



YOUNGSTOWN STATE UNIVERSITY

Financial Report
for the Year Ended June 30, 2002



**Auditor of State
Betty Montgomery**

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 for the audit period July 1, 2001 through June 30, 2002. 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 5, 2003

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YOUNGSTOWN STATE UNIVERSITY

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YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT SWEET

November 15, 2002

During the past year, Youngstown State University completed work on our Centennial Strategic Plan—a plan that will focus our attention over the next five years leading to the University’s 100th anniversary in 2008. Among the ten priority statements in the plan is the following:

“YSU will manage resources efficiently and strategically, leverage them effectively, and develop additional resources to fulfill its mission.”

The financial statement before you is a reflection of these principles.

For me, a key element of the plan is the four core values that define what we believe to be the essence of the University:

- Centrality of Students
- Excellence and Innovation
- Integrity and Human Dignity
- Collegiality and Public Engagement

These values should and will guide our aspiration to become a national model for student-centered, comprehensive urban universities.

The many accomplishments of our students, faculty and staff gave us much to be proud of during the past year. Equally gratifying have been my conversations with alumni who describe how YSU opened doors of knowledge and opportunity and played a key role in shaping their lives. I am convinced that YSU is the best public university in Northeast Ohio for an undergraduate education.

YSU’s commitment to excellence is challenged by economic realities as difficult as any in the 35 years since we became a public university. Nonetheless, we move forward with determination to achieve our goals and fulfill our responsibility as the primary center for intellectual and cultural activity in the region and as a major catalyst of economic growth in the Mahoning Valley.

Sincerely,



David C. Sweet
President

REPORT OF INDEPENDENT AUDITORS

THE BOARD OF TRUSTEES
YOUNGSTOWN STATE UNIVERSITY

We have audited the accompanying statement of net assets of Youngstown State University, a component unit of the State of Ohio, (the University) as of June 30, 2002 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year ended June 30, 2002. 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 audit.

We conducted our audit 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. 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 audit provides 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, 2002 and the changes in net assets and the current revenues, expenses, and other changes for the year ended June 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments; and GASB 35, Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities, as amended by GASB 37 and 38.

The Management's Discussion and Analysis (MD&A) is not a required part of the financial statements but is supplemental information required by the GASB. The MD&A has been reviewed in accordance with standards established by the American Institute of Certified Public Accountants. Such a review, however, is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion on the MD&A information.

In accordance with Government Auditing Standards, we have also issued a report dated November 15, 2002 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 grants. 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.



Youngstown, Ohio
November 15, 2002

Introduction

This section of Youngstown State University's Financial Report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2002. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

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 new financial reporting format required by the Governmental Accounting Standards Board's (GASB) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38, and applied on a retroactive basis. 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 university as a whole, with resources classified for accounting and reporting purposes into four net asset categories. Previously, the financial statements focused on individual fund groups.

Since this is a transition year, only one year of information is presented in the financial statements and in this discussion. Comparative information will be presented in future years.

Other Significant Changes to the Financial Statements

- Revenues and expenses are now categorized as either operating or nonoperating. Significant recurring sources of the University's revenues, including State appropriations, gifts and investment income are considered nonoperating, as defined by GASB Statement No. 35. Nonoperating revenues totaled \$71.9 million for the year ended June 30, 2002.
- University scholarships that represent reduced tuition (i.e. are applied to student accounts rather than refunded to students) are now shown as a reduction of tuition, fees and other student charges, while payments made directly to students continue to be presented as scholarship expense. Third party scholarships are treated as though the students made the payments themselves. Previously, all scholarships were presented as expenses.
- Capital assets are now reported net of depreciation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Net Assets

This statement presents the financial position of the University at the end of the fiscal year and includes 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.

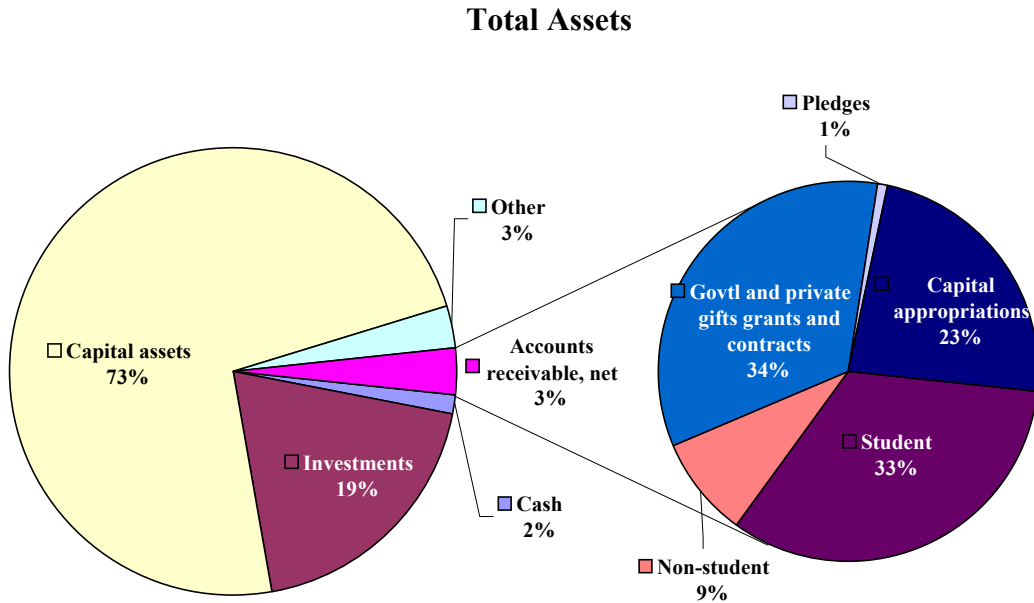
A summary of the University's assets, liabilities and net assets at June 30, 2002 follows:

Assets:	
Current assets	\$ 36,972,367
Capital assets, net	140,848,821
Other assets	14,971,439
Total Assets	<u>192,792,627</u>
Liabilities:	
Current liabilities	14,697,477
Noncurrent liabilities	23,549,358
Total Liabilities	<u>38,246,835</u>
Total Net Assets	<u>\$154,545,792</u>
Net Assets consist of:	
Invested in capital assets, net of debt	\$125,974,595
Restricted – nonexpendable	4,854,893
Restricted – expendable	7,019,073
Unrestricted	16,697,231
Total Net Assets	<u>\$154,545,792</u>

Material assets consist of investments, accounts receivable and capital assets as reflected in the following table and graph:

Cash	\$ 2,943,172
Investments	36,871,039
Accounts receivable, net	6,192,940
Capital assets	140,848,821
Other	5,936,655
Total Assets	<u>\$ 192,792,627</u>

YOUNGSTOWN STATE UNIVERSITY



Material liabilities include long-term debt, compensated absences, and accrued payroll and payroll withholdings. The following table summarizes liabilities:

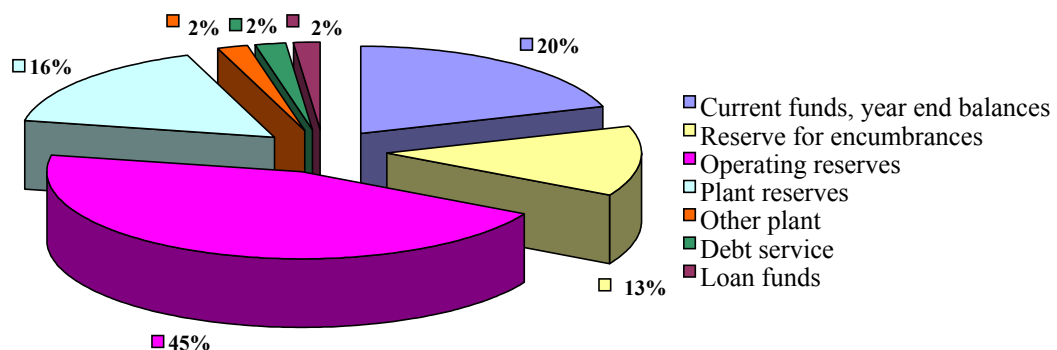
Accounts payable	\$ 2,286,618
Accrued liabilities	6,613,190
Bonds and capital leases payable	14,992,226
Compensated absences	5,455,846
Deferred revenue	2,708,881
Refundable advance	2,665,300
Unfunded workers' compensation	1,810,603
Other	1,714,171
Total liabilities	<u><u>\$ 38,246,835</u></u>

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 the allocations at June 30, 2002:

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

	Current Funds	Quasi- Endowments	Plant Funds	Loan Funds	Total
Current funds, year end balances					
Unallocated					
General operating	\$ 2,189,098				\$ 2,189,098
Auxiliary enterprises	1,094,999				1,094,999
Allocated	40,548				40,548
Subtotal	3,324,645				3,324,645
Reserve for encumbrances	2,200,380				2,200,380
Operating reserves					
General operating	3,935,196	2,584,086			6,519,282
Auxiliary enterprises		1,009,326			1,009,326
Subtotal	3,935,196	3,593,412			7,528,608
Plant reserves					
General fund			97,161		97,161
Auxiliary enterprises			2,627,327		2,627,327
Subtotal			2,724,488		2,724,488
Other plant			316,769		316,769
Debt service			328,183		328,183
Loan funds				274,158	274,158
Total	\$ 9,460,221	\$ 3,593,412	\$ 3,369,440	\$ 274,158	\$ 16,697,231

Unrestricted Net Assets



Operating reserves accounted for 45% of the unrestricted net assets and totaled \$7.5 million at June 30, 2002. During fiscal year 2002, current year resources totaling \$3.4 million were directed to these funds by the Board of Trustees or management. Included in this amount was \$1.2 million of the \$1.5 million sale of Anthem stock received as a result of the demutualization of insurance companies. Total proceeds of the sale are included in investment income.

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

This statement presents the operating results of the University, and the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles.

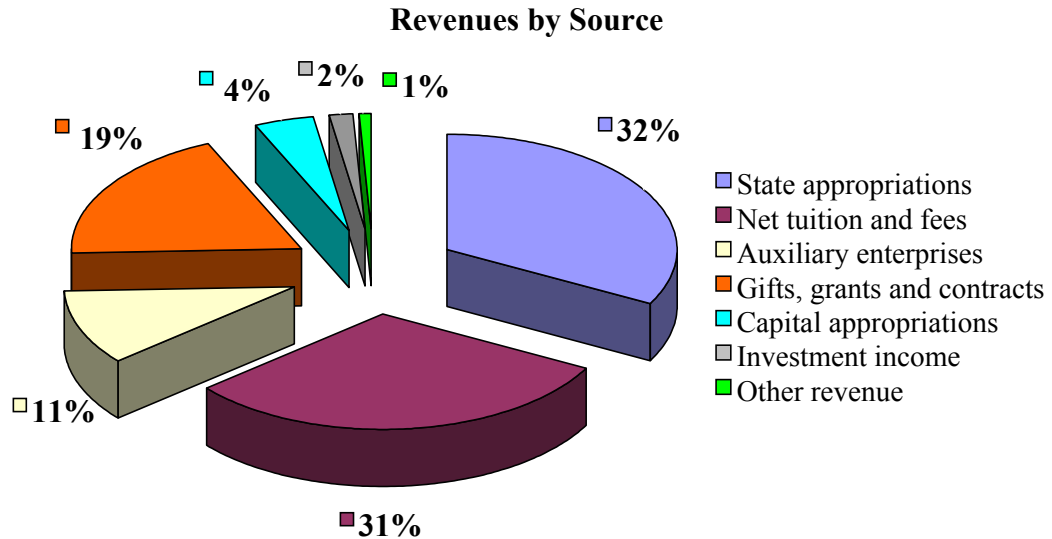
A summary of revenues, expenses and changes in net assets for the year ended June 30, 2002 follows:

Operating Revenues:	
Net tuition, fees and other student charges	\$ 44,659,168
Auxiliary enterprises	15,061,842
Grants and contracts	10,648,050
Other	855,240
Total Operating Revenues	<u>71,224,300</u>
Operating expenses	<u>134,972,307</u>
Operating Loss	<u>(63,748,007)</u>
Nonoperating Revenues and Expenses:	
State appropriations	46,887,147
Gifts, grants, and contracts	16,354,910
Investment income	2,339,731
Other revenues and (expenses)	<u>(2,315,951)</u>
Net Nonoperating Revenues	<u>63,265,837</u>
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	(482,170)
Other Revenues, Expenses, Gains and Losses:	
Capital appropriations	5,897,481
Capital grants and gifts	149,686
Other	<u>(117,224)</u>
Total Other Revenues, Expenses, Gains and Losses	<u>5,929,943</u>
Increase in Net Assets	5,447,773
Net assets at beginning of year (as restated)	<u>149,098,019</u>
Net Assets at End of Year	<u>\$154,545,792</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Revenues

Following is a graphic illustration of revenues by source (both operating and nonoperating), which were used to fund the University's activities for the year ended June 30, 2002:



Sixty-three percent of Youngstown State University's revenue is attributed to State appropriations and tuition and fees.

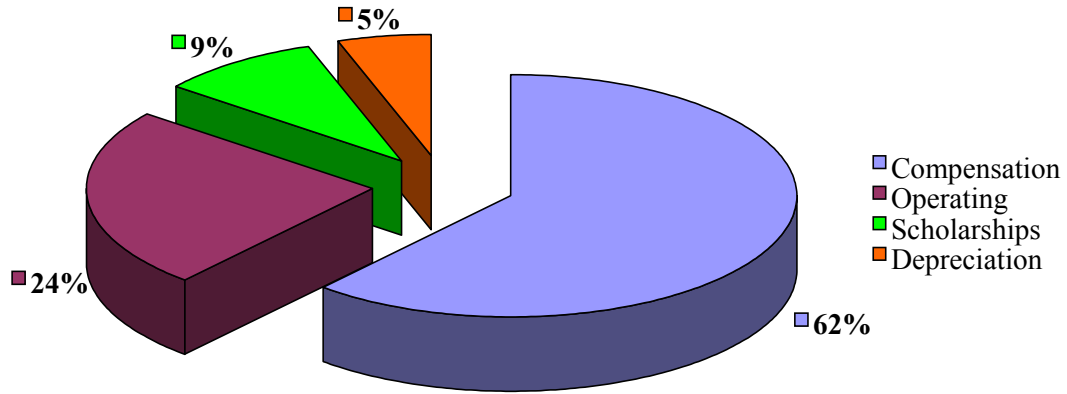
Expenses

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

Functional Classification	Natural Classification				Total Functional
	Compensation	Operating	Scholarships	Depreciation	
Instruction and departmental research	\$ 45,184,044	\$ 4,880,185	\$ 43,943		\$ 50,108,172
Separately budgeted research	490,850	429,564	6,224		926,638
Public service	3,842,050	2,352,216	19,277		6,213,543
Academic support	6,063,002	2,570,953	18,723		8,652,678
Student services	5,377,039	1,628,518	151,946		7,157,503
Institutional support	12,246,177	5,781,992	83,402		18,111,571
Operation and maintenance of plant	3,348,369	5,269,020			8,617,389
Scholarships			10,354,461		10,354,461
Auxiliary enterprises	6,047,811	9,937,894	1,768,664		17,754,369
Depreciation				\$ 7,075,983	7,075,983
Total Natural	\$ 82,599,342	\$ 32,850,342	\$ 12,446,640	\$ 7,075,983	\$ 134,972,307

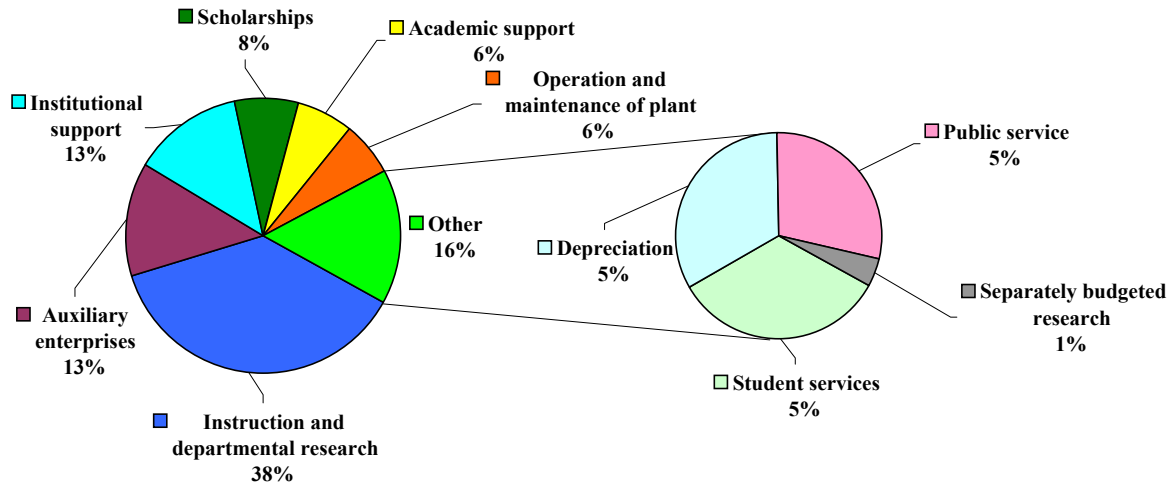
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Operating Expenses by Natural Classification



Sixty-two percent of expenses are attributable to salaries and benefits while operating expenses represent twenty-four percent of total expenses. Scholarships and depreciation represent the remaining fourteen percent of expenses.

Operating Expenses by Function



Thirty-eight percent of operating expenses by function is attributable to instruction and departmental research. The percentages of the remaining functional areas range from one to thirteen percent of total operating expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

The Statement of Cash Flows

The Statement of Cash Flows provides 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 for the year ended June 30, 2002 follows:

Cash provided (used) by:	
Operating activities	\$ (54,327,723)
Investing activities	(5,228,779)
Capital and related financing activities	(3,279,452)
Noncapital financing activities	61,701,173
Net (decrease) in cash	(1,134,781)
Cash – Beginning of year	4,077,953
Cash – End of year	\$ 2,943,172

Material sources of cash included State appropriations, tuition and fees and grants and contracts. Material uses of cash were for payments to employees, payments to suppliers and vendors, and scholarships.

Capital Assets and Debt

At June 30, 2002, Youngstown State University had \$140,848,821 invested in capital assets, net of accumulated depreciation. Depreciation charges totaled \$7,075,983 for the current fiscal year. Details of these assets are shown below.

Land	\$ 12,053,837
Buildings	112,356,649
Improvements other than buildings	8,194,742
Construction-in-progress	2,171,617
Moveable equipment, furniture	5,531,314
Historical treasures	297,513
Capital leases	243,149
Total	\$140,848,821

Construction in progress at June 30, 2002 included the following projects: Ward Beecher HVAC, Beeghly Center Rehabilitation, and Steam Line Replacement. Major capital additions during the year ended June 30, 2002 included Sweeny Welcome Center and AstroTurf replacement. More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

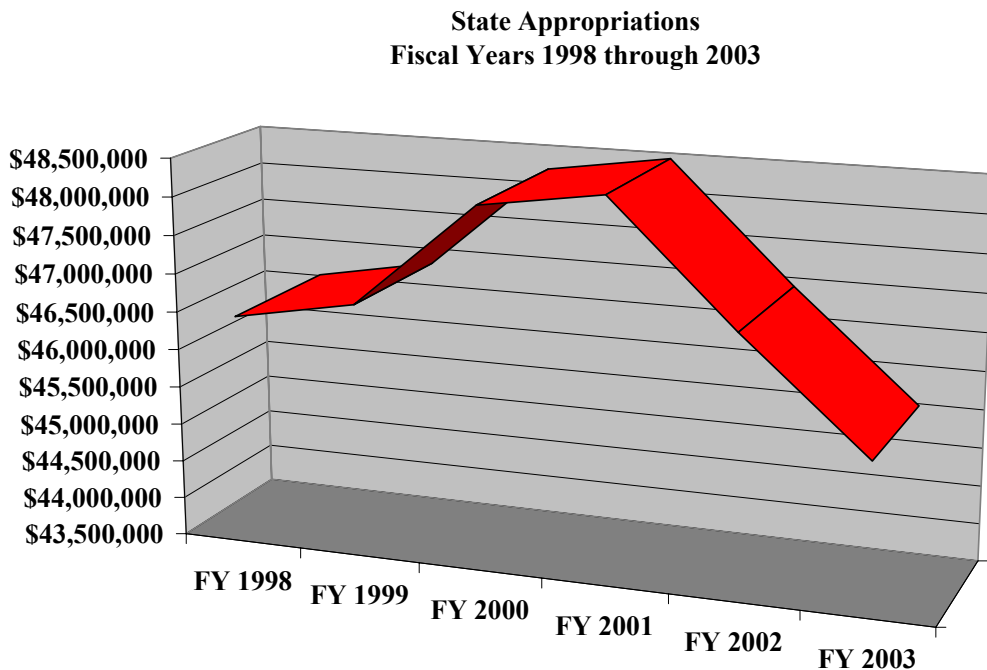
YOUNGSTOWN STATE UNIVERSITY

At June 30, 2002, the University had \$15,175,000 in principal debt outstanding. More detailed information about University debt is presented in Note 6 to the financial statements.

Economic Factors for the Future

Looking to the future, the University is well-positioned to continue its strong financial condition and level of excellence in service to students. The University's strong 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 of Ohio'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 period ended June 30, 2002 was 3.5.

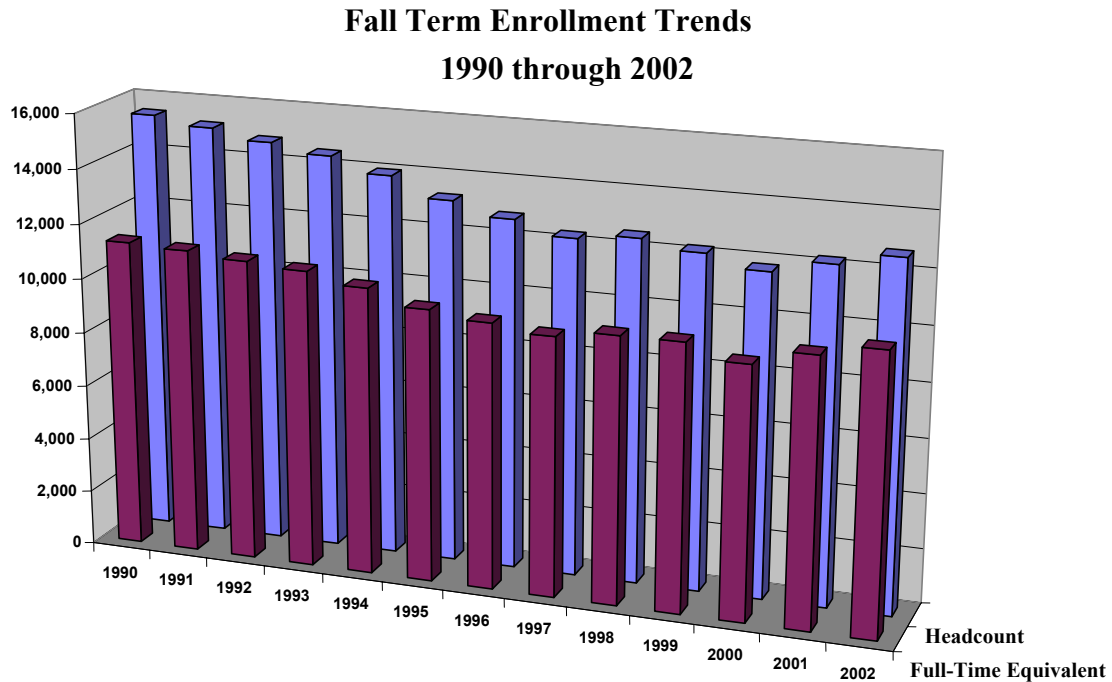
A crucial element to the University's future will continue to be its relationship with the State of Ohio as work continues toward providing quality education at an affordable price. The University is currently experiencing a decline in its revenue from State appropriations:



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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

The University is experiencing an encouraging turnaround in its long-term trend of declining headcount enrollments as reflected below:



In fact, according to a report of preliminary Fall 2002 data issued by the Ohio Board of Regents (OBOR), Youngstown State University's enrollment increase is double that of the state university average. This is the second consecutive year that YSU fall enrollment exceeded the state average for public universities.

Although the impact of future State funding is uncertain, the University is working diligently with its sister institutions and the Ohio Board of Regents to ensure that the State of Ohio continues to recognize the importance of higher education, and places an appropriate balance to its funding.

YOUNGSTOWN STATE UNIVERSITY

STATEMENT OF NET ASSETS AT JUNE 30, 2002

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,943,172
Investments	24,593,590
Accounts receivable, net	6,192,940
Interest receivable	317,318
Loans receivable - current portion	381,700
Inventories	1,804,791
Prepaid expenses and deferred charges	738,856
Total Current Assets	<u>36,972,367</u>

Noncurrent Assets

Endowments and other investments	12,277,449
Loans receivable, net	2,575,990
Deposits on land	118,000
Capital assets, net	140,848,821
Total Noncurrent Assets	<u>155,820,260</u>
Total Assets	<u>192,792,627</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	2,286,618
Accrued liabilities	6,613,190
Bonds payable - current portion	735,000
Capital leases payable - current portion	46,217
Deferred revenue	2,708,881
Compensated absences	593,400
Other liabilities	1,714,171
Total Current Liabilities	<u>14,697,477</u>

Noncurrent Liabilities

Bonds payable, net	14,165,021
Capital leases payable	45,988
Compensated absences	4,862,446
Refundable advance	2,665,300
Unfunded workers' compensation	1,810,603
Total Noncurrent Liabilities	<u>23,549,358</u>
Total Liabilities	<u>38,246,835</u>

NET ASSETS

Invested in capital assets, net of related debt	125,974,595
Restricted	
Nonexpendable	4,854,893
Expendable	7,019,073
Unrestricted	16,697,231
TOTAL NET ASSETS	<u>\$ 154,545,792</u>

See accompanying notes to financial statements

YOUNGSTOWN STATE UNIVERSITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2002

REVENUES

Operating Revenues

Tuition, fees, and other student charges (net of scholarship allowance of \$12,600,935)	\$ 44,659,168
Federal grants and contracts	3,165,430
State grants and contracts	6,435,920
Local grants and contracts	210,827
Private grants and contracts	835,873
Sales and services	193,478
Auxiliary enterprises	15,061,842
Other operating revenues	661,762
Total Operating Revenues	71,224,300

EXPENSES

Operating Expenses

Instruction and departmental research	50,108,172
Separately budgeted research	926,638
Public service	6,213,543
Academic support	8,652,678
Student services	7,157,503
Institutional support	18,111,571
Operation and maintenance of plant	8,617,389
Scholarships	10,354,461
Auxiliary enterprises	17,754,369
Depreciation	7,075,983
Total Operating Expenses	134,972,307
Operating (Loss)	(63,748,007)

NONOPERATING REVENUES / (EXPENSES)

State appropriations	46,887,147
Federal grants	9,059,364
Private gifts	7,295,546
Unrestricted investment income (net of investment expense)	2,157,770
Restricted investment income (net of investment expense)	181,961
Interest on capital asset-related debt	(747,554)
Other nonoperating revenues (expenses), net	(1,568,397)
Net Nonoperating Revenues	63,265,837
(Loss) Before Other Revenues, Expenses, Gains and Losses	(482,170)

Capital appropriations	5,897,481
Capital grants and gifts	149,686
Additions to the principal of endowments	54,146
Transfer of principal endowment to YSU Foundation	(171,370)
Total Other Revenues, Expenses, Gains and Losses	5,929,943
Total Increase In Net Assets	5,447,773

NET ASSETS

Net assets at beginning of the year (as restated)	149,098,019
Net Assets at End of the Year	\$ 154,545,792

See accompanying notes to financial statements

YOUNGSTOWN STATE UNIVERSITY

STATEMENT OF CASH FLOWS

Cash Flows from Operating Activities	
Student tuition and fees	\$ 45,406,486
Federal, state, and local grants and contracts	8,578,906
Private grants and contracts	835,873
Sales and services of educational and other departmental activities	15,492,679
Payments to suppliers	(29,990,160)
Payments to employees	(66,039,343)
Payments for benefits	(18,862,077)
Payments for scholarships	(10,354,461)
Student loans issued	(455,772)
Student loans collected	398,384
Student loan interest and fees collected	36,544
Other receipts, net	625,218
Total Cash Flows from Operating Activities	<u>(54,327,723)</u>
Cash Flows from Investing Activities	
Proceeds from sale of investments	40,336,173
Interest on investments	1,433,945
Purchase of investments	(46,998,897)
Total Cash Flows from Investing Activities	<u>(5,228,779)</u>
Cash Flows From Capital and Related Financing Activities	
State capital appropriations	5,897,481
Purchase of capital assets	(7,053,449)
Principal payments on capital debt	(1,400,815)
Interest payments on capital debt	(722,669)
Total Cash Flows from Capital and Related Financing Activities	<u>(3,279,452)</u>
Cash Flows from Noncapital Financing Activities	
Federal grants	9,198,799
State educational appropriations	46,887,147
Private gifts	7,295,546
Additions to the principal of endowments	54,146
Other nonoperating revenues (expenses)	(1,563,095)
Transfer of principal endowment to YSU Foundation	(171,370)
Total Cash Flows from Noncapital Financing Activities	<u>61,701,173</u>
Net Decrease in Cash and Cash Equivalents	<u>(1,134,781)</u>
Cash and Cash Equivalents, Beginning of Year	<u>4,077,953</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,943,172</u>

See accompanying notes to financial statements

FOR THE YEAR ENDED JUNE 30, 2002

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (63,748,007)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	7,075,983
Provision for allowance for uncollectible accounts	859,944
Provision for unfunded workers' compensation	695,421
Changes in assets and liabilities:	
Accounts receivable - student	(879,363)
Accounts receivable - other	237,359
Accounts receivable - government	(1,233,271)
Interest receivable	249,540
Loans receivable	111,547
Inventories	(303,778)
Prepaid expenses and deferred charges	281,215
Loan receivable - non-current	(150,688)
Other accrued liabilities	341,380
Accounts payable	1,226,593
Accrued salaries and wages	193,408
Deferred revenue	498,953
Compensated absences	(38,600)
Compensated absences - non-current	<u>254,641</u>

Net Cash Flows (Used In) Operating Activities \$ (54,327,723)

Noncash Transactions:

 Gifted capital assets \$149,686

See accompanying notes to financial statements

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

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.

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, in the State of Ohio's Comprehensive Annual Financial Report. No component units are required to be reported in the University's financial statements.

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.

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

During fiscal year 2002, the University adopted GASB Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis.

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be 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.
- 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, or the Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially, all unrestricted net assets

FOR THE YEAR ENDED JUNE 30, 2002

Note 1 – Organization and Summary of Significant Accounting Policies, (cont.)

are designated for academic and research programs and initiatives, capital programs, and operating reserves.

GASB requires the federal capital contribution portion of the Federal Perkins Loan Program to be reclassified from fund balance to a refundable advance. Additionally, GASB requires the University to record the cumulative effect of recording depreciation on capital assets.

The provisions of GASB Statement No. 35 have been applied to the year presented. The following is a reconciliation of total June 30, 2001 fund balances, as previously reported, to the restated net asset balance for the same period:

<u>June 30, 2001</u>	
Combined fund balances, as previously reported	\$ 284,583,404
Reclassification of prior year fund balances as liabilities	(2,594,619)
Unfunded workers' compensation accrual	(1,115,180)
Cumulative effect of changes in accounting principle for depreciation	<u>(131,775,586)</u>
Combined fund balances, restated as net assets	\$ <u>149,098,019</u>

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 University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Cash Equivalents - For purposes of the statements of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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.

Inventories – Inventories are determined on first-in, first-out (FIFO) method and stated at the lower of cost or market. The cost is recorded as an expense as the inventory is consumed.

Capital Assets - Capital assets are stated at cost or fair value at date of gift. Infrastructure assets are included in the

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Note 1 – Organization and Summary of Significant Accounting Policies, (cont.)

financial statements and are depreciated. 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. The University's capitalization for equipment and improvements (building and other) was \$5,000 and \$100,000, respectively. The University established historical treasures as a separate category of property and excluded library purchases from capitalization.

Accounts Receivable - Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to student, 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 a \$2,322,847 allowance for uncollectible amounts.

Deferred Revenue – Deferred revenue includes tuition and fee revenues billed or received and related to the period after June 30, 2002.

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

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.

Net Assets – Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Invested in capital assets net of related debt represents the net value of capital assets (property, plant and equipment) less the debt incurred to acquire or construct the asset. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds received for specific purposes. Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises.

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.

Classification of Revenues – The University's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services and or goods received. Most of the University's expenses result from exchange transactions.

Certain significant revenue streams relied upon for operations are recorded as non-operating revenues as defined by GASB Statement No. 35, and include state

Note 1 – Organization and Summary of Significant Accounting Policies, (cont.)

appropriations, gifts and investment income.

Scholarship Allowances and Student Aid –

Financial aid 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, these amounts are computed on a university basis 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.

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 allowances for uncollectible accounts receivable and compensated absences.

Encumbrances – The University maintains

an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the year. At year-end, encumbrances totaled \$2,676,653, which represents the estimated amount of expenses ultimately to result if unperformed contracts in process at June 30, 2002 are completed.

In addition, the State of Ohio maintains an encumbrance system for capital projects. Amounts committed for projects in progress totaled \$2,510,367 at June 30, 2002. Subsequent to year end, an additional \$2,721,739 was committed.

Encumbrances outstanding at June 30, 2002 do not constitute expenses or liabilities and are not reflected in the financial statements.

Note 2 - State Support

The University receives support from the State of Ohio 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 Revenue, Expenses, and Changes in Net Assets.

State appropriations totaled \$46,887,147 and included \$44,027,295 in state share of instruction and \$2,859,852 in Challenge Funds. The state share of instruction is determined annually, is student based, and is devised by the Ohio Board of Regents.

Capital appropriations from the State of Ohio totaled \$5,897,481 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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Note 2 - State Support, (cont.)

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.

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.

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 certificate of deposits. The aggregate cost of repurchase agreements and certificate of deposits, which approximates market value, included in cash and cash equivalents was \$63,490 at June 30, 2002.

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).

At June 30, 2002, the carrying amount of the University's bank deposits and cash equivalents was \$2,943,172 and the bank balances were \$4,522,084. The difference in carrying amount and bank balance is caused by items in transit and outstanding checks. Of the balance: \$100,000 was

FOR THE YEAR ENDED JUNE 30, 2002

Note 3 - Cash and Cash Equivalents, (cont.)

covered by federal depository insurance (Credit Risk Category 1); \$0 was covered by the pledging of specific assets of the financial institution in the University's name (Credit Risk Category 2); and the remaining balance of \$4,422,084 is uncollateralized (Credit Risk Category 3). At times during the year, uncollateralized deposits may have been higher.

Note 4 - Investments

The University's investment policy authorizes the University to invest non-endowment University funds in compliance with provisions of the Ohio Revised Code and all other applicable laws and regulations.

In accordance with GASB Statement No. 31, the University records investments at fair value and recognizes unrealized gains and losses in the financial statements. The change in unrealized gain (loss) on investments is reflected in the Statement of Revenue, Expenses, and Changes in Net Assets and was a net unrealized loss of \$594,904.

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, 2002:

	Cost	Fair Value
Pooled Investments		
U. S. Government and Agency Securities	\$ 3,500,009	\$ 3,500,009
Certificates of Deposit	28,030,000	28,030,000
Total Pooled Investments	31,530,009	31,530,009
Investments Held by Investment Manager		
Common Stock	1,759,713	2,348,415
Corporate Notes & Bonds	833,974	790,481
Preferred Stock	351,000	346,620
U.S. Government and Agency Securities	1,354,318	1,372,494
Other Securities	483,020	483,020
Total Investments Held by Investment Manager	4,782,025	5,341,030
Total Investments	\$36,312,034	\$36,871,039
Less Current Portion		24,593,590
Net Noncurrent		\$12,277,449

At times during the year, the amounts of uninsured and unregistered investments may have been higher.

Note 5 – Capital Assets

Capital assets activity for the year ended June 30, 2002 was as follows:

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Note 5 – Capital Assets, (cont.)

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 12,051,067	\$ 2,770	\$	\$ 12,053,837
Buildings	218,750,066	1,129,184		219,879,250
Improvements other than buildings	18,012,925	1,035,256		19,048,181
Construction in progress		2,171,617		2,171,617
Moveable equipment and furniture	17,788,997	2,602,680	839,866	19,551,811
Historical treasures	297,513			297,513
Capital leases	2,676,059			2,676,059
Total Cost	269,576,627	6,941,507	839,866	275,678,268
Less accumulated depreciation for:				
Buildings	103,233,927	4,288,674		107,522,601
Improvements other than buildings	9,648,433	1,205,006		10,853,439
Moveable equipment and furniture	13,708,728	1,151,635	839,866	14,020,497
Capital leases	2,002,242	430,668		2,432,910
Total accumulated depreciation	128,593,330	7,075,983	839,866	134,829,447
Capital assets - net	\$140,983,297	\$(134,476)	\$ -0-	\$140,848,821

Note 6 - 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:

	Stated Interest Rate	Effective Interest Rate	Maturity Through	Original Principal
<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%	2012	\$ 11,920,000
Term Bonds	4.75%	4.86%	2016	\$ 5,030,000

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.

Fiscal Year	Principal	Interest	Total
2003	\$ 735,000	\$680,899	\$1,415,899
2004	760,000	647,329	1,407,329
2005	805,000	611,712	1,416,712
2006	845,000	573,709	1,418,709
2007	865,000	535,684	1,400,684
Thereafter	11,165,000	2,838,630	14,003,630
Total	\$15,175,000	\$5,887,963	\$21,062,963

Maturities of bonds payable for the fiscal years subsequent to June 30, 2002, are as follows:

Fiscal Year	General Receipts			Total
	Series 1996B	Series 1997	Series 1998	
2003	\$ 95,000	\$ 5,000	\$ 635,000	\$ 735,000
2004	100,000	5,000	655,000	760,000
2005	110,000	10,000	685,000	805,000
2006	115,000	10,000	720,000	845,000
2007	-0-	10,000	855,000	865,000
Thereafter	-0-	140,000	11,025,000	11,165,000
Totals	\$ 420,000	\$ 180,000	\$14,575,000	\$15,175,000

FOR THE YEAR ENDED JUNE 30, 2002

Note 7 - Deposits Held by Trustee

Deposits are held in safekeeping by a bank as trustee and include cash and investments in government securities with a cost of \$77,255 as of June 30, 2002, 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 and are included in cash and cash equivalents.

Note 8 - 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). Certain PERS 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. STRS and PERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits for plan members. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code.

Both PERS and STRS issue a stand-alone financial report. Interested parties may obtain a copy of the PERS report by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642, and the STRS report by making a written request to 275 East Broad Street, Columbus, Ohio, 43215-3771.

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	PERS	PERSLE
2002	9.3%	8.5%	9.0%
2001	9.3%	8.5%	9.0%
2000	9.3%	8.5%	9.0%

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

Fiscal Year	Employer Contribution Rate		
	STRS	PERS*	PERSLE
2002	14.00%	13.31%	15.7%
2001	14.00%	13.31%	16.7%
2000	14.00%	13.31%	16.7%

* For the six month period July 1, 2000 through December 31, 2000, the University's employer annual contribution rate was temporarily rolled back to 10.65%.

University contributions for the current and two preceding years are summarized as follows:

Fiscal Year	Employer Contribution		
	STRS	PERS	PERSLE
2002	\$3,857,512	\$3,432,853	\$125,165
2001	\$4,140,400	\$2,673,307	\$119,753
2000	\$3,991,149	\$3,054,735	\$119,604

Employees can elect to participate in the Alternative Retirement Plan. The employee contribution rate is 8.5% (PERS) and 9.3% (STRS) of covered payroll and the University was required to contribute 13.31% (PERS) and 14% (STRS) of covered payroll.

The University's contribution to the Alternative Retirement Plan selected by

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Note 8 - Retirement Plans, (cont.)

PERS employees was \$253,303 in 2002 and \$190,391 in 2001.

The University paid 5.76% of covered payroll to STRS and 8.24% to the Alternative Retirement Plan thru September 2001. Beginning October 2001, the University was paying 3.5% of covered payroll to STRS and 10.5% to the Alternative Retirement Plan.

The University's contribution to STRS was \$112,081 in 2002 and \$152,771 in 2001. The University's contribution to the Alternative Retirement Plan was \$290,436 in 2002 and \$217,698 in 2001.

Note 9 - Postretirement Benefits

Public Employees Retirement System

The Public Employees Retirement System of Ohio 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 Post Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of the University's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program was separated into two divisions – law enforcement and public safety, with separate employee contribution rates and benefits. The employer contribution rate was 13.31% of covered payroll for 2002,

2001 and 2000; the portion used to fund health care was 4.3% in 2002 and 4.2% in 2001 and 2000.

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

Summary of Assumptions:

- **Actuarial review** – The assumptions and calculations below were based on the system's latest actuarial review performed as of December 31, 2000.
- **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% of unrealized market appreciation or depreciation on investment assets.
- **Investment return** – The investment assumption rate for 2000 was 7.75%.
- **Active employee total payroll** – An annual increase of 4.75% (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 4.75 % base increase) were assumed to range from 0.54% to 5.1%.
- **Health care** – Health care costs were assumed to increase 4.75% annually.

FOR THE YEAR ENDED JUNE 30, 2002

Note 9 - Postretirement Benefits, (cont.)

The number of active contribution participants at December 31, 2001 (the latest date information is available) was 411,076. The portion of the University's 2002, 2001 and 2000 contributions to PERS used to fund postretirement benefits was \$1,109,036, \$867,154 and \$963,928. The retirement systems' net assets available for payment of benefits at December 31, 2000 (the latest date information is available) was \$10.8 billion.

\$11,735.9 million represents the actuarial value of the retirement system's net assets available for OPEB at December 31, 2000. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

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 2002, 2001 and 2000 was 14% of covered payroll, of which 4.5% in 2002, and 8% in 2001 and 2000 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, 2001 (the latest date information is available) were 102,132. The portion of the University's 2002, 2001 and 2000 contributions to STRS used to fund postretirement benefits was \$1,239,915, \$2,365,942 and \$2,280,656, respectively. The health care reserve fund within the employers' trust fund from which payments for health care benefits are paid has a balance of \$3.256 billion at June 30, 2001. Health care benefits paid by the plan were \$300,772,000 for the fiscal year ended June 30, 2001.

Note 10 - Related Organizations

The Youngstown State University Foundation (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 Youngstown State University that are useful to the student and beneficial to the community. Management has determined that YSUF is not a component unit of the University as defined by GASB Statement No. 14, and therefore financial activity of YSUF is not included in the University's financial statements.

The University files an application for any funds requested from the YSUF, which is subject to approval by the trustees of YSUF. Financial support received from YSUF was \$3,814,500 for the fiscal year ended June 30, 2002. Under the terms of an agreement with the University, the Foundation serves as an investment advisor for the University's endowments. Proceeds are forwarded to the University on an as-needed basis to satisfy

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Note 10 - Related Organizations, (cont.)

the individual endowment purposes. In addition, during fiscal year 2002, the University entered into an agreement for YSUF to manage funds received for the benefit of a Recreation and Wellness Center. Market value of these funds at June 30, 2002 was \$5,341,030 compared to cost of \$4,782,025. Management services are provided free of charge and investments are made in a manner consistent with the YSUF funds.

In May 2002, officials broke ground for the University's Student Courtyard Apartments, a \$22 million complex with 130 units for 408 students. Construction of the complex is scheduled to be completed by August 2003. This unique public-private partnership includes YSUF, University Housing Corporation, the City of Youngstown, Mahoning County, and Ambling Companies, Inc., a national leader in developing student housing communities. University Housing Corporation, the project owner was incorporated as a tax-exempt organization to facilitate financing of the housing project. For the benefit of YSU, the Ohio Department of Administrative Services entered into a ground lease with University Housing Corporation. Mahoning County is the issuer of the bonds and YSUF is the Letter of Credit guarantor.

Note 11 - Litigation

The University is a defendant in various lawsuits. Outside counsel for the University has advised that at this stage in the proceedings they cannot offer an opinion as to the probable outcomes. The University believes the suits are without merit and is vigorously defending its position.

Note 12 - Lease Obligations

The University leases certain computer equipment and a printing press under capital lease agreements. The computer equipment capital lease bears interest between 4.82% – 7.26%. The printing press capital lease bears interest at 7.09%. At June 30, 2002, \$2,676,059 is included in Capital Assets in the Statement of Net Assets. Amortization on these assets is included in depreciation expense. One of the leases provides for a purchase option at a price that represents the expected fair value of the property at the expiration of the lease term. Future minimum lease payments under the capital leases are as follows:

Year Ending June 30	Computer Equipment	Printing Press	Total
2003	\$ 18,271	\$ 32,410	\$50,681
2004	-	32,410	32,410
2005	-	16,205	16,205
Total future minimum lease payments	18,271	81,025	99,296
Less amount representing interest	110	6,981	7,091
Total obligations under capital lease	\$ 18,161	\$ 74,044	\$92,205

Note 13 - Unfunded Workers' Compensation Liability

Under the State of Ohio's Workers' Compensation Program, the University is part of a pool of State agencies and State universities that pay workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis. The Ohio Bureau of Workers' Compensation (BWC) calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for

FOR THE YEAR ENDED JUNE 30, 2002

Note 13 – Unfunded Workers’ Compensation Liability, (cont.)

injured workers and sets rates for each participating State agency and university to collect the estimated cash need in the subsequent one year period. As these claims will be paid out over a period of time, BWC also actuarially calculates the amounts payable in future years for the entire pool of State agencies and universities.

As part of the State of Ohio’s implementation of GASB Statements No. 34 and 35 the State of Ohio has required each State agency and State university to record a portion of the pool’s estimated actuarial liability in its financial statements. The amount allocated to each agency and university was calculated by the State of Ohio on the basis of actual premium payments paid to BWC during the current fiscal year divided by such payments made by all participating entities. As a result, the University recorded a cumulative effect adjustment to reduce the beginning of the

year net assets by \$1,115,180 and a provision for unfunded workers’ compensation of \$695,421 during fiscal year 2002.

Management acknowledges that its premium payments to BWC through June 30, 2002 were designed to meet the cash needs of the agency and did not cover the full liability resulting from injuries incurred through June 30, 2002 to workers of State agencies and State universities participating in the pool. Consequently, some of the costs resulting from such injuries will be funded from future premium payments to the pool.

The decision to record this liability was a result of determinations made by the State of Ohio in its interpretations of the unfunded pool obligations. In addition, the recording of this liability is based on an allocation of the entire pool on a pro rata basis to the participating State agencies and State universities. Such amount could differ had a separate actuarial computation by participating State agencies and State universities been performed.

Note 14 – Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2002 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Lease and bonds payable					
Lease obligations	\$ 658,022	\$ -	\$ 565,817	\$ 92,205	\$ 46,217
General receipts bonds payable	15,710,135	-	810,114	14,900,021	735,000
Total leases and bonds payable	\$ 16,368,157	-	\$ 1,375,931	\$ 14,992,226	\$ 781,217
Other liabilities					
		Net Additions			
Compensated absences	\$ 5,239,805	\$ 216,041	\$ -	\$ 5,455,846	\$ 593,400
Refundable advance	2,525,865	139,435	-	2,665,300	-
Unfunded workers’ compensation	1,115,180	695,423	-	1,810,613	-
Total other liabilities	8,880,850	1,050,899	-	9,931,759	593,400
Total long-term liabilities	\$ 25,249,007	\$ 1,050,899	\$ 1,375,931	\$ 24,923,975	\$ 1,374,617

YOUNGSTOWN STATE UNIVERSITY

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Eugenia C. Atkinson	<i>Executive Director Youngstown Metropolitan Housing Authority</i>
Charles B. Cushwa, III	<i>Retired Director Cushwa Center for Small Business Development at YSU</i>
Larry D. DeJane	<i>Mayor City of Salem</i>
Larry E. Esterly	<i>Professor Emeritus Department of Political and Social Sciences at YSU</i>
F. W. Knecht, III	<i>Chairman and CEO Wendell August Forge</i>
John L. Pogue	<i>Attorney Harrington, Hoppe & Mitchell, Ltd.</i>
H. S. Wang	<i>Ophthalmologist Eye Care Associates, Inc.</i>
Jeffrey J. Parks	<i>Student Trustee</i>
Matthew T. Pastier	<i>Student Trustee</i>

PRINCIPAL ADMINISTRATORS

David C. Sweet	<i>President</i>
Tony Atwater	<i>Provost and Vice President for Academic Affairs</i>
John L. Habat	<i>Vice President for Administration</i>
Terry R. Ondreyka	<i>Vice President for Financial Affairs</i>
George E. McCloud	<i>Special Assistant to the President for Development and Public Relations</i>
Cynthia E. Anderson	<i>Vice President for Student Affairs</i>
Donna J. Esterly	<i>Interim Chief Technology Officer</i>

The logo for Youngstown State University, featuring the letters 'YSU' in a bold, red, serif font. The 'Y' and 'S' are connected, and the 'U' is separate. The letters are white with a red outline.

YOUNGSTOWN STATE UNIVERSITY

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Youngstown State University

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

June 30, 2002

YOUNGSTOWN STATE UNIVERSITY

June 30, 2002

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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, 2002, and have issued our report thereon dated November 15, 2002. We conducted our audit in accordance with auditing standards generally 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.

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.

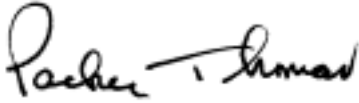
Internal Control Over Financial Reporting

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 November 15, 2002.

This report is intended solely for the information and use of the board of trustees, 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.

A handwritten signature in black ink, appearing to read "Packer Thomas". The signature is written in a cursive style with a large initial "P" and a long horizontal stroke extending to the right.

Youngstown, Ohio
November 15, 2002

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, 2002. 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 in the United States of America; 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, 2002.

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, 2002, and have issued our report thereon dated November 15, 2002. 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 solely for the information and use of the board of trustees, 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.



Youngstown, Ohio
November 15, 2002

Youngstown State University
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2002

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Number	Fund Balance June 30, 2001	Revenue Recognized	Disbursements/ Expenditures	Fund Balance June 30, 2002
U.S. Department of Education						
Student Financial Assistance Programs						
Pell Grant	84.063	N/A	\$ (1,400)	\$ 9,046,867	\$ 9,045,467	\$ -
Supplemental Educational Opportunity Grant	84.007	N/A	40,378	385,358	427,218	(1,482)
College Work Study	84.033	N/A	(76,157)	474,089	464,070	(66,138)
Perkins Loan Program	84.038	N/A	2,971,605	4,415,483	4,353,548	3,033,540
Federal Family Education Loans	84.032	N/A	-	27,168,501	27,168,501	-
Subtotal-Student Financial Assistance Program			2,934,426	41,490,298	41,458,804	2,965,920
Small Business Administration						
Small business development center, year 14	59.037	N/A	-	38,273	37,481	792
Small business development center, year 15	59.037	N/A	-	156,696	107,611	49,085
Subtotal			-	194,969	145,092	49,877
Small business development center, year 13	59.005	N/A	3,872	62,757	58,885	7,744
Subtotal-Small Business Administration			3,872	257,726	203,977	57,621
National Science Foundation						
NSF-Ed Mossbauer	47.076	N/A	-	6,708	6,708	-
Intergration of computer technology in chemistry curriculum	47.076	N/A	-	4,140	4,140	-
Xray Diffractrion Analysis	47.076	N/A	1,000	37,026	37,026	1,000
NSF-Investigative Approaches in Science	47.076	N/A	-	49,805	49,805	-
Math Learning Laboratories	47.076	N/A	-	2,576	2,576	-
NSF-Technological Leaders in School Programs	47.076	N/A	-	57,500	57,500	-
Web Access Single Crystal X-ray	47.076	N/A	-	144,706	146,147	(1,441)
Subtotal			1,000	302,461	303,902	(441)
Research Experiments in Undergrade Chemistry	47.049	N/A	-	61,143	61,143	-
NSF-Matrix Isolation	47.049	N/A	1,852	250	2,102	-
Subtotal			1,852	61,393	63,245	-
US UK Cooperative Research	47.075	N/A	-	13,200	13,200	-
Subtotal-National Science Foundation			2,852	377,054	380,347	(441)
U.S. Department of Education						
Passed through the State of Ohio Department of Education for MAC Tech-Prep	84.243	VETP-22X	68,814	13,134	12,972	68,976
Passed through the Ohio Department of Education for Mac Tech - Student Enrollment	84.243	N/A	913	-	-	913
Subtotal			69,727	13,134	12,972	69,889
Upward Bound	84.047A	N/A	-	268,206	268,206	-
Passed through the State of Ohio Department of Education for 2-year college strategic plan	84.048	CP11-P97	8,818	11,277	10,864	9,231
Chemistry Teachers: New Masters Degree	84.116B	N/A	-	42,165	42,165	-
Tri City Partnership for Excellence	84.336B	N/A	(5,509)	589,416	577,587	6,320
Subtotal-U.S. Department of Education			73,036	924,198	911,794	85,440

Youngstown State University
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2002

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Number	Fund Balance June 30, 2001	Revenue Recognized	Disbursements/ Expenditures	Fund Balance June 30, 2002
Department of Housing and Urban Development						
COPC	14.511	N/A	-	100,892	100,892	-
HUD Lead Based Paint Program	14.511	N/A	-	10,774	10,774	-
Subtotal			-	111,666	111,666	-
Drug and Mental Health						
Community partnership evaluation	14.863	N/A	98	-	-	98
Youngstown Metropolitan Housing Authority						
YMHA Drug Elimination Project Evaluation	14.854	N/A	1,858	8,025	9,883	-
City Grant Writer Services						
	14.21CDBG	N/A	(80)	6,542	6,462	-
Subtotal-Department of Housing and Urban Development			1,876	126,233	128,011	98
Consultation Crime Analysis						
	16.544	N/A	5,061	-	-	5,061
Subtotal-U.S. Department of Justice			5,061	-	-	5,061
U.S. Department of Labor						
Welfare Collaberation	17.253	N/A	-	1,806	1,806	-
Subtotal-U.S. Department of Labor			-	1,806	1,806	-
Corporation for National & Community Service						
Commercial Resources Evaluation of East Liverpool	94.006	N/A	-	1,462	1,462	-
Subtotal-Corporation for National & Community Service			-	1,462	1,462	-
Department of Defense						
Modification of Mosbauer Spectrometer	12.300	N/A	-	14,404	14,404	-
Xray Source Trigger Electromagnetic	12.630	N/A	251,456	-	-	251,456
Subtotal			251,456	14,404	14,404	251,456
Air Force Office of Scientific Research						
Examination of Critical Issues in Triggering of Gamma Rays from 178HFm2	12.800	96-0136	-	68,586	64,654	3,932
Trigger Electromagnetic Pulse II	12.800	N/A	-	50,000	34,665	15,335
Subtotal-U.S. Department of Defense			251,456	132,990	113,723	270,723
Department of Energy						
Sandia Corporation Department of Energy Review	81.050	N/A	-	10,617	10,617	-
Fundamental Standard Subatomic Physics	81.050	N/A	-	7,708	7,708	-
Subtotal-Department of Energy			-	18,325	18,325	-

Youngstown State University

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2002

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Number	Fund Balance June 30, 2001	Revenue Recognized	Disbursements/ Expenditures	Fund Balance June 30, 2002
Environmental Protection Agency						
Development Watershed Plan for the Mahoning River	66.460	N/A	-	35,561	17,158	18,403
A Revitalization Strategy for the Mahoning River	66.651	N/A	-	61,268	61,268	-
Subtotal-Environmental Protection Agency			-	96,829	78,426	18,403
Department of Health and Human Services						
National Youth Sport Program	93.570	N/A	11,173	157,061	152,443	15,791
Enzymatic Characteristics	93.390	N/A	-	17,690	17,690	-
Subtotal of Health and Human Services			11,173	174,751	170,133	15,791
National Labor Relations Board						
Hydrogen Bonding Transfer	46.076	CHE-9505889	795	54,020	54,815	-
TOTAL FEDERAL AWARDS			3,284,547	43,655,592	43,521,623	3,418,616

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

Year ended June 30, 2002

(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:

Revenues	
Educational and general	
Federal grants and contracts	\$ 12,224,794
Amount excluded from the financial statements:	
Perkins Loan Program	4,415,483
Federal Family Education Loans Program	27,168,501
Indirect costs	(153,086)
Total federal awards revenue recognized	<u>\$ 43,655,692</u>

(4) FEDERAL LOAN PROGRAMS ADMINISTERED

Total loan advancement and disbursements for federal student financial assistance programs are as follows:

	Perkins Loan Program	Federal Family Education Loans
New Loans	\$ 447,912	\$ 27,168,501
Balance of Loans from Previous Year	3,842,411	
Administrative Costs	<u>63,225</u>	
Total	<u>\$4,353,548</u>	<u>\$ 27,168,501</u>

Youngstown State University

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2002

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 on 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), Federal Family Education Loan (CFDA #84.032), Tri City Partnership for Excellence (CFDA #84.336B).
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

REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES TO THE RECORDS OF YOUNGSTOWN STATE UNIVERSITY AND TO ITS SYSTEM OF INTERNAL ACCOUNTING CONTROL

Dr. David C. Sweet
President
Youngstown State University

We have audited the financial statements of Youngstown State University (University) as of and for the year ended June 30, 2002, and have issued our unqualified report thereon under date of November 15, 2002. At your request, we also have applied certain agreed-upon procedures, as discussed below, to the accounting records and system of internal accounting control of the University, as of June 30, 2002, solely to assist the University in complying with NCAA Bylaw 6.2.3.1. It is understood that this report is solely for your information and is not to be referred to or distributed for any purposes to anyone who is not a member of management of the University or an authorized representative of the National Collegiate Athletic Association. Our procedures and findings are as follows:

STATEMENT OF REVENUE, SUPPORT, AND EXPENDITURES--AGREED-UPON SUBSTANTIVE PROCEDURES

- (a) We obtained the statement of revenue, support, and expenditures of the Youngstown State University Intercollegiate Athletics Department for the year ended June 30, 2002, as prepared by management and shown as an appendix to this letter. We recalculated the addition of the amounts on the statement, traced the amounts on the statement to management's worksheets and agreed the amounts on management's worksheets to the University's general ledger. We noted no differences between the amounts on the general ledger and the amounts on the worksheets. We discussed the nature of the worksheet adjustments with management and are satisfied that the adjustments are appropriate.
- (b) We compared revenue, support, and expenditures to amounts recorded for the previous year and budgeted amounts for the current year. We analytically reviewed the fluctuations and obtained explanations for the significant fluctuations.
- (c) We obtained a copy of the financial statements of the Penguin Club for the year ended June 30, 2002 and performed the following:

Confirmed the revenue, support, and expenditures listed on the Penguin Club's statement of revenues, support, and expenditures directly with a responsible official of the Penguin Club.

Reconciled the amounts recorded on the University's intercollegiate athletics programs statement of revenue, support, and expenditures to those amounts included in the Penguin Club's financial statements.

Because the above procedures "(a)" through "(c)" do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to above. In connection with procedures "a" through "c" referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the intercollegiate athletics department of the University in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above and does not extend to the financial statements of the University or its intercollegiate athletics department taken as a whole.

INTERNAL CONTROL STRUCTURE: POLICIES AND PROCEDURES RELATED TO INTERCOLLEGIATE ATHLETICS--AGREED-UPON PROCEDURES

The management of the University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, fraud may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

(d) We reviewed and discussed an organization chart of the intercollegiate athletics department with 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. We noted a lack of segregation of duties in the cash receipt area as follows: (1) processing of mail receipts; (2) reconciliation of deposit slips to athletic department cash receipt records and (3) reconciliation of cash amounts received to supporting receivable documentation.

(e) We noted that the Athletic Business Office has internal controls in place; however, the effectiveness of these controls is somewhat limited by the lack of segregation of duties.

Agreed-upon procedures "(d)" and "(e)" applied to certain aspects of the University's system of internal accounting control and were more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. Because our study and evaluation was limited to applying agreed-upon procedures "(d)" and "(e)" to certain aspects of the system of internal accounting control, we do not express an opinion on whether the system of internal accounting control of the University in effect for the year ended June 30, 2002, taken as a whole, was sufficient to meet the objectives stated above.

Packer Thomas

Youngstown, Ohio
December 27, 2002

**STATEMENT OF REVENUE, SUPPORT AND EXPENDITURES
FOR THE INTERCOLLEGIATE ATHLETICS DEPARTMENT**

Year ended June 30, 2002

	UNRESTRICTED						Total
	Football	Basketball	Other Sports	Nonprogram Specific	Restricted	Penguin Club	
REVENUE AND SUPPORT							
Revenue							
Ticket sales	\$ 662,771	\$ 169,873	\$ -	\$ -	\$ (40)	\$ -	\$ 832,604
Fund raising (net of cost of services of \$73,804)	-	-	-	-	-	542,746	542,746
Revenue sharing	74,976	14,665	116,905	-	-	-	206,546
M.C.C. Share of Men's Basketball		(27,938)					(27,938)
Telephone and vending machine commissions	-	-	-	97,231	-	-	97,231
Guarantees	125,000	70,000	-	-	-	-	195,000
Program advertising	72,150	8,500	-	-	-	-	80,650
Stambaugh Stadium viewing boxes	419,997	-	-	-	-	-	419,997
Stambaugh Stadium scoreboard panels	89,500	-	-	-	-	-	89,500
Penguin sports network	-	-	-	38,273	-	-	38,273
Gifts and grants	-	-	-	-	300,641	-	300,641
Program sales	12,591	1,653	-	-	-	-	14,244
Advertising panel	-	47,500	-	-	-	-	47,500
Miscellaneous	28,961	-	14,403	8,479	-	-	51,843
TOTAL REVENUE	1,485,946	284,253	131,308	143,983	300,601	542,746	2,888,837
Support							
Non-mandatory transfers and additions							
General fees allocation	(50,142)	334,218	2,113,604	2,042,495	-	-	4,440,175
TOTAL REVENUE AND SUPPORT	1,435,804	618,471	2,244,912	2,186,478	300,601	542,746	7,329,012
EXPENDITURES							
Personal services							
Salaries	407,901	203,886	471,953	1,097,359	41,142	-	2,222,241
Fringe benefits	133,223	54,798	156,181	342,660	10,324	-	697,186
TOTAL PERSONAL SERVICES	541,124	258,684	628,134	1,440,019	51,466	-	2,919,427

**STATEMENT OF REVENUE, SUPPORT AND EXPENDITURES
FOR THE INTERCOLLEGIATE ATHLETICS DEPARTMENT (continued)**

Year ended June 30, 2002

	UNRESTRICTED						Total
	Football	Basketball	Other Sports	Nonprogram Specific	Restricted	Penguin Club	
EXPENDITURES (continued)							
Operating expenses							
Scholarships	\$ 694,124	\$ 150,253	\$ 893,391	\$ (12,117)	\$ -	\$ -	\$ 1,725,651
Team travel	139,211	90,257	310,958	4,075	42,318	-	586,819
Recruiting	43,732	36,849	38,407	-	5,808	-	124,796
Supplies	49,689	11,231	86,000	47,267	45,222	-	239,409
Guarantees	145,000	15,800	1,175	-	-	-	161,975
Telephone	14,456	9,692	11,524	17,148	-	-	52,820
Officials	34,470	33,011	35,351	28,226	9,489	-	140,547
Printing	-	-	-	27,501	46,216	169,590	243,307
Pre-season practice	54,028	-	14,962	-	-	-	68,990
Miscellaneous	-	3,805	5,901	116,265	7,950	158,851	292,772
Postage and freight	2,278	-	3,618	21,043	-	-	26,939
Clinics and meetings	-	-	-	22,752	885	-	23,637
Liability insurance	-	-	-	56,663	-	-	56,663
Training room supplies	-	-	-	9,435	-	-	9,435
Rentals--facilities	-	-	31,534	21,656	(570)	-	52,620
Maintenance and repairs	-	-	40	10,137	11,632	-	21,809
Awards and recognitions	-	-	-	9,152	486	18,493	28,131
Fund Raising	-	-	-	-	-	73,804	73,804
Subscriptions and publications	-	-	-	3,264	-	-	3,264
Publicity and promotions	-	-	14	63,785	7,872	-	71,671
Dues	-	-	-	87,766	-	-	87,766
Business relations	5,572	7,925	8,308	627	7,044	-	29,476
Contributions	-	-	-	-	-	127,262	127,262
TOTAL OPERATING EXPENSES	1,182,560	358,823	1,441,183	534,645	184,352	548,000	4,249,563
TOTAL EXPENDITURES	1,723,684	617,507	2,069,317	1,974,664	235,818	548,000	7,168,990

**STATEMENT OF REVENUE, SUPPORT AND EXPENDITURES
FOR THE INTERCOLLEGIATE ATHLETICS DEPARTMENT (continued)**

Year ended June 30, 2002

	UNRESTRICTED				Restricted	Penguin Club	Total
	Football	Basketball	Other Sports	Nonprogram Specific			
Revenue and support in excess of (less than) expenditures	\$ (287,880)	\$ 964	\$ 175,595	\$ 211,814	\$ 64,783	\$ (5,254)	\$ 160,022
Transfers from (to) other funds	24,263	9,705	32,027	(152,865)	-	-	(86,870)
Reserve for encumbrances	-	-	-	(12,762)	-	-	(12,762)
REVENUE AND SUPPORT IN EXCESS OF (LESS THAN) EXPENDITURES, TRANSFERS AND RESERVE	\$ (263,617)	\$ 10,669	\$ 207,622	\$ 46,187	\$ 64,783	\$ (5,254)	\$ 60,390

NOTES TO AGREED-UPON PROCEDURES REPORT

June 30, 2002

NOTE 1--RELATED PARTIES

Certain employees of the University's Intercollegiate Athletic Department are also officers of the Penguin Club, the outside booster organization. The following represents the individual's role at both the University and Penguin Club levels:

University
Executive Director of Athletics

Penguin Club
Executive Director

NOTE 2--CONTRIBUTIONS

For the year ended June 30, 2002, the Intercollegiate Athletic Department received one individual contributions which constituted more than 10 percent of all contributions received by the Department. The Penguin Club made a cash contribution of \$127,262.

The background of the page is a faded, sepia-toned photograph of a large, multi-story brick building, likely a university hall, with a prominent central tower and arched windows. The building is set against a light sky, and there are some trees and a fence visible in the foreground, though they are out of focus and less distinct due to the fading.

WYSU-FM,
Youngstown State
University Radio

FINANCIAL REPORT
AND
SCHEDULE OF NONFEDERAL
FINANCIAL SUPPORT

for the Year Ended June 30, 2002

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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 June 30, 2002, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year 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 audit.

We conducted our audit 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 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 audit provides 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 WYSU-FM, Youngstown State University Radio, as of June 30, 2002 and its changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Station has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) No. 34 "Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments" and No. 35, "Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities" (as amended), GASB Statement No. 37, "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus" and GASB Statement No. 38, "Certain Financial Statement Note Disclosures."

As discussed in Note 1 to the financial statements, an error resulting in understatement of previously reported endowments in prior years, was discovered by management during the current year. Accordingly, the 2001 financial statements have been restated and an adjustment has been made to net assets as of July 1, 2001 to correct the error.

Management's Discussion and Analysis on pages 2-6 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The supplementary information is the responsibility of the University's management. 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.

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.

Packer Thomas

Youngstown, Ohio
February 18, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section of the report presents a discussion and analysis of the financial performance of WYSU-FM, a noncommercial public radio station operated by Youngstown State University during the fiscal year ended June 30, 2002. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

WYSU-FM'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 new financial reporting format required by the Governmental Accounting Standards Board's (GASB) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38, and applied on a retroactive basis. 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. Since this is a transition year, only one year of information is presented in the financial statements and in this discussion. Comparative information will be presented in future years.

Other Significant Changes to the Financial Statements

- Revenues and expenses are now 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 nonoperating, as defined by GASB Statement No. 35.
- Capital assets are now reported net of depreciation.

WYSU-FM, YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Net Assets

This statement presents the financial position of WYSU-FM at the end of the fiscal year and includes all assets and liabilities of the station. The difference between total assets and total liabilities – net assets – is an indicator of the current financial condition of WYSU.

A summary of WYSU's assets, liabilities and net assets at June 30, 2002 follows:

Assets:

Current assets	\$	511,677
Noncurrent assets		124,725
Capital assets, net		<u>37,423</u>
Total Assets		<u>673,825</u>

Liabilities:

Current liabilities		8,093
Noncurrent liabilities		<u>41,727</u>
Total Liabilities		<u>49,820</u>
Total Net Assets	\$	<u>624,005</u>

Net Assets consist of:

Invested in capital assets, net	\$	37,423
Restricted - nonexpendable		124,725
Restricted - expendable		87,182
Unrestricted		<u>374,675</u>
Total Net Assets	\$	<u>624,005</u>

WYSU-FM's endowment is restricted and nonexpendable.

The capital portion of a foundation grant and a portion of the Corporation for Public Broadcasting grant is restricted and expendable.

WYSU-FM, YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents WYSU's results of operations for the fiscal year. 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 by the State of Ohio, administered through an annual grant from the Ohio Educational Telecommunications Network Commission (OETN). In addition, in-kind support is received from OETN and includes support for transmission of Radio Reading Service Programming. Operating expenses have been incurred to vendors and employees for providing goods or services for the overall operations of the Station. Nonoperating revenues include the General Appropriation and donated facilities, and administrative support from its licensee, Youngstown State University, along with membership revenue, contributions from area businesses (program underwriting), foundation grants, and net revenue from fund raising.

Operating Revenues	\$ 364,122
Operating Expenses	<u>1,043,985</u>
Net Operating Loss	(679,863)
Nonoperating Revenues	744,032
Other Revenues	<u>50,000</u>
Increase in Net Assets	114,169
Net Assets at the Beginning of the Year - Restated	<u>509,836</u>
Net Assets at the End of the Year	\$ <u><u>624,005</u></u>

WYSU-FM, YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Cash Flows

The Statement of Cash Flows provides 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 year ended June 30, 2002 follows:

Cash provided (used) by:	
Operating activities	\$(506,686)
Investing activities	5,780
Noncapital and related financing activities	587,952
Capital financing activities	50,000
Net increase in cash	137,046
Cash – Beginning of year	352,531
Cash – End of year	\$ 489,577

Economic Factors That Will Affect the Future

WYSU-FM has experienced some loss in State of Ohio and Youngstown State University support due to cutbacks in appropriations from the Ohio Educational Telecommunications Network Commission grants and in higher education. At this time, the financial condition of the state appears to be deteriorating and the level of state support is uncertain in the future. However, the University's commitment to the radio station remains strong.

In spite of this bleak forecast, station management believes that WYSU-FM will continue to strengthen its financial condition and the level of service to its listeners and to Youngstown State University. The station's audience and listener membership has continued to grow throughout this fiscal year, primarily because of programming improvements, improved air staff skills, and greater community awareness of what WYSU offers. Local fund raising through on-air membership campaigns is expected to increase, and new off-air fund raising events will bring in additional income. With the vacancy of a development director filled by January 2003, and new programs and services, we expect to see improvements in underwriting income.

WYSU-FM, YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

WYSU is pursuing funding for a number of major capital improvements for fiscal year 2003. The first stage, the transition to digital terrestrial radio broadcasting, should be complete by the end of the year with the help of a grant from a local foundation. We are expanding our search for foundation support for the next steps in that transition and for other improvements, such as relocation of our antenna and live public affairs programming.

WYSU's financial position will remain strong. Over the next fiscal year and beyond, the station management and the University will maintain a close watch over internal and external resources in order to maintain and strengthen its current economic condition.

WYSU-FM, YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENT OF NET ASSETS AT JUNE 30, 2002

ASSETS

Current Assets	
Cash and cash equivalents	\$ 489,577
Accounts receivable, net	22,100
Total Current Assets	<u>511,677</u>
Noncurrent Assets	
Endowment	124,725
Capital assets, net	37,423
Total Noncurrent Assets	<u>162,148</u>
TOTAL ASSETS	<u>673,825</u>

LIABILITIES

Current Liabilities	
Accounts payable	1,544
Compensated absences	6,549
Total Current Liabilities	<u>8,093</u>
Noncurrent Liabilities	
Compensated absences	41,727
Total Noncurrent Liabilities	<u>41,727</u>
TOTAL LIABILITIES	<u>49,820</u>

NET ASSETS

Invested in capital assets, net	37,423
Restricted	
Nonexpendable	124,725
Expendable	87,182
Unrestricted	374,675
TOTAL NET ASSETS	<u>\$ 624,005</u>

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

WYSU-FM, YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2002

REVENUES

Operating Revenues	
Corporation of Public Broadcasting grant	\$ 127,335
In-Kind contributions	184,357
Ohio Educational Telecommunications grant	52,430
Total Operating Revenue	<u>364,122</u>

EXPENSES

Operating Expenses	
Program services	
Programming and production	319,463
Broadcasting	99,541
Program information	20,090
Support services	
Management and general	360,057
Fund raising & membership development	236,678
Depreciation	8,156
Total Operating Expenses	<u>1,043,985</u>
Operating (Loss)	<u>(679,863)</u>

NONOPERATING REVENUES

General appropriation from University	314,144
Donated facilities and administrative support from University	160,858
Membership revenue	174,469
Underwriting	70,033
Net revenue from fund raising	25,698
Foundations	10,000
Restricted investment income	<u>(11,170)</u>
Total Nonoperating Revenues	<u>744,032</u>
Income before other revenues	64,169
Capital grant	<u>50,000</u>
Increase in Net Assets	<u>114,169</u>

NET ASSETS

Net assets at the beginning of the year - as previously reported	652,078
Prior Period Adjustments	
Cumulative effect of a change in accounting principle	(283,917)
Correction of an error	141,675
Restated net assets at the beginning of the year	<u>509,836</u>
Net assets at the end of the year	<u>\$ 624,005</u>

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

WYSU-FM, YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Corporation for Public Broadcasting grant	\$ 127,335
Receipts from Ohio Educational Telecommunications grant	52,430
Payments to suppliers	(366,708)
Payments to employees	(226,779)
Payments for benefits	(92,964)
Total Cash Flows from Operating Activities	<u>(506,686)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on endowment	<u>5,780</u>
Total Cash Flows from Investing Activities	<u>5,780</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
General appropriation from University	314,144
Membership revenue	174,694
Underwriting	68,416
Foundations	10,000
Net revenue from fund raising	<u>20,698</u>
Total Cash Flows From Noncapital Financing Activities	<u>587,952</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Grant for capital purchases	<u>50,000</u>
Total Cash Flows From Capital and Related Financing Activities	<u>50,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	137,046
Cash and Cash Equivalents, Beginning of Year	<u>352,531</u>
Cash and Cash Equivalents, End of Year	<u>\$ 489,577</u>

Reconciliation of Operating Loss to Net Cash Flows from Operating Activities

OPERATING LOSS	\$ (679,863)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES	
Depreciation expense	8,156
Donated facilities and administrative support from University	160,858
Changes in assets and liabilities:	
Prepaid expense	2,002
Accounts payable	<u>2,161</u>
CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (506,686)</u>

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

WYSU-FM, YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2002

Note 1 – Summary of Significant Accounting Policies

Organization

WYSU Radio (Station) is operated as a function of the Telecommunications Department of Youngstown State University (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 (CPB).

Basis for Presentation

During fiscal year 2002, the Station adopted GASB Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. These statements establish standards for external financial reporting and provide a comprehensive perspective of the Station's assets, net assets, revenues, expenses, and cash flows. For financial reporting purposes, the station is considered a special-purpose government engaged in business-type activities as defined by GASB Statement No. 34 and 35.

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 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.

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be 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.
- Restricted Expendable: Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

- 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 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.

Cash & Cash Equivalents

For purposes of the statements of cash flows, the Station considers all liquid investments with an original maturity of three months or less to be cash equivalents. 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 three credit risk categories: insured, collateralized and uncollateralized. The majority of the Station's cash, cash equivalents, and temporary investments are 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.

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 5 years.

Net Assets

The provisions of GASB Statement No. 35 have been applied to the year presented. Net assets at June 30, 2001, have also been adjusted to correct an error in recording investments allocated to WYSU made in a prior year. Had the error not been made, fund balance at 6/30/01 would have been higher by \$141,675. The following is a reconciliation of June 30, 2001 fund balances, as previously reported, to the restated net asset balance at the same date:

Combined fund balances, as previously reported	\$ 652,078
Correction of an error in recording investments allocated to WYSU	141,675
Cumulative effect of a change in accounting principle for accumulated depreciation	<u>(283,917)</u>
Combined fund balances, restated as net assets	<u>\$ 509,836</u>

WYSU-FM, YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2002

Compensated Absences

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

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. Actual results may differ from those estimates.

General Appropriation from the University

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

Administrative Support

These funds are allocated by the University based on the Station's pro rata share of total salaries, wages, and administrative expenses. Donated facilities consist of office and studio space together with occupancy costs and are recorded as revenue and expenses in the Statement of Revenue, Expenses, and Changes in Net Assets.

Note 2 – Capital Assets

The capital assets and accumulated depreciation as of June 30, 2002 are as follows:

<u>Capital assets</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Building, antenna and tower	\$ 152,748	\$ -	\$ -	\$152,748
Studio and broadcast equipment	<u>176,748</u>	<u>-</u>	<u>-</u>	<u>176,748</u>
	329,496	-	-	329,496
Less: Accumulated depreciation	<u>283,917</u>	<u>8,156</u>	<u>-</u>	<u>292,073</u>
Capital assets, net	<u>\$ 45,579</u>	<u>\$ (8,156)</u>	<u>\$ -</u>	<u>\$ 37,423</u>

WYSU-FM, YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2002

Note 3 - Related Organizations

The Youngstown State University Foundation (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 Youngstown State University that are useful to the students and beneficial to the community. Under the terms of an agreement with the University, the Foundation serves as an investment manager for the University's and therefore the Station's endowments.

Note 4 - Investments

In accordance with GASB Statement No. 31, the Station records investments at fair value and recognizes unrealized gains and losses in the financial statements. The change in unrealized gain (loss) on investments is reflected in the Statement of Revenue, Expenses, and Changes in Net Assets and was a net unrealized loss of \$16,950.

Investments Held by Investment Manager

	<u>Cost</u>	<u>Fair Value</u>
Common Stock	\$ 40,045	\$ 46,148
Corporate Notes & Bonds	19,481	22,451
Preferred Stock	7,576	8,731
U.S. Government and Agency Securities	30,304	34,923
Other Securities	<u>10,824</u>	<u>12,472</u>
Total Investments Held by Investment Manager	<u>\$ 108,230</u>	<u>\$ 124,725</u>

Note 5 – Long Term Liabilities

Long-term liability activity for the year ended June 30, 2002 was as follows:

	<u>Beginning Balance</u>	<u>Net Additions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ <u>41,727</u>	<u>6,549</u>	<u>48,276</u>	\$ <u>6,549</u>

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Note 6 – 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, if any.

WYSU-FM, YOUNGSTOWN STATE UNIVERSITY RADIO

SCHEDULE OF NONFEDERAL FINANCIAL SUPPORT FOR THE YEAR ENDED JUNE 30, 2002

Direct Income	\$	685,604
Indirect Administrative Support		160,858
In-Kind Contributions of Services and Other Intangibles		<u>184,357</u>
Total Nonfederal Financial Support	\$	<u><u>1,030,819</u></u>



YOUNGSTOWN STATE UNIVERSITY



**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 18, 2003**