

Youngstown State University

**AUDIT REPORTS REQUIRED BY
OFFICE OF MANAGEMENT AND BUDGET
CIRCULAR A-133**

June 30, 1999 and 1998

**(With Reports of
Independent Auditors Thereon)**

Youngstown State University

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YOUNGSTOWN STATE UNIVERSITY

June 30, 1999

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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The Board of Trustees
Youngstown State University

We have reviewed the independent auditor's report of the Youngstown State University, Mahoning County, prepared by Packer, Thomas & Co., Certified Public Accountants, for the audit period July 1, 1998 through June 30, 1999. 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 black ink, appearing to read "Jim Petro", written over a printed name and title.

JIM PETRO
Auditor of State

February 9, 2000

PACKER, THOMAS & Co.

Certified Public Accountants & Business Consultants

REPORT OF INDEPENDENT AUDITORS

THE BOARD OF TRUSTEES
YOUNGSTOWN STATE UNIVERSITY

We have audited the accompanying balance sheets of Youngstown State University, a component unit of the State of Ohio, (the University) as of June 30, 1999 and 1998, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year ended June 30, 1999. 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 conducted our audits in accordance with generally accepted auditing standards and *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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youngstown State University as of June 30, 1999 and 1998, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the year ended June 30, 1999 in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued reports dated October 14, 1999 on our consideration of the University's internal control structure and a report on its compliance with laws and regulations.

Packer, Thomas & Co.

Youngstown, Ohio
October 14, 1999

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YOUNGSTOWN STATE UNIVERSITY
BALANCE SHEETS

<u>Assets</u>	<u>1999</u>	<u>1998</u>
CURRENT FUNDS		
Unrestricted		
Educational and general		
Cash, cash equivalents and temporary investments	\$ 9,870,763.32	\$ 841,175.62
Investments	4,944,041.19	12,242,517.29
Investments held by investment manager	167.87	143.77
Interest receivable	201,690.35	267,544.09
Interfund interest receivable	11,900.95	6,810.88
Accounts receivable (less allowance for doubtful accounts of \$638,893 in 1999 and \$351,944 in 1998)	1,941,590.01	1,658,968.38
Inventories	472,101.82	494,056.16
Interfund loan receivable	100,000.00	100,000.00
Prepaid expenses and deferred charges	224,885.70	105,198.42
Due from other funds	813,052.11	3,601,449.97
Total educational and general unrestricted	18,580,193.32	19,317,864.58
Auxiliary enterprises		
Cash, cash equivalents and temporary investments	326,298.98	1,710,764.96
Investments	534,181.46	947,461.44
Accounts receivable (less allowance for doubtful accounts of \$22,979 in 1999 and \$30,099 in 1998)	546,300.95	778,175.41
Inventories	1,107,861.91	1,075,375.21
Prepaid expenses and deferred charges	41,886.86	29,756.86
Due from other funds	80,300.55	0.00
Total auxiliary enterprises unrestricted	2,636,830.71	4,541,533.88
Total unrestricted	21,217,024.03	23,859,398.46
Restricted		
Educational and general		
Cash, cash equivalents and temporary investments	1,942,979.84	645,790.15
Investments	1,089,825.93	2,355,233.15
Investments held by investment manager	316,055.28	276,956.40
Interest receivable	1,186.86	1,665.10
Accounts receivable	1,419,649.34	1,926,548.74
Prepaid expenses and deferred charges	239,897.05	242,332.38
Due from other funds	414,414.85	0.00
Total educational and general restricted	5,424,009.15	5,448,525.92

See accompanying notes to financial statements

As of June 30, 1999

Liabilities and Fund Balances

	<u>1999</u>	<u>1998</u>
CURRENT FUNDS		
<i>Unrestricted</i>		
Educational and general		
Accounts payable	\$ 254,850.05	\$ 352,546.08
Accrued salaries and wages	4,560,070.60	4,372,536.04
Other accrued liabilities	7,386,946.31	7,321,398.89
Early retirement incentive plan payable	4,225,597.07	7,148,892.57
Deferred revenue	3,478,885.91	3,378,195.09
Due to other funds	0.00	427.29
Fund balances-allocated	(2,616,963.47)	(5,408,851.34)
Fund balances-unallocated	1,290,806.85	2,152,719.96
	<hr/>	<hr/>
Total educational and general unrestricted	18,580,193.32	19,317,864.58
Auxiliary enterprises		
Accounts payable	396,060.15	395,476.40
Accrued salaries and wages	118,235.02	116,734.25
Other accrued liabilities	171,181.46	150,037.73
Deferred revenue	475,036.93	776,781.69
Due to other funds	114,377.30	1,776,219.49
Fund balances-allocated	114,437.52	384,963.98
Fund balances-unallocated	1,247,502.33	941,320.34
	<hr/>	<hr/>
Total auxiliary enterprises unrestricted	2,636,830.71	4,541,533.88
Total unrestricted	<hr/> 21,217,024.03	<hr/> 23,859,398.46
<i>Restricted</i>		
Educational and general		
Accounts payable	3,980.74	87,703.64
Accrued salaries and wages	39,525.16	46,176.25
Accrued liabilities	847.63	719.71
Deferred revenue	0.00	966,133.33
Due to other funds	1,372,685.83	1,275,304.30
Fund balances	4,006,969.79	3,072,488.69
	<hr/>	<hr/>
Total educational and general restricted	5,424,009.15	5,448,525.92

YOUNGSTOWN STATE UNIVERSITY
BALANCE SHEETS

<u>Assets</u>	<u>1999</u>	<u>1998</u>
Restricted		
Auxiliary enterprises		
Cash, cash equivalents and temporary investments	14,645.01	196.49
Investments	54,774.52	130,286.68
Accounts receivable	0.00	110,000.00
Due from other funds	84,140.35	
Total auxiliary enterprises restricted	<u>133,559.88</u>	<u>240,483.17</u>
Total restricted	<u>5,557,569.03</u>	<u>5,689,009.09</u>
Total current funds	\$ <u>26,774,593.06</u>	\$ <u>29,548,407.55</u>
LOAN FUNDS		
Cash, cash equivalents and temporary investments	\$ 292,000.83	\$ 56,887.78
Investments	110,264.05	109,865.83
Notes receivable (less allowance for doubtful loans of \$487,133 in 1999, and \$506,700 in 1998)	2,510,941.44	2,600,452.88
Total loan funds	\$ <u>2,913,206.32</u>	\$ <u>2,767,206.49</u>
ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT		
Cash, cash equivalents and temporary investments	\$ 1,217,049.49	\$ 472,972.61
Investments	551,605.24	1,236,488.70
Investments held by investment manager	5,323,294.28	4,269,128.48
Total endowment and funds functioning as endowment	\$ <u>7,091,949.01</u>	\$ <u>5,978,589.79</u>
PLANT FUNDS		
Unexpended		
Cash, cash equivalents and temporary investments	\$ 998,153.70	\$ 762.56
Investments	548,406.01	790,689.98
Interest receivable	0.00	7,337.84
Interfund loan payable	100,000.00	100,000.00
Accounts receivable	0.00	1,742,000.00
Interfund interest receivable	11,900.96	8,810.88
Due from other funds	15,466.41	0.00
Total unexpended	<u>1,673,927.08</u>	<u>2,647,601.26</u>

See accompanying notes to financial statements

As of June 30, 1999

Liabilities and Fund Balances

	<u>1999</u>	<u>1998</u>
Restricted		
Auxiliary enterprises		
Accounts payable	169.97	2,159.00
Due to other funds	258.36	87,516.98
Fund balances	133,131.55	150,807.19
	<hr/>	<hr/>
Total auxiliary enterprises restricted	133,559.88	240,483.17
	<hr/>	<hr/>
Total restricted	5,557,569.03	5,689,009.09
	<hr/>	<hr/>
Total current funds	\$ 26,774,593.06	\$ 29,548,407.55
	<hr/>	<hr/>
LOAN FUNDS		
Due to other funds	\$ 0.00	\$ 133,571.49
Deferred revenue	0.00	10,326.59
Fund balances		
Government grants, refundable		
Perkins loans	2,201,836.00	1,985,000.00
University funds-allocated	664,669.69	598,274.45
University funds-restricted	46,700.63	40,033.96
	<hr/>	<hr/>
Total loan funds	\$ 2,913,206.32	\$ 2,767,206.49
	<hr/>	<hr/>
ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT		
Fund balances		
Endowment	\$ 5,339,953.01	\$ 4,278,092.79
Funds functioning as endowment	1,751,996.00	1,700,497.00
	<hr/>	<hr/>
Total endowment and funds functioning as endowment	\$ 7,091,949.01	\$ 5,978,589.79
	<hr/>	<hr/>
PLANT FUNDS		
Unexpended		
Accounts payable	\$ 244,051.20	\$ 331,222.07
Interfund loan payable	300,000.00	411,445.00
Interfund interest payable	35,702.88	47,199.01
Due to other funds	9,093.54	260,426.00
Fund balance-allocated	816,235.81	453,337.85
Fund balance-restricted	268,843.65	1,143,971.33
	<hr/>	<hr/>
Total unexpended	1,673,927.08	2,647,601.26
	<hr/>	<hr/>

YOUNGSTOWN STATE UNIVERSITY
BALANCE SHEETS

<u>Assets</u>	<u>1999</u>	<u>1998</u>
Renewal and replacement		
Cash, cash equivalents and temporary investments	3,407,224.56	525,173.42
Investments	494,695.08	1,159,073.19
Interest receivable	11,898.29	0.00
Interfund interest receivable	11,900.96	13,058.75
Accounts receivable	821,007.88	200,811.40
Interfund loan receivable	100,000.00	211,445.00
Due from other funds	45,083.75	33,577.26
Total renewal and replacement	<u>4,891,810.52</u>	<u>2,143,139.02</u>
Retirement of indebtedness		
Cash, cash equivalents and temporary investments	210,929.00	193,647.00
Investments	91,185.24	419,966.81
Deposits held by trustee	140,901.21	147,638.99
Due from other funds	91,957.77	9,264.79
Total retirement of indebtedness	<u>534,973.22</u>	<u>770,517.59</u>
Investment in plant		
Land	11,053,182.49	10,753,828.49
Buildings	208,477,170.72	182,479,120.13
Improvements other than buildings	17,716,233.85	16,961,843.34
Moveable equipment, furniture and library books	64,267,456.20	64,318,982.48
Construction in progress	0.00	19,572,777.76
Lease equipment	3,281,379.00	2,536,064.00
Total investment in plant	<u>304,795,422.26</u>	<u>296,622,616.20</u>
Total plant funds	<u>\$ 311,896,133.08</u>	<u>\$ 302,183,874.07</u>
AGENCY FUNDS		
Cash, cash equivalents and temporary investments	\$ 91,412.84	\$ 18,199.81
Investments	4,666.28	7,245.22
Accounts receivable	0.00	1,471.25
Total agency funds	<u>\$ 96,079.12</u>	<u>\$ 26,916.28</u>

See accompanying notes to financial statements

As of June 30, 1999

Liabilities and Fund Balances

	<u>1999</u>	<u>1998</u>
Renewal and replacement		
Accrued salaries & wages payable	413.55	190.55
Accounts payable	979,702.68	61,121.60
Due to other funds	4,555.59	8,246.27
Fund balances-allocated	3,877,860.46	2,026,491.15
Fund balances-restricted	29,278.24	47,089.45
	<hr/>	<hr/>
Total renewal and replacement	4,891,810.52	2,143,139.02
Retirement of indebtedness		
Accrued interest payable	33,835.00	37,918.94
Bond rebate arbitrage payable	5,270.34	20,069.70
Due to other funds	21,041.42	55,509.00
Fund balance	474,826.46	657,019.95
	<hr/>	<hr/>
Total retirement of indebtedness	534,973.22	770,517.59
Investment in plant		
Bonds payable	17,219,107.83	18,012,787.22
Capital lease payable	1,877,481.90	1,919,920.08
Fund balance	285,698,832.53	276,689,908.90
	<hr/>	<hr/>
Total investment in plant	304,795,422.26	296,622,616.20
Total plant funds	\$ 311,896,133.08	\$ 302,183,874.07
AGENCY FUNDS		
Accrued liabilities	\$ 3,433.82	\$ 3,433.59
Due to other funds	2,403.75	13,493.94
Deposits held in custody for others	90,241.55	9,988.75
	<hr/>	<hr/>
Total agency funds	\$ 96,079.12	\$ 26,916.28

YOUNGSTOWN STATE UNIVERSITY
Statement of Changes in Fund Balances

	Current Unrestricted				Current Restricted	
	Educational and General		Auxiliary Enterprises		Educational and General	Auxiliary Enterprises
	Unallocated	Allocated	Unallocated	Allocated		
Revenue and other additions						
Unrestricted current fund revenue	\$ 93,850,429.80		13,064,478.86		20,258.07	
Federal grants and contracts					7,878,338.99	
State grants and contracts					836,283.06	
Local grants and contracts					194,562.70	
Private gifts, grants and contracts					7,118,096.48	236,092.64
Endowment income					163,910.45	
Investment income					8,639.35	
Interest on loans receivable		11,900.96				
State of Ohio projects completed and capitalized						
Expended for plant facilities (including \$768,322.00 charged to current fund expenditures)						
Retirement of indebtedness					(467.44)	
Other revenue and additions						
Total revenue and other additions	<u>93,850,429.80</u>	<u>11,900.96</u>	<u>13,064,478.86</u>	<u>0.00</u>	<u>16,319,621.66</u>	<u>236,092.64</u>
Expenditures and other deductions						
Educational and general expenditures	85,104,546.92	611,315.32			15,303,460.23	
Auxiliary enterprises expenditures			16,697,584.64			162,097.15
Indirect costs recovered					90,204.18	
Loan cancellations and write-offs						
Administrative and collection costs						
Interest on indebtedness						
Expended for plant facilities (including \$74,000.00 not capitalized)						
Retirement of indebtedness						
Disposal and write-off of plant facilities						
Loss on bond refinancing						
Other deductions						
Total expenditures and other deductions	<u>85,104,546.92</u>	<u>611,315.32</u>	<u>16,697,584.64</u>	<u>0.00</u>	<u>15,393,664.41</u>	<u>162,097.15</u>
Transfers among funds-additions (deductions)						
Mandatory						
Principal and interest	(816,895.64)		(714,315.75)			
Loan fund match	(74,612.00)					
Nonmandatory						
Current allocated fund balances-net	(3,531,625.16)	3,578,502.23	270,526.46	(270,526.46)		
Support to auxiliary enterprises	(5,053,234.00)		5,135,453.86			(82,219.86)
Capital improvement	(189,000.00)	(187,200.00)	(691,661.90)		(91,031.54)	
Other interfund transfers	57,570.81		(60,714.90)		99,555.39	(9,451.27)
Total transfers	<u>(9,607,795.99)</u>	<u>3,391,302.23</u>	<u>3,939,287.77</u>	<u>(270,526.46)</u>	<u>8,523.85</u>	<u>(91,671.13)</u>
Net increase (decrease) in fund balances	<u>(861,913.11)</u>	<u>2,791,887.87</u>	<u>306,181.99</u>	<u>(270,526.46)</u>	<u>934,481.10</u>	<u>(17,675.64)</u>
Fund balances at beginning of year	<u>2,152,719.96</u>	<u>(5,408,851.34)</u>	<u>941,320.34</u>	<u>384,963.98</u>	<u>3,072,488.69</u>	<u>150,807.19</u>
Fund balances at end of year	<u>\$ 1,290,806.85</u>	<u>(2,616,963.47)</u>	<u>1,247,502.33</u>	<u>114,437.52</u>	<u>4,006,969.79</u>	<u>133,131.55</u>

See accompanying notes to financial statements

Year Ended June 30, 1999

Loan Funds	Endowment and Funds Functioning as Endowment	Plant Funds				1999 Total	1998 Total
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant		
223,834.00	\$		196,472.74			\$ 107,131,639.47	\$ 104,238,737.73
			2,555,278.97			8,202,172.99	8,110,013.97
6,666.67	282,786.14	895,298.02	1,500,000.00			3,391,562.03	3,514,083.89
						194,562.70	89,568.47
						10,038,939.95	10,143,574.20
						163,910.45	201,434.25
		139,635.89	18,478.08	8,671.33		175,424.65	234,175.67
36,160.31		11,900.96	32,175.01			92,137.24	51,757.21
					7,650,704.55	7,650,704.55	13,550,369.82
					3,093,545.92	3,093,545.92	8,443,524.86
					820,000.00	820,000.00	545,000.00
15,374.02	764,304.64	(24,675.96)	(2,689.31)	26,141.22	1,911,643.18	2,689,630.35	4,254,010.23
282,035.00	1,047,090.78	1,022,158.91	4,299,715.49	34,812.55	13,475,893.65	143,644,230.30	153,376,250.30
						101,019,322.47	95,192,646.95
						16,859,681.79	16,544,386.40
26,697.00						118,901.18	118,029.47
40,052.09						40,052.09	45,617.24
						0.00	6,836.00
				848,482.69		848,482.69	891,662.03
		1,532,984.06	3,502,857.32			5,035,841.38	6,094,267.62
				820,000.00		820,000.00	545,000.00
					4,440,649.41	4,440,649.41	1,195,976.84
						0.00	1,707,349.99
					3,227.28	29,547.89	3,963,680.22
					26,320.61	29,547.89	3,963,680.22
66,749.09	0.00	1,532,984.06	3,502,857.32	1,671,709.97	4,466,970.02	129,210,478.90	128,405,432.76
		(115,388.18)		1,646,599.57		0.00	0.00
74,612.00						0.00	0.00
		(46,877.07)				0.00	0.00
						0.00	0.00
		181,802.61	977,090.83			0.00	0.00
		(20,941.93)	99,609.10	(191,895.64)		0.00	0.00
74,612.00	66,268.44	(1,404.57)	1,036,699.93	1,454,703.93	0.00	0.00	0.00
						0.00	0.00
289,897.91	1,113,359.22	(512,229.72)	1,833,558.10	(182,193.49)	9,008,923.63	14,433,751.40	26,970,817.54
2,623,308.41	5,978,589.79	1,597,309.18	2,073,580.60	657,019.95	276,689,908.90	290,913,165.65	263,942,348.11
2,913,206.32	7,091,949.01	1,085,079.46	3,907,138.70	474,826.46	285,521,832.53	\$ 305,348,917.05	\$ 290,913,165.65

YOUNGSTOWN STATE UNIVERSITY
Statement of Current Funds Revenues, Expenditures, and Other Changes

	Unrestricted			
	Educational and General		Auxiliary Enterprises	
	Unallocated	Allocated	Unallocated	Allocated
Revenue				
Tuition, fees, and other student charges	\$ 44,901,625.42			
State appropriations	46,802,964.00			
Federal grants and contracts				
State grants and contracts				
Local grants and contracts				
Private gifts, grants, and contracts	94,208.70			
Sales and services	140,384.39		12,951,155.50	
Investment income	933,037.69			
Other sources	978,209.60	11,900.96	113,323.36	
Total revenue	<u>93,850,429.80</u>	<u>11,900.96</u>	<u>13,064,478.86</u>	<u>0.00</u>
Expenditures and mandatory transfers				
Educational and general				
Instruction and departmental research	44,066,833.73	218,107.92		
Separately budgeted research	170,074.74	63,970.53		
Public services	2,176,032.60	26,659.94		
Academic support	9,027,783.94	50,044.22		
Student services	5,728,678.72	196,695.87		
Institutional support	13,581,443.75	29,574.77		
Operation and maintenance of plant	8,041,801.98	25,762.07		
Scholarships	2,311,897.46	500.00		
Total educational and general	<u>85,104,546.92</u>	<u>611,315.32</u>	<u>0.00</u>	<u>0.00</u>
Auxiliary enterprises			16,697,584.64	
Mandatory transfers	891,507.64		714,315.75	
Total expenditures and mandatory transfers	<u>85,996,054.56</u>	<u>611,315.32</u>	<u>17,411,900.39</u>	<u>0.00</u>
Nonmandatory transfers and additions (deductions)				
Current allocated fund balances-net	(3,531,625.16)	3,578,502.23	270,526.46	(270,526.46)
Support to auxiliary enterprises	(5,053,234.00)		5,135,453.86	
Capital improvements	(189,000.00)	(187,200.00)	(691,661.90)	
Other interfund transfers	57,570.81		(60,714.90)	
Excess of restricted receipts over transfers to revenue				
Indirect costs recovered				
Net Increase (decrease) in fund balances	<u>\$ (861,913.11)</u>	<u>2,791,887.87</u>	<u>306,181.99</u>	<u>(270,526.46)</u>

See accompanying notes to financial statements

Year Ended June 30, 1999

Restricted		Total	Total
Educational	Auxiliary	Current	Current
and General	Enterprises	Funds	Funds
		1999	1998
		\$ 44,901,625.42	\$ 42,133,762.77
		46,802,964.00	46,508,730.00
7,919,300.67		7,919,300.67	7,765,704.61
939,229.67		939,229.67	884,308.82
80,334.95		80,334.95	98,953.97
6,236,379.79	162,097.15	6,492,685.64	5,534,817.77
7,451.60		13,098,991.49	12,995,081.21
80,007.98		1,013,045.67	1,372,203.15
40,755.57		1,144,189.49	1,461,566.94
<u>15,303,460.23</u>	<u>162,097.15</u>	<u>122,392,367.00</u>	<u>118,755,129.24</u>
777,137.86		45,062,079.51	43,797,830.07
261,818.20		495,863.47	838,239.95
2,127,156.03		4,329,848.57	4,195,682.45
10,935.50		9,088,763.66	8,061,703.02
9,393.30		5,934,767.89	5,824,005.80
229,997.88		13,841,016.40	12,834,995.16
11,867,021.46		8,067,564.05	7,495,349.94
<u>15,303,460.23</u>	<u>0.00</u>	<u>101,019,322.47</u>	<u>95,192,646.95</u>
	162,097.15	16,859,681.79	16,544,386.40
		1,605,823.39	1,002,231.14
<u>15,303,460.23</u>	<u>162,097.15</u>	<u>119,484,827.65</u>	<u>112,739,264.49</u>
		46,877.07	4,380.79
	(82,219.86)		(234,799.72)
(91,031.54)		(1,158,893.44)	(385,440.58)
99,555.39	(9,451.27)	86,960.03	1,080,188.42
1,016,161.43	73,995.49	1,090,156.92	1,071,968.63
(90,204.18)		(80,204.18)	(118,029.47)
<u>934,481.10</u>	<u>(17,675.64)</u>	<u>\$ 2,882,435.75</u>	<u>\$ 7,434,132.82</u>

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Note 1 - Summary of Significant Accounting Policies

Organization

Youngstown State University (the University) 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.

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.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the University's financial statements are included, as a discrete entity, on the State of Ohio's Consolidated Annual Financial Report.

Basis of Accounting

The financial statements of the University have been prepared on the accrual basis in accordance with generally accepted accounting principles except for depreciation of plant and equipment which is not required to be recorded by governmental institutions of higher education. Under this accounting method, resources for various purposes are classified into funds in accordance with specific activities or objectives, with separate accounts maintained for each fund. For reporting purposes, funds with similar characteristics are combined into fund groups, and financial transactions are recorded and reported by such fund groups.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from internally designated and unrestricted funds. Restricted funds may only be utilized in accordance with the purposes established by the source of such funds. Internally designated funds are unrestricted funds that, at the discretion of the Board of Trustees, have been designated for specific purposes.

Unrestricted and internally designated funds are accounted for initially in the unrestricted current fund group and then in the fund group designated by the Board of Trustees. Restricted revenues are accounted for in the appropriate restricted fund and are reported as revenue when utilized for

**YOUNGSTOWN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS**

current operating purposes. All gains and losses arising from the sale, collection or other disposition of investments and non-cash assets are accounted for in the fund which owned such assets. Income derived from investments and notes receivable are accounted for in the fund owning such assets, except for income derived from investments of endowment and funds functioning as endowment, which is accounted for in the fund to which it is restricted or, if unrestricted, as revenue in unrestricted current funds.

Unrestricted revenues, relating primarily to tuition and other student fees, which are billed in advance of the services to be provided are reported as deferred in the current period and recognized as income in the period during which the related services are provided.

To the extent current funds are used to finance plant assets, the amounts so provided are accounted for as (1) current fund expenditures in the case of normal replacement of moveable equipment, library books, and furniture or (2) non-mandatory transfers to the plant fund groups as approved by the Board of Trustees in the case of capital projects and for all other cases.

Endowment and Funds Functioning as Endowment

Endowment funds are subject to the restrictions of gift instruments, usually requiring in perpetuity that the principal be invested and the income only be utilized. Funds functioning as endowment have been established by the Board of Trustees for the same purpose as endowment funds, however, any portion of such funds may be expended.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or, if acquired by gift, at an appraisal value at the date of the gift. The University follows the general governmental educational institution practice of not providing for depreciation.

Capitalized Interest

In 1997, the University began construction of stadium expansion and loges. Interest expense, net of interest income, related to the borrowings was capitalized as part of the cost of construction. There was no capitalized interest in fiscal year 1999. In fiscal year 1998, interest on borrowings was \$156,161 and earnings on the construction funds were \$22,958, resulting in \$133,203 of capitalized interest.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first in, first out (FIFO) method.

Financial Statement Presentation

Data in the total columns of the accompanying financial statements have been included to provide a basis for comparison between fiscal years and present summarized information only, without regard to restrictions by individual fund. As such, this data does not present financial position or results of operations in conformity with generally accepted accounting principles.

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 and has made the necessary provision in the accompanying financial statements.

Gifts and Pledges (Unaudited)

The University does not report pledges in the financial statements until the gifts are received. The University's records indicate that approximately \$4,000,000 and \$6,000,000 in pledges were outstanding at June 30, 1999 and 1998, respectively. Since pledges are often payable either at the discretion of the donors or through their estates, neither the receivable value nor the period of collection can be determined.

Compensated Absences

Accumulated unpaid vacation and sick leave benefits have been accrued in accordance with GASB Statement No. 16, "Accounting for Compensated Absences". Unpaid vacation and sick leave benefits of \$4,283,232 and \$4,767,433 have been accrued at June 30, 1999 and 1998, respectively. The amounts charged to operations for compensated absences were (\$484,200) and \$311,509 in 1999 and 1998, respectively.

Due to and due from other funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**YOUNGSTOWN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. The more significant estimates relate to allowance for uncollectible accounts receivable and compensated absences.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year classifications.

Note 2 - State Support

The University is a state-assisted institution of higher education which receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents.

In addition to the student subsidies, the State of Ohio provides funding for the construction of major plant facilities on the University campus. Funding 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. 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.

Construction in progress for any portion of new facilities being financed by State agencies for use by the University is recorded on the University's books of account as the funds are expended for construction. There was no outstanding construction in progress at June 30, 1999; whereas \$506,879 was outstanding at June 30, 1998. Upon completion of a facility, the Board of Regents turns over control to the University which capitalizes the cost thereof.

Outstanding debt issued by OPFC is not included on the University's balance sheet. 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.

The University follows the general educational institution practice of recording accounts receivable and revenues in the unexpended plant fund state appropriations released but not yet expended for plant facilities.

Note 3 - Cash, Cash Equivalents, and Temporary Investments

Investments with maturities of three months or less when purchased are treated as 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 certificate of deposits. The aggregate cost of repurchase agreements and certificate of deposits, which approximates market value, included in cash, cash equivalents, and temporary investments is \$16,502,882 and \$3,757,105 as of June 30, 1999 and 1998, 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 Federal Reserve Bank of Cleveland or by a designated trustee as agent for the public depositories used by the University.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," requires cash, cash equivalents and temporary investments held by the University to be categorized into the following credit risk categories:

1. Insured or collateralized with securities held by the University, or by its agent in the University's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the University's name.
3. Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the University's name).

**YOUNGSTOWN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS**

At June 30, 1999 and 1998, the carrying amount of the University's bank deposits, cash equivalents and temporary investments were \$18,512,358 and \$4,465,570 and the bank balances were \$18,372,155 and \$5,453,421, respectively. The difference in carrying amount and bank balance is caused by items in transit and outstanding checks. Of the balance: \$100,000 in 1999 and \$100,000 in 1998 was covered by federal depository insurance (Credit Risk Category 1); \$0 was covered in 1999 or 1998 by the pledging of specific assets of the financial institution in the University's name (Credit Risk Category 2); and the remaining balance of \$18,272,155 in 1999 and \$5,353,421 in 1998 is uncollateralized (Credit Risk Category 3).

Note 4 - Investments

In fiscal year 1998, the University adopted the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", which establishes accounting and financial reporting standards for investments held by governmental entities, requiring most investments to be recorded at fair value and the recognition of unrealized gains and losses in the financial statements. The change in unrealized gain (loss) on investments is reflected in the Statement of Changes in Fund Balances as "Other Revenue and Additions" as follows:

Unrestricted funds: Educational and general	\$ (147,755)
Restricted funds	(575)
Endowment and similar funds	605,527
Plant funds	<u>(27,365)</u>
Net	\$ <u>429,832</u>

GASB Statement No. 3 requires investments held by the University to be categorized into the following credit risk categories:

1. Insured or registered, or securities held by the University or its agent in the University's name.
2. Uninsured and unregistered, with securities held by the broker's trust department or agent in the University's name.
3. Uninsured and unregistered with securities held by the broker or by its trust department or agent, but not in the University's name.

The University's investments are categorized below, in accordance with GASB Statement No. 3, as category three credit risk at June 30, 1999 and 1998:

Year Ended June 30, 1999

	<u>June 30, 1999</u>		<u>June 30, 1998</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Pooled Investments				
U S Government and Agency Securities	\$6,393,887	\$6,423,645	\$15,193,388	\$ 15,398,828
Certificate of Deposit	<u>2,000,000</u>	<u>2,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>
Total Pooled Investments	8,393,887	8,423,645	19,193,388	19,398,828
Investments Held by Investment Manager:				
Common Stock	1,673,388	3,785,042	1,481,243	2,940,322
Corporate Notes and Bonds	859,846	858,146	697,659	727,133
Preferred Stock	201,000	195,875	101,000	105,563
U S Government and Agency Securities	548,049	528,726	500,252	504,000
Other Securities	<u>271,728</u>	<u>271,728</u>	<u>269,211</u>	<u>269,211</u>
Total Investments Held by Investment Manager	<u>3,554,011</u>	<u>5,639,517</u>	<u>3,049,365</u>	<u>4,546,229</u>
Total	<u>\$11,947,898</u>	<u>\$14,063,162</u>	<u>\$22,242,753</u>	<u>\$23,945,057</u>

Note 5 - Bonds Payable

Bonds Payable consist of General Receipts Bonds, Series 1996B, Series 1997 and Series 1998. The Series 1996A and B 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 Bonds Payable are as follows:

	<u>Stated Interest Rate</u>	<u>Effective Interest Rate</u>	<u>Maturity Year</u>	<u>Original Principal</u>
<u>1996B:</u>				
Term Bonds	7.15%	7.15%	2005	\$1,420,000
<u>1997:</u>				
Term Bonds	6.25%	6.25%	2017	\$ 200,000
<u>1998:</u>				
Serial Bonds	3.60%-4.70%	3.60%-4.75%	1998-2012	\$ 11,920,000
Term Bonds	4.75%	4.86%	2016	5,030,000

**YOUNGSTOWN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS**

The indebtedness created through all issues of the general receipts bonds is bound by the provision of the 1989 Trust Agreement and subsequent supplemental trust agreements. The University has complied with all covenant requirements.

The debt is secured by a pledge of all University general receipts, except for State appropriations, and those receipts previously pledged or otherwise restricted. 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.

Scheduled debt service payments for the bonds for the five fiscal years subsequent to June 30, 1999 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$765,000	\$794,094	\$1,559,094
2001	795,000	757,029	1,552,029
2002	835,000	717,610	1,552,610
2003	735,000	680,899	1,415,899
2004	760,000	647,329	1,407,329

Maturities of bonds payable for the five fiscal years subsequent to June 30, 1999, are as follows:

	Series	<u>General Receipts</u>		<u>Total</u>
		<u>Series</u> <u>1997</u>	<u>Series</u> <u>1998</u>	
2000	\$200,000	\$5,000	\$560,000	\$765,000
2001	210,000	5,000	580,000	795,000
2002	225,000	5,000	605,000	835,000
2003	95,000	5,000	635,000	735,000
2004	100,000	5,000	655,000	760,000

Note 6 - Deposits Held by Trustee-Plant Fund

Plant fund deposits are held in safekeeping by a bank as trustee and include cash and investments in government securities with a cost of \$140,901 and \$147,639 as of June 30, 1999 and 1998, respectively, 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 (Note 5).

Note 7 - Retirement Plans

Basic Retirement Benefits

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the Public Employees Retirement System (PERS) and the State Teachers Retirement System (STRS). These retirement programs are statewide, cost-sharing, multiple-employer defined benefit plans. STRS and PERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits for plan members.

The Public Employees Retirement System's Comprehensive Annual Financial Report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town St., Columbus, Ohio 43215-4642. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate was 8.5% of covered payroll and the University was required to contribute 13.31% of covered payroll for 1999, 1998 and 1997. The University's contributions to PERS for the years ending June 30, 1999, 1998 and 1997 were \$3,075,610, \$2,952,153 and \$2,854,569, respectively, equal to the required contributions for each year.

Beginning January 1, 1999 employees could elect to participate in the Alternative Retirement Plan. The employee contribution rate is 8.5% of covered payroll and the University is required to contribute 13.31% of covered payroll. The University pays 6% to PERS and 7.31% to the Alternative Retirement Plan selected by the employee. The University's contribution to PERS was \$16,788 and to the Alternative Retirement Plan was \$20,454 for 1999.

Certain PERS members are covered by the law enforcement benefit provisions, Section 145.33 (B), Ohio Revised Code (PERSLE). The employee contribution rate is 9% of covered payroll and the University is required to contribute 16.7% of covered payroll for the law enforcement coverage for 1999 and 1998. The University's contributions to PERSLE was \$107,056 in 1999 and \$107,604 in 1998.

The State Teachers Retirement System's Comprehensive Annual Financial Report may be obtained by writing to State Teacher's Retirement System of Ohio, 275 East Broad St., Columbus, Ohio 43215-3771. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate was 9.3% in 1999, 1998 and 1997 of covered payroll and the University was required to contribute 14% of covered payroll for 1999, 1998 and 1997. The University's contributions to STRS for the years ending June 30, 1999, 1998 and 1997 were \$4,186,741, \$4,130,712 and \$3,899,163, respectively, equal to the required contributions for each year.

YOUNGSTOWN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

Beginning January 1, 1999 employees could elect to participate in the Alternative Retirement Plan. The employee contribution rate is 9.3% of covered payroll and the University is required to contribute 14% of covered payroll. The University pays 6% to STRS and 8% to the Alternative Retirement Plan selected by the employee. The Universities contribution to STRS was \$19,744 and to the Alternative Retirement Plan was \$26,326 for 1999.

Note 8 - Postretirement Benefits

Public Employees Retirement System

The Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. The health care coverage provided by the retirement system is considered an other postemployment benefit (OPEB). Health care coverage is available for disability recipients and primary survivor recipients. A portion of the University's contribution to PERS is set aside for funding post retirement health care as required of public employers under the statutory authority of the Ohio Revised Code. The employer contribution rate for the years ended June 30, 1999, 1998 and 1997 was 13.31% of covered payroll; 4.2% was the portion used to fund health care. Benefits are advance-funded using an entry age normal actuarial cost method to determine the present value of benefit liabilities and normal cost.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage. The number of benefit recipients eligible for OPEB at December 31, 1998 (the latest date information is available) was 115,579. The portion of the University's 1999, 1998 and 1997 contributions to PERS used to fund postretirement benefits was \$970,515, \$556,974 and \$920,027, respectively. The retirement systems' net assets available for payment of benefits at December 31, 1998 (the latest date information is available) was \$9.447 billion.

State Teachers Retirement System

The State Teachers Retirement System provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of Medicare premiums. No premiums are currently paid by retirees or primary benefit recipients. Premium payments, as determined by the State Teachers Retirement Board, pursuant to the ORC, are required for covered spouses and other dependents. The University's contribution rate for 1999, 1998 and 1997 was 14% of covered payroll, of which 8% in 1999, 3.5% in 1998 and 2% in 1997 was used to fund health care benefits. 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, 1998 (the latest date information is available) were 91,999. The portion of the University's 1999, 1998 and 1997 contributions to STRS used to fund postretirement benefits was \$2,392,424, \$1,032,678 and \$556,929, respectively. The health care reserve fund within the employers' trust fund from which payments for health care benefits are paid has a balance of \$2.156 billion at June 30, 1998. Health care benefits paid by the plan were \$219.224 million for the fiscal year ended June 30, 1998.

Note 9 - Early Retirement Incentive Plans

During Fiscal Year (FY) 1995, the University's Board of Trustees adopted Early Retirement Incentive Plans (ERIP) offered by both STRS and PERS. Under the STRS plans, the University offered to purchase up to five years of service credit for eligible STRS members. During the enrollment period which ended December 31, 1994 for the FY 1995 ERIP, seventy-six employees elected to accept the ERIP offer with a latest possible retirement date of June 15, 1996. The University elected to fund the liability in installments over the number of years purchased for each employee at a total principal cost of \$8,302,597 for the FY 1995 ERIP plus annual interest of 7.75% on the outstanding principal. The University's outstanding principal payments for the ERIP-STRS are scheduled as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u> <u>Payments</u>
2000	\$1,604,354
2001	<u>1,122,267</u>
	<u>\$2,726,621</u>

**YOUNGSTOWN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS**

Under the 1995 PERS plan, the University offered to purchase up to five years of service credit for eligible PERS members. During the enrollment period which ended May 1, 1995 for the FY 1995 ERIP, one-hundred and two employees elected to accept the ERIP with a latest possible retirement date of October 31, 1996.

The University elected to fund the FY 1995 liability in installments over the number of years purchased for each employee at a total principal cost of \$5,834,981 plus annual interest of 7.5% on the outstanding principal. The University's outstanding principal payments for the ERIP-PERS are scheduled as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u> <u>Payments</u>
2000	\$ 922,418
2001	398,018
	<u>\$1,320,436</u>

Note 10 - Related Organization

Not included in these financial statements is the Youngstown State University Foundation (YSUF), a not-for-profit organization operated to provide support for the general educational needs of the University.

The University files an application for any funds requested from YSUF, which is subject to approval by the Board of Trustees of YSUF. Financial support received from YSUF was \$2,904,000 and \$2,765,000 for the fiscal years ended June 30, 1999 and 1998 respectively.

The University entered into an agreement with Youngstown State University Foundation (YSUF) to manage the University's endowment and capital campaign trust funds. Under this agreement, the YSUF provides management services free of charge and invests the funds in a manner consistent with YSUF funds. Proceeds are forwarded to the University on an as needed basis to satisfy the individual endowment purposes. At June 30, 1999 and 1998, the carrying amount of the University's investments managed by YSUF was \$3,554,011 and \$3,049,365 respectively and the fair value was \$5,639,518 and \$4,546,229 respectively.

Note 11 - Litigation

During the normal course of its operations, the University has been notified of threatened claims and has become a defendant in various legal actions. In the opinion of legal counsel and the University administration, the disposition of these threatened claims and pending cases will not have a material adverse effect on the financial condition of the University.

Note 12 - Lease Obligations

The University leases certain computer equipment and telephone switch equipment under capital lease agreements. The computer equipment capital leases bear interest at 4.82 - 7.26%. The telephone switch equipment capital lease bears interest at 5.65%. At June 30, 1999, \$3,281,379 is included in Investment in Plant in the balance sheet.

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

Year Ending	Computer	Telephone Switch	
<u>June 30</u>	<u>Equipment</u>	<u>Equipment</u>	<u>Total</u>
2000	\$ 584,175	\$ 150,000	\$ 734,175
2001	584,175	150,000	734,175
2002	359,288	199,237	558,525
2003	<u>18,271</u>	<u>-</u>	<u>18,271</u>
Total future minimum lease payment	1,545,909	499,237	2,045,146
Less amount representing interest	<u>113,742</u>	<u>53,922</u>	<u>167,664</u>
Total obligations under capital lease	<u>\$1,432,167</u>	<u>\$ 445,315</u>	<u>\$ 1,877,482</u>

Note 13 - Year 2000 Issue

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the University's operations.

The University has completed an inventory of computer systems and other equipment necessary to conduct University operations. The University's computer systems have been assessed and remediated and are currently in the testing and validation stage.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the University is or will be Year 2000 ready, the University's remediation efforts will be successful in whole or in part, or that parties with whom the University does business will be year 2000 ready.

PACKER, THOMAS & Co.

Certified Public Accountants & Business Consultants

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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, 1999, and have issued our report thereon dated October 14, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

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 opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the University, in a separate letter dated October 14, 1999.

This report is intended for the information of the board of trustees, management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Packer, Thomas & Co.

Youngstown, Ohio
October 14, 1999

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
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 each of its major federal programs for the year ended June 30, 1999. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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 generally accepted auditing standards; 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, Audits 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 each of its major federal programs for the year ended June 30, 1999.

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 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 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the University as of and for the year ended June 30, 1999, and have issued our report thereon dated October 14, 1999. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

This report is intended for the information of the board of trustees, management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Packer, Thomas & Co.

Youngstown, Ohio
October 14, 1999

Youngstown State University SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 1999

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Number	1998		1999	
			Fund Balance June 30,	Revenue Recognized	Fund Balance June 30,	Disbursements/ Expenditures
U.S. Department of Education						
Student Financial Assistance Programs						
Pell Grant	84.063	N/A	\$ 10,659.57	\$ 6,352,297.42	\$ 6,320,170.10	\$ 42,786.89
Supplemental Educational Opportunity Grant	84.007	N/A	-	279,093.00	241,462.50	37,630.50
College Work Study	84.033	N/A	(17,550.18)	360,971.55	365,846.58	(22,425.21)
Perkins Loan Program	84.038	N/A	2,308,140.10	340,167.49	57,911.71	2,590,395.88
Subtotal-Student Financial Assistance Program			2,301,249.49	7,332,529.46	6,985,390.89	2,648,388.06
Small Business Administration						
<i>Passed through the Ohio Department of Development</i>						
Minority Youth Entrepreneurship Training Program	59.037	SBDC93-032	333.53	-	333.53	-
Small business development center, year 10	59.037	N/A	6,514.64	38,370.15	44,884.79	-
Small business development center, year 12	59	ECD0-99-035	-	132,892.00	132,892.00	-
Small business institute program	59.005	SB-95-0549-6209	7,855.43	-	306.89	7,548.54
Subtotal-Small Business Administration			14,703.60	171,262.15	178,417.21	7,548.54
Ohio Humanities Council						
My Brother and I: Brickyard Laborers, Immigration & Ethnicity	45,129	OHC-97-023	-	5,042.93	5,042.93	-
Subtotal-Ohio Humanities Council			-	5,042.93	5,042.93	-
National Science Foundation						
<i>Subsurface Investigation: An Integration of Geologic Principles</i>						
Hydrogen Bonding/Proton Transfer	47.076	DUE-9351871	1,749.40	-	1,749.40	-
ILI Computer Lab-Math Instruction	47.076	CHE-9505888	-	56,730.80	56,730.80	-
ENH Undergraduate Education - Moss Mauer	47.076	N/A	-	3,745.36	3,745.36	-
Modern Intru - Phy Measur	47.076	N/A	8,173.00	-	8,173.00	-
NSF-Integration of Quantitative Materials	47.076	N/A	-	8,451.17	8,451.17	-
Subtotal-Integration of Quantitative Materials			-	42,893.00	42,893.00	-

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The accompanying notes are in integral part of these financial statements.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 1999

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Number	1998		1999	
			Fund Balance June 30,	Revenue Recognized	Fund Balance June 30,	Disbursements/ Expenditures
National Science Foundation (continued)						
NSF-Investigative Approaches in Science	47.076	N/A	\$ -	\$ 11,838.00	\$ -	\$ -
Ecological Aspects of Mahoning River Restoration	12.109	N/A	-	5,750.00	-	5,750.00
Subtotal-National Science Foundation			9,922.40	129,408.33	139,330.73	-
U.S. Department of Education						
Passed through the State of Ohio Department of Education for MAC Tech-Prep	84.243	VETP-22X	40,484.91	113,516.41	117,519.84	36,481.38
Passed through the State of Ohio Department of Education for 2-year college strategic plan	84.048	CP11-P97	117.42	44,628.59	40,944.07	3,801.94
Passed through the Ohio Board of Regents for Professional Teaching Standards	84.151	N/A	3,352.79	-	3,120.06	232.73
Passed through the Ohio Department of Education - Marion Professional Development	84.243	N/A	900.00	-	-	900.00
Passed through the Ohio Department of Education for Mac Tech - Student Enrollment Character Education	84.243 84.215V	N/A	-	25,877.50	16,588.33	9,289.17
Subtotal-U.S. Department of Education			44,855.12	195,308.50	185,474.40	54,689.22
Department of Housing and Urban Development						
Passed through the Trumbull County Board of Alcohol Drug and Mental Health						
Community partnership evaluation	N/A	N/A	23,855.26	-	13,029.53	10,825.73
Entrepreneurship Training Program	14.863	N/A	-	2,850.00	-	2,850.00
EDSS	14.863	N/A	-	57,470.87	57,095.12	375.75
PHDEP	14.854	N/A	-	38,560.66	38,577.27	(16.61)
Youngstown Metropolitan Housing Authority						
Drug elimination program	14.854	N/A	-	(321.40)	(321.40)	-
Subtotal-Department of Housing and Urban Development			23,855.26	98,560.13	108,380.52	14,034.87

⊗ The accompanying notes are in integral part of these financial statements.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 1999

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Number	1998		1999	
			Fund Balance June 30,	Revenue Recognized	Fund Balance June 30,	Disbursements/ Expenditures
National Aeronautics and Space Administration Joint Venture (JOVE) program	43.001	NAG8-1108	854.29	1,894.24	2,748.53	-
National Youth Sport Program	93.57	N/A	26,023.74	109,656.60	103,726.37	31,953.97
Private Industry Council Job Training Initiative	17.25	N/A	111.97	7,398.57	7,510.54	-
Job Train Initiative 98-99	17.25	N/A	-	89,333.00	89,333.00	-
Governor's Community Service Commission Youngstown AmeriCorps Rejuvenation Project	94.006	94ASCOHO36-Y3-F11	(19.04)	-	-	(19.04)
AmeriCorps Planning Grant	94.006	N/A	481.67	3,702.83	4,184.50	-
Air Force Office of Scientific Research Examination of Critical Issues in Triggering of Gamma Rays from 178HFm2	12.8	96-0136	34.14	-	34.14	-
Environment Canada Cyclodisene Pesticides Analysis	N/A	KM061-6-6059	216.33	22,375.92	22,592.25	-
City Grant Writer Services	14.21CDBG	N/A	-	40,306.57	40,306.57	-
Passed through State of Ohio to Office of Criminal Justice Service - Byme Grant Evaluation	16.579	N/A	-	70,997.92	70,997.92	-
Passed through State of Ohio to Office of Criminal Justice Service - Rape Prevention Web Page	16.579	95-DG-B01-7254	-	5,000.00	4,715.00	285.00

Youngstown State University
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 1999

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Number	1998		1999	
			Fund Balance June 30,	Revenue Recognized	Fund Balance June 30,	Disbursements/ Expenditures
Passed through State of Ohio to Office of Criminal Justice Service - Steps to Success	16.54	98-JJ-DP2-0481	-	10,967.00	10,423.00	544.00
Lead Team, Building, and Problem Solving Team	93.015	N/A	-	161.64	161.64	-
Planning process toward development	93.958	N/A	901.79	-	901.79	-
U.S. Department of Labor passed through Mahoning County Educational Service Center - School to Work for Teachers	17.248	N/A	-	2,501.50	2,501.50	-
Youth Build Job Training Initiative	17.248	MB1	-	14,679.00	14,679.00	-
Reconnaissance Phase Project	12.109	N/A	-	14,655.71	13,583.77	1,071.94
Eisenhower Grant - Simple Machines and Mechanics	84.281	8-64	-	6,820.00	-	6,820.00
School to Work Block Grant - Business 2000	14.248	M-300	-	2,000.00	-	2,000.00
Ohio Arts Council - Seasons Video	N/A	FY98-0743	-	5,575.00	5,575.00	-
Ohio Arts Council - 98 McDonough Museum Support	N/A	FY98-0730	-	7,239.00	7,239.00	-
TOTAL FEDERAL AWARDS			\$ 2,423,190.76	\$ 8,347,376.00	\$ 8,003,250.20	\$ 2,767,316.56

The accompanying notes are in integral part of these financial statements.

Youngstown State University
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

Year ended June 30, 1999

(1) GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of Youngstown State University (the University). Federal financial assistance received directly from federal agencies as well as federal awards passed through other government agencies are included on the accompanying schedule.

(2) BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

(3) RELATIONSHIP TO FINANCIAL STATEMENTS

Federal financial assistance is reported in the University's financial statements as follows:

Current restricted funds		
Educational and general		
Federal grants and contracts	\$ 8,007,208	
Loan funds		
Interest and other revenue	265,556	
Transfer in	74,612	
	<u>340,168</u>	
	<u>\$ 8,347,376</u>	

(4) FEDERAL FAMILY EDUCATION LOANS (FFEL)

Disbursements of these loans to students, which are not reflected in the University's financial statements, were \$17,882,686 and \$17,910,096 for the years ended June 30, 1999 and 1998, respectively.

Youngstown State University

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 1999

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Youngstown State University.
2. No reportable conditions relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of Youngstown State University were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the Schedule of Findings and Questioned Costs.
5. The auditor's report on compliance for the major federal award programs for Youngstown State University expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Youngstown State University are reported in Part C of this Schedule.
7. The programs tested as major programs include: Federal Pell Grant (CFDA #84.063), Federal Perkins Loan (CFDA #84.038), Federal Supplemental Educational Opportunity Grant (CFDA #84.007), Federal Work Study (CFDA #84.033), and MAC Tech-Prep (CFDA #84.243)
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Youngstown State University was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

NONE



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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.

By: Susan Babbitt

Date: FEBRUARY 24, 2000