has stabilized:

**Fall Term Enrollment Trends
1993 through 2005**



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
■ Full-Time Equivalent	10,897	10,508	9,954	9,714	9,462	9,729	9,733	9,203	9,766	10,171	10,311	10,518	10,332
■ Headcount	14,501	13,979	13,273	12,801	12,324	12,533	12,222	11,787	12,250	12,698	12,858	13,101	12,812

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF NET ASSETS AT JUNE 30, 2005 AND 2004

	June 30, 2005	June 30, 2004
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 16,411,426	\$ 13,246,709
Investments	2,812,681	6,890,509
Restricted investments	679,960	5,673,173
Interest receivable	75,920	217,624
Accounts receivable, net	7,203,748	6,052,399
Pledges receivable, net	4,922,929	5,086,540
Loans receivable, net	543,600	513,300
Inventories	1,906,840	1,905,244
Prepaid expenses and deferred charges	764,358	659,662
Total Current Assets	35,321,462	40,245,160
Noncurrent Assets		
Investments	21,435,886	19,304,514
Endowments and other restricted investments	4,851,281	4,710,384
Pledges receivable, net	2,028,623	2,464,722
Loans receivable, net	2,354,978	2,375,762
Deposits on land	4,524	214,900
Capital assets, net	152,956,510	142,257,459
Total Noncurrent Assets	183,631,802	171,327,741
Total Assets	218,953,264	211,572,901
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	726,693	727,572
Construction payable	2,522,601	434,288
Payroll liabilities	8,688,678	7,843,203
Bonds payable	845,000	805,000
Capital leases payable	79,129	22,213
Deferred revenue	8,484,716	7,705,117
Compensated absences	557,495	577,800
Other liabilities	283,498	877,495
Total Current Liabilities	22,187,810	18,992,688
Noncurrent Liabilities		
Bonds payable, net	11,826,942	12,648,442
Capital leases payable	517,582	16,718
Compensated absences	6,078,747	5,514,304
Refundable advance	2,808,777	2,758,350
Total Noncurrent Liabilities	21,232,048	20,937,814
Total Liabilities	43,419,858	39,930,502
NET ASSETS		
Invested in capital assets, net of related debt	139,692,381	128,979,986
Restricted:		
Nonexpendable	5,267,429	5,125,548
Expendable	11,486,023	16,046,325
Unrestricted	19,087,573	21,490,540
Total Net Assets	\$ 175,533,406	\$ 171,642,399

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2005 AND 2004

	June 30, 2005	June 30, 2004
ASSETS		
Cash and cash equivalents	\$ 3,940,395	\$ 3,745,295
Accrued interest receivable	768,475	744,753
Due from University Housing Corporation	102,376	96,805
Prepaid insurance	5,406	11,584
Property acquired for resale to Youngstown State University	108,834	108,834
Investments - at market value:		
Common stock	80,557,090	78,604,045
Preferred stock	5,700,479	4,776,696
Fixed income securities:		
U.S. Government and Agencies	25,657,716	23,892,075
Corporate	22,876,410	23,374,550
Temporary cash investments	1,019,435	587,849
	135,811,130	131,235,215
Contribution receivable	14,653	24,653
Contribution receivable from remainder trusts	1,256,980	1,189,224
Cash surrender value of insurance policies	61,705	67,099
Office furniture and equipment, at cost, less accumulated depreciation of \$30,436 in 2005 and \$28,948 in 2004	3,666	3,974
TOTAL ASSETS	142,073,620	137,227,436
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	21,870	29,458
Retirement benefits payable	41,904	44,410
Grant commitments to Youngstown State University for scholarship awards	3,525,000	3,360,000
Total Liabilities	3,588,774	3,433,868
 Net Assets		
Unrestricted:		
Designated by Board for endowment	107,126,243	105,242,356
Undesignated	1,646,735	1,820,261
	108,772,978	107,062,617
Temporarily restricted	1,506,644	1,282,548
Permanently restricted	28,205,224	25,448,403
Total Net Assets	138,484,846	133,793,568
TOTAL LIABILITIES AND NET ASSETS	\$ 142,073,620	\$ 137,227,436

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF FINANCIAL POSITION AT JULY 31, 2005 AND 2004

	July 31, 2005	July 31, 2004
ASSETS		
Current Assets		
Cash	\$ 147,667	\$ 157,472
Restricted cash	83,959	299,527
Accounts receivable, net	27,144	28,427
Interest receivable	9,980	939
Accounts receivable-Youngstown State University	73,768	-
Restricted investments	2,613,366	2,686,506
Prepaid expenses	199,887	205,225
Total Current Assets	3,155,771	3,378,096
Property, Facilities, and Equipment, net	17,272,367	17,830,414
Other Assets		
Bond issue costs, net	371,187	385,063
TOTAL ASSETS	20,799,325	21,593,573
LIABILITIES AND NET DEFICIT		
Liabilities		
Current Liabilities		
Accounts payable	9,030	17,741
Accrued bond interest payable	69,191	71,074
Bonds payable, current portion	30,000	30,000
Capital lease payable, current portion	18,528	16,287
Prepaid rent	35,473	38,339
Due to Ambling Company	9,626	9,626
Accounts payable - Youngstown State University	-	120,000
Security deposits	98,588	127,097
Other accruals	22,985	10,501
Total Current Liabilities	293,421	440,665
Long-Term Debt		
Bonds payable	21,740,000	21,980,000
Interest rate swap	1,092,304	1,212,027
Loan payable - Youngstown State University Foundation	103,463	98,772
Capital lease payable	62,816	81,344
Total Long-Term Debt	22,998,583	23,372,143
Total Liabilities	23,292,004	23,812,808
Unrestricted Net Deficit	(2,492,679)	(2,219,235)
TOTAL LIABILITIES AND NET DEFICIT	\$ 20,799,325	\$ 21,593,573

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	June 30, 2005	June 30, 2004
REVENUES		
Operating Revenues		
Tuition, fees, and other student charges (net of scholarship allowance of \$17,449,206 in 2005 and \$15,520,785 in 2004)	\$ 62,490,186	\$ 58,880,154
Federal grants and contracts	4,179,781	5,062,754
State grants and contracts	8,365,159	8,424,481
Local grants and contracts	130,894	487,149
Private grants and contracts	900,359	655,713
Sales and services	311,697	247,013
Auxiliary enterprises	15,049,075	15,112,244
Other operating revenues	1,513,481	1,748,895
Total Operating Revenues	92,940,632	90,618,403
EXPENSES		
Operating Expenses		
Instruction and departmental research	61,914,048	57,448,799
Separately budgeted research	1,543,391	1,545,185
Public service	9,341,543	8,537,256
Academic support	10,325,582	9,805,434
Student services	8,747,696	8,280,175
Institutional support	23,868,580	21,300,167
Operation and maintenance of plant	9,652,183	9,275,390
Scholarships	9,391,805	9,627,199
Auxiliary enterprises	20,108,874	19,066,354
Depreciation and amortization	8,320,547	7,853,906
Total Operating Expenses	163,214,249	152,739,865
Operating Loss	(70,273,617)	(62,121,462)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	43,534,244	44,482,947
Federal grants	12,617,354	11,538,639
Private gifts	6,942,783	7,799,587
Unrestricted investment income (net of investment expense)	1,400,169	355,877
Restricted investment income (net of investment expense)	376,087	474,141
Interest on capital asset-related debt	(633,658)	(669,893)
Other nonoperating expenses, net	(587,530)	(1,735,967)
Net Nonoperating Revenues	63,649,449	62,245,331
(Loss) Income Before Other Revenues, Expenses, and Changes	(6,624,168)	123,869
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	8,477,922	4,947,102
Capital grants and gifts	1,987,639	3,535,536
Additions to the principal of endowments	49,614	70,125
Total Other Revenues, Expenses, and Changes	10,515,175	8,552,763
Increase In Net Assets	3,891,007	8,676,632
NET ASSETS		
Net Assets at Beginning of the Year	171,642,399	162,965,767
Net Assets at End of the Year	\$ 175,533,406	\$ 171,642,399

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, 2005 AND 2004

	June 30, 2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains (losses) and other support:				
Contributions	\$ 689,308	\$ 107,000	\$ 1,921,510	\$ 2,717,818
Investment earnings	5,534,967	33,234	-	5,568,201
Net realized gain (loss) on sale of investments	298,402	(378)	53,915	351,939
Net unrealized gain on long-term investments	930,299	113,264	713,640	1,757,203
Increase in value of deferred gifts	-	-	67,756	67,756
Net assets released from restrictions	29,024	(29,024)	-	-
Total revenues, gains (losses) and other support	7,482,000	224,096	2,756,821	10,462,917
Expenditures and other distributions:				
Administrative expenditures	548,507	-	-	548,507
Distribution to Youngstown State University:				
Scholarships and other	5,200,109	-	-	5,200,109
Benefits for retired Youngstown University faculty	23,023	-	-	23,023
Total Expenditures	5,771,639	-	-	5,771,639
Change in Net Assets	1,710,361	224,096	2,756,821	4,691,278
Net Assets at Beginning of the Year	107,062,617	1,282,548	25,448,403	133,793,568
NET ASSETS	\$ 108,772,978	\$ 1,506,644	\$ 28,205,224	\$ 138,484,846

	June 30, 2004			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains (losses) and other support:				
Contributions	\$ 339,381	\$ 225,522	\$ 896,544	\$ 1,461,447
Investment earnings	5,750,268	24,295	-	5,774,563
Net realized gain (loss) on sale of investments	(49,849)	21,764	(949)	(29,034)
Net unrealized gain (loss) on long-term investments	5,704,321	62,382	507,097	6,273,800
Increase in value of deferred gifts	-	-	63,495	63,495
Net assets released from restrictions	117,826	(117,826)	-	-
Total revenues, gains (losses) and other support	11,861,947	216,137	1,466,187	13,544,271
Expenditures and other distributions:				
Administrative expenditures	547,907	-	-	547,907
Distribution to Youngstown State University:				
Grants for property	7,500	-	-	7,500
Scholarships and other	5,100,075	-	-	5,100,075
Benefits for retired Youngstown University faculty	26,943	-	-	26,943
Total Expenditures	5,682,425	-	-	5,682,425
Change in Net Assets	6,179,522	216,137	1,466,187	7,861,846
Net Assets at Beginning of the Year	100,883,095	1,066,411	23,982,216	125,931,722
NET ASSETS	\$ 107,062,617	\$ 1,282,548	\$ 25,448,403	\$ 133,793,568

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JULY 31, 2005 AND 2004

	<u>July 31, 2005</u>	<u>July 31, 2004</u>
Income:		
Rental income	\$ 1,848,418	\$ 2,025,003
Interest income	119,907	139,703
Other income	76,730	49,339
Total Income	<u>2,045,055</u>	<u>2,214,045</u>
Expenses:		
Administrative	27,700	32,925
Contract services	34,657	32,753
Interest expense	901,567	884,525
Bond fees	258,925	258,223
Depreciation and amortization expense	571,923	541,194
Bad debt expense	65,997	61,974
Management fees	114,312	104,786
Advertising costs	13,672	21,405
Payroll and payroll-related	147,640	155,338
Accounting and legal	27,529	47,514
Repairs and maintenance	74,142	66,458
Insurance	51,860	59,963
Unit utilities expense	148,298	207,849
Start up costs	-	12,599
(Gain) loss on interest rate swap	(119,723)	18,302
Total Expenses	<u>2,318,499</u>	<u>2,505,808</u>
Increase in Unrestricted Net Deficit	(273,444)	(291,763)
Unrestricted Net Deficit at Beginning of Year	<u>(2,219,235)</u>	<u>(1,927,472)</u>
UNRESTRICTED NET DEFICIT AT END OF YEAR	<u>\$ (2,492,679)</u>	<u>\$ (2,219,235)</u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	June 30, 2005	June 30, 2004
Cash Flows from Operating Activities		
Student tuition and fees	\$ 62,159,175	\$ 60,268,861
Federal, state, and local grants and contracts	12,468,573	13,489,543
Private grants and contracts	880,411	797,822
Sales and services of educational and other departmental activities	16,316,276	14,793,445
Payments to suppliers	(38,782,583)	(35,266,374)
Payments to employees	(80,476,639)	(76,202,660)
Payments for benefits	(25,247,098)	(23,370,401)
Payments for scholarships	(9,391,805)	(9,627,199)
Student loans issued	(636,365)	(537,929)
Student loans collected	577,712	571,340
Student loan interest and fees collected	49,895	36,343
Other receipts, net	1,463,586	1,712,552
Total Cash Flows Used In Operating Activities	(60,618,862)	(53,334,657)
Cash Flows from Investing Activities		
Proceeds from sale of investments	79,535,375	69,598,206
Purchase of investments	(72,736,603)	(67,441,750)
Interest on investments	1,917,963	1,088,993
Total Cash Flows Provided By Investing Activities	8,716,735	3,245,449
Cash Flows From Capital and Related Financing Activities		
State capital appropriations	7,425,883	4,747,290
Private capital gifts and grants	1,987,639	3,535,536
Purchase of capital assets	(15,963,319)	(7,527,500)
Principal payments on capital debt	(1,004,811)	(795,225)
Interest payments on capital debt	(610,158)	(645,914)
Total Cash Flows Used In Capital and Related Financing Activities	(8,164,766)	(685,813)
Cash Flows from Noncapital Financing Activities		
Federal grants	12,692,967	11,688,726
State educational appropriations	43,534,244	44,482,947
Private gifts	7,542,494	6,354,715
Additions to the principal of endowments	49,614	70,125
Other nonoperating expenses	(587,709)	(1,760,088)
Total Cash Flows Provided by Noncapital Financing Activities	63,231,610	60,836,425
Net Increase in Cash and Cash Equivalents	3,164,717	10,061,404
Cash and Cash Equivalents, Beginning of Year	13,246,709	3,185,305
Cash and Cash Equivalents, End of Year	\$ 16,411,426	\$ 13,246,709

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS (CONT.) FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Operating loss	\$ (70,273,617)	\$ (62,121,462)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	8,320,547	7,853,906
Provision for bad debts	307,131	652,521
Changes in assets and liabilities:		
Accounts receivable, net	(382,315)	595,395
Loans receivable, net	(58,653)	33,411
Inventories	(1,596)	(131,787)
Prepaid expenses and deferred charges	(104,696)	51,771
Accounts payable	(879)	20,518
Accrued and other liabilities	251,479	(150,838)
Deferred revenue	779,599	(115,232)
Compensated absences	544,138	(22,860)
Net Cash Flows Used In Operating Activities	<u><u>\$ (60,618,862)</u></u>	<u><u>\$ (53,334,657)</u></u>
Noncash Transactions		
Additioanl capital leases	<u><u>\$ 757,591</u></u>	<u><u>\$ -</u></u>
Gifted capital assets	<u><u>\$ 51,636</u></u>	<u><u>\$ 185,532</u></u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

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, masters 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 and University Housing Corporation's financial statements are included, as discretely presented component units, in the University's financial report by presentation of the individual financial statements of the units immediately following the University's respective GASB financial statements. Additional information regarding these component units is contained in Note 13.

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), Channels 45 and 49, Kent, Ohio, and Northeastern Ohio Universities College of Medicine (NEOUCOM), Rootstown, Ohio. 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 and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- 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, 2005

- 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 programs, 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. When an expense is incurred that can be paid using either restricted or unrestricted resources the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

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, the 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 of Ohio approves a capital budget every two years. YSU and other public universities submit 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

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.

Endowment Policy – The University Endowment Fund consists of 78 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 Youngstown State University Foundation. The University's policy is to distribute realized gains and investment income monthly, based on each funds 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 determined on the first-in, first-out (FIFO) method and stated at the lower of cost or market. Cost is determined on the average cost basis.

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 and improvements 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are 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. Estimated lives are as follows:

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

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.

Compensated Absences – Accumulated unpaid vacation and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

Refundable Advances from Government for Federal Loans – Funds provided by the United States government under the Federal Perkins 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 share of instruction 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Encumbrances – Encumbrance systems are maintained to track outstanding purchase orders and other commitments for materials or services not received during the year. Encumbrances outstanding at the end of the fiscal year do not constitute expenses incurred or liabilities and are not reflected in the financial statements.

Newly Issued Accounting Pronouncements – In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The statement establishes accounting and financial reporting standards for impairment of capital assets and clarifies established accounting requirements for insurance recoveries. The University is required to implement GASB Statement No. 42 concurrent with the State in fiscal year 2006. Management has not yet determined the impact that GASB Statement No. 42 will have on the University's financial statements and disclosures.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*. The statement establishes standards for measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The University will be required to implement this statement concurrent with the State in fiscal 2008. Management has not yet determined the impact that GASB Statement No. 45 will have on the University's financial statements and disclosures.

In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by enabling Legislation – an amendment of GASB Statement No. 34*. The statement provides clarification as to restrictions that are "legally enforceable". A legally enforceable enabling legislation restriction is one that a party external to the University such as citizens, public interest groups, or the judiciary can compel the University to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be re-evaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if the University has other cause for reconsideration. The provisions of GASB Statement No. 46 are effective for financial statements for periods beginning after June 15, 2005. Management has not yet determined the impact of GASB Statement No. 46 will have on the University's financial statements and disclosures.

Reclassification – Certain reclassifications have been made to the 2004 amounts to conform with the 2005 presentation.

Internal Eliminations – Internal charges are eliminated from the Statement of Revenues, Expenses, and Changes in Net Assets.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

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 \$43,534,244, including \$40,434,478 State share of instruction and \$3,099,766 in challenge funds in fiscal year 2005 compared to State appropriations of \$44,482,947, including \$41,530,117 in State share of instruction and \$2,952,830 in challenge funds in fiscal year 2004. The State share of instruction is student based and determined annually by the Ohio Board of Regents.

Capital appropriations from the State totaled \$8,477,922 in fiscal year 2005 and \$4,947,102 in fiscal year 2004 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 market value, included in cash and cash equivalents is \$22,508 and \$39,337 at June 30, 2005 and 2004, respectively.

In accordance with Section 135.18 of the Ohio Revised Code, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or pledge a pool of securities with a value of at least 110% of the total value of public monies on deposit at the institution. All collateral, both specific and pooled, is held by the

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Federal Reserve Bank of Cleveland or by a designated trustee as agent for the public depositories used by the University.

At June 30, 2005 and 2004, the carrying amount of the University's bank deposits and cash equivalents was \$16,411,426 and \$13,246,709 and the bank balances were \$17,446,765 and \$15,763,792, respectively. The difference in carrying amount and bank balance is caused by items in transit and outstanding checks. Of the balance, \$184,757 in FY2005 and \$100,000 in FY2004 was covered by federal depository insurance leaving \$17,262,008 in 2005 and \$15,663,792 in 2004 exposed to custodial credit risk. At times during the year, uncollateralized deposits may have been higher. Deposits held in safekeeping by a bank, as trustee, included in cash and investments totaled \$84,757 as of June 30, 2005 and \$81,502 as of June 30, 2004, which approximates market. These deposits, including interest on the investments, are retained in the trust for payment of principal and interest on the related outstanding indebtedness.

Custodial 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. The University does not have a formal deposit policy for custodial credit risk.

Note 4 – Investments

The University's investment policy authorizes the University to invest non-endowment and endowment 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. University policy requires that depository banks pledge collateral for funds on deposit, including certificates of deposit, with a market value at all times at least equal to the uninsured amount of the deposit or instrument.

The University utilizes investment managers for non-endowment and endowment funds. The University's endowment funds are managed by the Youngstown State University Foundation (see Note 13).

The University has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires certain reporting changes for the disclosure of deposits and investment risk.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

As of June 30, 2005, the University had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Certificates of Deposit	\$ 200,000	\$ 200,000	\$ -	\$ -	\$ -
U.S. Government Obligations	6,402,945	681,587	4,830,453	890,905	-
Corporate Bonds	8,654,203	469,555	5,589,692	1,794,668	800,288
U.S. Government Bonds	8,785,786	-	2,849,607	2,042,204	3,893,975
Preferred and Common Stock	5,333,748	5,087,980	245,768	-	-
Other Securities	403,126	403,126	-	-	-
Total	<u>\$ 29,779,808</u>	<u>\$ 6,842,248</u>	<u>\$ 13,515,520</u>	<u>\$ 4,727,777</u>	<u>\$ 4,694,263</u>

As of June 30, 2005, investments had the following quality credit ratings.

Investment Type	Fair Value	Quality Ratings			
		A	Aa	Baa	Unrated
Certificates of Deposit	\$ 200,000	\$ -	\$ -	\$ -	\$ 200,000
U.S. Government Obligations	6,402,945	-	-	-	6,402,945
Corporate Bonds	8,654,203	2,274,462	4,797,254	1,340,933	241,554
U.S. Government Bonds	8,785,786	-	-	-	8,785,786
Preferred and Common Stock	5,333,748	-	-	-	5,333,748
Other Securities	403,126	-	-	-	403,126
Total	<u>\$ 29,779,808</u>	<u>\$ 2,274,462</u>	<u>\$ 4,797,254</u>	<u>\$ 1,340,933</u>	<u>\$ 21,367,159</u>

As of June 30, 2004 the University had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Certificates of Deposit	\$ 8,142,569	\$ 8,142,569	\$ -	\$ -	\$ -
U.S. Government Obligations	718,028	718,028	-	-	-
Corporate Bonds	8,916,529	125,330	6,435,218	2,017,051	338,930
U.S. Government Bonds	13,376,006	1,346,031	6,283,147	3,728,221	2,018,607
Foreign Bonds	28,933	-	-	28,933	-
Preferred and Common Stock	3,156,009	3,156,009	-	-	-
Other Securities	2,240,506	2,240,506	-	-	-
Total	<u>\$ 36,578,580</u>	<u>\$ 15,728,473</u>	<u>\$ 12,718,365</u>	<u>\$ 5,774,205</u>	<u>\$ 2,357,537</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University has no provisions in its investment policy that would limit its choices.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

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. The total investments in the amount of \$29,779,808 as of June 30, 2005 and \$36,578,580 as of June 30, 2004 were uninsured and unregistered with securities held by the broker or by its trust department or agent, but not in the University's name.

Note 5 – Accounts and Loans Receivable

Accounts and loans receivable at June 30, 2005 and 2004 consist of the following:

	2005	2004
Accounts Receivable		
Student accounts	\$ 3,365,185	\$ 2,630,936
Grants and contracts	2,790,591	2,708,880
State capital appropriations	1,793,685	741,647
Other receivables	867,774	1,770,256
Subtotal	8,817,235	7,851,719
Less: Allowance for doubtful accounts		
Student	(1,590,913)	(1,435,650)
Non student	(22,574)	(363,670)
Accounts receivable, net	\$ 7,203,748	\$ 6,052,399
Loans receivable - student notes	\$ 3,392,545	\$ 3,333,891
Less: Allowance for doubtful accounts	(493,967)	(444,829)
Loan receivable, net	\$ 2,898,578	\$ 2,889,062

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2005 and June 30, 2004 were as follows:

	2005	2005	2004
	Pledges Receivable	Current Portion	
Total pledges receivable	\$ 7,422,002	\$ 4,993,793	\$ 8,213,964
Less: amount estimated to be uncollectible	(192,274)	(70,864)	(234,756)
present value discount	(278,176)	-	(427,946)
Pledges receivable, net	6,951,552	\$ 4,922,929	7,551,262
Less: current portion	(4,922,929)		(5,086,540)
Pledges receivable, noncurrent portion	\$ 2,028,623		\$ 2,464,722

Pledges have been discounted to net present value at a rate of 3.875% in FY2005 and 3.625% in FY2004.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions and Transfers	Ending Balance
Nondepreciable assets:				
Land	\$ 13,104,291	\$ 225,301	\$ -	\$ 13,329,592
Construction-in-progress	3,962,224	11,738,090	(1,454,212)	14,246,102
Historical treasures	297,513	-	-	297,513
Depreciable assets:				
Buildings	227,229,745	2,786,541	-	230,016,286
Improvements other than buildings	20,710,162	568,259	-	21,278,421
Moveable equipment and furniture	24,303,488	4,352,165	(3,693,321)	24,962,332
Vehicles	1,052,025	100,493	(59,886)	1,092,632
Capital leases	172,590	757,591	-	930,181
Total cost	<u>290,832,038</u>	<u>20,528,440</u>	<u>(5,207,419)</u>	<u>306,153,059</u>
Less accumulated depreciation:				
Buildings	116,197,547	4,377,989	-	120,575,536
Improvements other than buildings	13,478,943	1,388,498	-	14,867,441
Moveable equipment and furniture	17,888,609	2,375,149	(3,642,009)	16,621,749
Vehicles	882,113	56,956	(56,568)	882,501
Capital leases	127,367	121,955	-	249,322
Total accumulated depreciation	<u>148,574,579</u>	<u>8,320,547</u>	<u>(3,698,577)</u>	<u>153,196,549</u>
Capital assets, net	<u>\$ 142,257,459</u>	<u>\$ 12,207,893</u>	<u>\$ (1,508,842)</u>	<u>\$ 152,956,510</u>

Capital assets activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Reductions and Transfers	Ending Balance
Nondepreciable assets:				
Land	\$ 12,835,387	\$ 268,904	\$ -	\$ 13,104,291
Construction-in-progress	1,122,689	3,528,774	(689,239)	3,962,224
Historical treasures	297,513	-	-	297,513
Depreciable assets:				
Buildings	225,893,256	1,336,489	-	227,229,745
Improvements other than buildings	19,822,048	888,114	-	20,710,162
Moveable equipment and furniture	23,047,505	1,941,094	(685,111)	24,303,488
Vehicles	1,159,008	49,603	(156,586)	1,052,025
Capital leases	172,590	-	-	172,590
Total cost	<u>284,349,996</u>	<u>8,012,978</u>	<u>(1,530,936)</u>	<u>290,832,038</u>
Less accumulated depreciation:				
Buildings	111,839,700	4,357,847	-	116,197,547
Improvements other than buildings	12,131,508	1,347,435	-	13,478,943
Moveable equipment and furniture	16,442,687	2,057,484	(611,562)	17,888,609
Vehicles	982,077	56,622	(156,586)	882,113
Capital leases	92,849	34,518	-	127,367
Total accumulated depreciation	<u>141,488,821</u>	<u>7,853,906</u>	<u>(768,148)</u>	<u>148,574,579</u>
Capital assets, net	<u>\$ 142,861,175</u>	<u>\$ 159,072</u>	<u>\$ (762,788)</u>	<u>\$ 142,257,459</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Note 8 – Accrued and Other Liabilities

Accrued and other liabilities at June 30, 2005 and 2004 consist of the following:

	2005	2004
Payroll liabilities:		
Accrued compensation and benefits	\$ 5,441,067	\$ 4,618,804
Accrued health care benefits payable	1,206,976	1,286,802
Retirement system contribution payable	2,040,635	1,937,597
Subtotal	<u>8,688,678</u>	<u>7,843,203</u>
Other liabilities:		
Deposits held in custody	227,158	266,943
Refunds payable	22,178	78,787
Interest payable	24,719	26,272
Other liabilities	9,443	505,493
Subtotal	<u>283,498</u>	<u>877,495</u>
Totals	<u>\$ 8,972,176</u>	<u>\$ 8,720,698</u>

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2005 are completed, totaled \$6,102,004 and included \$2,026,436 in State capital appropriations compared to \$13,819,888 and \$2,591,710 at June 30, 2004. These amounts do not constitute expenses incurred or liabilities.

Note 9 – Liabilities

Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and capital leases payable:					
General receipts bonds principal	\$ 13,680,000	\$ -	\$ 805,000	\$ 12,875,000	\$ 845,000
Less: unamortized bond discount and issue cost	-	-	-	-	-
	(226,558)	-	(23,500)	(203,058)	-
Bonds payable, net	<u>13,453,442</u>	-	781,500	12,671,942	845,000
Capital leases payable	38,931	757,591	199,811	596,711	79,129
Total, net	<u>13,492,373</u>	<u>757,591</u>	<u>981,311</u>	<u>13,268,653</u>	<u>924,129</u>
Other liabilities:					
Compensated absences	6,092,104	544,138	-	6,636,242	557,495
Refundable advance	2,758,350	113,949	63,522	2,808,777	-
Total	<u>8,850,454</u>	<u>658,087</u>	<u>63,522</u>	<u>9,445,019</u>	<u>557,495</u>
Total long-term liabilities	<u>\$ 22,342,827</u>	<u>\$ 1,415,678</u>	<u>\$ 1,044,833</u>	<u>\$ 22,713,672</u>	<u>\$ 1,481,624</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and capital leases payable:					
General receipts bonds principal	\$ 14,440,000	\$ -	\$ 760,000	\$ 13,680,000	\$ 805,000
Less: unamortized bond discount and issue cost	-	-	-	-	-
	(250,537)	-	(23,979)	(226,558)	-
Bonds payable, net	14,189,463	-	736,021	13,453,442	805,000
Capital leases payable	74,156	-	35,225	38,931	22,213
Total, net	14,263,619	-	771,246	13,492,373	827,213
Other liabilities:					
Compensated absences	6,114,964	-	22,860	6,092,104	577,800
Refundable advance	2,830,609	146,474	218,733	2,758,350	-
Total	8,945,573	146,474	241,593	8,850,454	577,800
Total long-term liabilities	\$ 23,209,192	\$ 146,474	\$ 1,012,839	\$ 22,342,827	\$ 1,405,013

Management is unable to determine the additions and reductions for compensated absences; therefore, a net number is presented.

Bonds Payable

Bonds payable consist of General Receipts Bonds, Series 1996B, Series 1997 and Series 1998. The Series 1996B Bonds and the Series 1997 Bonds were issued December 18, 1996 and May 15, 1997, respectively. The proceeds were used for the construction of a stadium club, stadium loges and press box improvement. The Series 1998 Bonds were issued January 28, 1998 for the purpose of advance refunding the Series 1989 Bonds, Series 1994 Bonds and the retirement of the 1996A Bonds.

Details of the outstanding Bonds Payable are as follows:

	Stated Interest Rate	Maturity Through	Original Principal
1996B - Term Bonds	7.15%	2005	\$ 1,420,000
1997 - Term Bonds	6.25%	2017	200,000
1998 - Serial Bonds	4.2%-4.7%	2012	11,920,000
1998 - Term Bonds, fixed	4.75%	2016	5,030,000

The indebtedness created through all issues of the General Receipts Bonds is bound by the provision of the 1989 original Trust Indenture and subsequent supplemental indentures.

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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

In lieu of a bond reserve fund, the University has elected, as permitted by the trust agreements, to purchase an insurance policy and surety bond equal to the maximum annual debt service as a guarantee of principal and interest payments.

Fiscal Year	Principal	Interest	Total
2006	\$ 845,000	\$ 573,709	\$ 1,418,709
2007	865,000	535,684	1,400,684
2008	900,000	497,978	1,397,978
2009	945,000	458,338	1,403,338
2010	985,000	415,917	1,400,917
2011-2015	5,655,000	1,335,714	6,990,714
2016-2020	2,680,000	130,683	2,810,683
	<u>\$ 12,875,000</u>	<u>\$ 3,948,023</u>	<u>\$ 16,823,023</u>

Maturities of bonds payable for the fiscal years subsequent to June 30, 2005 are as follows:

Fiscal Year	General Receipts			Total
	Series 1996B	Series 1997	Series 1998	
2006	\$ 115,000	\$ 10,000	\$ 720,000	\$ 845,000
2007	-	10,000	855,000	865,000
2008	-	10,000	890,000	900,000
2009	-	10,000	935,000	945,000
2010	-	10,000	975,000	985,000
2011-2015	-	65,000	5,590,000	5,655,000
2016-2020	-	45,000	2,635,000	2,680,000
Totals	<u>\$ 115,000</u>	<u>\$ 160,000</u>	<u>\$ 12,600,000</u>	<u>\$ 12,875,000</u>

Capital Lease Obligations

The University leases a mail inserting and folding system, two postage machines and address printer, and sixty-eight Steinway pianos under capital lease agreements. The mail inserting and folding system bears interest at 21.72%. The two postage machines and address printer bear interest at 7.60%. The Steinway pianos bear interest at 4.05%. The net book value of capital leased assets included in net Capital Assets in the Statements of Net Assets at June 30, 2005 and 2004, was \$680,859 and \$45,223, respectively.

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

Year Ending June 30,	Mail System	Mailroom Equipment	Steinway Pianos	Total
2006	\$ 10,740	\$ 8,730	\$ 85,773	\$ 105,243
2007	9,845	17,460	85,773	113,078
2008	-	17,460	85,773	103,233
2009	-	17,460	85,773	103,233
2010	-	17,460	85,773	103,233
2011-2012	-	-	171,548	171,548
Total future minimum lease payments	20,585	78,570	600,413	699,568
Less amount representing interest	3,868	12,544	86,445	102,857
Total obligations under capital leases	<u>\$ 16,717</u>	<u>\$ 66,026</u>	<u>\$ 513,968</u>	<u>\$ 596,711</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Operating Lease Obligations

The University has an operating lease for the purpose of classroom and general office purposes. The University has future minimum payments of \$103,740 thru December 31, 2006 and two renewal options: January 1, 2007 thru December 31, 2008 at \$221,590 annually and January 1, 2009 thru December 31, 2010 at \$236,658 annually.

Note 10 - 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 (STRS). Certain OPERS members are covered by the law enforcement benefit provisions, Section 145.33(B) of the Ohio Revised Code (PERSLE). 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 equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment 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 to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Both plans issue a stand-alone financial report. Interested parties may obtain a copy of the OPERS report by making a written request to 277 East Broad Street, Columbus, Ohio, 43215-4642 or by calling (614) 222-6701 or 1-800-222-PERS (7377), and the STRS report by making a written request to 275 East Broad Street, Columbus, Ohio, 43215-3771.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

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

Fiscal Year	Employee Contribution Rate		
	STRS	OPERS	PERSLE
2005	10.0%	8.5%	9.0%
2004	10.0%	8.5%	9.0%
2003	9.3%	8.5%	9.0%

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

Fiscal Year	Employer Contribution Rate		
	STRS	OPERS	PERSLE
2005	14.0%	13.3%	16.7%
2004	14.0%	13.3%	16.7%
2003	14.0%	13.3%	16.7%

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

Fiscal Year	Employer Contributions		
	STRS	OPERS	PERSLE
2005	\$ 4,987,888	\$ 4,063,880	\$ 134,740
2004	4,712,815	3,926,947	147,492
2003	4,530,585	3,960,544	127,867

Alternative Retirement Plan

Employees can elect to participate in the Alternative Retirement Plan (ARP) a defined contribution plan. Contributions equal to those required by STRS and OPERS are required for the ARP. Employer contributions included a percentage paid to STRS but not OPERS.

The University paid 3.5% of covered payroll to STRS and 10.5% to the ARP. The University's contribution to STRS was \$168,916 in 2005 and \$143,988 in 2004. The University's contribution to the ARP was \$506,748 in 2005 and \$431,966 in 2004.

The University paid 13.3% of covered payroll to the ARP. The University's contribution to the ARP selected by OPERS employees was \$389,577 in 2005 and \$346,933 in 2004.

Subsequent Events

On October 4, 2005, The University's Board approved an Early Retirement Incentive Plan to include all University employees who pay into the Ohio Public Employees Retirement System. The savings associated with the plan are expected to exceed its estimated costs.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Note 11 - Postretirement Benefits

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12 Disclosure *Information on Postemployment Benefits other than Pension Benefits by State and Local Governmental Employers*. A portion of the University's contribution to OPERS is set aside for the funding of postretirement health care. The portion used to fund health care was 4.0% in 2004, 5.0% in 2003 and 5.0% in 2002.

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

Summary of Assumptions:

- **Actuarial review** – The assumptions and calculations below were based on the System's latest actuarial review performed as of December 31, 2003
- **Funding method** – An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.
- **Assets valuation method** – All investments are carried at market value. For actuarial valuation purposes a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25.0% of unrealized market appreciation or depreciation on investment assets.
- **Investment return** – The investment assumption rate for 2003 was 8.0%.
- **Active employee total payroll** – An annual increase of 4.0% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases over and above the 4.0% base increase were assumed to range from 0.5% to 6.3%.
- **Health care** – Health care costs were assumed to increase 4.0% annually. The number of active contribution participants at December 31, 2004 (the latest date information is available) was 369,885. The portion of the University's 2005, 2004 and 2003 contributions to PERS used to fund postretirement benefits was \$1,221,196, \$1,519,513, and \$1,536,016, respectively. The actuarial value of the Retirement System's net assets available for payment of benefits at December 31, 2003 (the latest date information is available) was \$10.5 billion.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

State Teachers Retirement System

The State Teachers Retirement System (STRS Ohio) provides access to health care coverage to retirees and spouses dependents. Coverage includes hospitalization, physician fees, prescription drugs, and partial reimbursement of Medicare Part B premiums. Pursuant to the Ohio Revised Code, the State Teachers 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 pay a portion of the health care cost in the form of a monthly premium.

A portion of the University's contribution to STRS is set aside for the funding of postretirement health care. The portion used to fund health care was 1.0% in 2005, 1.0% in 2004 and 4.5% in 2003. Benefits are advance-funded, using an entry age normal actuarial cost method to determine the present value of benefit liabilities and normal cost.

Eligible benefit recipients at June 30, 2004 (the latest date information is available) were \$111,853. The portion of the University's 2005, 2004 and 2003 contributions to STRS used to fund postretirement benefits was \$356,278, \$336,630 and \$1,456,260, respectively.

The health care reserve fund within the employers' trust fund from which payments for health care benefits are paid had a balance of \$3.1 billion at June 30, 2004.

Health care benefits paid by the plan were \$268,739,000 for the fiscal year ended June 30, 2004.

Note 12 – 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 condition of the University.

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

The University is self-insured for a major portion of employee health care benefits.

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) for the past two years follows:

	2005	2004
Liability at beginning of fiscal year	\$ 1,172,597	\$ 1,701,823
Current year claims including changes in estimates	6,441,940	7,058,584
Claim payments	(6,482,676)	(7,587,810)
Liability at end of fiscal year	<u>\$ 1,131,861</u>	<u>\$ 1,172,597</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

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 also carries commercial insurance policies for various property, casualty, and excess liability risks. Settlement amounts have not exceeded the University coverage amounts.

The University has the following commercial insurance policies:

Type	Deductible	Coverage
Property	\$ 25,000	Replacement cost
Crime	\$ 100,000	\$2,000,000
General liability	\$ 250,000	\$1,000,000/occurrence \$2,000,000 aggregate
Educator liability	\$ 250,000	\$1,000,000
Excess liability	\$ 5,000,000	\$45,000,000 shared
Automobile liability	\$ 250,000	\$1,000,000
Medical malpractice	\$ 25,000	\$1,000,000/occurrence \$3,000,000 aggregate
Umbrella	\$ 1,000,000	\$4,000,000

The University had no significant reductions in coverage from the prior year.

On June 29, 2004, the University entered into a contract with SunGard SCT, Inc. to provide licensed software and installation/implementation services for an Enterprise Resource Plan (ERP). The ERP solution covers Finance, Advancement, Student Financial Aid, Human Resources, Luminis (web portal) and numerous ancillary and third-party software solutions. The project length is estimated at three years. Specified pricing includes \$1,700,704 annual license fees and \$2,491,752 in estimated professional services for implementation of which \$1,967,419 remains at June 30, 2005.

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 worker's 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, 2005

Note 13 – Component Units

Youngstown State University Foundation (YSUF) and University Housing Corporation (UHC) are nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. 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 or UHC's financial information in the University's financial report for these differences.

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.

Annually, the University files an application for funds from YSUF, subject to approval by the trustees of YSUF. Financial support from YSUF was \$4,448,900 for the fiscal year ended June 30, 2005 and \$4,470,658 for the fiscal year ended June 30, 2004. Financial support from YSUF has been committed for FY2006 in the amount of \$4,681,325 and is reflected in deferred revenue on the University's Statement of Net Assets at June 30, 2005. At June 30, 2005 and June 30, 2004, \$3,525,000 and \$3,360,000, respectively, was due from YSUF and included in pledges receivable on the University's Statement of Net Assets at June 30, 2005. In addition, rental income from YSUF of \$11,456 was recorded in each fiscal year 2005 and 2004 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. 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, 2005 and June 30, 2004 was \$5,531,247 and \$10,383,557, respectively. The June 30, 2004 balance included the investments for the Recreation and Wellness Center. The management services are provided at no charge and investments are made in a manner consistent with the YSUF funds.

The Foundation acts in an agent capacity by receiving monies from various donors for the benefit of Youngstown State University entities and remitting to these entities the monies collected. The amounts collected and remitted to the various entities by the Foundation in 2005 and 2004 amounted to \$98,787 and \$83,932, respectively.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

UHC

In May 2002, officials broke ground for the University's Student Courtyard Apartments (the Project), a \$22 million complex with 130 units for 408 students and staff. Construction of the complex was completed in August 2003. The dormitory housing began operations in August 2003. This unique public-private partnership includes YSUF, University Housing Corporation (UHC), the City of Youngstown, Mahoning County, and Ambling Companies, Inc., a national leader in developing student housing communities. UHC, the project owner, was incorporated as a tax-exempt organization to facilitate financing of the Project.

Facility rental from UHC was \$60,000 for the fiscal year ended June 30, 2004 and was outstanding and included in the University's other receivables in the Statement of Net Assets at June 30, 2005.

Because resources can only be used by, or for the benefit of the University, UHC is considered a component unit of the University.

UHC Long-Term Debt

In May 2002, UHC issued \$22,040,000 of County of Mahoning, Ohio Adjustable Rate Housing Revenue Bonds Series 2002 (Series 2002 Bonds). The proceeds were used to finance the construction, site improvements, furnishing and equipping of the University Courtyard Project. The bonds bear interest at a variable rate determined weekly by BancOne Capital Markets, Inc. as Remarketing Agent based on the weekly tax-exempt index as determined by BancOne Capital Markets, and are due at various dates until 2033. These rates at July 31, 2005 and 2004 were 2.30% and 1.05%, respectively with an average weekly rate of 1.92% during fiscal year 2005 and 0.96% during fiscal year 2004. The bonds are secured by the assignment of incomes and revenues of the Project of UHC.

The Series 2002 Bonds were issued pursuant to a Trust Indenture dated May 1, 2002 between Mahoning County (County) and the Trustee. In connection with the issuance of the Series 2002 Bonds, UHC entered into a Reimbursement Agreement with a bank.

Maturities of the bonds are as follows:

Year ending July 31,	Amount
2006	\$ 30,000
2007	60,000
2008	100,000
2009	130,000
2010	175,000
Thereafter	21,275,000
Total	<u>\$ 21,770,000</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

UHC's objectives of its derivative instruments include managing the risk of increased debt service resulting from rising market interest rates, the risk of decreased surplus returns resulting from falling interest rates, and the management risk of an increase in the fair value of outstanding fixed rate obligations resulting from declining market interest rates. Consistent with its interest rate risk management objectives, UHC entered into an interest rate swap in May 2002 with a notional amount of \$20,715,000 at July 31, 2005 and \$20,745,000 at July 31, 2004. This swap agreement effectively changes UHC's interest rate exposure on its floating rate bonds to a fixed rate of 3.97%. The interest swap rate agreement matures in May 2012.

Under terms of the interest rate swap agreement, UHC makes payments calculated at a fixed rate of 3.97% to the counterparty of the swap. In return, the counterparty makes payments to UHC equal to 68% of 1-Month USD-LIBOR-BBA Index. Only the net difference in payments is exchanged with the counterparty. During fiscal years 2005 and 2004 the 1-Month USD-LIBOR-BBA Index ranged from 1.52% to 3.52% (3.52% at July 31, 2005) and 1.09% to 1.50% (1.50% at July 31, 2004), respectively.

The fair value of the swap agreement at July 31, 2005 and 2004 was \$1,092,304 and \$1,212,027 respectively, and is recorded as a liability on UHC's Statement of Financial Position.

UHC Property

Property, facilities and equipment as of July 31, 2005 and 2004 are as follows:

	2005	2004
Buildings	\$ 17,442,241	\$ 17,442,241
Other capital asset	915,491	915,491
Total cost	<u>18,357,732</u>	<u>18,357,732</u>
Less accumulated depreciation:	(1,085,365)	(527,318)
Property, facilities and equipment, net	<u>\$ 17,272,367</u>	<u>\$ 17,830,414</u>

Guarantee of the University Housing Corporation Mortgage by the Foundation

On May 1, 2002, the Foundation entered into an agreement to guarantee the payment of certain UHC debt. Funding for the project has been attained through the issuance of \$22,040,000 adjustable rate housing revenue bonds by Mahoning County, Ohio. These bonds have serial maturities through 2033.

A financial institution has issued a letter of credit to collateralize the payment of principal, interest and other funding requirements. The letter of credit is annually renewable by the financial institution.

The Foundation has pledged \$45,000,000 of unrestricted marketable securities to guarantee all debt funding payments due by UHC. In addition to the debt and interest payments, UHC is responsible for a 1% letter of credit fee and the accumulation of a debt service reserve fund. UHC's reimbursement agreement contains thirteen events of default, many of which are tied to

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

restrictive loan covenants. In the event of default, the bank may require payment by the Foundation. The dormitory housing began operations in August 2003. In the event the Foundation is required to perform under the guarantee agreement, provisions exist for the Foundation to obtain the rights of the financial institution.

The Foundation also entered into an agreement with UHC to loan UHC funds to pay for initial organizational and legal costs. Under the terms of the agreement, UHC will repay the Foundation principal plus interest at prime rate. At June 30, 2005 and 2004, the amount due from to the Foundation from UHC is \$102,375 and \$96,805, respectively.

YOUNGSTOWN STATE UNIVERSITY

BOARD OF TRUSTEES

H. S. Wang, Chair	<i>Ophthalmologist Eye Care Associates, Inc.</i>
William Bresnahan	<i>President Hynes Industries</i>
Donald Cagigas	<i>President and Chief Professional Officer Youngstown/Mahoning Valley United Way</i>
Millicent S. Counts	<i>Executive Director United Methodist Community Center</i>
Larry D. DeJane	<i>Mayor City of Salem</i>
Dianne Bitonte Miladore	<i>Physician Member of the Clinical Faculty at Northeast Ohio Universities College of Medicine</i>
John L. Pogue	<i>Attorney Harrington, Hoppe & Mitchell, Ltd.</i>
Scott R. Schulick	<i>Vice President Butler Wick Trust Co.</i>
Paul L. Walker	<i>Student Trustee</i>

PRINCIPAL ADMINISTRATORS

David C. Sweet	<i>President</i>
Bege Bowers	<i>Interim Provost</i>
Cynthia E. Anderson	<i>Vice President for Student Affairs</i>
John L. Habat	<i>Vice President for Administration</i>
Donna J. Esterly	<i>Interim Chief Technology Officer</i>
George E. McCloud	<i>Special Assistant for University Advancement</i>

Youngstown State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Student Financial Aid – Cluster			
Department of Education:			
Direct Programs:			
Federal Pell Grant Program	84.063		\$12,617,979
Federal Work Study Program	84.033		517,075
Federal Supplemental Educational Opportunity Grants	84.007		627,897
Federal Perkins Loan Program (<i>Note 2</i>)	84.038		113,949
Federal Family Education Loan Program (<i>Note 3</i>)	84.032		–
Total Student Financial Aid – Cluster			<u>13,876,900</u>
Research and Development – Cluster			
Department of Education:			
Direct Program:			
Chemistry Teachers New Masters Degree	84.116B		71,587
Department of Health and Human Services:			
Direct Program:			
Enzymatic Characteristics/2 Pyrimidine	93.390		7,308
National Science Foundation:			
Direct Programs:			
Proeomic Profiling/Dimorphism	47.074		217,950
Web Access Single Crystal X-ray	47.076		26,740
NSF – Microeconomic Principles	47.076		18,110
Technological Leaders Scholarship Program	47.076		135,897
Research Experiments in Undergraduate Chemistry	47.049		16,520
Chemx: Assessing Cognitive Chemistry			
Expectations for Learning	47.076		34,592
NSF – Organometallic Nano Stars	47.049		15,865
NSF – RUI Glove Box	47.049		7,345
NSF – Hydrogen Bonded	47.075		72,555
Pass Through Programs:			
Regional Undergraduate Math Conference	47.049	DMS-0241090	6,274
Ohio Science/Engineering Alliance	47.076	RF Project # 745934	14,688
Total National Science Foundation			<u>566,535</u>
Department of Defense:			
Pass Through Program:			
National Ocean Sciences Bowl '05	12.300	NA160M2411	14,887

Youngstown State University

Schedule of Expenditures of Federal Awards (continued)

Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
United States Air Force Office of Scientific Research:			
Direct Programs:			
Accelerated Studies/Trigger Gamma Emissions	12.910		31,558
High Resolution Xray Study	12.800		15,095
Trigger Electromagnetic Pulse II	12.800		<u>168,786</u>
Total United States Air Force Office of Scientific Research			215,439
Battelle Army Research Office:			
Direct Program:			
Isomer Production Basics	N/A		3,000
Environmental Protection Agency:			
Direct Programs:			
Waste Education & Middle School Training	66.951		14,552
Mahoning River Education Project 2004 USEPA	66.951		<u>25,000</u>
Total Environmental Protection Agency			39,552
Department of Commerce:			
Direct Program:			
X-ray Driven Gamma Emissions – Nuclear Isomers	11.612		65,537
National Aeronautics and Space Administration:			
Direct Program:			
Ohio Space Grant Consortium Scholarship Program	43.001		<u>5,151</u>
Total Research and Development – Cluster			988,996
Trio – Cluster			
Department of Education:			
Direct Programs:			
TRIO – Upward Bound	84.047A		(1,810)
Upward Bound FY 02-04	84.047A		<u>257,838</u>
Total Trio – Cluster			256,028

Youngstown State University

Schedule of Expenditures of Federal Awards (continued)

Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Other Financial Assistance Programs			
Department of Education:			
Direct Programs:			
Material Engineering Program	84.116Z		237,762
Tri-County Partnership of Excellence	84.336B		341,380
Evaluation of Gear Up Project	84.334		38,891
Pass Through Programs:			
State of Ohio Department of Education for 2-year College:			
Strategic Plan C.D. Perkins, Yr. 10, FY 04	84.048	CPHII-A02	(1,668)
Strategic Plan C.D. Perkins, Yr. 11, FY05	84.048	*	85,041
State of Ohio Department of Education for Tech Prep Programs:			
Tech Prep 04 Federal Base Grant	84.243	VETP2004-22-FB	(3,953)
Tech Prep 05 Federal Base Grant	84.243	VETP2005-22-FB	116,348
Office of Elementary and Secondary Education:			
Teaching Physical Science Through Inquiry	84.367	*	40,267
Inquiring Minds: Teach Physical Science	84.367	*	11,037
Office of Educational Research and Improvement:			
Counseling 21st Century Grant	84.287	*	57,840
Smarts 21st Century Grant, Hayes, Hillman, East	84.287	*	16,797
Smarts 21st Century Grant, Hayes, Hillman, East	84.287	*	23,014
21st Century Mahoning River Educ. Project for Spr. '05	84.287	*	7,090
Evaluation Girard Schools 21st Century, Yr 1	84.287	*	2,595
Austintown 21st Century, 04-05	84.287	*	13,964
21st Century Mahoning River Education Project	84.287	*	2,263
Evaluating Youngstown City Middle School 21st Century, Yr	84.287	*	6,076
Reading First State Grants:			
Reading First '05	84.357	RFP#0A03034	68,756
Improving Teacher Quality State Grants:			
Teacher Candidate Assessment System	84.367	*	4,776
Fund for Improvement of Postsecondary Education			
Teach Analytical Reason in Biology	84.116B	05-0136	1,250
Total Department of Education			1,069,526
United States Department of State:			
Pass Through Programs:			
Institution on Trends/Higher Education-China & US	N/A	S-ECAA-E-05-GR-027 (CS)	3,580
International Education Week Grant	19.424	*	1,717
Total United States Department of State			5,297

Youngstown State University

Schedule of Expenditures of Federal Awards (continued)

Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Institute of Museum and Library Services:			
Pass Through Program:			
Project Teacher Information Literary Education	45.313	446654-PO50989	1,981
Department of Health and Human Services:			
Direct Programs:			
National Youth Sports Program FY2004	93.570		68,321
National Youth Sports Program FY2005	93.570		2,026
Glycocommimetrics of S. Aurous of Capsular Polysaccharide Aminiosugars	93.856		46,403
Pass Through Programs:			
Bioterrorism/Disaster Prepared	93.283	U90/CCU524240	3,799
Survey/Rural Adopt Grant – Year 1	93.652	*	10,937
Total Department of Health and Human Services			<u>131,486</u>
Small Business Administration:			
Pass Through Programs:			
Small Business Development Center, Year 17	59.037	ECDD 04-102	7,836
Small Business Development Center, Year 18	59.037	ECDD 05-170	110,758
Total Small Business Administration			<u>118,595</u>
United States Department of Housing and Urban Development:			
Direct Programs:			
HUD Homeless Management Information System	14.511		66,101
HUD Homeless Management Information System 04-07	14.235		34,523
Pass Through Programs:			
Board of Mahoning County Commissioners HUD Lead Based Paint Program	14.511	*	(20,993)
Buy Into Youngstown – Life in Youngstown	14.218	*	30,382
Youngstown 2010 Comprehensive Plan FY04-05	14.227	*	79,160
Youngstown 2010 Data/Map Asst FY04-05	14.227	*	38,532
Community Development Agency/City of Youngstown	14.208	B-04-MC-39-0023	22,323
Total United States Department of Housing and Urban Development			<u>250,028</u>
United States Department of Justice:			
Pass Through Program:			
Evaluation Youngstown Police Weed/Seed 04-05	16.595	*	10,500

Youngstown State University

Schedule of Expenditures of Federal Awards (continued)

Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
United States Department of Labor:			
Pass Through Program:			
Third Frontier Internship Program Grant	17.255	ECDD04-229	27,063
Total Other Financial Assistance Programs			1,614,476
Total Expenditures and Awards			<u>\$16,736,400</u>

* Pass Through number not available
 N/A – CFDA number not available

Youngstown State University

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant transactions of Youngstown State University (the University) (Employee Identification Number 34-1011998) recorded on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. Federal Perkins Loan Program

	CFDA Number	Outstanding Balance at June 30, 2005
Federal Perkins Loan Program	84.038	\$ 3,259,554

Total loan expenditures and disbursements of the Department of Education student financial assistance program for the fiscal year are identified below:

	CFDA Number	Loans Advanced to Students
Federal Perkins Loan Program	84.038	\$ 623,949

The Schedule of Expenditures of Federal Awards for the Federal Perkins Loan Program represents the Federal Capital Contribution for the year ended June 30, 2005 and the administrative costs of the Federal Perkins Loan Program.

Youngstown State University

Notes to Schedule of Expenditures of Federal Awards (continued)

3. Federal Family Education Loan Program

During the fiscal year ending June 30, 2005, the University processed the following amount of new loans under the Federal Family Education Loan Program (which includes Stafford Loans and Parents' Loans for Undergraduate Students):

	<u>CFDA Number</u>	<u>Amount Processed</u>
Federal Family Education Loan Program	84.032	\$ 48,702,244

**Report of Independent Auditors on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in
Accordance With *Government Auditing Standards***

The Board of Trustees
Youngstown State University

We have audited the financial statements of Youngstown State University (the University) as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005, which expressed reliance on other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated October 7, 2005.

This report is intended for the information and use of the audit committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

October 7, 2005

Report of Independent Auditors on Compliance and on Internal Control Over Compliance in Accordance With OMB Circular A-133

The Board of Trustees
Youngstown State University

Compliance

We have audited the compliance of Youngstown State University (the University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

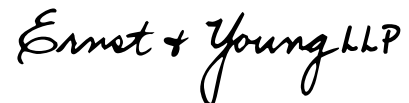
In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 05-01.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 7, 2005

Youngstown State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditor’s report issued: Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards Section

Internal control over major program:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X No

Type of auditor’s report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510(a))? X Yes No

Youngstown State University

Schedule of Findings and Questioned Costs (continued)

Part I – Summary of Auditor’s Results (continued)

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.033, 84.007, 84.038, 84.032	Student Financial Aid – Cluster
Dollar threshold used to determine Type A programs:	<u>\$502,092</u>
Auditee qualified as low-risk auditee	<u> X </u> Yes <u> </u> No

Part II—Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

None.

Youngstown State University

Schedule of Findings and Questioned Costs (continued)

Part III – Schedule of Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133 section .510 (for example, reportable conditions, material weaknesses, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program.

05-01

Federal program information: US Department of Education Student Financial Aid Cluster—Federal Family Education Loan (FFEL) Program CFDA #84.032

Criteria Requirement: Under the FFEL and Direct Loan programs, schools must complete Roster Files sent by the NSLDS and return it within 30 days of receipt. Once received, the institution must update the Roster File for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically. Unless the school expects to complete its next Roster File within 60 days, the school must notify NSLDS within 30 days if it discovers that a student who received a loan either did not enroll, or ceased to be enrolled, on at least a half-time basis (FFEL, 34CFR section 686.610).

Condition: The University did not timely submit status changes on the Roster File for students who graduated.

Questioned costs: \$0.

Context: We randomly selected 24 graduates during the period of July 1 through June 30, 2005. We noted that graduates in the Spring of 2005 did not have their status change submitted on the Roster File in a timely manner.

Cause and Effect: The lack of controls over the review of submitted reports process caused the University to not be in compliance with the filing requirements of the Roster File. Therefore, NSLDS was not notified timely of changes in student status.

Youngstown State University

Schedule of Findings and Questioned Costs (continued)

Recommendation:

We recommend that management review its policies and procedures over the submission of the Roster File to ensure proper documentation is maintained and sent to the Clearinghouse.

**View of Responsible Officials
and Corrective Action:**

Youngstown State has an agreement with the National Student Clearinghouse that allows the Clearinghouse to report to lenders of the Federal Loan Program, any change in enrollment status. Reports are made to the Clearinghouse a minimum of four times per semester. In the Spring 2005 term, there was a defect in the code. When the error was discovered, the program was corrected and the file resent. The correct information has been reported to the Clearinghouse.

**Part IV – Prior Year Schedule of Financial Statement Findings and Federal Award
Findings and Questioned Costs**

None

The background of the cover is a faded, sepia-toned photograph of a large, multi-story brick building, likely a university hall or library. The building features a prominent central tower with a clock face. In the foreground, there are green trees and a grassy lawn. The entire image is framed by a thin, light-colored border.

YOUNGSTOWN STATE UNIVERSITY

**Financial Report
for the Years Ended
June 30, 2005 and 2004**

YOUNGSTOWN STATE UNIVERSITY

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YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT SWEET

October 7, 2005

Youngstown State University continued the focused implementation of its Centennial Strategic Plan during Fiscal Year 2005. By building on our strengths and implementing new initiatives, we are setting the stage for the University's Centennial in 2008 and beyond.

Progress continues despite the State of Ohio's increasingly challenging financial environment and consequent decline in State support for public higher education. Sound and focused management has enabled YSU to remain the most efficient and cost-effective State university in Ohio. The highlights of Fiscal Year 2005 include:

- The construction of the Andrews Student Recreation and Wellness Center. The University raised \$12.1 million in private donations to fund construction of the center which opened in September 2005.
- Successful completion of the first year of Youngstown Early College, a partnership with the Youngstown City School District that testifies to the University's commitment to improve educational attainment for inner-city high school students.
- Successful implementation of new administrative computing systems in the University's finance and advancement divisions. Through a partnership with SunGard Higher Education Solutions, YSU has committed to implement a comprehensive information technology improvement plan over a three-year period.
- Continued high marks in the 2004 Performance Report for Ohio's Colleges and Universities, an annual snapshot of how the state's public universities and colleges are performing.
- In fall 2004, YSU's enrollment reached 13,101, the highest level in nine years and above 13,000 for the first time since 1995. In addition, the graduating class of 2004-05 was the largest in a decade. Since 2000-01, the number of graduates has grown by 11 percent.
- Continued academic partnerships with local businesses and industry including Parker Hannifin, FirstEnergy and Delphi.
- Other highlights include the Dana School of Music designated an "All-Steinway School" with the delivery of 68 new Steinway pianos, placing it among the top music schools in the nation; and the Penguin Parade public arts project which raised more than \$200,000 for local charities and sparked an outpouring of community pride, imagination and support.

While the University has had to increase tuition to maintain academic quality and to offset the loss of state funds, our tuition remains the lowest among the comprehensive public universities in Ohio. In partnership with the YSU Foundation, we have taken a number of steps to help offset tuition increases with scholarship initiatives. The high-quality education offered at Youngstown State University is affordable and represents an investment offering tremendous, life-long tangible and intangible rewards for students.

Sincerely,



David C. Sweet
President

Report of Independent Auditors

Board of Trustees
Youngstown State University

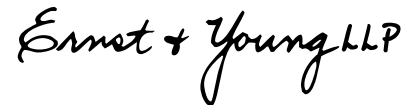
We have audited the accompanying statements of net assets of the Youngstown State University (University), a component unit of the State of Ohio, as of June 30, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Youngstown State University Foundation, a discretely presented component unit of the University. Those financial statements were audited by other auditors whose reports thereon have 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 reports 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. We were not engaged to perform an audit of the University's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Youngstown State University and its discretely presented component units, as of June 30, 2005 and 2004, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 4 through 16 are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2005 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



October 7, 2005

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This 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, 2005 with comparative information for the fiscal years ended June 30, 2004 and 2003. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

In 1908, The Youngstown College was founded. In 1955, The Youngstown College became The Youngstown University. On September 1, 1967, The Youngstown University became officially known as Youngstown State University. The University is composed of six colleges and one school and operates on a main campus and a Metro College. Fall 2004 enrollment was approximately 13,100 students. There are approximately 670 full-time equivalents (FTE) faculty and the University employs more than 1,700 FTE.

Using the Financial Statements

Youngstown State 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 GASB 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) appropriations, 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.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, The Youngstown State University Foundation (YSUF or Foundation) and University Housing Corporation (UHC) are treated as component units of the University. Accordingly, these component units are discretely presented in this report by presentation of the individual financial statements of the units immediately following the University's respective GASB financial statements. Additional information on these component units is contained in Note 13 and is excluded from Management's Discussion and Analysis.

Complete financial statements for the University Housing Corporation can be obtained from University Housing Corporation, c/o Youngstown State University, Financial Affairs, University Plaza, Youngstown, Ohio 44555.

Financial and Other University Highlights

- Stable enrollment
- Continued decrease in State of Ohio support
- Positive Senate Bill 6 ratios
- Progress on four major planning initiatives including enrollment management, technology, the campus master plan, and the centennial capital campaign
- In the second year of a three year partnership with SunGard Higher Education Solutions to implement an Enterprise Resource Planning (ERP) System to replace all administrative and financial information systems within the University
- Substantial completion of West Gate Campus Gateway project

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, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Assets			
Current assets	\$ 35,321,462	\$ 40,245,160	\$ 36,779,811
Capital assets, net	152,956,510	142,257,459	142,861,175
Other assets	30,675,292	29,070,282	24,647,930
Total Assets	<u>218,953,264</u>	<u>211,572,901</u>	<u>204,288,916</u>
Liabilities			
Current liabilities	22,187,810	18,992,688	19,518,782
Noncurrent liabilities	21,232,048	20,937,814	21,804,367
Total Liabilities	<u>43,419,858</u>	<u>39,930,502</u>	<u>41,323,149</u>
Total Net Assets	<u>\$ 175,533,406</u>	<u>\$ 171,642,399</u>	<u>\$ 162,965,767</u>
Net Assets			
Invested in capital assets, net of related debt	139,692,381	128,979,986	128,791,756
Restricted - nonexpendable	5,267,429	5,125,548	5,018,540
Restricted - expendable	11,486,023	16,046,325	11,447,744
Unrestricted	19,087,573	21,490,540	17,707,727
Total Net Assets	<u>\$ 175,533,406</u>	<u>\$ 171,642,399</u>	<u>\$ 162,965,767</u>

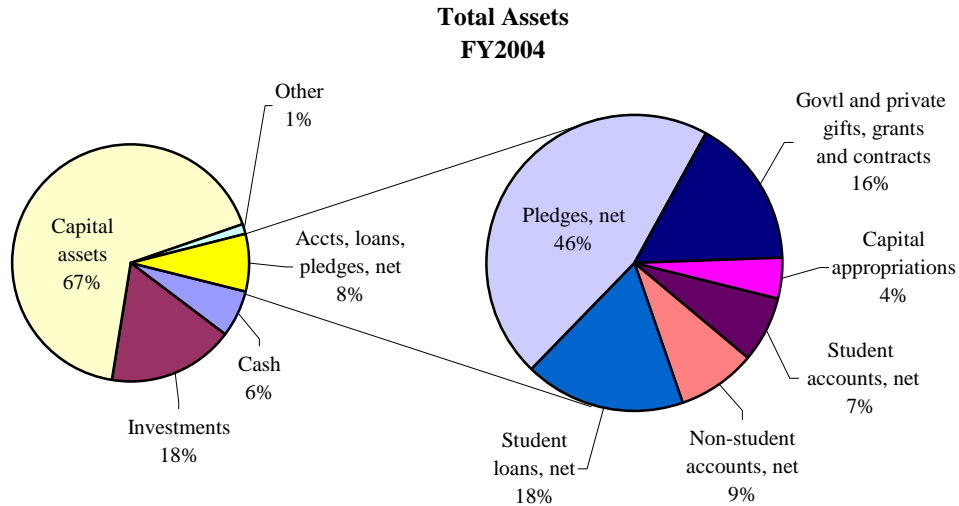
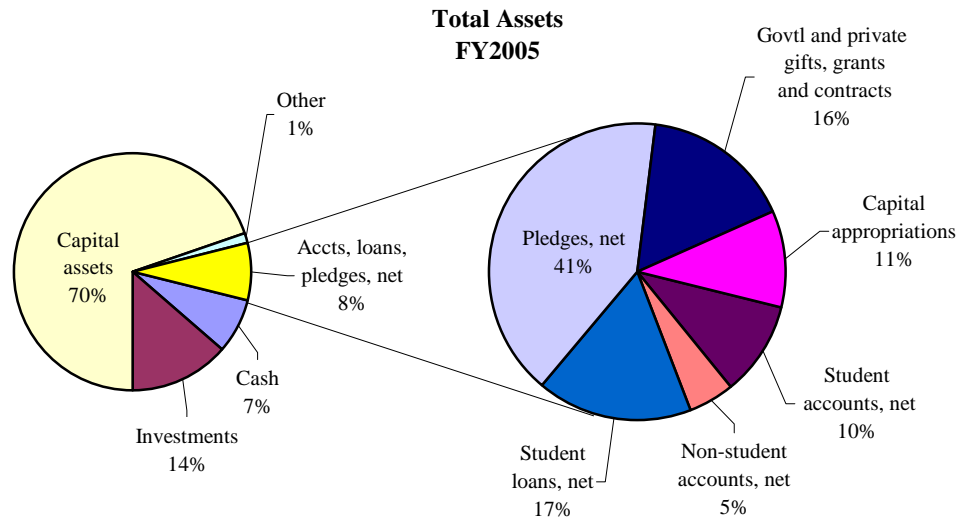
Assets

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

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Cash and cash equivalents	\$ 16,411,426	\$ 13,246,709	\$ 3,185,305
Investments	29,779,808	36,578,580	39,004,847
Accounts, loans and pledges receivable, net	17,053,878	16,492,723	16,351,710
Capital assets, net	152,956,510	142,257,459	142,861,175
Other	2,751,642	2,997,430	2,885,879
Total Assets	<u>\$ 218,953,264</u>	<u>\$ 211,572,901</u>	<u>\$ 204,288,916</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)



Total cash and cash equivalents, and investments decreased \$3.6 million in fiscal 2005 primarily due to liquidation of investments for the construction of the Andrews Recreation and Wellness Center. Invested balances for the construction of the Andrews Recreation and Wellness Center decreased \$5.1 million in fiscal year 2005 and were reflected in current assets at June 30, 2004. Endowment principal and other investments are included in noncurrent assets. The Statement of Cash Flows provides additional 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; and Notes 5 and 6 for accounts, loans, and pledges receivable.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

At June 30, 2005, the University had \$152,956,510 in capital assets, net of accumulated depreciation. Depreciation and amortization charges totaled \$8,320,547 in FY2005, \$7,853,906 in FY2004, and \$7,484,527 in FY2003. Details of capital assets, net are shown below.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Land	\$ 13,329,592	\$ 13,104,291	\$ 12,835,387
Buildings	109,440,750	111,032,198	114,053,556
Improvements other than buildings	6,410,980	7,231,219	7,690,540
Construction-in-progress	14,246,102	3,962,224	1,122,689
Moveable equipment and furniture	8,340,583	6,414,879	6,604,819
Vehicles	210,131	169,912	176,930
Historical treasures	297,513	297,513	297,513
Capital leased assets	680,859	45,223	79,741
Total	<u>\$ 152,956,510</u>	<u>\$ 142,257,459</u>	<u>\$ 142,861,175</u>

Major capital activity during the year included the addition of properties to allow for future expansion of the University campus, completion of projects including the Campus Electronic Upgrade and the Beeghly Gym Roof Renovations, technology upgrades, and the continued construction of the West Campus Gateway Project, which includes the Andrews Recreation and Wellness Center and Bookstore renovation and expansion. More detailed information about the University's capital assets is presented in Note 7 to the financial statements.

Liabilities

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

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Accounts and construction payable	\$ 3,249,294	\$ 1,161,860	\$ 1,397,920
Payroll liabilities	8,688,678	7,843,203	7,882,456
Bonds and capital leases payable, net	13,268,653	13,492,373	14,263,619
Deferred revenue	8,484,716	7,705,117	7,820,349
Compensated absences	6,636,242	6,092,104	6,114,964
Refundable advance	2,808,777	2,758,350	2,830,609
Other	283,498	877,495	1,013,232
Total Liabilities	<u>\$ 43,419,858</u>	<u>\$ 39,930,502</u>	<u>\$ 41,323,149</u>

Accounts and construction payable increased in fiscal 2005 primarily due to construction payables related to the West Campus Gateway Project. At June 30, 2005, the University had \$12,875,000 in principal debt outstanding compared to \$13,680,000 at June 30, 2004 and \$14,440,000 at June 30, 2003. More detailed information about the University's debt and long-term liabilities is presented in Note 9 to the financial statements. See Note 8 for a further breakout of accounts payable, accrued liabilities and other liabilities.

YOUNGSTOWN STATE UNIVERSITY

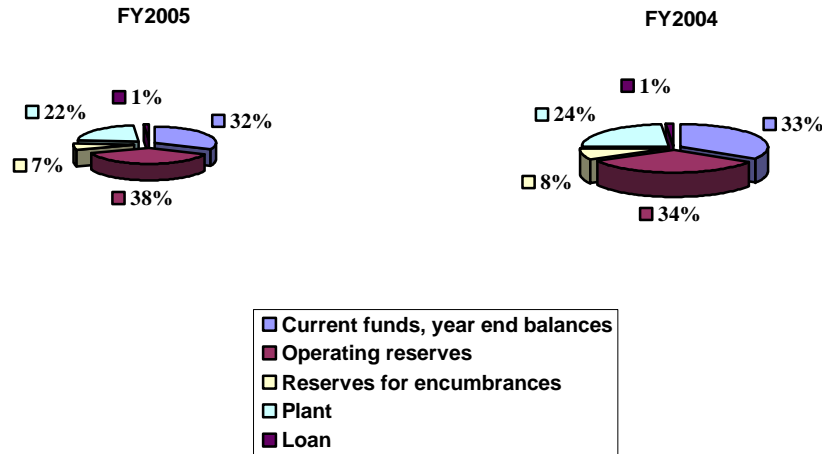
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Net Assets

Many of the University's unrestricted net assets have been designated or reserved for specific purposes such as operating reserves, capital projects and reserve for encumbrances. The following table shows allocations at:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Current funds, year end balances			
Unallocated			
General operating	\$ 2,984,084	\$ 3,406,987	\$ 3,139,119
Auxiliary enterprises	216,663	632,571	1,271,624
Allocated	<u>2,832,450</u>	<u>3,155,320</u>	<u>725,654</u>
Subtotal	6,033,197	7,194,878	5,136,397
Operating reserves			
General operating	6,308,386	6,308,386	5,828,386
Auxiliary enterprises	<u>970,000</u>	<u>922,500</u>	<u>1,270,000</u>
Subtotal	7,278,386	7,230,886	7,098,386
Reserves for encumbrances	1,275,559	1,732,291	1,689,685
Plant	4,228,827	5,060,881	3,511,405
Loan	<u>271,604</u>	<u>271,604</u>	<u>271,854</u>
Total	<u>\$ 19,087,573</u>	<u>\$ 21,490,540</u>	<u>\$ 17,707,727</u>

Unrestricted Net Assets



Overall, unrestricted net assets decreased \$2.4 million or 11% from June 30, 2004 to June 30, 2005. Current year end operating fund balances decreased \$1.1 million due to a reduction in the year end operating fund balance carry forward, transfers of Bookstore operating funds to fund the Bookstore expansion project, equipment purchases, and a decrease in the compensated sick leave reserve fund. In total, plant funds decreased \$0.8 million due to construction of the Bookstore expansion project which was approximately 90% complete at June 30, 2005. Also, reserves for encumbrances were significantly reduced due to anticipation of new financial system conversion.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

2004 Versus 2003

Assets increased in 2004 primarily due to receipt of gifts for the construction of the Andrews Recreation and Wellness Center. Liabilities decreased slightly from 2003 to 2004 with liabilities primarily consisting of accrued payroll and payroll withholding, debt, compensated absences, and deferred revenue. Net assets increased due to funds designated for the Technology Master Plan and in Auxiliary operating funds designated for future plant expenditures including parking improvements and the Bookstore expansion.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Operating Revenues			
Net tuition, fees and other student charges	\$ 62,490,186	\$ 58,880,154	\$ 52,824,818
Auxiliary enterprises	15,049,075	15,112,244	15,974,326
Grants and contracts	13,576,193	14,630,097	12,425,612
Other	1,825,178	1,995,908	1,058,226
Total Operating Revenues	<u>92,940,632</u>	<u>90,618,403</u>	<u>82,282,982</u>
Operating Expenses	<u>163,214,249</u>	<u>152,739,865</u>	<u>149,300,934</u>
Operating Loss	<u>(70,273,617)</u>	<u>(62,121,462)</u>	<u>(67,017,952)</u>
Nonoperating Revenues (Expenses)			
State appropriations	43,534,244	44,482,947	43,917,610
Gifts, grants, and contracts	19,560,137	19,338,226	21,037,452
Investment income	1,776,256	830,018	1,195,060
Other nonoperating expenses, net	(1,221,188)	(2,405,860)	(1,801,758)
Net Nonoperating Revenues:	<u>63,649,449</u>	<u>62,245,331</u>	<u>64,348,364</u>
(Loss) Income Before Other Revenues, Expenses, and Changes	(6,624,168)	123,869	(2,669,588)
Other Revenues, Expenses, and Changes			
State capital appropriations	8,477,922	4,947,102	7,064,521
Capital grants and gifts	1,987,639	3,535,536	3,205,174
Reallocation of Ohio workers' compensation liability	-	-	1,810,603
Other	49,614	70,125	35,923
Total Other Revenues, Expenses, and Changes	<u>10,515,175</u>	<u>8,552,763</u>	<u>12,116,221</u>
Increase in Net Assets	3,891,007	8,676,632	9,446,633
Net Assets at Beginning of Year	<u>171,642,399</u>	<u>162,965,767</u>	<u>153,519,134</u>
Net Assets at End of the Year	<u>\$ 175,533,406</u>	<u>\$ 171,642,399</u>	<u>\$ 162,965,767</u>

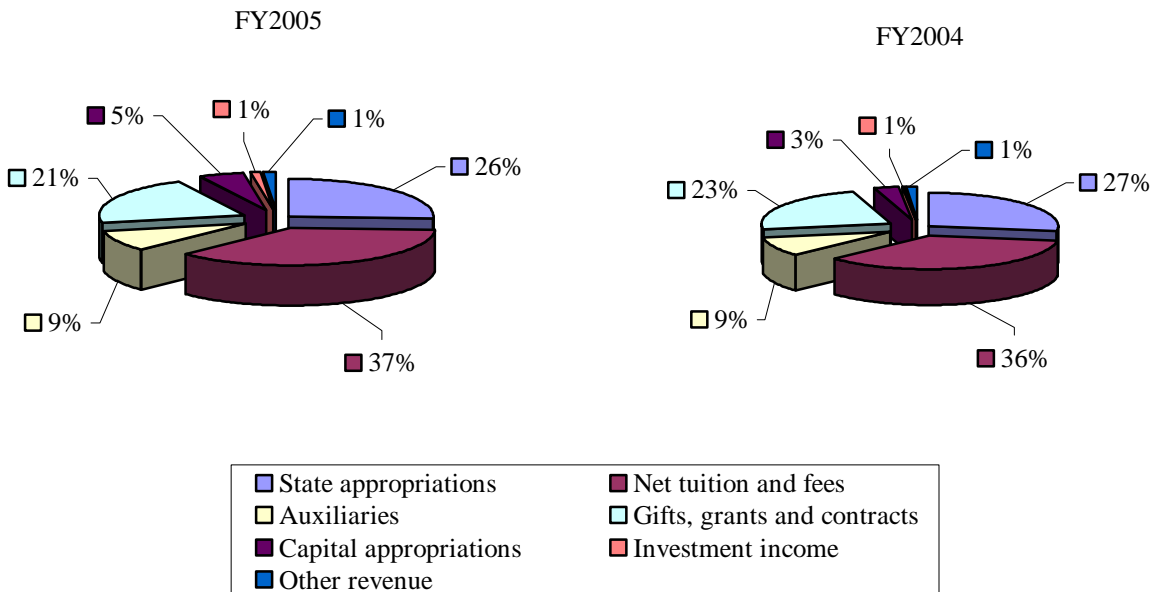
YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Revenues

Following is a graphic illustration 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, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Net tuition, fees and other student charges	\$ 62,490,186	\$ 58,880,154	\$ 52,824,818
Gifts, grants, and contracts	35,173,583	37,503,859	36,668,238
Auxiliary enterprises	15,049,075	15,112,244	15,974,326
State appropriations	43,534,244	44,482,947	43,917,610
Investment Income	1,776,256	830,018	1,195,060
Other revenue	2,277,135	2,089,195	1,418,727
State capital appropriations	8,477,922	4,947,102	7,064,521
Reallocation of Ohio workers' compensation liability	-	-	1,810,603
Total Revenues	\$ 168,778,401	\$ 163,845,519	\$ 160,873,903



Overall, the University's total net revenue increased \$4.9 million or 3.0%. The majority of the University's revenue, 63% in FY2005 and FY2004, is attributed to State appropriations and tuition and fees. Combined, these two revenue streams increased \$2.6 million from FY2004 to FY2005. State capital appropriations revenue increased approximately \$3.5 million primarily due to technology upgrades and the West Campus Gateway project.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

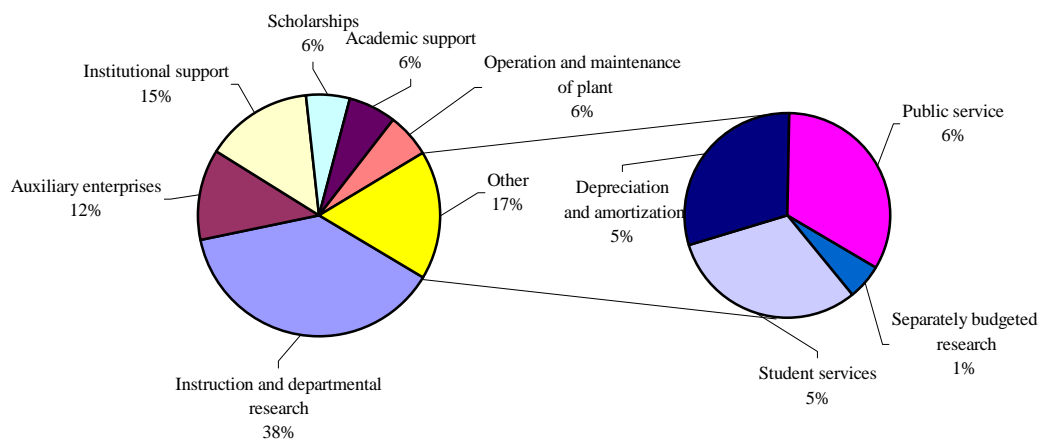
Expenses

Operating expenses can be displayed in two formats: natural classification and functional classification. The table below, summarizing both formats, is followed by graphs of the functional expenses.

Functional Classification	Natural Classification				2005	2004	2003
	Compensation	Operating	Scholarships	Depreciation and Amortization	Total Functional	Total Functional	Total Functional
Instruction and departmental research	\$ 57,383,386	\$ 4,492,161	\$ 38,501	\$ -	\$ 61,914,048	\$ 57,448,799	\$ 55,620,251
Separately budgeted research	1,060,390	469,580	13,421	-	1,543,391	1,545,185	1,175,276
Public service	5,103,525	4,193,655	44,363	-	9,341,543	8,537,256	7,859,113
Academic support	7,571,255	2,745,861	8,466	-	10,325,582	9,805,434	9,645,412
Student services	7,113,293	1,591,539	42,864	-	8,747,696	8,280,175	8,367,906
Institutional support	17,335,684	6,516,445	16,451	-	23,868,580	21,300,167	19,711,581
Operation and maintenance of plant	3,874,187	5,777,996	-	-	9,652,183	9,275,390	9,078,315
Scholarships	-	-	9,391,805	-	9,391,805	9,627,199	11,011,449
Auxiliary enterprises	7,196,715	10,333,184	2,578,975	-	20,108,874	19,066,354	19,347,104
Depreciation and amortization	-	-	-	8,320,547	8,320,547	7,853,903	7,484,527
Total Natural	\$ 106,638,435	\$ 36,120,421	\$ 12,134,846	\$ 8,320,547	\$ 163,214,249	\$ 152,739,862	\$ 149,300,934

Operating expenses by natural classification remained constant between FY2005 and FY2004. Overall operating expenses increased \$10.5 million or 6.8% from \$152.7 million in 2004 to \$163.2 million in 2005. The largest increase was in instruction and departmental research, which increased approximately 7% over the prior year, and is consistent with budgeted amounts and institutional goals emphasizing academic instruction. Additionally, institutional support increased \$2.5 million reflecting institutional commitment to technology improvements.

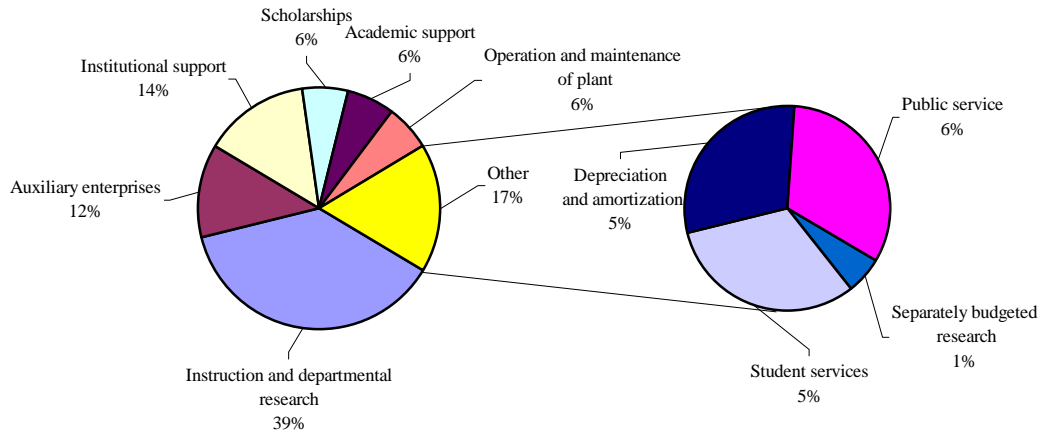
**Operating Expenses by Function
FY 2005**



YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Operating Expenses by Function FY 2004



The Statements of Cash Flows

The Statements of Cash Flows provide information about cash receipts and cash payments during the year. This statement also assists users in assessing the University's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

A summary of cash flows follows:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Cash provided (used) by:			
Operating activities	\$ (60,618,862)	\$ (53,334,657)	\$ (60,329,389)
Investing activities	8,716,735	3,245,449	(828,219)
Capital and related financing activities	(8,164,766)	(685,813)	(125,040)
Noncapital financing activities	63,231,610	60,836,425	61,524,781
Net increase in cash	<u>3,164,717</u>	<u>10,061,404</u>	<u>242,133</u>
Cash and cash equivalents - Beginning of year	13,246,709	3,185,305	2,943,172
Cash and cash equivalents - End of year	<u>\$ 16,411,426</u>	<u>\$ 13,246,709</u>	<u>\$ 3,185,305</u>

Material sources of cash included State appropriations, tuition and fees, and grants and contracts. Material uses of cash and cash equivalents were for payments to employees, suppliers, and vendors. Significant fluctuations between investing and capital financing activities occurred due to increased volume of construction activity during FY2005.

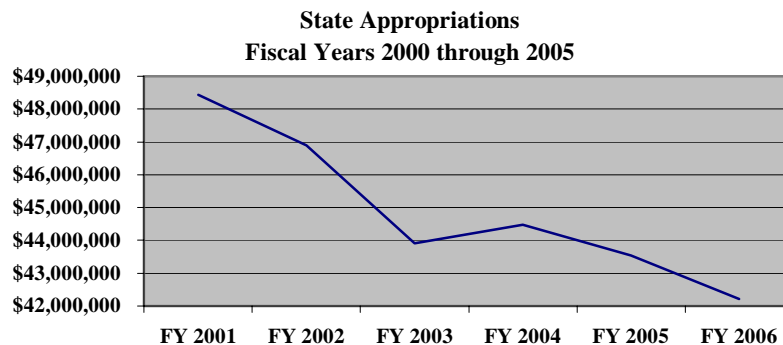
YOUNGSTOWN STATE UNIVERSITY

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 positive 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, 2005 was 3.3 compared to 4.0 at June 30, 2004 and 3.7 at June 30, 2003. The decrease in the composite score is primarily the result of expending reserves for the purpose of construction of the West Campus Gateway Project.

A crucial element to the University's future will continue to be its relationship with the State as work continues toward providing quality education at an affordable price. The University continues to experience a decline in its revenue from State appropriations as illustrated below:



Note: Graph includes five years actual plus budgeted amount for FY2006

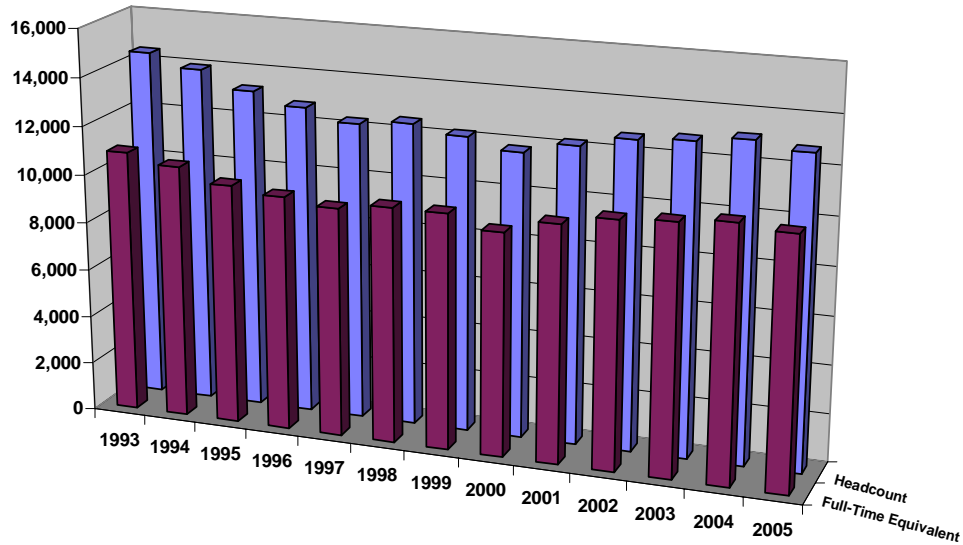
There is an inverse relationship between State support and the University's tuition rates, as declines in State appropriations continue to result in higher tuition, fees and other related charges.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The University's enrollment has stabilized:

**Fall Term Enrollment Trends
1993 through 2005**



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
■ Full-Time Equivalent	10,897	10,508	9,954	9,714	9,462	9,729	9,733	9,203	9,766	10,171	10,311	10,518	10,332
■ Headcount	14,501	13,979	13,273	12,801	12,324	12,533	12,222	11,787	12,250	12,698	12,858	13,101	12,812

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF NET ASSETS AT JUNE 30, 2005 AND 2004

	June 30, 2005	June 30, 2004
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 16,411,426	\$ 13,246,709
Investments	2,812,681	6,890,509
Restricted investments	679,960	5,673,173
Interest receivable	75,920	217,624
Accounts receivable, net	7,203,748	6,052,399
Pledges receivable, net	4,922,929	5,086,540
Loans receivable, net	543,600	513,300
Inventories	1,906,840	1,905,244
Prepaid expenses and deferred charges	764,358	659,662
Total Current Assets	35,321,462	40,245,160
Noncurrent Assets		
Investments	21,435,886	19,304,514
Endowments and other restricted investments	4,851,281	4,710,384
Pledges receivable, net	2,028,623	2,464,722
Loans receivable, net	2,354,978	2,375,762
Deposits on land	4,524	214,900
Capital assets, net	152,956,510	142,257,459
Total Noncurrent Assets	183,631,802	171,327,741
Total Assets	218,953,264	211,572,901
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	726,693	727,572
Construction payable	2,522,601	434,288
Payroll liabilities	8,688,678	7,843,203
Bonds payable	845,000	805,000
Capital leases payable	79,129	22,213
Deferred revenue	8,484,716	7,705,117
Compensated absences	557,495	577,800
Other liabilities	283,498	877,495
Total Current Liabilities	22,187,810	18,992,688
Noncurrent Liabilities		
Bonds payable, net	11,826,942	12,648,442
Capital leases payable	517,582	16,718
Compensated absences	6,078,747	5,514,304
Refundable advance	2,808,777	2,758,350
Total Noncurrent Liabilities	21,232,048	20,937,814
Total Liabilities	43,419,858	39,930,502
NET ASSETS		
Invested in capital assets, net of related debt	139,692,381	128,979,986
Restricted:		
Nonexpendable	5,267,429	5,125,548
Expendable	11,486,023	16,046,325
Unrestricted	19,087,573	21,490,540
Total Net Assets	\$ 175,533,406	\$ 171,642,399

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2005 AND 2004

	June 30, 2005	June 30, 2004
ASSETS		
Cash and cash equivalents	\$ 3,940,395	\$ 3,745,295
Accrued interest receivable	768,475	744,753
Due from University Housing Corporation	102,376	96,805
Prepaid insurance	5,406	11,584
Property acquired for resale to Youngstown State University	108,834	108,834
Investments - at market value:		
Common stock	80,557,090	78,604,045
Preferred stock	5,700,479	4,776,696
Fixed income securities:		
U.S. Government and Agencies	25,657,716	23,892,075
Corporate	22,876,410	23,374,550
Temporary cash investments	1,019,435	587,849
	135,811,130	131,235,215
Contribution receivable	14,653	24,653
Contribution receivable from remainder trusts	1,256,980	1,189,224
Cash surrender value of insurance policies	61,705	67,099
Office furniture and equipment, at cost, less accumulated depreciation of \$30,436 in 2005 and \$28,948 in 2004	3,666	3,974
TOTAL ASSETS	142,073,620	137,227,436
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	21,870	29,458
Retirement benefits payable	41,904	44,410
Grant commitments to Youngstown State University for scholarship awards	3,525,000	3,360,000
Total Liabilities	3,588,774	3,433,868
 Net Assets		
Unrestricted:		
Designated by Board for endowment	107,126,243	105,242,356
Undesignated	1,646,735	1,820,261
	108,772,978	107,062,617
Temporarily restricted	1,506,644	1,282,548
Permanently restricted	28,205,224	25,448,403
Total Net Assets	138,484,846	133,793,568
TOTAL LIABILITIES AND NET ASSETS	\$ 142,073,620	\$ 137,227,436

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF FINANCIAL POSITION AT JULY 31, 2005 AND 2004

	July 31, 2005	July 31, 2004
ASSETS		
Current Assets		
Cash	\$ 147,667	\$ 157,472
Restricted cash	83,959	299,527
Accounts receivable, net	27,144	28,427
Interest receivable	9,980	939
Accounts receivable-Youngstown State University	73,768	-
Restricted investments	2,613,366	2,686,506
Prepaid expenses	199,887	205,225
Total Current Assets	3,155,771	3,378,096
Property, Facilities, and Equipment, net	17,272,367	17,830,414
Other Assets		
Bond issue costs, net	371,187	385,063
TOTAL ASSETS	20,799,325	21,593,573
LIABILITIES AND NET DEFICIT		
Liabilities		
Current Liabilities		
Accounts payable	9,030	17,741
Accrued bond interest payable	69,191	71,074
Bonds payable, current portion	30,000	30,000
Capital lease payable, current portion	18,528	16,287
Prepaid rent	35,473	38,339
Due to Ambling Company	9,626	9,626
Accounts payable - Youngstown State University	-	120,000
Security deposits	98,588	127,097
Other accruals	22,985	10,501
Total Current Liabilities	293,421	440,665
Long-Term Debt		
Bonds payable	21,740,000	21,980,000
Interest rate swap	1,092,304	1,212,027
Loan payable - Youngstown State University Foundation	103,463	98,772
Capital lease payable	62,816	81,344
Total Long-Term Debt	22,998,583	23,372,143
Total Liabilities	23,292,004	23,812,808
Unrestricted Net Deficit	(2,492,679)	(2,219,235)
TOTAL LIABILITIES AND NET DEFICIT	\$ 20,799,325	\$ 21,593,573

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	June 30, 2005	June 30, 2004
REVENUES		
Operating Revenues		
Tuition, fees, and other student charges (net of scholarship allowance of \$17,449,206 in 2005 and \$15,520,785 in 2004)	\$ 62,490,186	\$ 58,880,154
Federal grants and contracts	4,179,781	5,062,754
State grants and contracts	8,365,159	8,424,481
Local grants and contracts	130,894	487,149
Private grants and contracts	900,359	655,713
Sales and services	311,697	247,013
Auxiliary enterprises	15,049,075	15,112,244
Other operating revenues	1,513,481	1,748,895
Total Operating Revenues	92,940,632	90,618,403
EXPENSES		
Operating Expenses		
Instruction and departmental research	61,914,048	57,448,799
Separately budgeted research	1,543,391	1,545,185
Public service	9,341,543	8,537,256
Academic support	10,325,582	9,805,434
Student services	8,747,696	8,280,175
Institutional support	23,868,580	21,300,167
Operation and maintenance of plant	9,652,183	9,275,390
Scholarships	9,391,805	9,627,199
Auxiliary enterprises	20,108,874	19,066,354
Depreciation and amortization	8,320,547	7,853,906
Total Operating Expenses	163,214,249	152,739,865
Operating Loss	(70,273,617)	(62,121,462)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	43,534,244	44,482,947
Federal grants	12,617,354	11,538,639
Private gifts	6,942,783	7,799,587
Unrestricted investment income (net of investment expense)	1,400,169	355,877
Restricted investment income (net of investment expense)	376,087	474,141
Interest on capital asset-related debt	(633,658)	(669,893)
Other nonoperating expenses, net	(587,530)	(1,735,967)
Net Nonoperating Revenues	63,649,449	62,245,331
(Loss) Income Before Other Revenues, Expenses, and Changes	(6,624,168)	123,869
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	8,477,922	4,947,102
Capital grants and gifts	1,987,639	3,535,536
Additions to the principal of endowments	49,614	70,125
Total Other Revenues, Expenses, and Changes	10,515,175	8,552,763
Increase In Net Assets	3,891,007	8,676,632
NET ASSETS		
Net Assets at Beginning of the Year	171,642,399	162,965,767
Net Assets at End of the Year	\$ 175,533,406	\$ 171,642,399

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, 2005 AND 2004

	June 30, 2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains (losses) and other support:				
Contributions	\$ 689,308	\$ 107,000	\$ 1,921,510	\$ 2,717,818
Investment earnings	5,534,967	33,234	-	5,568,201
Net realized gain (loss) on sale of investments	298,402	(378)	53,915	351,939
Net unrealized gain on long-term investments	930,299	113,264	713,640	1,757,203
Increase in value of deferred gifts	-	-	67,756	67,756
Net assets released from restrictions	29,024	(29,024)	-	-
Total revenues, gains (losses) and other support	7,482,000	224,096	2,756,821	10,462,917
Expenditures and other distributions:				
Administrative expenditures	548,507	-	-	548,507
Distribution to Youngstown State University:				
Scholarships and other	5,200,109	-	-	5,200,109
Benefits for retired Youngstown University faculty	23,023	-	-	23,023
Total Expenditures	5,771,639	-	-	5,771,639
Change in Net Assets	1,710,361	224,096	2,756,821	4,691,278
Net Assets at Beginning of the Year	107,062,617	1,282,548	25,448,403	133,793,568
NET ASSETS	\$ 108,772,978	\$ 1,506,644	\$ 28,205,224	\$ 138,484,846

	June 30, 2004			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains (losses) and other support:				
Contributions	\$ 339,381	\$ 225,522	\$ 896,544	\$ 1,461,447
Investment earnings	5,750,268	24,295	-	5,774,563
Net realized gain (loss) on sale of investments	(49,849)	21,764	(949)	(29,034)
Net unrealized gain (loss) on long-term investments	5,704,321	62,382	507,097	6,273,800
Increase in value of deferred gifts	-	-	63,495	63,495
Net assets released from restrictions	117,826	(117,826)	-	-
Total revenues, gains (losses) and other support	11,861,947	216,137	1,466,187	13,544,271
Expenditures and other distributions:				
Administrative expenditures	547,907	-	-	547,907
Distribution to Youngstown State University:				
Grants for property	7,500	-	-	7,500
Scholarships and other	5,100,075	-	-	5,100,075
Benefits for retired Youngstown University faculty	26,943	-	-	26,943
Total Expenditures	5,682,425	-	-	5,682,425
Change in Net Assets	6,179,522	216,137	1,466,187	7,861,846
Net Assets at Beginning of the Year	100,883,095	1,066,411	23,982,216	125,931,722
NET ASSETS	\$ 107,062,617	\$ 1,282,548	\$ 25,448,403	\$ 133,793,568

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JULY 31, 2005 AND 2004

	<u>July 31, 2005</u>	<u>July 31, 2004</u>
Income:		
Rental income	\$ 1,848,418	\$ 2,025,003
Interest income	119,907	139,703
Other income	76,730	49,339
Total Income	<u>2,045,055</u>	<u>2,214,045</u>
Expenses:		
Administrative	27,700	32,925
Contract services	34,657	32,753
Interest expense	901,567	884,525
Bond fees	258,925	258,223
Depreciation and amortization expense	571,923	541,194
Bad debt expense	65,997	61,974
Management fees	114,312	104,786
Advertising costs	13,672	21,405
Payroll and payroll-related	147,640	155,338
Accounting and legal	27,529	47,514
Repairs and maintenance	74,142	66,458
Insurance	51,860	59,963
Unit utilities expense	148,298	207,849
Start up costs	-	12,599
(Gain) loss on interest rate swap	(119,723)	18,302
Total Expenses	<u>2,318,499</u>	<u>2,505,808</u>
Increase in Unrestricted Net Deficit	(273,444)	(291,763)
Unrestricted Net Deficit at Beginning of Year	<u>(2,219,235)</u>	<u>(1,927,472)</u>
UNRESTRICTED NET DEFICIT AT END OF YEAR	<u><u>\$ (2,492,679)</u></u>	<u><u>\$ (2,219,235)</u></u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	June 30, 2005	June 30, 2004
Cash Flows from Operating Activities		
Student tuition and fees	\$ 62,159,175	\$ 60,268,861
Federal, state, and local grants and contracts	12,468,573	13,489,543
Private grants and contracts	880,411	797,822
Sales and services of educational and other departmental activities	16,316,276	14,793,445
Payments to suppliers	(38,782,583)	(35,266,374)
Payments to employees	(80,476,639)	(76,202,660)
Payments for benefits	(25,247,098)	(23,370,401)
Payments for scholarships	(9,391,805)	(9,627,199)
Student loans issued	(636,365)	(537,929)
Student loans collected	577,712	571,340
Student loan interest and fees collected	49,895	36,343
Other receipts, net	1,463,586	1,712,552
Total Cash Flows Used In Operating Activities	(60,618,862)	(53,334,657)
Cash Flows from Investing Activities		
Proceeds from sale of investments	79,535,375	69,598,206
Purchase of investments	(72,736,603)	(67,441,750)
Interest on investments	1,917,963	1,088,993
Total Cash Flows Provided By Investing Activities	8,716,735	3,245,449
Cash Flows From Capital and Related Financing Activities		
State capital appropriations	7,425,883	4,747,290
Private capital gifts and grants	1,987,639	3,535,536
Purchase of capital assets	(15,963,319)	(7,527,500)
Principal payments on capital debt	(1,004,811)	(795,225)
Interest payments on capital debt	(610,158)	(645,914)
Total Cash Flows Used In Capital and Related Financing Activities	(8,164,766)	(685,813)
Cash Flows from Noncapital Financing Activities		
Federal grants	12,692,967	11,688,726
State educational appropriations	43,534,244	44,482,947
Private gifts	7,542,494	6,354,715
Additions to the principal of endowments	49,614	70,125
Other nonoperating expenses	(587,709)	(1,760,088)
Total Cash Flows Provided by Noncapital Financing Activities	63,231,610	60,836,425
Net Increase in Cash and Cash Equivalents	3,164,717	10,061,404
Cash and Cash Equivalents, Beginning of Year	13,246,709	3,185,305
Cash and Cash Equivalents, End of Year	\$ 16,411,426	\$ 13,246,709

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS (CONT.) FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Operating loss	\$ (70,273,617)	\$ (62,121,462)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	8,320,547	7,853,906
Provision for bad debts	307,131	652,521
Changes in assets and liabilities:		
Accounts receivable, net	(382,315)	595,395
Loans receivable, net	(58,653)	33,411
Inventories	(1,596)	(131,787)
Prepaid expenses and deferred charges	(104,696)	51,771
Accounts payable	(879)	20,518
Accrued and other liabilities	251,479	(150,838)
Deferred revenue	779,599	(115,232)
Compensated absences	544,138	(22,860)
Net Cash Flows Used In Operating Activities	<u><u>\$ (60,618,862)</u></u>	<u><u>\$ (53,334,657)</u></u>
Noncash Transactions		
Additioanl capital leases	<u><u>\$ 757,591</u></u>	<u><u>\$ -</u></u>
Gifted capital assets	<u><u>\$ 51,636</u></u>	<u><u>\$ 185,532</u></u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

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, masters 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 and University Housing Corporation's financial statements are included, as discretely presented component units, in the University's financial report by presentation of the individual financial statements of the units immediately following the University's respective GASB financial statements. Additional information regarding these component units is contained in Note 13.

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), Channels 45 and 49, Kent, Ohio, and Northeastern Ohio Universities College of Medicine (NEOUCOM), Rootstown, Ohio. 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 and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- 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, 2005

- 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 programs, 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. When an expense is incurred that can be paid using either restricted or unrestricted resources the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

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, the 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 of Ohio approves a capital budget every two years. YSU and other public universities submit 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

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.

Endowment Policy – The University Endowment Fund consists of 78 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 Youngstown State University Foundation. The University's policy is to distribute realized gains and investment income monthly, based on each funds 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 determined on the first-in, first-out (FIFO) method and stated at the lower of cost or market. Cost is determined on the average cost basis.

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 and improvements 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are 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. Estimated lives are as follows:

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

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.

Compensated Absences – Accumulated unpaid vacation and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

Refundable Advances from Government for Federal Loans – Funds provided by the United States government under the Federal Perkins 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 share of instruction 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Encumbrances – Encumbrance systems are maintained to track outstanding purchase orders and other commitments for materials or services not received during the year. Encumbrances outstanding at the end of the fiscal year do not constitute expenses incurred or liabilities and are not reflected in the financial statements.

Newly Issued Accounting Pronouncements – In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The statement establishes accounting and financial reporting standards for impairment of capital assets and clarifies established accounting requirements for insurance recoveries. The University is required to implement GASB Statement No. 42 concurrent with the State in fiscal year 2006. Management has not yet determined the impact that GASB Statement No. 42 will have on the University's financial statements and disclosures.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*. The statement establishes standards for measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The University will be required to implement this statement concurrent with the State in fiscal 2008. Management has not yet determined the impact that GASB Statement No. 45 will have on the University's financial statements and disclosures.

In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by enabling Legislation – an amendment of GASB Statement No. 34*. The statement provides clarification as to restrictions that are “legally enforceable”. A legally enforceable enabling legislation restriction is one that a party external to the University such as citizens, public interest groups, or the judiciary can compel the University to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be re-evaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if the University has other cause for reconsideration. The provisions of GASB Statement No. 46 are effective for financial statements for periods beginning after June 15, 2005. Management has not yet determined the impact of GASB Statement No. 46 will have on the University's financial statements and disclosures.

Reclassification – Certain reclassifications have been made to the 2004 amounts to conform with the 2005 presentation.

Internal Eliminations – Internal charges are eliminated from the Statement of Revenues, Expenses, and Changes in Net Assets.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

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 \$43,534,244, including \$40,434,478 State share of instruction and \$3,099,766 in challenge funds in fiscal year 2005 compared to State appropriations of \$44,482,947, including \$41,530,117 in State share of instruction and \$2,952,830 in challenge funds in fiscal year 2004. The State share of instruction is student based and determined annually by the Ohio Board of Regents.

Capital appropriations from the State totaled \$8,477,922 in fiscal year 2005 and \$4,947,102 in fiscal year 2004 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 market value, included in cash and cash equivalents is \$22,508 and \$39,337 at June 30, 2005 and 2004, respectively.

In accordance with Section 135.18 of the Ohio Revised Code, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or pledge a pool of securities with a value of at least 110% of the total value of public monies on deposit at the institution. All collateral, both specific and pooled, is held by the

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Federal Reserve Bank of Cleveland or by a designated trustee as agent for the public depositories used by the University.

At June 30, 2005 and 2004, the carrying amount of the University's bank deposits and cash equivalents was \$16,411,426 and \$13,246,709 and the bank balances were \$17,446,765 and \$15,763,792, respectively. The difference in carrying amount and bank balance is caused by items in transit and outstanding checks. Of the balance, \$184,757 in FY2005 and \$100,000 in FY2004 was covered by federal depository insurance leaving \$17,262,008 in 2005 and \$15,663,792 in 2004 exposed to custodial credit risk. At times during the year, uncollateralized deposits may have been higher. Deposits held in safekeeping by a bank, as trustee, included in cash and investments totaled \$84,757 as of June 30, 2005 and \$81,502 as of June 30, 2004, which approximates market. These deposits, including interest on the investments, are retained in the trust for payment of principal and interest on the related outstanding indebtedness.

Custodial 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. The University does not have a formal deposit policy for custodial credit risk.

Note 4 – Investments

The University's investment policy authorizes the University to invest non-endowment and endowment 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. University policy requires that depository banks pledge collateral for funds on deposit, including certificates of deposit, with a market value at all times at least equal to the uninsured amount of the deposit or instrument.

The University utilizes investment managers for non-endowment and endowment funds. The University's endowment funds are managed by the Youngstown State University Foundation (see Note 13).

The University has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires certain reporting changes for the disclosure of deposits and investment risk.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

As of June 30, 2005, the University had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Certificates of Deposit	\$ 200,000	\$ 200,000	\$ -	\$ -	\$ -
U.S. Government Obligations	6,402,945	681,587	4,830,453	890,905	-
Corporate Bonds	8,654,203	469,555	5,589,692	1,794,668	800,288
U.S. Government Bonds	8,785,786	-	2,849,607	2,042,204	3,893,975
Preferred and Common Stock	5,333,748	5,087,980	245,768	-	-
Other Securities	403,126	403,126	-	-	-
Total	<u>\$ 29,779,808</u>	<u>\$ 6,842,248</u>	<u>\$ 13,515,520</u>	<u>\$ 4,727,777</u>	<u>\$ 4,694,263</u>

As of June 30, 2005, investments had the following quality credit ratings.

Investment Type	Fair Value	Quality Ratings			
		A	Aa	Baa	Unrated
Certificates of Deposit	\$ 200,000	\$ -	\$ -	\$ -	\$ 200,000
U.S. Government Obligations	6,402,945	-	-	-	6,402,945
Corporate Bonds	8,654,203	2,274,462	4,797,254	1,340,933	241,554
U.S. Government Bonds	8,785,786	-	-	-	8,785,786
Preferred and Common Stock	5,333,748	-	-	-	5,333,748
Other Securities	403,126	-	-	-	403,126
Total	<u>\$ 29,779,808</u>	<u>\$ 2,274,462</u>	<u>\$ 4,797,254</u>	<u>\$ 1,340,933</u>	<u>\$ 21,367,159</u>

As of June 30, 2004 the University had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Certificates of Deposit	\$ 8,142,569	\$ 8,142,569	\$ -	\$ -	\$ -
U.S. Government Obligations	718,028	718,028	-	-	-
Corporate Bonds	8,916,529	125,330	6,435,218	2,017,051	338,930
U.S. Government Bonds	13,376,006	1,346,031	6,283,147	3,728,221	2,018,607
Foreign Bonds	28,933	-	-	28,933	-
Preferred and Common Stock	3,156,009	3,156,009	-	-	-
Other Securities	2,240,506	2,240,506	-	-	-
Total	<u>\$ 36,578,580</u>	<u>\$ 15,728,473</u>	<u>\$ 12,718,365</u>	<u>\$ 5,774,205</u>	<u>\$ 2,357,537</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University has no provisions in its investment policy that would limit its choices.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

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. The total investments in the amount of \$29,779,808 as of June 30, 2005 and \$36,578,580 as of June 30, 2004 were uninsured and unregistered with securities held by the broker or by its trust department or agent, but not in the University's name.

Note 5 – Accounts and Loans Receivable

Accounts and loans receivable at June 30, 2005 and 2004 consist of the following:

	2005	2004
Accounts Receivable		
Student accounts	\$ 3,365,185	\$ 2,630,936
Grants and contracts	2,790,591	2,708,880
State capital appropriations	1,793,685	741,647
Other receivables	867,774	1,770,256
Subtotal	<u>8,817,235</u>	<u>7,851,719</u>
Less: Allowance for doubtful accounts		
Student	(1,590,913)	(1,435,650)
Non student	(22,574)	(363,670)
Accounts receivable, net	<u>\$ 7,203,748</u>	<u>\$ 6,052,399</u>
Loans receivable - student notes	\$ 3,392,545	\$ 3,333,891
Less: Allowance for doubtful accounts	(493,967)	(444,829)
Loan receivable, net	<u>\$ 2,898,578</u>	<u>\$ 2,889,062</u>

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2005 and June 30, 2004 were as follows:

	2005	2005		2004
	Pledges Receivable	Current Portion		
Total pledges receivable	\$ 7,422,002	\$ 4,993,793		\$ 8,213,964
Less: amount estimated to be uncollectible	(192,274)	(70,864)		(234,756)
present value discount	<u>(278,176)</u>	-		<u>(427,946)</u>
Pledges receivable, net	6,951,552	<u>\$ 4,922,929</u>		7,551,262
Less: current portion	<u>(4,922,929)</u>			<u>(5,086,540)</u>
Pledges receivable, noncurrent portion	<u>\$ 2,028,623</u>			<u>\$ 2,464,722</u>

Pledges have been discounted to net present value at a rate of 3.875% in FY2005 and 3.625% in FY2004.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions and Transfers	Ending Balance
Nondepreciable assets:				
Land	\$ 13,104,291	\$ 225,301	\$ -	\$ 13,329,592
Construction-in-progress	3,962,224	11,738,090	(1,454,212)	14,246,102
Historical treasures	297,513	-	-	297,513
Depreciable assets:				
Buildings	227,229,745	2,786,541	-	230,016,286
Improvements other than buildings	20,710,162	568,259	-	21,278,421
Moveable equipment and furniture	24,303,488	4,352,165	(3,693,321)	24,962,332
Vehicles	1,052,025	100,493	(59,886)	1,092,632
Capital leases	172,590	757,591	-	930,181
Total cost	<u>290,832,038</u>	<u>20,528,440</u>	<u>(5,207,419)</u>	<u>306,153,059</u>
Less accumulated depreciation:				
Buildings	116,197,547	4,377,989	-	120,575,536
Improvements other than buildings	13,478,943	1,388,498	-	14,867,441
Moveable equipment and furniture	17,888,609	2,375,149	(3,642,009)	16,621,749
Vehicles	882,113	56,956	(56,568)	882,501
Capital leases	127,367	121,955	-	249,322
Total accumulated depreciation	<u>148,574,579</u>	<u>8,320,547</u>	<u>(3,698,577)</u>	<u>153,196,549</u>
Capital assets, net	<u>\$ 142,257,459</u>	<u>\$ 12,207,893</u>	<u>\$ (1,508,842)</u>	<u>\$ 152,956,510</u>

Capital assets activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Reductions and Transfers	Ending Balance
Nondepreciable assets:				
Land	\$ 12,835,387	\$ 268,904	\$ -	\$ 13,104,291
Construction-in-progress	1,122,689	3,528,774	(689,239)	3,962,224
Historical treasures	297,513	-	-	297,513
Depreciable assets:				
Buildings	225,893,256	1,336,489	-	227,229,745
Improvements other than buildings	19,822,048	888,114	-	20,710,162
Moveable equipment and furniture	23,047,505	1,941,094	(685,111)	24,303,488
Vehicles	1,159,008	49,603	(156,586)	1,052,025
Capital leases	172,590	-	-	172,590
Total cost	<u>284,349,996</u>	<u>8,012,978</u>	<u>(1,530,936)</u>	<u>290,832,038</u>
Less accumulated depreciation:				
Buildings	111,839,700	4,357,847	-	116,197,547
Improvements other than buildings	12,131,508	1,347,435	-	13,478,943
Moveable equipment and furniture	16,442,687	2,057,484	(611,562)	17,888,609
Vehicles	982,077	56,622	(156,586)	882,113
Capital leases	92,849	34,518	-	127,367
Total accumulated depreciation	<u>141,488,821</u>	<u>7,853,906</u>	<u>(768,148)</u>	<u>148,574,579</u>
Capital assets, net	<u>\$ 142,861,175</u>	<u>\$ 159,072</u>	<u>\$ (762,788)</u>	<u>\$ 142,257,459</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Note 8 – Accrued and Other Liabilities

Accrued and other liabilities at June 30, 2005 and 2004 consist of the following:

	2005	2004
Payroll liabilities:		
Accrued compensation and benefits	\$ 5,441,067	\$ 4,618,804
Accrued health care benefits payable	1,206,976	1,286,802
Retirement system contribution payable	2,040,635	1,937,597
Subtotal	<u>8,688,678</u>	<u>7,843,203</u>
Other liabilities:		
Deposits held in custody	227,158	266,943
Refunds payable	22,178	78,787
Interest payable	24,719	26,272
Other liabilities	9,443	505,493
Subtotal	<u>283,498</u>	<u>877,495</u>
Totals	<u>\$ 8,972,176</u>	<u>\$ 8,720,698</u>

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2005 are completed, totaled \$6,102,004 and included \$2,026,436 in State capital appropriations compared to \$13,819,888 and \$2,591,710 at June 30, 2004. These amounts do not constitute expenses incurred or liabilities.

Note 9 – Liabilities

Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and capital leases payable:					
General receipts bonds principal	\$ 13,680,000	\$ -	\$ 805,000	\$ 12,875,000	\$ 845,000
Less: unamortized bond discount and issue cost	-	-	-	-	-
	(226,558)	-	(23,500)	(203,058)	-
Bonds payable, net	<u>13,453,442</u>	-	<u>781,500</u>	<u>12,671,942</u>	<u>845,000</u>
Capital leases payable	38,931	757,591	199,811	596,711	79,129
Total, net	<u>13,492,373</u>	<u>757,591</u>	<u>981,311</u>	<u>13,268,653</u>	<u>924,129</u>
Other liabilities:					
Compensated absences	6,092,104	544,138	-	6,636,242	557,495
Refundable advance	2,758,350	113,949	63,522	2,808,777	-
Total	<u>8,850,454</u>	<u>658,087</u>	<u>63,522</u>	<u>9,445,019</u>	<u>557,495</u>
Total long-term liabilities	<u>\$ 22,342,827</u>	<u>\$ 1,415,678</u>	<u>\$ 1,044,833</u>	<u>\$ 22,713,672</u>	<u>\$ 1,481,624</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and capital leases payable:					
General receipts bonds principal	\$ 14,440,000	\$ -	\$ 760,000	\$ 13,680,000	\$ 805,000
Less: unamortized bond discount and issue cost	-	-	-	-	-
	(250,537)	-	(23,979)	(226,558)	-
Bonds payable, net	14,189,463	-	736,021	13,453,442	805,000
Capital leases payable	74,156	-	35,225	38,931	22,213
Total, net	14,263,619	-	771,246	13,492,373	827,213
Other liabilities:					
Compensated absences	6,114,964	-	22,860	6,092,104	577,800
Refundable advance	2,830,609	146,474	218,733	2,758,350	-
Total	8,945,573	146,474	241,593	8,850,454	577,800
Total long-term liabilities	\$ 23,209,192	\$ 146,474	\$ 1,012,839	\$ 22,342,827	\$ 1,405,013

Management is unable to determine the additions and reductions for compensated absences; therefore, a net number is presented.

Bonds Payable

Bonds payable consist of General Receipts Bonds, Series 1996B, Series 1997 and Series 1998. The Series 1996B Bonds and the Series 1997 Bonds were issued December 18, 1996 and May 15, 1997, respectively. The proceeds were used for the construction of a stadium club, stadium loges and press box improvement. The Series 1998 Bonds were issued January 28, 1998 for the purpose of advance refunding the Series 1989 Bonds, Series 1994 Bonds and the retirement of the 1996A Bonds.

Details of the outstanding Bonds Payable are as follows:

	Stated Interest Rate	Maturity Through	Original Principal
1996B - Term Bonds	7.15%	2005	\$ 1,420,000
1997 - Term Bonds	6.25%	2017	200,000
1998 - Serial Bonds	4.2%-4.7%	2012	11,920,000
1998 - Term Bonds, fixed	4.75%	2016	5,030,000

The indebtedness created through all issues of the General Receipts Bonds is bound by the provision of the 1989 original Trust Indenture and subsequent supplemental indentures.

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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

In lieu of a bond reserve fund, the University has elected, as permitted by the trust agreements, to purchase an insurance policy and surety bond equal to the maximum annual debt service as a guarantee of principal and interest payments.

Fiscal Year	Principal	Interest	Total
2006	\$ 845,000	\$ 573,709	\$ 1,418,709
2007	865,000	535,684	1,400,684
2008	900,000	497,978	1,397,978
2009	945,000	458,338	1,403,338
2010	985,000	415,917	1,400,917
2011-2015	5,655,000	1,335,714	6,990,714
2016-2020	2,680,000	130,683	2,810,683
	<u>\$ 12,875,000</u>	<u>\$ 3,948,023</u>	<u>\$ 16,823,023</u>

Maturities of bonds payable for the fiscal years subsequent to June 30, 2005 are as follows:

Fiscal Year	General Receipts			Total
	Series 1996B	Series 1997	Series 1998	
2006	\$ 115,000	\$ 10,000	\$ 720,000	\$ 845,000
2007	-	10,000	855,000	865,000
2008	-	10,000	890,000	900,000
2009	-	10,000	935,000	945,000
2010	-	10,000	975,000	985,000
2011-2015	-	65,000	5,590,000	5,655,000
2016-2020	-	45,000	2,635,000	2,680,000
Totals	<u>\$ 115,000</u>	<u>\$ 160,000</u>	<u>\$ 12,600,000</u>	<u>\$ 12,875,000</u>

Capital Lease Obligations

The University leases a mail inserting and folding system, two postage machines and address printer, and sixty-eight Steinway pianos under capital lease agreements. The mail inserting and folding system bears interest at 21.72%. The two postage machines and address printer bear interest at 7.60%. The Steinway pianos bear interest at 4.05%. The net book value of capital leased assets included in net Capital Assets in the Statements of Net Assets at June 30, 2005 and 2004, was \$680,859 and \$45,223, respectively.

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

Year Ending June 30,	Mail System	Mailroom Equipment	Steinway Pianos	Total
2006	\$ 10,740	\$ 8,730	\$ 85,773	\$ 105,243
2007	9,845	17,460	85,773	113,078
2008	-	17,460	85,773	103,233
2009	-	17,460	85,773	103,233
2010	-	17,460	85,773	103,233
2011-2012	-	-	171,548	171,548
Total future minimum lease payments	20,585	78,570	600,413	699,568
Less amount representing interest	3,868	12,544	86,445	102,857
Total obligations under capital leases	<u>\$ 16,717</u>	<u>\$ 66,026</u>	<u>\$ 513,968</u>	<u>\$ 596,711</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Operating Lease Obligations

The University has an operating lease for the purpose of classroom and general office purposes. The University has future minimum payments of \$103,740 thru December 31, 2006 and two renewal options: January 1, 2007 thru December 31, 2008 at \$221,590 annually and January 1, 2009 thru December 31, 2010 at \$236,658 annually.

Note 10 - 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 (STRS). Certain OPERS members are covered by the law enforcement benefit provisions, Section 145.33(B) of the Ohio Revised Code (PERSLE). 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 equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment 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 to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Both plans issue a stand-alone financial report. Interested parties may obtain a copy of the OPERS report by making a written request to 277 East Broad Street, Columbus, Ohio, 43215-4642 or by calling (614) 222-6701 or 1-800-222-PERS (7377), and the STRS report by making a written request to 275 East Broad Street, Columbus, Ohio, 43215-3771.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

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

Fiscal Year	Employee Contribution Rate		
	STRS	OPERS	PERSLE
2005	10.0%	8.5%	9.0%
2004	10.0%	8.5%	9.0%
2003	9.3%	8.5%	9.0%

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

Fiscal Year	Employer Contribution Rate		
	STRS	OPERS	PERSLE
2005	14.0%	13.3%	16.7%
2004	14.0%	13.3%	16.7%
2003	14.0%	13.3%	16.7%

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

Fiscal Year	Employer Contributions		
	STRS	OPERS	PERSLE
2005	\$ 4,987,888	\$ 4,063,880	\$ 134,740
2004	4,712,815	3,926,947	147,492
2003	4,530,585	3,960,544	127,867

Alternative Retirement Plan

Employees can elect to participate in the Alternative Retirement Plan (ARP) a defined contribution plan. Contributions equal to those required by STRS and OPERS are required for the ARP. Employer contributions included a percentage paid to STRS but not OPERS.

The University paid 3.5% of covered payroll to STRS and 10.5% to the ARP. The University's contribution to STRS was \$168,916 in 2005 and \$143,988 in 2004. The University's contribution to the ARP was \$506,748 in 2005 and \$431,966 in 2004.

The University paid 13.3% of covered payroll to the ARP. The University's contribution to the ARP selected by OPERS employees was \$389,577 in 2005 and \$346,933 in 2004.

Subsequent Events

On October 4, 2005, The University's Board approved an Early Retirement Incentive Plan to include all University employees who pay into the Ohio Public Employees Retirement System. The savings associated with the plan are expected to exceed its estimated costs.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Note 11 - Postretirement Benefits

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12 Disclosure *Information on Postemployment Benefits other than Pension Benefits by State and Local Governmental Employers*. A portion of the University's contribution to OPERS is set aside for the funding of postretirement health care. The portion used to fund health care was 4.0% in 2004, 5.0% in 2003 and 5.0% in 2002.

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

Summary of Assumptions:

- **Actuarial review** – The assumptions and calculations below were based on the System's latest actuarial review performed as of December 31, 2003
- **Funding method** – An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.
- **Assets valuation method** – All investments are carried at market value. For actuarial valuation purposes a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25.0% of unrealized market appreciation or depreciation on investment assets.
- **Investment return** – The investment assumption rate for 2003 was 8.0%.
- **Active employee total payroll** – An annual increase of 4.0% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases over and above the 4.0% base increase were assumed to range from 0.5% to 6.3%.
- **Health care** – Health care costs were assumed to increase 4.0% annually. The number of active contribution participants at December 31, 2004 (the latest date information is available) was 369,885. The portion of the University's 2005, 2004 and 2003 contributions to PERS used to fund postretirement benefits was \$1,221,196, \$1,519,513, and \$1,536,016, respectively. The actuarial value of the Retirement System's net assets available for payment of benefits at December 31, 2003 (the latest date information is available) was \$10.5 billion.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

State Teachers Retirement System

The State Teachers Retirement System (STRS Ohio) provides access to health care coverage to retirees and spouses dependents. Coverage includes hospitalization, physician fees, prescription drugs, and partial reimbursement of Medicare Part B premiums. Pursuant to the Ohio Revised Code, the State Teachers 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 pay a portion of the health care cost in the form of a monthly premium.

A portion of the University's contribution to STRS is set aside for the funding of postretirement health care. The portion used to fund health care was 1.0% in 2005, 1.0% in 2004 and 4.5% in 2003. Benefits are advance-funded, using an entry age normal actuarial cost method to determine the present value of benefit liabilities and normal cost.

Eligible benefit recipients at June 30, 2004 (the latest date information is available) were \$111,853. The portion of the University's 2005, 2004 and 2003 contributions to STRS used to fund postretirement benefits was \$356,278, \$336,630 and \$1,456,260, respectively.

The health care reserve fund within the employers' trust fund from which payments for health care benefits are paid had a balance of \$3.1 billion at June 30, 2004.

Health care benefits paid by the plan were \$268,739,000 for the fiscal year ended June 30, 2004.

Note 12 – 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 condition of the University.

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

The University is self-insured for a major portion of employee health care benefits.

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) for the past two years follows:

	2005	2004
Liability at beginning of fiscal year	\$ 1,172,597	\$ 1,701,823
Current year claims including changes in estimates	6,441,940	7,058,584
Claim payments	(6,482,676)	(7,587,810)
Liability at end of fiscal year	<u>\$ 1,131,861</u>	<u>\$ 1,172,597</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

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 also carries commercial insurance policies for various property, casualty, and excess liability risks. Settlement amounts have not exceeded the University coverage amounts.

The University has the following commercial insurance policies:

Type	Deductible	Coverage
Property	\$ 25,000	Replacement cost
Crime	\$ 100,000	\$2,000,000
General liability	\$ 250,000	\$1,000,000/occurrence \$2,000,000 aggregate
Educator liability	\$ 250,000	\$1,000,000
Excess liability	\$ 5,000,000	\$45,000,000 shared
Automobile liability	\$ 250,000	\$1,000,000
Medical malpractice	\$ 25,000	\$1,000,000/occurrence \$3,000,000 aggregate
Umbrella	\$ 1,000,000	\$4,000,000

The University had no significant reductions in coverage from the prior year.

On June 29, 2004, the University entered into a contract with SunGard SCT, Inc. to provide licensed software and installation/implementation services for an Enterprise Resource Plan (ERP). The ERP solution covers Finance, Advancement, Student Financial Aid, Human Resources, Luminis (web portal) and numerous ancillary and third-party software solutions. The project length is estimated at three years. Specified pricing includes \$1,700,704 annual license fees and \$2,491,752 in estimated professional services for implementation of which \$1,967,419 remains at June 30, 2005.

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 worker's 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, 2005

Note 13 – Component Units

Youngstown State University Foundation (YSUF) and University Housing Corporation (UHC) are nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. 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 or UHC's financial information in the University's financial report for these differences.

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.

Annually, the University files an application for funds from YSUF, subject to approval by the trustees of YSUF. Financial support from YSUF was \$4,448,900 for the fiscal year ended June 30, 2005 and \$4,470,658 for the fiscal year ended June 30, 2004. Financial support from YSUF has been committed for FY2006 in the amount of \$4,681,325 and is reflected in deferred revenue on the University's Statement of Net Assets at June 30, 2005. At June 30, 2005 and June 30, 2004, \$3,525,000 and \$3,360,000, respectively, was due from YSUF and included in pledges receivable on the University's Statement of Net Assets at June 30, 2005. In addition, rental income from YSUF of \$11,456 was recorded in each fiscal year 2005 and 2004 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. 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, 2005 and June 30, 2004 was \$5,531,247 and \$10,383,557, respectively. The June 30, 2004 balance included the investments for the Recreation and Wellness Center. The management services are provided at no charge and investments are made in a manner consistent with the YSUF funds.

The Foundation acts in an agent capacity by receiving monies from various donors for the benefit of Youngstown State University entities and remitting to these entities the monies collected. The amounts collected and remitted to the various entities by the Foundation in 2005 and 2004 amounted to \$98,787 and \$83,932, respectively.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

UHC

In May 2002, officials broke ground for the University's Student Courtyard Apartments (the Project), a \$22 million complex with 130 units for 408 students and staff. Construction of the complex was completed in August 2003. The dormitory housing began operations in August 2003. This unique public-private partnership includes YSUF, University Housing Corporation (UHC), the City of Youngstown, Mahoning County, and Ambling Companies, Inc., a national leader in developing student housing communities. UHC, the project owner, was incorporated as a tax-exempt organization to facilitate financing of the Project.

Facility rental from UHC was \$60,000 for the fiscal year ended June 30, 2004 and was outstanding and included in the University's other receivables in the Statement of Net Assets at June 30, 2005.

Because resources can only be used by, or for the benefit of the University, UHC is considered a component unit of the University.

UHC Long-Term Debt

In May 2002, UHC issued \$22,040,000 of County of Mahoning, Ohio Adjustable Rate Housing Revenue Bonds Series 2002 (Series 2002 Bonds). The proceeds were used to finance the construction, site improvements, furnishing and equipping of the University Courtyard Project. The bonds bear interest at a variable rate determined weekly by BancOne Capital Markets, Inc. as Remarketing Agent based on the weekly tax-exempt index as determined by BancOne Capital Markets, and are due at various dates until 2033. These rates at July 31, 2005 and 2004 were 2.30% and 1.05%, respectively with an average weekly rate of 1.92% during fiscal year 2005 and 0.96% during fiscal year 2004. The bonds are secured by the assignment of incomes and revenues of the Project of UHC.

The Series 2002 Bonds were issued pursuant to a Trust Indenture dated May 1, 2002 between Mahoning County (County) and the Trustee. In connection with the issuance of the Series 2002 Bonds, UHC entered into a Reimbursement Agreement with a bank.

Maturities of the bonds are as follows:

Year ending July 31,	Amount
2006	\$ 30,000
2007	60,000
2008	100,000
2009	130,000
2010	175,000
Thereafter	21,275,000
Total	<u>\$ 21,770,000</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

UHC's objectives of its derivative instruments include managing the risk of increased debt service resulting from rising market interest rates, the risk of decreased surplus returns resulting from falling interest rates, and the management risk of an increase in the fair value of outstanding fixed rate obligations resulting from declining market interest rates. Consistent with its interest rate risk management objectives, UHC entered into an interest rate swap in May 2002 with a notional amount of \$20,715,000 at July 31, 2005 and \$20,745,000 at July 31, 2004. This swap agreement effectively changes UHC's interest rate exposure on its floating rate bonds to a fixed rate of 3.97%. The interest swap rate agreement matures in May 2012.

Under terms of the interest rate swap agreement, UHC makes payments calculated at a fixed rate of 3.97% to the counterparty of the swap. In return, the counterparty makes payments to UHC equal to 68% of 1-Month USD-LIBOR-BBA Index. Only the net difference in payments is exchanged with the counterparty. During fiscal years 2005 and 2004 the 1-Month USD-LIBOR-BBA Index ranged from 1.52% to 3.52% (3.52% at July 31, 2005) and 1.09% to 1.50% (1.50% at July 31, 2004), respectively.

The fair value of the swap agreement at July 31, 2005 and 2004 was \$1,092,304 and \$1,212,027 respectively, and is recorded as a liability on UHC's Statement of Financial Position.

UHC Property

Property, facilities and equipment as of July 31, 2005 and 2004 are as follows:

	2005	2004
Buildings	\$ 17,442,241	\$ 17,442,241
Other capital asset	915,491	915,491
Total cost	<u>18,357,732</u>	<u>18,357,732</u>
Less accumulated depreciation:	(1,085,365)	(527,318)
Property, facilities and equipment, net	<u>\$ 17,272,367</u>	<u>\$ 17,830,414</u>

Guarantee of the University Housing Corporation Mortgage by the Foundation

On May 1, 2002, the Foundation entered into an agreement to guarantee the payment of certain UHC debt. Funding for the project has been attained through the issuance of \$22,040,000 adjustable rate housing revenue bonds by Mahoning County, Ohio. These bonds have serial maturities through 2033.

A financial institution has issued a letter of credit to collateralize the payment of principal, interest and other funding requirements. The letter of credit is annually renewable by the financial institution.

The Foundation has pledged \$45,000,000 of unrestricted marketable securities to guarantee all debt funding payments due by UHC. In addition to the debt and interest payments, UHC is responsible for a 1% letter of credit fee and the accumulation of a debt service reserve fund. UHC's reimbursement agreement contains thirteen events of default, many of which are tied to

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

restrictive loan covenants. In the event of default, the bank may require payment by the Foundation. The dormitory housing began operations in August 2003. In the event the Foundation is required to perform under the guarantee agreement, provisions exist for the Foundation to obtain the rights of the financial institution.

The Foundation also entered into an agreement with UHC to loan UHC funds to pay for initial organizational and legal costs. Under the terms of the agreement, UHC will repay the Foundation principal plus interest at prime rate. At June 30, 2005 and 2004, the amount due from to the Foundation from UHC is \$102,375 and \$96,805, respectively.

YOUNGSTOWN STATE UNIVERSITY

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Millicent S. Counts	<i>Executive Director United Methodist Community Center</i>
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Dianne Bitonte Miladore	<i>Physician Member of the Clinical Faculty at Northeast Ohio Universities College of Medicine</i>
John L. Pogue	<i>Attorney Harrington, Hoppe & Mitchell, Ltd.</i>
Scott R. Schulick	<i>Vice President Butler Wick Trust Co.</i>
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Bege Bowers	<i>Interim Provost</i>
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Donna J. Esterly	<i>Interim Chief Technology Officer</i>
George E. McCloud	<i>Special Assistant for University Advancement</i>



YOUNGSTOWN STATE UNIVERSITY

Independent Auditor's Report on Applying Agreed-Upon Procedures

Mr. David Sweet
Youngstown State University

We have performed the procedures enumerated below, which were agreed to by Youngstown State University (the University) and the National Collegiate Athletic Association (NCAA), solely to assist you with respect to complying with NCAA bylaws for the year ended June 30, 2005. The University's management is responsible for the accompanying Statement of Revenue, Support, and Expenditures. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

I. Statement of Revenue, Support and Expenditures and Internal Controls

1. We obtained the Statement of Revenue, Support, and Expenditures (the Statement) for the Intercollegiate Athletics Department (the Department) for the year ended June 30, 2005 as prepared by management (Schedule 1). We recomputed the subtotal and total line items on the Statement. We also agreed all the amounts on the Statement to the appropriate general ledger accounts in the University's General Ledger System. We found no exceptions as a result of these procedures.
2. We performed a comparison of revenue, support, and expenditures per the Statement for fiscal years 2005 and 2004. We obtained management's explanations for variations greater than \$20,000 and 10% of each revenue and support and expenditure line item in the aggregate as follows:
 - a. Football ticket sales revenue decreased by approximately \$151,000, or 26%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due mainly to the prior year having seven home games as opposed to six home games in 2005.
 - b. Basketball ticket sales revenue decreased by approximately \$21,000, or 14%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due mainly to decreased attendance.

- c. Football guarantees revenue decreased by \$50,000, or 100%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that, in 2004, the University received a guarantee that was not received in 2005.
- d. Athletic concessions revenue decreased by approximately \$39,000, or 14%. We were informed by management who has responsibility for financial and accounting matters that this was mainly due to overall decreased game attendance and the prior year having seven home games as opposed to six home games in 2005.
- e. Miscellaneous revenue decreased by approximately \$60,000, or 44%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that an unrelated business income tax refund was received in fiscal year 2004 which caused an increase in miscellaneous revenue by \$80,000 over fiscal year 2005.
- f. General fees and allocation increased approximately \$597,000, or 12%. We were informed by management who have responsibility for financial and accounting matters that the board approved a higher general fee allocation in 2005 compared to 2004.
- g. Fringe benefits expenses increased approximately \$100,000, or 12%. We were informed by management who have responsibility for financial and accounting matters that the variance is due to an increase of \$29,000 in the PERS contribution, \$55,000 in healthcare expenses, and \$32,000 in tuition reimbursement.
- h. Team travel expenses increased approximately \$85,000, or 14%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase is due to increased ticket prices resulting from increased fuel costs and an additional away football game.
- i. Scholarships expenses increased approximately \$252,000, or 11%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that both the number and dollar amounts of athletic scholarships increased but remained within the amount budgeted.
- j. Guarantees expenses decreased \$36,500, or 43%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to a football guarantee that was not repeated in 2005.

- k. Transfers from other funds increased approximately \$132,000, or 23%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that due to only a 7% increase in revenue and a 9% increase in expenses, additional transfers were needed in order for athletics to meet their cash needs.
3. We performed a comparison of actual operating revenues and expenditures per the Statement to the budgeted amounts obtained from management. We obtained management's explanation for variations greater than \$20,000 and 10% of each revenue and support and expenditures line item in the aggregate. They included the following:
 - a. The budgeted amount for football ticket sales revenue exceeded the actual amount by approximately \$432,000, or 51%, due to revenue being budgeted based on maximum attendance capacity.
 - b. The budgeted amount for basketball ticket sales revenue exceeded the actual amount by approximately \$148,000, or 53%, due to revenue being budgeted based on maximum attendance capacity.
 - c. The budgeted amount for the scoreboard panels revenue exceeded the actual amount by approximately \$52,000, or 35%, due to scoreboard panel advertising sales not increasing as projected.
 - d. The budgeted amount for the NCAA revenue sharing revenue exceeded the actual amount by approximately \$51,000, or 15%, due to NCAA revenue sharing being based on each member's proportional share of total revenues received. Anticipated increases from fiscal year 2004 did not occur.
 - e. The budgeted amount for miscellaneous revenue exceeded the actual by approximately \$95,000, or 56%, due to the projected increase for 2005 being based on 2004, which included an unrelated business income tax refund of \$80,000 not received in 2005.
 - f. The actual amount for fringe benefits expenses exceeded the budget by approximately \$132,000, or 16%, due to the budget being based on a calculated fringe benefit rate times the current year budget of salaries (not based on prior year actual fringe benefit rate). Athletics fringe benefits rate tends to be higher than the calculated rate used by the University's general budget.
 - g. The budgeted amount for dues and printing expenses exceeded the actual amount by approximately \$33,000, or 20%, due to changes in original spending plan and budget transfers not being completed to reflect those changes.

- h. The budgeted amount for telephone and telephone equipment expenses exceeded the actual amount by approximately \$22,000, or 31%, due to changes in original spending plan and budget transfers not being completed to reflect those changes.
 - i. The actual amount for publicity and promotions expenses exceeded the budgeted amount by approximately \$60,000, or 551%, due to trade agreements entered into with various companies and advertising received in exchange for tickets not being considered within the budget.
 - j. The budgeted amount for miscellaneous expenses exceeded the actual by approximately \$25,000, or 17%, due to changes in original spending plan and budget transfers not being completed to reflect those changes.
 - k. The actual amount for equipment expenses exceeded the budgeted amount by approximately \$23,000, or 94%, due to changes in original spending plan and budget transfers not being completed to reflect those changes.
 - l. The actual amount for mandatory transferred for indebtedness exceeded the budgeted amount by approximately \$152,400, or 124%, due to changes in anticipated funding.
 - m. There is no budget amount for transfer from other funds.
- 4. We obtained a description of accounts and compared classifications of revenues and expenditures to NCAA guidelines. We found no exceptions as a result of these procedures.
 - 5. We reviewed and made inquiries of the organizational chart prepared by management. We reviewed the extent of documentation of accounting systems and procedures. We also made certain inquiries of management regarding control consciousness, competence of personnel, and protection of records and equipment.
 - 6. We were informed that the Department follows the University's policies and procedures for acquiring, approving, depreciating, and disposing of assets. Capital assets are stated at cost or fair value at date of gift. The University's capitalization threshold for equipment, furniture, and vehicles is \$5,000, and for buildings and improvements is \$100,000. Land is capitalized regardless of cost. Library purchases are excluded from capitalization and expensed as purchased. Depreciation 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 are 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.

7. We agreed football ticket revenue per the performance sales and gate sales reports (the football reports) to the accounting records and the Statement. The football reports were \$6,910 less than the Statement (1.6% of total football revenue). We performed analytical review procedures, comparing football revenues to ticket prices, number of games, and attendance figures, noting no unusual items.
8. We agreed basketball ticket revenue for one game to gate sales reports and agreed the revenue for the one game to the general ledger and the total of the general ledger to the Statement. We found no exceptions as a result of these procedures.
9. We agreed the general fee allocation reported by the University in the Statement to the amount budgeted for the year. We found no exceptions as a result of these procedures.
10. We reviewed the one football game guarantee that was paid to Slippery Rock University and four basketball guarantees that were paid to Denison University, Lock Haven University, Slippery Rock University, and Premier Sports International, Inc., and three basketball guarantees that were received from Southwest Missouri State University, Duquesne University, and Florida Atlantic University. We agreed the guarantee amounts from the contracts to the total guarantees recorded in the Statement. We found no exceptions as a result of these procedures.
11. We obtained the agreement with Clear Channel Broadcasting, Inc. related to the University's participation in revenues from radio. We obtained a detail listing of air time sold by the University for football and basketball games including the rights fee paid by Clear Channel and agreed the total radio revenues to the Statement. We found no exceptions as a result of these procedures.
12. We agreed revenue from the Superior Beverage, First Place Bank, QualChoice, Dodge, and Alltel sponsorship contracts to the University's accounting records. We found no exceptions as a result of these procedures.
13. We obtained the detailed expenses for the sports camps, selected a sample of five expenses, and obtained either the voucher package or journal entry noting agreement of amount, expense related to the sports camp, and expense incurred during fiscal year 2005 with the exception of one expense for \$9,432, which related to fiscal year 2004. Management does not maintain complete sports camp participant listings indicating the fees paid by participant; therefore, the agreed upon procedures related to sports camp revenue were not performed.

14. We obtained a detail listing of scholarship recipients and agreed the total amount of the listing to the Statement noting the detail exceeded the Statement by \$3,203 (.1% of total scholarships). We selected a sample of ten student scholarship recipients from the detail listing of scholarships. We agreed the amount received per the detail listing of scholarships to the respective student's aid award letter. We found no exceptions as a result of these procedures.
15. We agreed distributions amount from the NCAA distribution reports to the Statement. We found no exceptions as a result of this procedure.
16. We obtained a detail listing of logholders and charges and agreed the total charges to the Statement. We selected a sample of five loge lease contracts. For one contract, a current lease agreement was not available. Management stated the old contract was extended by one year through a gentlemen's agreement with the Director of Athletics. We noted that the President's office and the Penguin Club do not have signed lease agreements.
17. We received documentation from management of private gifts and grants received during 2005. We agreed the total to the Statement noting a \$254 difference (.08% of private gifts and grants). We reviewed the listing noting there was no single gift from an "outside organization," with such organization defined by NCAA Bylaws as a booster club or affiliated foundation that constituted more than 10% of all gifts donated to the Department.
18. We selected a sample of five coaches and two support staff employed by the University. We selected the June 2005 payroll distribution and obtained the employees contracts and calculated one twelfth of their pay and agreed it to the payroll distribution report. We found no exceptions as a result of these procedures.
19. We obtained and documented our understanding of the University's recruiting expense and team travel policies, comparing them to the NCAA policies.

II. Booster Organizations

1. Management verbally represented that the Penguin Club was the only "outside organization" which had expenditures for or on behalf of the University's Intercollegiate Athletic Program. The Penguin Club's related financial activities for the year ended June 30, 2005 are shown in Schedules 2 and 3.
2. We reconciled the Penguin Club's receipts and disbursements to a confirmation obtained directly from the Penguin Club without exception.
3. We noted the amounts included in Schedules 2 and 3 are not included in Schedule 1.
4. We received the audited financial statements of the Penguin Club for the year ended June 30, 2005, which reflected an unqualified opinion.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items, including Schedule 1, Schedule 2, and Schedule 3, or on the effectiveness of the internal control over financial reporting. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Youngstown State University and the National Collegiate Athletic Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Ernst & Young LLP

February 1, 2006

Youngstown State University

Statement of Revenue, Support, and Expenditures
for The Intercollegiate Athletics Department

Year Ended June 30, 2005

	Football	Basketball	Other Sports	Non-Program Specific	Restricted	Total
Revenue and Support						
Ticket Sales	\$ 424,579	\$ 133,681	\$ -	\$ -	\$ -	\$ 558,260
Guarantees	-	72,000	-	-	-	72,000
Stambaugh Stadium Viewing Boxes	432,251	-	-	-	-	432,251
Scoreboard Panels	97,795	33,500	-	-	-	131,295
NCAA Revenue Sharing	106,784	20,938	171,393	-	-	299,115
Federal Gifts and Grants	-	-	-	-	16,318	16,318
Program Sales	8,451	1,202	-	-	-	9,653
Telephone and Vending Machine Commissions	-	-	-	100,966	-	100,966
Private Gifts and Grants	-	-	-	-	313,052	313,052
Athletic Concessions	89,930	22,293	-	136,450	-	248,673
Miscellaneous	27,690	-	40,210	7,786	(825)	74,861
Penguin Sports Network	-	-	-	40,399	-	40,399
Program Advertising	93,700	21,500	-	-	75	115,275
Endowment Income	-	-	-	-	1,730	1,730
Sports Camps	-	-	-	290,766	-	290,766
Total Revenue	1,281,180	305,114	211,603	576,367	330,350	2,704,614
Support						
Non-Mandatory Additions:						
General Fees and Allocation	391,597	265,020	2,119,050	2,778,733	-	5,554,400
Total Revenue and Support	1,672,777	570,134	2,330,653	3,355,100	330,350	8,259,014
Expenditures						
Personal Services:						
Salaries	456,887	269,801	596,318	1,257,308	54,543	2,634,857
Federal Work Study	-	-	-	-	16,318	16,318
Fringe Benefits	182,417	68,480	241,097	467,400	107	959,501
Total Personal Services	639,304	338,281	837,415	1,724,708	70,968	3,610,676

Youngstown State University

Statement of Revenue, Support, and Expenditures
for The Intercollegiate Athletics Department (continued)

	Football	Basketball	Other Sports	Non-Program Specific	Restricted	Total
Operating Expenses:						
Miscellaneous Supplies	—	—	—	—	4,426	4,426
Office Supplies	8,461	3,871	3,383	41,077	52,229	109,021
Athletic Supplies	50,897	17,395	91,704	28,155	9,532	197,683
Clinics and Meetings	—	—	—	28,843	2,027	30,870
Recruiting and Interviewing Candidates	43,615	30,516	55,225	—	3,111	132,467
Team Travel	274,374	76,864	320,525	4,827	94,547	771,137
Dues	—	—	—	68,195	—	68,195
Printing	—	—	—	66,293	10,180	76,473
Publicity and Promotions	—	—	—	71,564	—	71,564
Telephone and Telephone Equipment	6,934	7,994	14,632	20,380	—	49,940
Postage and Freight	4,060	2,076	2,152	12,082	360	20,730
Maintenance and Repairs	—	—	4,662	16,437	22,205	43,304
Rentals	—	—	19,891	15,655	5,871	41,417
Pre-season Practice	46,162	—	7,540	—	—	53,702
Liability Insurance	—	—	—	62,162	—	62,162
Scholarships	974,039	225,538	1,366,663	(14,955)	12,254	2,563,539
Awards	—	—	—	13,850	1,547	15,397
Officials	34,075	38,963	41,252	36,594	5,260	156,144
Business Relations	4,488	11,824	11,588	1,785	9,482	39,167
Bank Fees	—	—	—	2,865	1,711	4,576
Guarantees	35,000	13,680	—	—	—	48,680
Miscellaneous (Collection Expense and Other)	1,900	—	200	6,673	19,346	28,119
Equipment	—	—	—	46,561	5,795	52,356
Athletic Concessions	70,436	15,651	—	109,569	—	195,656
Sports Camps	—	—	—	259,549	—	259,549
Total Operating Expenses	1,554,441	444,372	1,939,417	898,161	259,883	5,096,274
Total Expenditures	2,193,745	782,653	2,776,832	2,622,869	330,851	8,706,950

Youngstown State University

Statement of Revenue, Support, and Expenditures
for The Intercollegiate Athletics Department (continued)

	Football	Basketball	Other Sports	Non-Program Specific	Restricted	Total
Revenue and Support (Less Than) in Excess of Expenditures	(520,968)	(212,519)	(446,179)	732,231	(501)	(447,936)
Transfers from Other Funds	49,941	33,799	270,247	354,378	–	708,365
Reserve for Encumbrances	–	–	–	28,498	–	28,498
Mandatory Transfers for Indebtedness	–	–	–	(274,543)	–	(274,543)
Revenue and Support (Less Than) in Excess of Expenditures, Transfers and Reserve	<u>\$ (471,027)</u>	<u>\$ (178,720)</u>	<u>\$ (175,932)</u>	<u>\$ 840,564</u>	<u>\$ (501)</u>	<u>\$ 14,384</u>

Schedule 2

Youngstown State University

Schedule of Intercollegiate Athletics Program
Support by Booster Organization

Year Ended June 30, 2005

Booster Organization	Beginning Fund Balance	Adjustments	Receipts	Disbursements	Ending Fund Balance
The Penguin Club, Inc.	\$ 319,866	\$ -	\$ 525,519	\$ 474,166	\$ 371,219

Youngstown State University

Schedule of Financial Activities
of the Penguin Club

Year Ended June 30, 2005

The Penguin Club confirmed that the financial activities of the Penguin Club are not included in either the Statement of Revenue, Support, and Expenditures for the Intercollegiate Athletics Department (Schedule I) or the books of the University.

Penguin Club

Century Kingbird tickets	\$ 152,738
Wages and payroll taxes	45,571
Scholarship awards	40,441
Office and loge rent	30,000
Sports banquets	15,880
Athletic awards	14,414
Printing and office expenses	11,608
Communications	9,771
Publicity events and hospitality	7,617
Car lease – football	7,596
Membership benefits	4,602
Hall of Fame expenses	4,055
Executive directors expenses	3,778
Miscellaneous	16,639
	<u>\$ 364,710</u>

The background of the page is a faded, sepia-toned photograph of a large, multi-story university building with a prominent central tower and arched windows. The building is set against a light sky, with some greenery visible in the foreground.

WYSU-FM

Youngstown State

University Radio

FINANCIAL REPORT
AND
SCHEDULE OF NONFEDERAL
FINANCIAL SUPPORT

for the Years Ended
June 30, 2005 and 2004

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Youngstown State University

We have audited the accompanying statement of net assets of WYSU-FM, Youngstown State University Radio (Station), as of and for the years then ended June 30, 2005 and 2004, as shown on pages 7 through 9. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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. We were not engaged to perform an audit of the Station's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

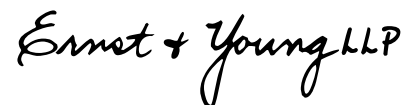
As discussed in Note 1, the financial statements of the Station are intended to present the financial position, and the changes in net assets and cash flows, of only that portion of the activities of Youngstown State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Youngstown State University as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WYSU-FM, Youngstown State University Radio, as of June 30, 2005 and 2004, and the respective changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005 on our consideration of WYSU-FM, Youngstown State University Radio's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the Schedule of Nonfederal Financial Support is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



December 9, 2005

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section of the report presents a discussion and analysis of the financial performance of WYSU-FM (Station), a noncommercial public radio station operated by Youngstown State University (University) during the fiscal year ended June 30, 2005. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

The Station'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) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. These statements establish standards for external financial reporting and provide a consolidated perspective of the Station's assets, liabilities, net assets, revenues, expenses and cash flows. In addition to the consolidation of financial information, 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 Station's revenues, including the general appropriation from the University, membership revenue, and business and underwriting support, are considered non-operating as defined by GASB Statement No. 35.
- Capital assets are reported net of depreciation.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statements of Net Assets

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

A summary of assets, liabilities, and net assets at June 30, 2005, 2004 and 2003 follows:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Assets			
Current assets	\$ 611,158	\$ 500,765	\$ 638,502
Noncurrent assets	134,776	133,088	126,429
Capital assets, net	<u>161,247</u>	<u>209,956</u>	<u>29,575</u>
Total Assets	<u>907,181</u>	<u>843,809</u>	<u>794,506</u>
Liabilities			
Current liabilities	5,939	7,351	3,814
Noncurrent liabilities	<u>57,755</u>	<u>47,299</u>	<u>46,370</u>
Total Liabilities	<u>63,694</u>	<u>54,650</u>	<u>50,184</u>
Total Net Assets	<u>\$ 843,487</u>	<u>\$ 789,159</u>	<u>\$ 744,322</u>
Net Assets			
Invested in capital assets, net of related debt	161,247	209,956	29,575
Restricted - Nonexpendable	134,776	133,088	126,429
Restricted - Expendable	54,716	42,512	139,638
Unrestricted	<u>492,748</u>	<u>403,603</u>	<u>448,680</u>
Total Net Assets	<u>\$ 843,487</u>	<u>\$ 789,159</u>	<u>\$ 744,322</u>

2005 Versus 2004

Current assets, consisting primarily of cash and cash equivalents, increased from 2004 to 2005 due to positive results in net fundraising, subscription and membership income, and underwriting revenues. In 2004, cash was used to purchase capital assets. Net capital assets in 2005 represent the 2004 equipment purchase less depreciation.

Current liabilities consist of accounts payable and the current portion of compensated absences. The long-term portion of compensated absences is included in non-current liabilities. Total liabilities increased 19% from fiscal year 2004 due to increases in compensated absences resulting from staffing changes in broadcasting during fiscal year 2005.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net assets invested in capital assets, net of related debt represents investments in capital assets net of depreciation. Restricted nonexpendable net assets represent the Station's endowment. Restricted expendable net assets represent the capital portion of foundation grants and the restricted portion of the Corporation for Public Broadcasting (CPB) grant. Unrestricted net assets increased due to an increase in cash and cash equivalents since there were no major capital asset outlays in fiscal year 2005.

2004 Versus 2003

Current assets decreased due to the acquisition of capital assets. Liabilities remained consistent. Net assets invested in capital assets increased significantly and restricted expendable assets decreased due to capital asset purchases.

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

These statements present the operating results of the Station. The revenues and expenses are generally reported as either operating or non-operating. Operating revenue is generated by an annual Community Service Grant from the Corporation for Public Broadcasting and through an annual grant from the Ohio Educational Telecommunications Network Commission (OETN), which is administered by the State of Ohio. In addition, in-kind support is received from OETN and includes support for transmission of Radio Reading Service Programming. Operating revenue also includes contributions from area businesses (program underwriting). Operating expenses are incurred to vendors and employees for providing goods or services for the overall operations of the Station. Nonoperating revenues include general appropriations, donated facilities, and administrative support from its licensee, the University. Non-operating revenue includes membership revenue, foundation grants, and net revenue from fund raising.

A summary of revenues, expenses, and changes in net assets for the years ended June 30, 2005, 2004 and 2003 follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Total operating revenues	\$ 370,759	\$ 407,441	\$ 375,220
Total operating expenses	994,650	1,007,071	978,797
Operating loss	(623,891)	(599,630)	(603,577)
Net nonoperating revenues	658,219	644,467	673,894
Income before other revenues, expenses, & changes	34,328	44,837	70,317
Total other revenues, expenses and changes	20,000	-	50,000
Increase in Net Assets	54,328	44,837	120,317
Net Assets at the beginning of the year	789,159	744,322	624,005
Net Assets at the end of the year	<u>\$ 843,487</u>	<u>\$ 789,159</u>	<u>\$ 744,322</u>

The decrease in total operating revenues primarily resulted from a decrease in the Corporation for Public Broadcasting grant and a decrease in in-kind contributions. Overall operating expenses remained consistent with prior years. The increase in non-operating

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

revenue was due to an increase in subscription revenue and fund raising off set by a decrease in general appropriations from the University. During fiscal year 2005, the Station received a grant designated for transmitter replacement which is reflected in other revenues, expenses, and changes. A capital grant was not received during fiscal year 2004, whereas a capital grant was received during fiscal year 2003 designated to upgrade studio and broadcast equipment.

The Statements of Cash Flows

These Statements of Cash Flows provide information about cash receipts and cash payments during the year. This statement also assists users in assessing the Station's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

A summary of cash flows for the years ended June 30, 2005, 2004 and 2003 follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash provided (used) by:			
Operating activities	\$ (435,365)	\$ (447,871)	\$ (436,165)
Investing activities	6,251	5,179	5,361
Non capital financing activities	518,216	513,782	514,965
Capital financing activities	20,000	(210,457)	50,000
Net increase (decrease) in cash	<u>109,102</u>	<u>(139,367)</u>	<u>134,161</u>
Cash & Cash Equivalents - Beginning of year	<u>484,371</u>	<u>623,738</u>	<u>489,577</u>
Cash & Cash Equivalents - End of year	<u>\$ 593,473</u>	<u>\$ 484,371</u>	<u>\$ 623,738</u>

Except for cash flows provided by (used in) capital financing activities, cash flows remained fairly consistent the past three fiscal periods. The \$20,000 capital grant received in 2005 has not yet been expended. During 2004, the previous years' grants were expended for the purchase of studio and broadcast equipment.

Economic Factors for the Future

WYSU-FM made positive moves in every aspect of its operation in fiscal year 2005, especially in community financial support and audience. The station is positioned for continued improvement in both areas. WYSU reported two very solid Arbitron Audience Surveys in fiscal year 2005 that showed significant audience growth and consistency. Improvements in programming, presentation and marketing are the primary factors. Further refinements in programming and presentation and the expansion of marketing efforts are planned for fiscal year 2006.

WYSU-FM greatly expanded its marketing in fiscal year 2005 and increased its off-air presence in the community by sponsoring or co-sponsoring numerous community events. Station staff also made multiple appearances in the community and performed a great deal of community service.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF NET ASSETS AT JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 593,473	\$ 484,371
Accounts receivable, net	8,867	16,394
Pledges receivable, net	8,818	-
Total Current Assets	<u>611,158</u>	<u>500,765</u>
Noncurrent Assets		
Endowment	134,776	133,088
Capital assets, net	161,247	209,956
Total Noncurrent Assets	<u>296,023</u>	<u>343,044</u>
Total Assets	<u>907,181</u>	<u>843,809</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,200	4,565
Compensated absences	4,739	2,786
Total Current Liabilities	<u>5,939</u>	<u>7,351</u>
Noncurrent Liabilities		
Compensated absences	57,755	47,299
Total Noncurrent Liabilities	<u>57,755</u>	<u>47,299</u>
Total Liabilities	<u>63,694</u>	<u>54,650</u>
NET ASSETS		
Invested in capital assets, net of related debt	161,247	209,956
Restricted		
Nonexpendable	134,776	133,088
Expendable	54,716	42,512
Unrestricted	492,748	403,603
Total Net Assets	<u>\$ 843,487</u>	<u>\$ 789,159</u>

See accompanying notes to financial statements.

WYSU-FM, YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
REVENUES		
Operating Revenues		
Corporation of Public Broadcasting grant	\$ 133,171	\$ 147,636
In-Kind contributions	126,052	148,261
Ohio Educational Telecommunications grant	39,259	40,644
Underwriting revenue	72,277	70,900
Total Operating Revenues	370,759	407,441
EXPENSES		
Operating Expenses		
Program Services:		
Programming and production	237,384	339,785
Broadcasting	54,902	41,313
Program information	24,457	27,313
Support Services:		
Management and general	416,369	353,493
Fund raising & membership development	212,829	215,091
Depreciation and loss on disposal	48,709	30,076
Total Operating Expenses	994,650	1,007,071
Operating Loss	(623,891)	(599,630)
NONOPERATING REVENUES		
General appropriation from the University	294,322	316,090
Donated facilities & administrative support from the University	123,246	122,007
Subscription & membership income	214,356	187,640
Private gifts	10,000	10,000
Net revenue (loss) from fund raising	8,356	(3,108)
Investment income, net	7,939	11,838
Net Non-operating Revenues	658,219	644,467
Income before other revenues, expenses, & changes	34,328	44,837
OTHER REVENUES, EXPENSES, AND CHANGES		
Capital grants and gifts	20,000	-
Total other revenues, expenses and changes	20,000	-
Total increase in Net Assets	54,328	44,837
NET ASSETS		
Net Assets at the beginning of the year	789,159	744,322
Net Assets at the end of the year	\$ 843,487	\$ 789,159

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Corporation for Public Broadcasting grant	\$ 133,171	\$ 147,635
Receipts from Ohio Educational Telecommunications grant	39,259	40,644
Business & underwriting support	79,804	66,110
Payments to suppliers	(278,837)	(297,557)
Payments to employees	(311,749)	(297,084)
Payments for benefits	(97,013)	(107,619)
Total Cash Flows Used in Operating Activities	(435,365)	(447,871)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	6,251	5,179
Total Cash Flows Provided by Investing Activities	6,251	5,179
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
General appropriation from the University	294,322	316,090
Membership revenue	205,538	190,800
Private gifts	10,000	10,000
Net revenue provided by (used in) fund raising	8,356	(3,108)
Total Cash Flows Provided By Noncapital Financing Activities	518,216	513,782
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Grant for capital purchases	20,000	-
Purchase of capital assets	-	(210,457)
Total Cash Flows Provided by Capital Financing Activities	20,000	(210,457)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	109,102	(139,367)
Cash & Cash Equivalents - Beginning of year	484,371	623,738
Cash & Cash Equivalents - End of year	\$ 593,473	\$ 484,371
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
OPERATING LOSS	\$ (623,891)	\$ (599,630)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO CASH FLOWS USED IN OPERATING ACTIVITIES		
Depreciation Expense	48,709	30,076
Donated facilities & administrative support from the University	123,246	122,007
Changes in assets & liabilities:		
Accounts receivable	7,527	(4,790)
Accounts payable and compensated absences	9,044	4,466
CASH FLOWS USED IN OPERATING ACTIVITIES	\$ (435,365)	\$ (447,871)

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

WYSU-FM (the Station) is operated as a function of the Telecommunications Department of Youngstown State University (the University) and is subject to the policies established by the University's Board of Trustees. The Station reports annually to the Corporation for Public Broadcasting.

For financial reporting purposes, the Station is considered a special-purpose government engaged in business-type activities as defined by GASB Statements No. 34 and 35. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB.

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 and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted Nonexpendable: Net assets subject to externally imposed stipulations that they be maintained permanently by the Station. Such assets include the Station's permanent endowment funds.
- Restricted Expendable: Net assets whose use by the Station is subject to externally imposed stipulations that can be fulfilled by actions of the Station 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, or the Ohio Board of Regents, or may otherwise be limited by contractual agreements with outside parties. Substantially, all unrestricted net assets are designated for initiatives, capital programs, and operating reserves.

Summary of Significant Accounting Policies

The financial statements of the Station have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the related liability has been incurred.

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Station's policy is to first apply the expense towards restricted resources and then toward unrestricted resources.

Cash Equivalents

The Station 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.

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 deposits.

In accordance with Section 135.18 of the Ohio Revised Code, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or pledge a pool of securities with a value of at least 110% of the total value of public monies on deposit at the institution. All collateral, both specific and pooled, is held by the Federal Reserve Bank of Cleveland or by a designated trustee as agent for the public depositories used by the University.

At June 30, 2005 and 2004, the carrying amount of the University's bank deposits and cash equivalents was \$16,411,426 and \$13,246,709 and the bank balances were \$17,446,765 and \$15,763,792, respectively. The Station's cash and cash equivalents are included in these totals. The difference in carrying amount and bank balance is caused by items in transit and outstanding checks. Of the balance, \$184,757 in FY2005 and \$100,000 in FY2004 was covered by federal depository insurance; leaving \$17,262,008 in 2005 and \$15,663,792 in 2004 exposed to custodial credit risk. At times during the year, uncollateralized deposits may have been higher.

Custodial 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. The University does not have a formal deposit policy for custodial credit risk.

Accounts Receivable

Accounts receivable consist of underwriting charges for various Station programs. Accounts are recorded net of allowance for uncollectible accounts.

Pledges Receivable

The Station 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.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

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 gain (loss) 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.

Endowment Policy

The University Endowment Fund consists of 78 named funds, which include the Station's endowment. 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 Youngstown State University Foundation (YSUF). The University's policy is to distribute realized investment income monthly, based on each fund's pro-rata share to the total endowment shares.

Capital Assets

Equipment values are based on the University's movable equipment inventory listing of those items assigned to the Station. Equipment is recorded at cost or, if acquired by gift, at an appraisal value at the date of the gift. The University uses a capitalization threshold of \$5,000. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful life for equipment is 3 to 7 years.

When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are removed from asset accounts and net assets invested in capital assets.

Compensated Absences

Accumulated unpaid vacation and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

General Appropriation from the University

The general appropriation represents support from the University for salaries and operating expenses not provided through other sources.

Donated Facilities and Administrative Support

Donated Facilities and Administrative Support are recorded as nonoperating revenue and expenses on the Statement of Revenue, Expenses, and Changes in Net Assets. Donated facilities are the Station's pro-rata share of the University's total plant expenses along with calculated occupancy costs. Administrative support represents the Station's allocated amounts of institutional support. Institutional support is based on the Station's pro-rata share of the University's total salaries, wages, and administrative expenses.

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.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Measurement Focus and Financial Statement Presentation

Operating revenues and expenses result from providing programming, production, and broadcasting support for the Station. The primary operating revenues include two grants, one from the Corporation of Public Broadcasting and one from the Ohio Educational Telecommunications network commission, along with underwriting revenue from area businesses. Operating expenses include programming, production and management services. The principle non-operating revenue is the general appropriation from the University and membership support.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Reclassification

Certain reclassifications have been made to the 2004 amounts to conform with the 2005 presentation.

Note 2 - Investments

The University's endowment funds are managed by YSUF under the provisions of an agreement.

The Station investments represent a portion of the University's total investments.

As of June 30th the Station had the following investments and maturities:

<u>Investments managed by YSUF</u>	June 30, 2005			June 30, 2004	
	Fair Value	Less than 1 Year	Credit Rating	Fair Value	Less than 1 Year
Common Stock	\$ 71,200	\$ 73,697	Unrated	\$ 35,934	\$ 35,934
Corporate Notes and Bonds	15,443	15,443	A	7,985	7,985
Preferred Stock	9,745	7,248	Unrated	3,993	3,993
U.S. Government and Agency Securities	33,515	33,515	Unrated	25,287	25,287
Other Securities	4,873	4,873	Unrated	59,889	59,889
Total Investments managed by YSUF	<u>\$ 134,776</u>	<u>\$ 134,776</u>		<u>\$ 133,088</u>	<u>\$ 133,088</u>

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Interest Rate Risk. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University has no provisions in its investment policy that would limit its choices.

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 investment or collateral securities that are in the possession of an outside party. The total investments held by YSUF in the amount of \$5,531,241 as of June 30, 2005 and \$5,227,456 as of June 30, 2004 were uninsured and unregistered with securities held by the broker or by its trust department or agent, but not in the University's name.

Note 3 – Capital Assets

The capital assets and accumulated depreciation as of June 30, 2005 are as follows:

<u>Capital assets</u>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	Ending <u>Balance</u>
Depreciable assets				
Building, antenna, and tower	\$ 170,048	\$ -	\$ -	\$ 170,048
Studio and broadcast equipment	357,501	-	81,702	275,799
	527,549	-	81,702	445,847
Less: Accumulated depreciation	317,593	48,555	81,548	284,600
Capital assets, net	<u>\$ 209,956</u>	<u>\$ 48,555</u>	<u>\$ 154</u>	<u>\$ 161,247</u>

The capital assets and accumulated depreciation as of June 30, 2004 are as follows:

<u>Capital assets</u>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	Ending <u>Balance</u>
Depreciable assets				
Building, antenna, and tower	\$ 176,748	\$ -	\$ 6,700	\$ 170,048
Studio and broadcast equipment	152,748	210,457	5,704	357,501
	329,496	210,457	12,404	527,549
Less: Accumulated depreciation	299,921	30,076	12,404	317,593
Capital assets, net	<u>\$ 29,575</u>	<u>\$ 180,381</u>	<u>\$ -</u>	<u>\$ 209,956</u>

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2005

Note 4 – Long Term Liabilities

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Net Additions	Ending Balance	Current Portion
Compensated absences	\$ 50,085	\$ 12,409	\$ 62,494	\$ 4,739

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Net Additions	Ending Balance	Current Portion
Compensated absences	\$ 49,870	\$ 215	\$ 50,085	\$ 2,786

Note 5 - Related Organizations

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 to the students and beneficial to the community. Under the terms of an agreement with the University, YSUF serves as an investment manager for the University's, and therefore the Station's, endowments.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

SCHEDULE OF NONFEDERAL FINANCIAL SUPPORT FOR THE YEAR ENDED JUNE 30, 2005

Direct Income	\$ 664,821
Indirect Administrative Support	123,246
In-Kind Contributions of Services and Other Intangibles	<u>126,052</u>
Total Nonfederal Financial Support	<u>\$ 914,119</u>



YOUNGSTOWN STATE UNIVERSITY

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Youngstown State University

We have audited the financial statements of WYSU-FM, Youngstown State University Radio (Station), as of and for the year ended June 30, 2005 and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Station's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

December 9, 2005



**Auditor of State
Betty Montgomery**

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YOUNGSTOWN STATE UNIVERSITY

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2006**