

SINGLE AUDIT REPORT

Youngstown State University
Year Ended June 30, 2007



Mary Taylor, CPA
Auditor of State

Board of Trustees
Youngstown State University
One University Plaza
Youngstown, Ohio 44555

We have reviewed the *Independent Auditor's Report* of the Youngstown State University, Mahoning County, prepared by Ernst & Young LLP, for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

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Auditor of State

February 27, 2008

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Youngstown State University

Single Audit Report

Year Ended June 30, 2007

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YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT SWEET

October 15, 2007

Youngstown State University continued the focused implementation of its Centennial Strategic Plan during fiscal year 2007. During the year, significant time and effort was directed to activities that will take place during fiscal year 2008 including the Higher Learning Commission Accreditation site visit, the University's Centennial Celebration, the conclusion of the Centennial Capital Campaign, and the full implementation of financing for the Centennial Campus Master Plan.

The University's 2007 Institutional Annual Plan is available on the YSU website (<http://www.ysu.edu/president/index.shtml>). The report details progress in addressing the Centennial Strategic Plan's ten critical issues. The highlights of fiscal year 2007 include:

- Fall semester enrollment increased from 13,183 in 2006 to 13,497 in 2007. Enrollment has increased approximately 15% since Fall 2000.
- Minority enrollment increased from 2,062 in Fall 2006 to 2,338 in Fall 2007, a 13.4% increase. In Fall 2007, minority enrollment represented approximately 16% of total University enrollment compared to approximately 11% in Fall 2000.
- Completion of all preliminary phases of the self-study for the Higher Learning Commission/North Central Association Accreditation in preparation for submitting the self-study in December and the site visit scheduled for February 2008.
- Completion of the Academic Strategic Plan and restructuring of the academic colleges to create the College of Science, Technology, Engineering, and Mathematics (STEM) and the College of Liberal Arts and Social Sciences (CLASS) from the previous College of Arts and Sciences and Rayen College of Engineering and Technology.
- Launch of the Centennial Capital Campaign and achievement of fundraising \$32 million toward the target of \$43 million, representing 74% of the goal.
- Completion of key senior personnel searches with the recruitment of Eugene Grilli, Vice President for Finance and Administration; Yulanda McCarty-Harris, Director of Equal Opportunity and Diversity; and Craig Bickley, Chief Human Resources Officer.
- Implementation of two additional modules of the SCT Banner project—the Admissions module of the Student System and the Human Resources/Payroll module.
- Achievement of significant progress on the Centennial Campus Master Plan which includes the East and North Campus Gateways, the selection of an architect for the new Williamson College of Business Administration building, and the selection of a developer for the Smoky Hollow Neighborhood redevelopment project in partnership with Wick Neighbors, Inc.

During fiscal year 2007, the University has had to address major changes in the state and regional political environment including the appointment of a new Chancellor who is committed with the support of newly elected Governor Ted Strickland to dramatically restructure higher education in Ohio. In addition, a regional commission was formed to recommend changes in higher education in Northeast Ohio. Fiscal year 2008 will be marked by continued activity at the state and regional levels.

Sincerely,



David C. Sweet
President

Report of Independent Auditors

The Board of Trustees
Youngstown State University

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Youngstown State University (University), a component unit of the State of Ohio, as of and for the years ended June 30, 2007 and 2006, which collectively comprise the University's basic financial statement as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Youngstown State University Foundation, which represents 40%, 47%, and 1%, respectively, of the total assets, net assets and revenue of the aggregate discretely presented component units of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University for the discretely presented component unit, is based solely on the report of the other auditors.

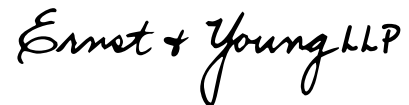
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of Youngstown State University as of June 30, 2007 and 2006, and the respective changes in its net assets and, where applicable, cash flows, thereof, for the years then ended in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 4 through 15 are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2007, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the University taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2007, is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



October 15, 2007

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section of Youngstown State University's (YSU or University) Financial Report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2007 with comparative information for the fiscal years ended June 30, 2006 and 2005. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

In 1908, The Youngstown College was founded. In 1955, The Youngstown College became The Youngstown University. On September 1, 1967, The Youngstown University became officially known as Youngstown State University. The University is composed of six colleges and one school and operates on a main campus and a Metro College. Fall 2006 enrollment was approximately 13,200 students and Spring 2007 enrollment was approximately 12,500.

Using the Financial Statements

The University's financial report includes three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with the financial reporting format required by the Governmental Accounting Standards Board's (GASB) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole. Key presentation elements include:

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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

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

Financial and Other University Highlights

- Increased enrollment
- Positive Senate Bill 6 ratios
- Continued progress on four major planning initiatives including enrollment management, technology, the campus master plan, and the centennial capital campaign
- Continuation of partnership with SunGard Higher Education Solutions to implement an Enterprise Resource Planning (ERP) System to replace all administrative and financial information systems within the University
- Achieved a substantial amount of Centennial Capital Campaign fundraising goal.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The Statements of Net Assets

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

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Assets			
Current assets	\$ 39,091,090	\$ 29,766,825	\$ 35,321,462
Capital assets, net	156,013,424	160,912,963	152,956,510
Other assets	42,137,140	34,617,676	30,675,292
Total Assets	<u>237,241,654</u>	<u>225,297,464</u>	<u>218,953,264</u>
Liabilities			
Current liabilities	24,420,755	23,020,653	22,187,810
Noncurrent liabilities	29,221,380	30,888,229	21,232,048
Total Liabilities	<u>53,642,135</u>	<u>53,908,882</u>	<u>43,419,858</u>
Total Net Assets	<u>\$ 183,599,519</u>	<u>\$ 171,388,582</u>	<u>\$ 175,533,406</u>
Net Assets			
Invested in capital assets, net of related debt	135,740,831	138,839,999	139,692,381
Restricted	25,753,454	16,353,678	16,753,452
Unrestricted	22,105,234	16,194,905	19,087,573
Total Net Assets	<u>\$ 183,599,519</u>	<u>\$ 171,388,582</u>	<u>\$ 175,533,406</u>

Assets

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Cash and cash equivalents	\$ 13,428,352	\$ 10,106,720	\$ 16,411,426
Investments	39,983,400	37,847,254	29,779,808
Accounts, loans and pledges receivable, net	24,334,420	13,503,715	17,053,878
Capital assets, net	156,013,424	160,912,963	152,956,510
Other	3,482,058	2,926,812	2,751,642
Total Assets	<u>\$ 237,241,654</u>	<u>\$ 225,297,464</u>	<u>\$ 218,953,264</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Cash and cash equivalents, and investments increased \$5.4 million or 11.4% from fiscal year 2006 to fiscal year 2007. Contributors to the increase include increased enrollment and higher tuition; containment of operating expenses; favorable investment market; and increased fundraising activities.

Cash and cash equivalents increased \$3.3 million or 32.9% from fiscal year 2006 to fiscal year 2007; whereas investments increased \$2.1 million or 5.6%. Asset allocations for cash and cash equivalents, and investments were in line with the strategic targets set forth in the University's asset allocation guidelines.

Although total cash and cash equivalents, and investments only increased \$1.8 million from fiscal year 2005 to fiscal year 2006, the composition between cash and cash equivalents and investments fluctuated significantly. Cash and cash equivalents decreased \$6.3 million or 38.4% from fiscal year 2005 to fiscal year 2006 while investments increased \$8 million or 27.1%. The University's asset allocation guidelines specify a 20-40% range for cash and cash equivalents with a strategic target of 30%. Cash and cash equivalents were at the high end of the range at the end of fiscal year 2005 due to a planned transition to a new custodial investment manager, and a need for more liquidity to address scheduled payments of \$3.9 million for the West Campus Gateway Project including \$1.9 million in construction payables at June 30, 2005. Cash and cash equivalents were at the low end of the range at the end of fiscal year 2006 largely due to a shift of working capital from cash and cash equivalents to investments upon completion of the West Campus Gateway Project and depletion of cash and cash equivalents in the last quarter of fiscal year 2006 to address ERIP and other retirement-related payouts. See Note 4 for more information on investment types and maturities.

Endowment principal and other investments are included in noncurrent assets. The Statement of Cash Flows provides additional information on sources and uses of the University's cash and cash equivalents. Refer to Notes 3 and 4 for additional information on cash and cash equivalents, and investments.

Net accounts, loans and pledges receivable increased \$10.8 million or 80.2% from fiscal year 2006 to fiscal year 2007 due to:

- a \$2.4 million increase in grants and contracts receivable;
- a \$9.2 million increase in net pledges receivable for the Centennial Campaign for capital investment for student facilities including a new business college and a new indoor practice athletic facility.

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

At June 30, 2007, the University had \$156,013,424 in capital assets, net of accumulated depreciation. Depreciation and amortization totaled \$9,141,030, \$8,816,031, and \$8,320,547 in fiscal years 2007, 2006, and 2005, respectively. Details of net capital assets are shown below.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Land	\$ 13,527,705	\$ 13,380,116	\$ 13,329,592
Buildings	100,877,714	121,103,113	109,440,750
Improvements to buildings	25,530,838	-	-
Improvements other than buildings	6,961,158	6,287,958	6,410,980
Construction-in-progress	1,895,250	11,815,023	14,246,102
Moveable equipment and furniture	6,257,407	7,303,979	8,340,583
Vehicles	133,896	163,267	210,131
Historical treasures	297,513	297,513	297,513
Capital leased assets	531,943	561,994	680,859
Total	<u>\$ 156,013,424</u>	<u>\$ 160,912,963</u>	<u>\$ 152,956,510</u>

Major capital activity during fiscal year 2007 included substantial completion of the Energy Management System; completion of the Masonry Restorations projects, which included masonry repairs to various buildings on campus; and completion of the M-8 lot and Spring Street East portion of the East Campus Gateway Project. Major capital activity during fiscal year 2006 included the completion of the West Campus Gateway Project, which includes the Andrews Recreation and Wellness Center and Bookstore renovation and expansion; the completion of the Chiller Steamline Project; the inception of an Energy Management System; and the continued construction of the East Campus Gateway Project, which includes parking lot improvements, street renovations and repairs. Major capital activity during fiscal year 2005 included the Campus Electronic Upgrade, the Beeghly Gym Roof Renovations, and construction of the Andrews Recreation and Wellness Center reflected in Construction in Progress at June 30, 2005. The addition of properties to allow for future expansion of the University campus, and technology upgrades occurred in both fiscal years 2006 and 2005. More detailed information about the University's capital assets is presented in Note 7 to the financial statements.

Liabilities

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Accounts and construction payable	\$ 1,616,458	\$ 1,427,637	\$ 3,249,294
Payroll liabilities	8,734,992	8,901,927	8,688,678
Note payable	8,962,133	9,796,000	-
Bonds and capital leases payable, net	11,435,839	12,366,550	13,268,653
Deferred revenue	10,355,435	8,765,906	8,484,716
Compensated absences	8,959,219	8,990,506	6,636,242
Refundable advance	2,734,413	2,793,698	2,808,777
Other	843,646	866,658	283,498
Total Liabilities	<u>\$ 53,642,135</u>	<u>\$ 53,908,882</u>	<u>\$ 43,419,858</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Total liabilities at June 30, 2007 remained consistent with total liabilities at June 30, 2006. Debt reduction during fiscal year 2007 totaled \$1.76 million; whereas deferred revenue increased \$1.6 million due to increased grant activity. At June 30, 2007, the University had \$11,165,000 in principle debt outstanding compared to \$12,030,000 at June 30, 2006 and \$12,875,000 at June 30, 2005.

Total liabilities increased \$10.5 million in fiscal year 2006 primarily due to the addition of a \$9.8 million note payable for an energy management system. Accounts and construction payable increased in fiscal 2005 primarily due to construction payables related to the West Campus Gateway Project. Compensated absences increased \$2.4 million from fiscal year 2005 to fiscal year 2006 primarily due to the establishment of an Early Retirement Incentive Plan (ERIP) during fiscal year 2006 and an increase in the estimated sick leave liability. More detailed information about the University's ERIP, debt and long-term liabilities is presented in Note 9 to the financial statements. See Note 8 for a further breakout of accrued and other liabilities.

Net Assets

Overall the University's net assets increased \$12.2 million or 7% from \$171.4 million at June 30, 2006 to \$183.6 million at June 30, 2007. This increase is largely due to \$14.7 million combined increase in restricted and unrestricted expendable funds largely attributed to the Centennial Campaign fund raising activities and \$3.1 million decrease in Invested in Capital Assets, net of related debt.

Restricted net assets, including expendable and nonexpendable funds, totaled \$25.8 million at June 30, 2007 compared to \$16.4 million at June 30, 2006, an increase of \$9.4 million or 57%. Restricted expendable net assets totaled \$19.8 million at June 30, 2007 compared to \$11.1 million at June 30, 2006, an increase of \$8.7 million or 79%, largely due to capital pledges and funds for the purpose of constructing a new business college and a new indoor athletic practice facility. Capital gift revenue for these projects totaling \$8.4 million is included in capital grants and gifts in the Statement of Revenues, Expenses, and Changes in Net Assets. Current Funds include grants and sponsored programs and gifts, including scholarship donations, program support and endowed scholarship pledges. Revenues are included in private gifts. The following table summarizes restricted expendable net assets at:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current funds	\$ 8,033,675	\$ 6,362,872	\$ 5,430,838
Plant funds	11,745,616	4,650,793	5,982,601
Loan funds	64,429	66,166	72,584
Total	<u>\$ 19,843,720</u>	<u>\$ 11,079,831</u>	<u>\$ 11,486,023</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Unrestricted net assets totaled \$22.1 million at June 30, 2007 compared to \$16.2 million at June 30, 2006, an increase of \$5.9 million or 36%. Current funds increased largely due to General Fund operating year end excess of \$2.7 million compared to \$1.4 million in fiscal year 2006. Plant funds increased largely due to transfers of year-end excess of Auxiliary funds to plant reserves for future plant projects. The following table summarizes unrestricted net assets at:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current funds	\$ 8,889,218	\$ 4,122,451	\$ 6,864,725
Operating reserves	7,820,696	7,538,575	7,250,000
Plant funds	5,377,012	4,513,423	4,701,244
Loan funds	18,308	20,456	271,604
Total	<u>\$ 22,105,234</u>	<u>\$ 16,194,905</u>	<u>\$ 19,087,573</u>

Effective in fiscal year 2006, year end general carryforward funds are segregated into allocated funds that require approved spending plans prior to expenditure. Auxiliary year end carryforward funds have, and continue to be, transferred to plant reserve funds. During fiscal year 2006, \$1.1 million transfer from auxiliary to plant reserve funds.

Overall Analysis of Fiscal Year 2006 Versus 2005

The most significant factors affecting the decrease in net assets for fiscal year 2006 included significant increases in compensation-related liabilities and a decrease in year end current operating funds.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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

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

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Operating Revenues			
Net tuition, fees and other student charges	\$ 74,939,644	\$ 67,801,731	\$ 62,490,186
Auxiliary enterprises	16,904,112	15,617,059	15,049,075
Grants and contracts	13,717,515	13,807,232	13,576,193
Other	1,746,145	1,269,415	1,825,178
Total Operating Revenues	<u>107,307,416</u>	<u>98,495,437</u>	<u>92,940,632</u>
Operating Expenses	<u>173,205,585</u>	<u>168,597,834</u>	<u>163,214,249</u>
Operating Loss	<u>(65,898,169)</u>	<u>(70,102,397)</u>	<u>(70,273,617)</u>
Nonoperating Revenues (Expenses)			
State appropriations	42,912,623	42,256,300	43,534,244
Gifts, grants, and contracts	22,972,761	20,024,534	20,409,765
Investment income	3,981,962	1,550,845	1,776,256
Other nonoperating expenses, net	(2,575,260)	(1,897,913)	(1,221,188)
Net Nonoperating Revenues	<u>67,292,086</u>	<u>61,933,766</u>	<u>64,499,077</u>
Income (Loss) Before Other Revenues, Expenses, and Changes	1,393,917	(8,168,631)	(5,774,540)
Other Revenues, Expenses, and Changes			
State capital appropriations	2,101,533	3,870,015	8,477,922
Capital grants and gifts	8,691,475	103,757	1,138,011
Other	24,012	50,035	49,614
Total Other Revenues, Expenses, and Changes	<u>10,817,020</u>	<u>4,023,807</u>	<u>9,665,547</u>
Increase (Decrease) in Net Assets	12,210,937	(4,144,824)	3,891,007
Net Assets at Beginning of Year	<u>171,388,582</u>	<u>175,533,406</u>	<u>171,642,399</u>
Net Assets at End of the Year	<u>\$ 183,599,519</u>	<u>\$ 171,388,582</u>	<u>\$ 175,533,406</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Revenues

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Net tuition, fees and other student charges	\$ 74,939,644	\$ 67,801,731	\$ 62,490,186
Auxiliary enterprises	16,904,112	15,617,059	15,049,075
Gifts, grants, and contracts	45,405,763	33,985,558	35,173,583
State appropriations	42,912,623	42,256,300	43,534,244
Investment income	3,981,962	1,550,845	1,776,256
Other revenue	1,995,452	1,858,363	2,277,135
State capital appropriations	2,101,533	3,870,015	8,477,922
Total Revenues	<u>\$ 188,241,089</u>	<u>\$ 166,939,871</u>	<u>\$ 168,778,401</u>

Overall, the University's total net revenue increased \$21.3 million or 12.8% in fiscal year 2007 and decreased \$1.8 million or 1.1% in fiscal year 2006. The majority of the University's revenue, 63% in fiscal year 2007, 67% in fiscal year 2006 and 63% in fiscal year 2005, is attributed to State appropriations and tuition and fees. Combined, these two revenue streams increased \$7.8 million in fiscal year 2007 and \$4.0 million in fiscal year 2006. State capital appropriations revenue decreased \$1.76 million in fiscal year 2007 and decreased \$4.6 million in fiscal year 2006 primarily due to a decrease in the number capital projects.

From fiscal year 2006 to fiscal year 2007, net tuition, fees, and other student charges increased \$7.1 million primarily due to 5.75% increase in mandatory fees and increased FTE of 2.8%. From fiscal year 2005 to fiscal year 2006, net tuition, fees, and other student charges increased \$5.3 million, primarily due to a 7.63% increase in tuition and fees charged to all students, offset by a 1.8% decrease in full-time equivalent students.

Expenses

Operating expenses can be displayed in two formats: natural classification and functional classification. The table below summarizes both formats.

Functional Classification	Natural Classification				2007	2006	2005
	Compensation	Operating	Scholarships	Depreciation and Amortization	Total Functional	Total Functional	Total Functional
Instruction and departmental research	\$ 58,918,979	\$ 5,617,787	\$ 117,217	\$ -	64,653,983	\$ 62,665,700	\$ 63,608,020
Separately budgeted research	569,015	289,358	(500)	-	857,873	955,945	1,543,391
Public service	2,907,756	1,158,269	546	-	4,066,571	4,565,405	5,396,600
Academic support	9,168,920	3,489,571	5,431	-	12,663,922	11,355,057	10,325,582
Student services	7,125,364	1,296,288	2,624	-	8,424,276	8,015,148	8,747,696
Institutional support	17,445,631	7,421,092	9,767	-	24,876,490	26,654,373	22,749,601
Operation and maintenance of plant	6,988,590	6,793,086	94	-	13,781,770	13,482,934	13,022,133
Scholarships	-	482,320	12,139,203	-	12,621,523	10,917,454	9,391,805
Auxiliary enterprises	8,337,544	10,951,068	2,829,535	-	22,118,147	21,169,787	20,108,874
Depreciation and amortization	-	-	-	9,141,030	9,141,030	8,816,031	8,320,547
Total Natural Expenses	<u>\$ 111,461,799</u>	<u>\$ 37,498,839</u>	<u>\$ 15,103,917</u>	<u>\$ 9,141,030</u>	<u>\$ 173,205,585</u>	<u>\$ 168,597,834</u>	<u>\$ 163,214,249</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall operating expenses increased \$4.6 million or 2.7% between fiscal year 2007 and fiscal year 2006. This increase was consistent with budgeted targets.

Overall operating expenses increased \$5.4 million or 3.3% between fiscal year 2006 and fiscal year 2005. The largest increase was a \$3.9 million increase in institutional support largely due to \$2 million ERIP OPERS purchases and retirement related payouts.

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

Total operating and non-operating expenses are \$176,030,151, \$171,084,695, and \$164,887,394 in fiscal years 2007, 2006 and 2005, respectively.

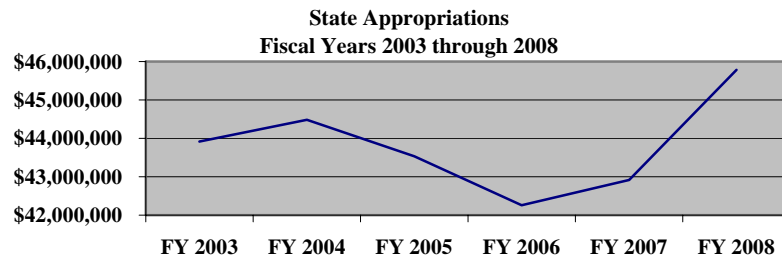
YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Economic Factors for the Future

Looking to the future, management believes the University is well-positioned to continue its favorable financial condition and level of excellence in service to students. The University's positive financial position is reflected in its Senate Bill 6 (SB6) composite scores. These scores are required to be calculated by Ohio legislation and provide a formalized structure for monitoring the financial health of the State's colleges and universities. These ratios, calculated annually, assess viability, financial strength and net income. The overall maximum score is 5 and the threshold for fiscal watch is 1.75. The University's SB6 composite score for the year ended June 30, 2007 was 3.7 compared to 2.9 at June 30, 2006 and 3.3 at June 30, 2005. The increase in the composite score is primarily the result of pledges for the Centennial Campaign.

A crucial element to the University's future will continue to be its relationship with the State as work continues toward providing quality education at an affordable price. The University continued to experience a decline in its revenue from State appropriations through fiscal year 2006. After experiencing a slight increase in fiscal year 2007, the fiscal year 2008 proposed budget reflects a 6.8% increase in state support. Amended Substitute House Bill 199 (HB199), the state of Ohio's biennial operating budget bill for fiscal years 2008 and 2009, allocates an additional \$96 million in direct state support for higher education in fiscal year 2008, of which YSU's share is projected to be approximately \$2.9 million or 6.8% above fiscal year 2007 actual state support. This increase is intended to offset the mandated tuition constraints imposed as part of HB199. The University's State appropriations are illustrated below:



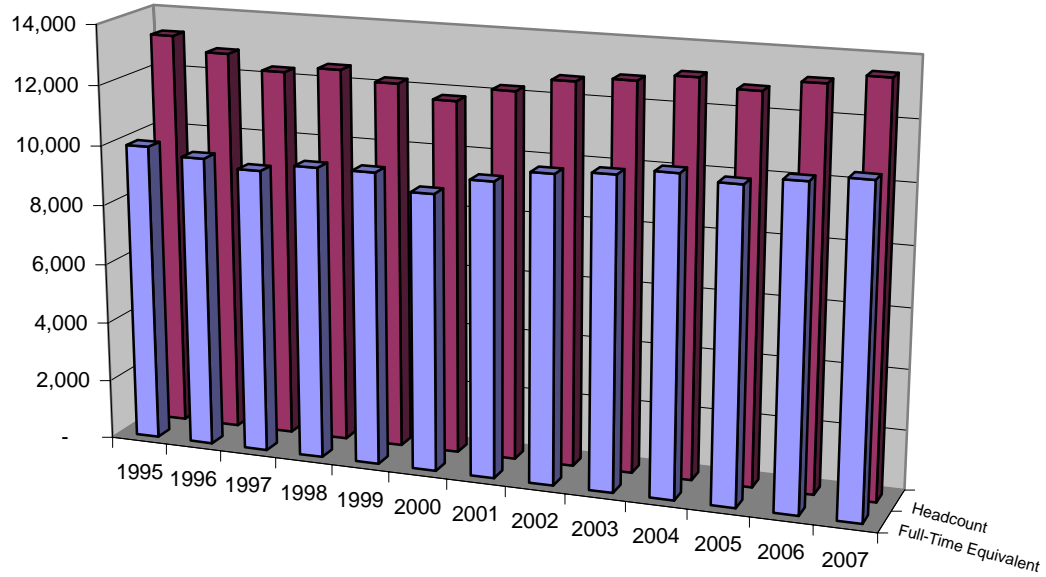
Note: Graph includes five years actual plus budgeted amount for fiscal year 2007

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The University's enrollment has stabilized:

**Fall Term Enrollment Trends
1995 through 2007**



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
■ Full-Time Equivalent	9,954	9,714	9,462	9,729	9,733	9,203	9,766	10,171	10,311	10,518	10,332	10,590	10,796
■ Headcount	13,273	12,801	12,324	12,533	12,222	11,787	12,250	12,698	12,858	13,101	12,812	13,183	13,497

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF NET ASSETS AT JUNE 30, 2007 AND 2006

	June 30, 2007	June 30, 2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 13,428,352	\$ 10,106,720
Investments	4,432,385	5,406,308
Restricted investments	331,757	890,724
Interest receivable	405,909	277,339
Accounts receivable, net	6,974,212	4,875,359
Pledges receivable, net	6,145,655	1,426,117
Pledges receivable - Youngstown State University Foundation	3,825,000	3,600,000
Loans receivable, net	597,050	601,950
Inventories	1,971,734	1,869,298
Prepaid expenses and deferred charges	979,036	713,010
Total Current Assets	39,091,090	29,766,825
Noncurrent Assets		
Investments	29,620,480	26,593,693
Endowments and other restricted investments	5,598,778	4,956,529
Pledges receivable, net	4,962,176	1,004,982
Loans receivable, net	1,830,327	1,995,307
Deposits on land	125,379	67,165
Nondepreciable capital assets, net	15,720,468	25,492,652
Depreciable capital assets, net	140,292,956	135,420,311
Total Noncurrent Assets	198,150,564	195,530,639
Total Assets	237,241,654	225,297,464
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	1,243,605	1,051,927
Construction payable	372,853	375,710
Payroll liabilities	8,734,992	8,901,927
Bonds payable	900,000	865,000
Note payable	863,303	833,867
Capital leases payable	88,100	89,763
Compensated absences	1,018,821	1,269,895
Deferred revenue	10,355,435	8,765,906
Other liabilities	843,646	866,658
Total Current Liabilities	24,420,755	23,020,653
Noncurrent Liabilities		
Bonds payable, net	10,104,602	10,983,967
Note payable	8,098,830	8,962,133
Capital leases payable	343,137	427,820
Compensated absences	7,940,398	7,720,611
Refundable advance	2,734,413	2,793,698
Total Noncurrent Liabilities	29,221,380	30,888,229
Total Liabilities	53,642,135	53,908,882
NET ASSETS		
Invested in capital assets, net of related debt	135,740,831	138,839,999
Restricted:		
Nonexpendable	5,909,734	5,273,847
Expendable	19,843,720	11,079,831
Unrestricted	22,105,234	16,194,905
Total Net Assets	\$ 183,599,519	\$ 171,388,582

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2007 AND 2006

	June 30, 2007	June 30, 2006
ASSETS		
Cash and cash equivalents	\$ 4,360,499	\$ 4,040,308
Accrued interest receivable	831,508	776,283
Due from University Housing Corporation	112,645	107,391
Prepaid insurance	11,841	18,019
Property acquired for resale to Youngstown State University	77,900	108,834
Investments - at market value:		
Common stock	104,623,471	90,113,223
Preferred stock	5,787,942	5,539,445
Fixed income securities:		
U.S. Government and Agencies	36,226,657	28,243,611
Corporate	14,994,201	17,652,617
Temporary cash investments	1,504,537	1,205,240
	163,136,808	142,754,136
Contribution receivable	-	4,653
Contribution receivable from remainder trusts	1,406,644	1,329,997
Cash surrender value of insurance policies	60,450	63,371
Office furniture and equipment, at cost, less accumulated depreciation of \$33,235 in 2007 and \$31,924 in 2006	867	2,177
TOTAL ASSETS	169,999,162	149,205,169
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	26,189	24,325
Retirement benefits payable	36,504	39,270
Grant commitments to Youngstown State University for scholarship awards	3,825,000	3,600,000
Total Liabilities	3,887,693	3,663,595
 Net Assets		
Unrestricted:		
Designated by Board for endowment	126,189,253	111,525,359
Undesignated	1,472,672	1,638,264
	127,661,925	113,163,623
Temporarily restricted	2,084,576	1,627,434
Permanently restricted	36,364,968	30,750,517
Total Net Assets	166,111,469	145,541,574
 TOTAL LIABILITIES AND NET ASSETS	 \$ 169,999,162	 \$ 149,205,169

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF FINANCIAL POSITION AT JULY 31, 2007 AND 2006

	July 31, 2007	July 31, 2006
ASSETS		
Current Assets		
Cash	\$ 172,557	\$ 171,539
Restricted cash	299,080	83,857
Accounts receivable, net	32,285	23,539
Accounts receivable - Youngstown State University	14,934	15,879
Interest receivable	15,476	13,516
Restricted investments	3,324,291	2,935,241
Prepaid expenses	30,305	216,685
Total Current Assets	3,888,928	3,460,256
Property, Facilities, and Equipment, net	16,267,002	16,771,069
Bond issue costs, net	343,434	357,311
TOTAL ASSETS	20,499,364	20,588,636
LIABILITIES AND NET DEFICIT		
Liabilities		
Current Liabilities		
Accounts payable	29,895	6,799
Capital lease payable, current portion	23,977	21,273
Accrued bond interest payable	68,646	66,143
Bonds payable, current portion	100,000	60,000
Prepaid rent	42,320	42,006
Due to Ambling Company	9,626	9,626
Security deposits	77,838	96,543
Other accruals	77,703	17,417
Total Current Liabilities	430,005	319,807
Long-Term Debt		
Bonds payable	21,430,000	21,580,000
Interest rate swap	429,618	365,214
Loan payable - Youngstown State University Foundation	121,592	108,376
Capital lease payable	18,067	41,739
Total Long-Term Debt	21,999,277	22,095,329
Total Liabilities	22,429,282	22,415,136
Unrestricted Net Deficit	(1,929,918)	(1,826,500)
TOTAL LIABILITIES AND NET DEFICIT	\$ 20,499,364	\$ 20,588,636

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	June 30, 2007	June 30, 2006
REVENUES		
Operating Revenues		
Tuition, fees, and other student charges (net of scholarship allowance of \$17,102,380 in 2007 and \$16,907,746 in 2006)	\$ 74,939,644	\$ 67,801,731
Federal grants and contracts	5,113,858	3,640,710
State grants and contracts	7,882,092	8,672,343
Local grants and contracts	296,557	267,745
Private grants and contracts	425,008	1,226,434
Sales and services	299,550	243,638
Auxiliary enterprises	16,904,112	15,617,059
Other operating revenues	1,446,595	1,025,777
Total Operating Revenues	107,307,416	98,495,437
EXPENSES		
Operating Expenses		
Instruction and departmental research	64,653,983	62,665,700
Separately budgeted research	857,873	955,945
Public service	4,066,571	4,565,405
Academic support	12,663,922	11,355,057
Student services	8,424,276	8,015,148
Institutional support	24,876,490	26,654,373
Operation and maintenance of plant	13,781,770	13,482,934
Scholarships	12,621,523	10,917,454
Auxiliary enterprises	22,118,147	21,169,787
Depreciation and amortization	9,141,030	8,816,031
Total Operating Expenses	173,205,585	168,597,834
Operating Loss	(65,898,169)	(70,102,397)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	42,912,623	42,256,300
Federal grants	13,154,156	12,301,380
Private gifts	9,818,605	7,723,154
Unrestricted investment income (net of investment expense)	3,152,088	1,260,400
Restricted investment income (net of investment expense)	829,874	290,445
Interest on capital asset-related debt	(718,595)	(773,162)
Other nonoperating expenses, net	(1,856,665)	(1,124,751)
Net Nonoperating Revenues	67,292,086	61,933,766
Gain (Loss) Before Other Revenues, Expenses, and Changes	1,393,917	(8,168,631)
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	2,101,533	3,870,015
Capital grants and gifts	8,691,475	103,757
Additions to the principal of endowments	24,012	50,035
Total Other Revenues, Expenses, and Changes	10,817,020	4,023,807
Increase (Decrease) In Net Assets	12,210,937	(4,144,824)
NET ASSETS		
Net Assets at Beginning of the Year	171,388,582	175,533,406
Net Assets at End of the Year	\$ 183,599,519	\$ 171,388,582

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	June 30, 2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses) and other support:				
Contributions	\$ 393,522	\$ 353,171	\$ 2,353,683	\$ 3,100,376
Investment earnings	6,172,602	39,665	-	6,212,267
Net realized gain on sale of investments	1,724,789	27,647	109,564	1,862,000
Net unrealized gain on long-term investments	12,745,296	146,392	3,074,557	15,966,245
Increase in value of deferred gifts	-	-	76,647	76,647
Net assets released from restrictions	109,733	(109,733)	-	-
Total revenues, gains (losses) and other support	21,145,942	457,142	5,614,451	27,217,535
Expenditures and other distributions:				
Administrative expenditures	631,818	-	-	631,818
Distribution to Youngstown State University:				
Grants for property	86,834	-	-	86,834
Scholarships and other	5,911,654	-	-	5,911,654
Benefits for retired Youngstown University faculty	17,334	-	-	17,334
Total Expenditures	6,647,640	-	-	6,647,640
Change in Net Assets	14,498,302	457,142	5,614,451	20,569,895
Net Assets at Beginning of the Year	113,163,623	1,627,434	30,750,517	145,541,574
NET ASSETS	\$ 127,661,925	\$ 2,084,576	\$ 36,364,968	\$ 166,111,469

	June 30, 2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses) and other support:				
Contributions	\$ 384,153	\$ 75,000	\$ 2,290,780	\$ 2,749,933
Investment earnings	5,883,522	42,999	-	5,926,521
Net realized gain (loss) on sale of investments	45,390	1,770	(47,431)	(271)
Net unrealized gain on long-term investments	4,017,950	53,938	228,927	4,300,815
Increase in value of deferred gifts	-	-	73,017	73,017
Net assets released from restrictions	52,917	(52,917)	-	-
Total revenues, gains (losses) and other support	10,383,932	120,790	2,545,293	13,050,015
Expenditures and other distributions:				
Administrative expenditures	580,704	-	-	580,704
Distribution to Youngstown State University:				
Grants for property	27,687	-	-	27,687
Scholarships and other	5,364,599	-	-	5,364,599
Benefits for retired Youngstown University faculty	20,297	-	-	20,297
Total Expenditures	5,993,287	-	-	5,993,287
Change in Net Assets	4,390,645	120,790	2,545,293	7,056,728
Net Assets at Beginning of the Year	108,772,978	1,506,644	28,205,224	138,484,846
NET ASSETS	\$ 113,163,623	\$ 1,627,434	\$ 30,750,517	\$ 145,541,574

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JULY 31, 2007 AND 2006

	<u>July 31, 2007</u>	<u>July 31, 2006</u>
Income:		
Rental income	\$ 2,214,370	\$ 2,131,506
Interest income	173,436	148,670
Other income	123,237	87,816
Total Income	<u>2,511,043</u>	<u>2,367,992</u>
Expenses:		
Administrative	40,845	31,124
Contract services	56,525	48,709
Interest expense	866,782	868,847
Bond fees	278,792	258,883
Depreciation and amortization expense	577,171	562,913
Bad debt expense	75,382	59,179
Management fees	114,312	114,312
Advertising costs	26,001	13,880
Payroll and payroll-related	148,735	149,479
Accounting and legal	46,310	25,125
Repairs and maintenance	116,331	85,202
Loss (Gain) on interest rate swap	64,404	(727,090)
Insurance and taxes	46,951	48,546
Unit utilities expense	155,920	162,704
Total Expenses	<u>2,614,461</u>	<u>1,701,813</u>
(Increase) Decrease in Unrestricted Net Deficit	(103,418)	666,179
Unrestricted Net Deficit at Beginning of Year	<u>(1,826,500)</u>	<u>(2,492,679)</u>
UNRESTRICTED NET DEFICIT AT END OF YEAR	<u>\$ (1,929,918)</u>	<u>\$ (1,826,500)</u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Cash Flows from Operating Activities		
Student tuition and fees	\$ 75,069,030	\$ 67,199,320
Federal, state, and local grants and contracts	11,587,762	14,105,458
Private grants and contracts	472,065	1,210,560
Sales and services of educational and other departmental activities	18,525,454	15,267,451
Payments to suppliers	(39,330,692)	(34,880,870)
Payments to employees	(83,855,292)	(81,926,490)
Payments for benefits	(27,668,144)	(27,379,890)
Payments for scholarships	(12,621,522)	(10,917,454)
Student loans issued	(407,586)	(499,393)
Student loans collected	577,464	631,451
Student loan interest and fees collected	39,377	32,859
Other receipts, net	1,407,215	992,918
Total Cash Flows Used In Operating Activities	<u>(56,204,869)</u>	<u>(56,164,080)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	55,269,305	65,703,842
Purchase of investments	(57,405,451)	(73,771,288)
Interest on investments	3,853,392	1,349,426
Total Cash Flows Provided By (Used In) Investing Activities	<u>1,717,246</u>	<u>(6,718,020)</u>
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	2,014,349	5,300,923
Private capital gifts and grants	1,569,777	1,351,264
Note payable proceeds	-	9,796,000
Purchase of capital assets	(4,243,462)	(18,962,015)
Principal payments on capital debt	(1,785,213)	(924,128)
Interest payments on capital debt	(697,960)	(572,080)
Total Cash Flows Used In Capital and Related Financing Activities	<u>(3,142,509)</u>	<u>(4,010,036)</u>
Cash Flows from Noncapital Financing Activities		
Federal grants	12,494,956	12,540,007
State educational appropriations	42,912,623	42,256,300
Private gifts	7,376,838	7,045,194
Additions to the principal of endowments	24,012	50,035
Other nonoperating expenses	(1,856,665)	(1,304,106)
Total Cash Flows Provided by Noncapital Financing Activities	<u>60,951,764</u>	<u>60,587,430</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,321,632	(6,304,706)
Cash and Cash Equivalents, Beginning of Year	<u>10,106,720</u>	<u>16,411,426</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13,428,352</u>	<u>\$ 10,106,720</u>

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS (CONT.) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Operating loss	\$ (65,898,171)	\$ (70,102,397)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	9,141,030	8,816,031
Provision for bad debts	964,214	781,396
Gifts in kind	22,708	330,906
Changes in assets and liabilities:		
Accounts receivable, net	(1,796,041)	31,938
Loans receivable, net	169,880	132,059
Inventories	(102,436)	37,542
Prepaid expenses and deferred charges	(266,026)	51,348
Accounts payable	191,678	796,409
Accrued and other liabilities	(189,947)	325,234
Deferred revenue	1,589,529	281,190
Compensated absences	(31,287)	2,354,264
Net Cash Flows Used In Operating Activities	<u><u>\$ (56,204,869)</u></u>	<u><u>\$ (56,164,080)</u></u>
Noncash Transactions		
Additional capital leases	<u><u>\$ 152,250</u></u>	<u><u>\$ -</u></u>
Gifts in kind	<u><u>\$ 81,808</u></u>	<u><u>\$ 350,906</u></u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Youngstown State University (the University or YSU) is a coeducational, degree granting state-assisted metropolitan university and was established by the General Assembly of the State of Ohio in 1967. The University provides a wide range of opportunities in higher education primarily to residents in northeastern Ohio and western Pennsylvania. The University offers degrees at the undergraduate, masters and doctoral levels.

In accordance with Governmental Accounting Standards Board (GASB) Statement No.14, *The Reporting Entity*, the University's financial statements are included, as a discretely presented component unit, in the State of Ohio's (State) Comprehensive Annual Financial Report. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Youngstown State University Foundation's (Foundation) and University Housing Corporation's (UHC) financial statements are included, as discretely presented component units, in the University's financial report by presentation of the individual financial statements of the entities immediately following the University's respective GASB financial statements. Additional information regarding these component units is contained in Note 13.

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

The University, together with Kent State University and The University of Akron, created a consortium to establish and govern Northeastern Education Television of Ohio, Inc. (NETO), Channels 45 and 49, Kent, Ohio; and Northeastern Ohio Universities College of Medicine (NEOUCOM), Rootstown, Ohio. These organizations are legally separate from the University; accordingly, their financial activity is not included within the accompanying financial statements.

Under the provisions of GASB Statement No. 35, resources are classified for accounting and reporting purposes into the following four net asset categories:

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

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

Summary of Significant Accounting Policies

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

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date. When an expense is incurred that can be paid using either restricted or unrestricted resources the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

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

The State approves a capital budget every two years. YSU submits requests to the Ohio Board of Regents, which sends the requests to the Governor. State capital improvements budget project lists are presented to the Board of Trustees for endorsement. The current fiscal year spending plan is approved by the Board of Trustees.

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Endowment Policy – The University Endowment Fund consists of 78 named funds. Each named fund is assigned a number of shares in the University Endowment Fund based on the value of the gifts to that named fund. Investments are managed by the Foundation. The University’s policy is to distribute realized gains and investment income monthly, based on each funds pro-rata share to the total endowment shares.

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

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

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

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

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

The Improvements to buildings category is new in fiscal year 2007 and only applies to assets added in fiscal year 2007.

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

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

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

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

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

Scholarship Allowances and Student Aid – Financial aid provided to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (such as loans and funds awarded to students by third parties) is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by the University, these amounts are computed by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

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

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

In June 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payment - generally, a single lump sum. The statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The University will be required to implement this statement in fiscal 2008. Management has not yet determined the impact that GASB Statement No. 48 will have on the University's financial statements and disclosures.

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups. The University will be required to implement this statement in fiscal year 2009. Management has not yet determined the impact that GASB Statement No. 49 will have on the University's financial statements and disclosures.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*. The Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The University will be required to implement this statement in fiscal year 2008. Management has not yet determined the impact that GASB Statement No. 50 will have on the University's financial statements and disclosures.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This Statement is to establish accounting and financial reporting

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

requirements for intangible assets to reduce inconsistencies. The University will be required to implement this statement in fiscal year 2010. Management has not yet determined the impact that GASB Statement No. 51 will have on the University's financial statements and disclosures.

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

Reclassification – Certain reclassifications have been made to the 2006 amounts to conform with the 2007 presentation.

Note 2 – State Support

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

State appropriations totaled \$42,912,623, including \$39,905,252 of State share of instruction and \$3,001,871 in challenge funds in fiscal year 2007, compared to State appropriations of \$42,256,300, including \$39,436,598 in State share of instruction and \$2,819,702 in challenge funds in fiscal year 2006. The State share of instruction is student based and determined annually by the Ohio Board of Regents.

Capital appropriations from the State totaled \$2,101,533 in fiscal year 2007 and \$3,870,015 in fiscal year 2006 and included funding for equipment and the construction/major renovations of plant facilities.

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Note 3 – Cash and Cash Equivalents

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

The aggregate cost of repurchase agreements, which approximates fair value, included in cash and cash equivalents is \$369,054 and \$27,380 at June 30, 2007 and 2006, respectively.

In accordance with Section 135.18 of the Ohio Revised Code, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or pledge a pool of securities with a value of at least 105% 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 or by a designated trustee as agent for the public depositories used by the University.

At June 30, 2007 and 2006, the carrying amount of the University's bank deposits and cash equivalents was \$13,428,352 and \$10,106,720 and the bank balances were \$15,026,155 and \$10,051,416, respectively. The difference in carrying amount and bank balance is caused by items in transit and outstanding checks. Of the balance, \$117,893 in fiscal year 2007 and \$200,000 in fiscal year 2006 was covered by federal depository insurance leaving \$14,908,263 in 2007 and \$9,851,416 in 2006 exposed to custodial credit risk because it is uninsured and uncollateralized. At times during the year, uncollateralized deposits may have been higher. Deposits held in safekeeping by a bank, as trustee or escrow agent, included in cash and investments totaled \$17,893 as of June 30, 2007 and \$1,014,189 as of June 30, 2006, 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 in escrow for final payment of an energy management system.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk.

Note 4 – Investments

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

In accordance with the Policies of the Board of Trustees of the University, investment types are not specifically limited but shall be made with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Furthermore, investments shall be managed for the use and benefit of the University in a diversified portfolio that focuses, over time, on the preservation of capital, minimization of cost and risk, and maintenance of required levels of liquidity in the overall portfolio to meet cash flow requirements. University policy requires that depository banks pledge collateral for funds on deposit, including certificates of deposit, with a market value at all times at least equal to the uninsured amount of the deposit or instrument.

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

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

As of June 30, 2007, the University had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 13,719,275	\$ 813,018	\$ 10,674,507	\$ 2,231,750	\$ -
Corporate Bonds	10,190,139	686,631	5,304,032	2,540,461	1,659,015
Foreign Bonds	267,834	-	84,736	143,198	39,900
U.S. Government Bonds	8,780,253	117,346	761,247	1,906,580	5,995,080
Preferred and Common Stock	6,418,556	6,178,556	240,000	-	-
Other Securities	607,343	607,343	-	-	-
Total	<u>\$ 39,983,400</u>	<u>\$ 8,402,894</u>	<u>\$ 17,064,522</u>	<u>\$ 6,821,989</u>	<u>\$ 7,693,995</u>

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

As of June 30, 2007, investments had the following quality credit ratings as rated by Moody's:

Investment Type	Fair Value	A	Aa	Baa	Unrated
Corporate Bonds	\$ 10,190,139	\$ 1,858,436	\$ 6,728,972	\$ 1,204,453	\$ 398,278
Foreign Bonds	267,834	97,377	51,953	118,504	-
U.S. Government Bonds	8,780,253				8,780,253
Total	<u>\$ 19,238,226</u>	<u>\$ 1,955,813</u>	<u>\$ 6,780,925</u>	<u>\$ 1,322,957</u>	<u>\$ 9,178,531</u>

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The total investments in the amount of \$39,983,400 as of June 30, 2007 and \$37,847,254 as of June 30, 2006 were 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 does not have a formal investment policy for custodial credit risk.

Note 5 – Accounts and Loans Receivable

Accounts and loans receivable at June 30, 2007 and 2006 consist of the following:

	2007	2006
Accounts Receivable		
Student accounts	\$ 3,832,622	\$ 3,752,130
Grants and contracts	3,647,260	1,265,300
State capital appropriations	449,961	362,777
Other receivables	1,007,820	1,470,183
Subtotal	8,937,663	6,850,390
Less: Allowance for doubtful accounts		
Student	(1,931,120)	(1,952,853)
Non student	(32,331)	(22,178)
Accounts receivable, net	\$ 6,974,212	\$ 4,875,359
Loans receivable - student notes	\$ 3,090,607	\$ 3,260,487
Less: Allowance for doubtful accounts	(663,230)	(663,230)
Loans receivable, net	\$ 2,427,377	\$ 2,597,257

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2007 and June 30, 2006 were as follows:

	2007	2007	2006
	Pledges Receivable	Current Portion	
Total pledges receivable	\$ 17,378,390	\$ 10,289,280	\$ 6,303,734
Less: allowance for doubtful accounts	(673,065)	(318,625)	(106,539)
present value discount	(1,772,494)	-	(166,096)
Pledges receivable, net	14,932,831	\$ 9,970,655	6,031,099
Less: current portion	(9,970,655)		(5,026,117)
Pledges receivable, noncurrent portion	\$ 4,962,176		\$ 1,004,982

Pledges have been discounted to net present value at a rate of 4.875% in fiscal year 2007 and 3.875% in fiscal year 2006.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions and Transfers	Ending Balance
Nondepreciable assets:				
Land	\$ 13,380,116	\$ 175,652	\$ (28,063)	\$ 13,527,705
Construction-in-progress	11,815,023	1,291,181	(11,210,954)	1,895,250
Historical treasures	297,513	-	-	297,513
Depreciable assets:				
Buildings	246,346,638	36,849	(16,733,459)	229,650,028
Improvements to buildings	-	1,452,983	25,967,392	27,420,375
Improvements other than buildings	22,242,592	110,063	1,339,756	23,692,411
Moveable equipment and furniture	26,178,447	1,073,716	22,754	27,274,917
Vehicles	1,028,427	30,932	(75,911)	983,448
Capital leases	790,186	152,250	(32,595)	909,841
Total cost	<u>322,078,942</u>	<u>4,323,626</u>	<u>(751,080)</u>	<u>325,651,488</u>
Less accumulated depreciation:				
Buildings	125,243,525	4,622,649	(1,093,860)	128,772,314
Improvements to buildings	-	795,677	1,093,860	1,889,537
Improvements other than buildings	15,954,634	776,619	-	16,731,253
Moveable equipment and furniture	18,874,468	2,703,481	(560,439)	21,017,510
Vehicles	865,160	60,303	(75,911)	849,552
Capital leases	228,192	182,301	(32,595)	377,898
Total accumulated depreciation	<u>161,165,979</u>	<u>9,141,030</u>	<u>(668,945)</u>	<u>169,638,064</u>
Capital assets, net	<u>\$ 160,912,963</u>	<u>\$ (4,817,404)</u>	<u>\$ (82,135)</u>	<u>\$ 156,013,424</u>

Capital assets activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions and Transfers	Ending Balance
Nondepreciable assets:				
Land	\$ 13,329,592	\$ 50,524	\$ -	\$ 13,380,116
Construction-in-progress	14,246,102	13,499,892	(15,930,971)	11,815,023
Historical treasures	297,513	-	-	297,513
Depreciable assets:				
Buildings	230,016,286	956,530	15,373,822	246,346,638
Improvements other than buildings	21,278,421	786,627	177,544	22,242,592
Moveable equipment and furniture	24,962,332	1,703,295	(487,180)	26,178,447
Vehicles	1,092,632	23,517	(87,722)	1,028,427
Capital leases	930,181	-	(139,995)	790,186
Total cost	<u>306,153,059</u>	<u>17,020,385</u>	<u>(1,094,502)</u>	<u>322,078,942</u>
Less accumulated depreciation:				
Buildings	120,575,536	4,667,989	-	125,243,525
Improvements other than buildings	14,867,441	1,087,193	-	15,954,634
Moveable equipment and furniture	16,621,749	2,874,837	(622,118)	18,874,468
Vehicles	882,501	67,147	(84,488)	865,160
Capital leases	249,322	118,865	(139,995)	228,192
Total accumulated depreciation	<u>153,196,549</u>	<u>8,816,031</u>	<u>(846,601)</u>	<u>161,165,979</u>
Capital assets, net	<u>\$ 152,956,510</u>	<u>\$ 8,204,354</u>	<u>\$ (247,901)</u>	<u>\$ 160,912,963</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Note 8 – Accrued and Other Liabilities

Accrued and other liabilities at June 30, 2007 and 2006 consist of the following:

	2007	2006
Payroll liabilities:		
Accrued compensation and benefits	\$ 5,760,416	\$ 5,743,358
Accrued health care benefits and insurance payable	1,046,009	1,096,575
Retirement system contribution payable	1,928,567	2,061,994
Subtotal	<u>8,734,992</u>	<u>8,901,927</u>
Other liabilities:		
Deposits held in custody	532,576	591,169
Refunds payable	54,361	20,254
Interest payable	185,366	202,145
Other liabilities	71,343	53,090
Subtotal	<u>843,646</u>	<u>866,658</u>
Totals	<u>\$ 9,578,638</u>	<u>\$ 9,768,585</u>

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2007 are completed, totaled \$4,041,552 and included \$2,375,591 in State capital appropriations compared to \$3,839,032 and \$2,401,076 at June 30, 2006, respectively. These amounts do not constitute expenses incurred or liabilities.

Note 9 – Liabilities

Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 12,030,000	\$ -	\$ 865,000	\$ 11,165,000	\$ 900,000
Less: unamortized bond discount and issue cost	(181,033)	-	(20,635)	(160,398)	-
Bonds payable, net	<u>11,848,967</u>	<u>-</u>	<u>844,365</u>	<u>11,004,602</u>	<u>900,000</u>
Note payable	9,796,000	-	833,867	8,962,133	863,303
Capital leases payable	517,583	-	86,346	431,237	88,100
Compensated absences	8,990,506	-	31,287	8,959,219	1,018,821
Refundable advance	2,793,698	41,001	100,286	2,734,413	-
Total long-term liabilities	<u>\$ 33,946,754</u>	<u>\$ 41,001</u>	<u>\$ 1,896,151</u>	<u>\$ 32,091,604</u>	<u>\$ 2,870,224</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 12,875,000	\$ -	\$ 845,000	\$ 12,030,000	\$ 865,000
Less: unamortized bond discount and issue cost	(203,058)	-	(22,025)	(181,033)	-
Bonds payable, net	12,671,942	-	822,975	11,848,967	865,000
Note payable	-	9,796,000	-	9,796,000	833,867
Capital leases payable	596,711	-	79,128	517,583	89,763
Compensated absences	6,636,242	2,354,264	-	8,990,506	1,269,895
Refundable advance	2,808,777	38,691	53,770	2,793,698	-
Total long-term liabilities	<u>\$ 22,713,672</u>	<u>\$ 12,188,955</u>	<u>\$ 955,873</u>	<u>\$ 33,946,754</u>	<u>\$ 3,058,525</u>

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

Bonds Payable

Bonds payable consist of General Receipts Bonds, Series 1997 and Series 1998. The Series 1997 Bonds were issued May 15, 1997. 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. There were no bonds outstanding at June 30, 2007 that were considered defeased.

Details of the outstanding Bonds Payable are as follows:

	Stated Interest Rate	Maturity Through	Original Principal
1997 - Term Bonds, fixed	6.25%	2017	\$ 200,000
1998 - Serial Bonds, fixed	4.3%-4.7%	2012	\$ 11,920,000
1998 - Term Bonds, fixed	4.75%	2016	\$ 5,030,000

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

The University has complied with all covenant requirements.

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

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
2008	\$ 900,000	\$ 497,978	\$ 1,397,978
2009	945,000	458,338	1,403,338
2010	985,000	415,917	1,400,917
2011	1,025,000	370,507	1,395,507
2012	1,075,000	322,029	1,397,029
2013-2018	6,235,000	773,861	7,008,861
Totals	<u>\$ 11,165,000</u>	<u>\$ 2,838,630</u>	<u>\$ 14,003,630</u>

Maturities of bonds payable for the fiscal years subsequent to June 30, 2007 are as follows:

Fiscal Year	General Receipts		Total
	Series 1997	Series 1998	
2008	\$ 10,000	\$ 890,000	\$ 900,000
2009	10,000	935,000	945,000
2010	10,000	975,000	985,000
2011	10,000	1,015,000	1,025,000
2012	10,000	1,065,000	1,075,000
2013-2018	90,000	6,145,000	6,235,000
Totals	<u>\$ 140,000</u>	<u>\$ 11,025,000</u>	<u>\$ 11,165,000</u>

Note Payable

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

In addition, the University entered into a ten year performance contract with Johnson Controls, which includes an assured performance providing for an annual measured cost savings of \$1,296,298. The contract amount of \$9,796,000 was financed in fiscal year 2006 with Chase Equipment Leasing, Inc. over 10 years, bears interest at 3.53%, and requires equal annual installment payments. Details of the installment schedule follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 863,303	\$ 316,363	\$ 1,179,666
2009	893,777	285,889	1,179,666
2010	925,328	254,338	1,179,666
2011	957,992	221,674	1,179,666
2012	991,809	187,857	1,179,666
2013-2016	4,329,924	388,742	4,718,666
Totals	<u>\$ 8,962,133</u>	<u>\$ 1,654,863</u>	<u>\$ 10,616,996</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

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

During fiscal year 2006, \$8,816,400 was disbursed to the contractor and the remaining \$979,600 was held in a special escrow fund in accordance with an escrow agreement, and was reflected in the University's cash and cash equivalents. During fiscal year 2007, the \$979,600 was disbursed to the contractor. The amount of \$9,295,644 is reflected in Building Improvements and \$500,356 is reflected in Construction in Progress (See Note 7).

Capital Lease Obligations

The University leases mailroom equipment including two postage machines and address printer, as well as sixty-eight Steinway pianos under capital lease agreements. The two postage machines and address printer bear interest at 7.60%. The Steinway pianos bear interest at 4.05%. The net book value of capital leased assets included in net Capital Assets in the Statements of Net Assets at June 30, 2007 and 2006, was \$531,943 and \$561,994, respectively.

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

Year Ending June 30,	Mailroom Equipment	Steinway Pianos	Total
2008	\$ 21,825	\$ 85,773	\$ 107,598
2009	17,460	85,773	103,233
2010	17,460	85,773	103,233
2011	-	85,773	85,773
2012	-	85,775	85,775
Total future minimum lease payments	56,745	428,867	485,612
Less amount representing interest	6,877	47,498	54,375
Total obligations under capital leases	\$ 49,868	\$ 381,369	\$ 431,237

Operating Lease Obligations

The University has an operating lease for the purpose of classroom and general office purposes. The University, in its second renewal period, has future minimum payments of \$79,502 thru December 31, 2007. The third renewal option is from January 1, 2008 thru June 30, 2009 with future minimum payments of \$238,508.

Compensated Absences

During fiscal year 2006, the University's Board of Trustees authorized the implementation of the Youngstown State University Early Retirement Incentive Plan (ERIP) for its eligible employees who are members of the Ohio Public Employees Retirement System (OPERS). Provisions of the ERIP are based on ORC Section 145.297, Ohio Administrative Rule 145-2-42. The plan is effective from March 1, 2006 through December 31, 2007. The latest benefit effective date for participating employees who are eligible to retire by December 31, 2007 will be March 1, 2008.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Participation shall be open to all eligible members of OPERS employed at the University as of the first day of the ERIP period. The University shall pay the cost (as determined by OPERS) of the lesser of two (2) years of service credit or one-fifth (1/5) of each member's total service credit for eligible members of OPERS who participate.

An estimated 163 employees were eligible to participate. During fiscal year 2007, the University recorded \$1,112,970 of ERIP OPERS purchases compared to \$1,764,310 in fiscal year 2006, a cumulative two-year total of \$2,877,280 for 73 individuals. These purchases are reflected in institutional support on the Statement of Revenues, Expenses, and Changes in Net Assets for the respective fiscal periods. Current year payouts totaled \$1,412,725 compared to \$1,071,703 in the prior year. Unpaid balances totaled \$392,846 at June 30, 2007 compared to \$692,607 at June 30, 2006 and are reflected in the current portion of the compensated absences liability for the respective fiscal years. Amounts recorded were based on actual purchases and estimates utilizing OPERS's benefit estimator and based on assumptions that everyone who signed the irrevocable form would indeed retire as of that date.

Note 10 - Retirement Plans

Basic Retirement Benefits

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

Plan Options - Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to invest all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a semi-monthly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Both plans issue a stand-alone financial report. Interested parties may obtain a copy of the OPERS report by making a written request to 277 East Broad Street, Columbus, Ohio, 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377), and the STRS report by making a written request to 275 East Broad Street, Columbus, Ohio, 43215-3771 or by calling (800) 227-7877.

Alternative Retirement Plan

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

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

Employee Contribution Rate						
Fiscal Year	STRS		OPERS		OPERSLE	
	Traditional	ARP	Traditional	ARP	Traditional	ARP
1/1/07-6/30/07	10.0%	10.0%	9.5%	9.5%	10.1%	10.1%
1/1/06-12/31/06	10.0%	10.0%	9.0%	9.0%	10.1%	10.1%
7/1/05-12/31/05	10.0%	10.0%	8.5%	8.5%	10.1%	10.1%
2005	10.0%	10.0%	8.5%	8.5%	9.0%	9.0%

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

Employer Contribution Rate							
Fiscal Year	STRS			OPERS		OPERSLE	
	Traditional	ARP		Traditional	ARP	Traditional	ARP
		STRS	ARP				
1/1/07-6/30/07	14.00%	3.50%	10.50%	13.77%	13.77%	17.17%	17.17%
1/1/06-12/31/06	14.00%	3.50%	10.50%	13.54%	13.54%	16.93%	16.93%
7/1/05-12/31/05	14.00%	3.50%	10.50%	13.31%	13.31%	16.70%	16.70%
2005	14.00%	3.50%	10.50%	13.31%	13.31%	16.70%	16.70%

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

Employer Contributions							
Fiscal Year	STRS			OPERS		OPERSLE	
	Traditional	ARP		Traditional	ARP	Traditional	ARP
		STRS	ARP				
2007	\$ 5,164,584	\$ 188,184	\$ 564,551	\$ 4,414,602	\$ 455,492	\$ 165,764	-
2006	\$ 5,062,128	\$ 169,332	\$ 515,193	\$ 4,169,825	\$ 428,625	\$ 160,211	-
2005	\$ 4,987,888	\$ 168,916	\$ 506,748	\$ 4,063,880	\$ 389,577	\$ 134,740	-

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

The OPERS employee contributions to the ARP totaled \$307,624 and the STRS employee contributions to the ARP totaled \$537,668.

Note 11 - Postretirement Benefits

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12 Disclosure *Information on Postemployment Benefits other than Pension Benefits by State and Local Governmental Employers*. A portion of the University's contribution to OPERS is set aside for the funding of postretirement health care. The portion used to fund health care was 4.5% in 2007, 4.0% in 2006, and 4.0% in 2005.

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

Summary of Assumptions:

- **Actuarial review** – The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2005.
- **Funding method** – An individual entry age 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 to reflect 25.0% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.
- **Investment return** – The investment assumption rate for 2005 was 6.50%.
- **Active employee total payroll** – An annual increase of 4.0% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In additionally, annual pay increases over and above the 4.0% base increase were assumed to range from 0.50% to 6.30%.
- **Health care** – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5% to 6% for the next 9 years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate). The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804. The portion of the

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

University's 2007, 2006, and 2005 contributions to OPERS used to fund postretirement benefits was \$1,522,713, \$1,301,175, and \$1,221,196, respectively. The actuarial value of the Retirement System's net assets available for payment of benefits at December 31, 2005 (the latest date information is available) was \$11.1 billion.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

State Teachers Retirement System

The State Teachers Retirement System (STRS Ohio) provides access to health care coverage to retirees, spouses, and dependents. Coverage includes hospitalization, physician fees, prescription drugs, and partial reimbursement of Medicare Part B premiums. Pursuant to the Ohio Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

A portion of the University's contribution to STRS is set aside for the funding of postretirement health care. The portion used to fund health care was 1.0% in 2007, 2006 and 2005. 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, 2006 (the latest date information is available) were 119,184. The portion of the University's 2007, 2006 and 2005 contributions to STRS used to fund postretirement benefits was \$368,186, \$358,454, \$356,278 and \$336,630, respectively.

The health care reserve fund within the employers' trust fund from which payments for health care benefits are paid had a balance of \$3.5 billion at June 30, 2006.

Health care benefits paid by the plan were \$282,743,000 for the fiscal year ended June 30, 2006.

Note 12 – Contingencies and Risk Management

The University is a defendant in various lawsuits. It is the opinion of University management that disposition of pending litigation will not have a material adverse effect on the financial condition of the University.

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Liabilities for estimates of outstanding claims and claims incurred but not reported under self-insurance programs have been recorded. Changes in the self-insured health care liabilities included in accrued health care benefits payable (see Note 8) for the past two years follows:

	2007	2006
Liability at beginning of fiscal year	\$ 1,008,160	\$ 1,131,861
Current year claims including changes in estimates	7,258,243	7,515,715
Claim payments	<u>(7,266,403)</u>	<u>(7,639,416)</u>
Liability at end of fiscal year	<u>\$ 1,000,000</u>	<u>\$ 1,008,160</u>

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

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has joined with other state-assisted universities in Ohio to form an insurance pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurance value to the pool. Future contributions will be adjusted based upon each university's loss history. The University had no significant reductions in coverage from the prior year.

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

Note 13 – Component Units

Youngstown State University Foundation (YSUF) and University Housing Corporation (UHC) are nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to YSUF's or UHC's financial information in the University's financial report for these differences.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

YSUF

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

Annually, the University files an application for funds from YSUF, subject to approval by the trustees of YSUF. Financial support from YSUF was \$4,851,450 for the fiscal year ended June 30, 2007 and \$4,681,325 for the fiscal year ended June 30, 2006. Financial support from YSUF has been committed for fiscal year 2008 in the amount of \$5,184,100 and is reflected in deferred revenue on the University's Statement of Net Assets at June 30, 2007. At June 30, 2007 and June 30, 2006, \$3,825,000 and \$3,600,000, respectively, was due from YSUF and is included in pledges receivable on the University's Statement of Net Assets at June 30, 2007. In addition, rental income from YSUF of \$10,560 in fiscal year 2007 and \$10,528 in fiscal year 2006 was recorded and is reflected in the University's Statements of Revenues, Expenses and Changes in Net Assets.

Under the terms of an agreement with the University, the Foundation serves as an investment manager for the University's endowments. Proceeds are forwarded to the University on an as needed basis to satisfy the individual endowment purposes. Fair value of such investments held by YSUF at June 30, 2007 and June 30, 2006 was \$5,930,535 and \$5,847,254, respectively. The management services are provided at no charge and investments are made in a manner consistent with the YSUF funds.

The Foundation acts in an agent capacity by receiving monies from various donors for the benefit of Youngstown State University entities and remitting to these entities the monies collected. The amounts collected and remitted to the various entities by the Foundation in 2007 and 2006 amounted to \$199,713 and \$140,008, respectively.

UHC

UHC operates the University Student Courtyard Apartments complex with 130 housing units for 408 students and staff. This unique public-private partnership includes YSUF, University Housing Corporation (UHC), the City of Youngstown, Mahoning County, and Ambling Companies, Inc., a national leader in developing student housing communities. UHC is a tax-exempt organization.

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

UHC Property

Property, facilities and equipment as of July 31, 2007 and 2006 are as follows:

	2007	2006
Buildings	\$ 17,442,241	\$ 17,442,241
Other capital asset	1,022,457	963,229
Total cost	<u>18,464,698</u>	<u>18,405,470</u>
Less accumulated depreciation:	(2,197,696)	(1,634,401)
Property, facilities and equipment, net	<u>\$ 16,267,002</u>	<u>\$ 16,771,069</u>

UHC Long-Term Debt

In May 2002, UHC issued \$22,040,000 of County of Mahoning, Ohio Adjustable Rate Housing Revenue Bonds Series 2002 (Series 2002 Bonds). The proceeds were used to finance the construction, site improvements, furnishing and equipping of the University Courtyard Project. The bonds bear interest at a variable rate determined weekly by JPMorgan Chase Bank as Remarketing Agent based on the weekly tax-exempt index as determined by JPMorgan Chase Bank, and are due at various dates until 2033. These variable interest rates at July 31, 2007 and 2006 were 5.3% and 3.7%, respectively, with an average weighted rate of 3.6% during fiscal year 2007 and 3.1% during fiscal year 2006. The bonds are secured by the assignment of incomes and revenues of the University Courtyard Project.

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

Maturities of the bonds are as follows:

Year ending July 31,	Amount
2008	\$ 100,000
2009	130,000
2010	175,000
2011	220,000
2012	270,000
Thereafter	<u>20,635,000</u>
Total	<u>\$ 21,530,000</u>

UHC's objectives of its derivative instruments include managing the risk of increased debt service resulting from rising market interest rates, the risk of decreased surplus returns resulting from falling interest rates, and the management risk of an increase in the fair value of outstanding fixed rate obligations resulting from declining market interest rates. Consistent with its interest rate risk management objectives, UHC entered into an interest rate swap in May 2002 with a notional amount of \$20,625,000 at July 31, 2007 and \$20,685,000 at July 31, 2006. This

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

swap agreement effectively changes UHC's interest rate exposure on its floating rate bonds to a fixed rate of 3.97%. The interest swap rate agreement matures in May 2012.

Under terms of the interest rate swap agreement, UHC makes payments calculated at a fixed rate of 3.97% to the counterparty of the swap. In return, the counterparty makes payments to UHC equal to 68% of 1-Month USD-LIBOR-BBA Index. Only the net difference in payments is exchanged with the counterparty. During fiscal years 2007 and 2006 the 1-Month USD-LIBOR-BBA Index ranged from 5.32% to 5.42% (5.32% at July 31, 2007) and 3.52% to 5.39% (5.39% at July 31, 2006), respectively.

The fair value of the swap agreement at July 31, 2007 and 2006 was \$429,618 and \$365,214 respectively, and is recorded as a liability on UHC's Statement of Financial Position.

Guarantee of the University Housing Corporation Mortgage by the Foundation

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

A financial institution has issued a letter of credit to collateralize the payment of principal, interest and other funding requirements. Subsequent to fiscal year 2007, an alternate letter of credit was security which expires September, 2012.

In addition to the debt and interest payments, UHC is responsible for a 0.3% letter of credit commitment fee and various draw fees. UHC's reimbursement agreement contains eight events of default, many of which are tied to restrictive loan covenants. In the event of default, the bank may require payment by the Foundation. The dormitory housing began operations in August 2003. In the event the Foundation is required to perform under the guarantee agreement, provisions exist for the Foundation to obtain the rights of the financial institution.

The Foundation also entered into an agreement with UHC to loan UHC funds to pay for initial organizational and legal costs. Under the terms of the agreement, UHC will repay the Foundation principal plus interest at prime rate. At June 30, 2007 and 2006, the amount due to the Foundation from UHC is \$112,645 and \$107,391, respectively.

YOUNGSTOWN STATE UNIVERSITY

BOARD OF TRUSTEES

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

PRINCIPAL ADMINISTRATORS

David C. Sweet	<i>President</i>
Cynthia E. Anderson	<i>Vice President for Student Affairs</i>
Donna J. Esterly	<i>Interim Chief Technology Officer</i>
Robert K. Herbert	<i>Provost and Vice President for Academic Affairs</i>
George E. McCloud	<i>Special Assistant for University Advancement</i>
Vacant	<i>Vice President for Administration</i>

Youngstown State University

Schedule of Expenditures of Federal Awards

June 30, 2007

Program Title	CFDA #	Pass Through Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
10 Department of Agriculture (USDA)						
Fund for Rural America – Research, Education, and Extension Activities						
Pass-Through Entity University of Toledo	10.224	2005-38898-03269	\$ 9,391	\$ –	\$ –	\$ 9,391
Total Department of Agriculture (USDA)			9,391	–	–	9,391
12 Department of Defense (DOD)						
Basic and Applied Scientific Research						
Pass-Through Entity Consortium for Oceanographic Research and Applied Scientific Research	12.300	NA06SEC4690002	–	–	14,969	14,969
Air Force Defense Research Sciences Program	12.800		199,494	–	–	199,494
Total Department of Defense (DOD)			199,494	–	14,969	214,463
14 Department of Housing and Urban Development (HUD)						
Community Development Block Grants/Entitlement Grants						
Pass-Through Entity Youngstown Community Development Agency	14.218	B-04-MC-39-0023	–	–	32,231	32,231
Community Development Block Grants/Technical Assistance Program						
Pass-Through Entity Youngstown Community Development Agency	14.227	N/A	–	–	66	66
Community Development Block Grants/State's Program						
Pass-Through Entity Youngstown Community Development Agency	14.228	B-05-MC-39-0023	–	–	28,019	28,019
Supportive Housing Program	14.235		–	–	22,083	22,083
Community Outreach Partnership Center Program	14.511		–	–	61,692	61,692
Demolition and Revitalization of Severely Distressed Public Housing						
Pass-Through Entity Youngstown Metropolitan Housing Authority	14.866	OH12URD0021102	–	–	30,226	30,226
Total Department of Housing and Urban Development (HUD)			–	–	174,317	174,317
15 Department of the Interior (DOI)						
National Cooperative Geologic Mapping Program						
Pass-Through Entity Cleveland State University	15.810	14.0804-01-300	–	–	11,887	11,887
Total Department of the Interior (DOI)			–	–	11,887	11,887
16 Department of Justice (DOJ)						
National Institute of Justice Research, Evaluation, and Development						
Project Grants	16.560		–	–	2,520	2,520
Edward Byrne Memorial Formula Grant Program	16.579		–	–	5,050	5,050
Community Capacity Development Office	16.595		–	–	32,443	32,443
Total Department of Justice (DOJ)			–	–	40,013	40,013
17 Department of Labor (DOL)						
WIA Adult Program						
Pass-Through Entity State of Ohio – Department of Development	17.267	ECDD06-142	–	–	157,122	157,122
Total Department of Labor (DOL)			–	–	157,122	157,122
20 Department of Transportation (DOT)						
University Transportation Centers Program	20.701		71,585	–	–	71,585
Total Department of Transportation (DOT)			71,585	–	–	71,585
43 National Aeronautics and Space Administration (NASA)						
Aerospace Education Services Program	43.001		8,745	–	12,182	20,927
Total of National Aeronautics and Space Administration (NASA)			8,745	–	12,182	20,927
45 National Endowment for the Humanities (NEH)						
Promotion of the Humanities – Federal/State Programs						
Pass-Through Entity Ohio Humanities Council	45.129	OHC-M07-053	–	–	1,500	1,500
Total National Endowment for the Humanities (NEH)			–	–	1,500	1,500

Youngstown State University

Schedule of Expenditures of Federal Awards (continued)

Program Title	CFDA #	Pass Through Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
47 National Science Foundation (NSF)						
Engineering Grants	47.041		15,040	-	-	15,040
Mathematical and Physical Sciences	47.049		26,816	-	-	26,816
Biological Sciences	47.074		222,042	-	-	222,042
Education and Human Resources	47.076		-	-	164,823	164,823
Education and Human Resources	47.076	HRD-0331560	-	-	38,178	38,178
Total National Science Foundation (NSF)			263,898	-	203,001	466,899
59 Small Business Administration (SBA)						
Small Business Development Center						
Pass-Through Entity Small Business Development Centers of Ohio	59.037	N/A	-	-	122,282	122,282
Total Small Business Administration (SBA)			-	-	122,282	122,282
84 Department of Education (DOE)						
Federal Supplemental Educational Opportunity Grants	84.007		-	674,910	-	674,910
Federal Family Education Loan Program (see Note 3)	84.032		-	-	-	-
Federal Work Study Program	84.033		-	503,025	-	503,025
Federal Perkins Loan Program (see Note 2)	84.038		-	100,286	-	100,286
TRIO – Upward Bound	84.047		-	-	213,863	213,863
Vocational Education – Basic Grants to States	84.048		-	-	9,679	9,679
Federal Pell Grant Program	84.063		-	13,152,246	-	13,152,246
Fund for the Improvement of Postsecondary Education	84.116		-	-	75,000	75,000
Business and International Education Projects	84.153		-	-	70,651	70,651
Fund for the Improvement of Education	84.215		-	-	15,463	15,463
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		-	-	30,700	30,700
Academic Competitiveness Grants	84.375		-	339,650	-	339,650
National Science and Mathematics Access to Retain Talent Grant (SMART)	84.376		-	214,000	-	214,000
Vocational Education – Basic Grants to States						
Pass-Through Entity State of Ohio Department of Education	84.048	319G-PSL-NT-07CG	-	-	75,224	75,224
Fund for the Improvement of Postsecondary Education						
Pass-Through Entity Brigham Young University	84.116	05-0136	9,611	-	-	9,611
Fund for the Improvement of Education						
Pass-Through Entity Youngstown-Warren Regional Chamber	84.215	U215K050295	-	-	15,367	15,367
Tech-Prep Education						
Pass-Through Entity State of Ohio Department of Education	84.243	Y243A060035	-	-	106,568	106,568
Twenty-First Century Community Learning Centers						
Pass-Through Entity Mahoning County Educational Service Center	84.287	N/A	-	-	12,623	12,623
Twenty-First Century Community Learning Centers						
Pass-Through Entity State of Ohio Department of Education	84.287	ANS1-2006	-	-	1,930	1,930
Twenty-First Century Community Learning Centers						
Pass-Through Entity Youngstown City Schools	84.287	S287C050035	-	-	29,584	29,584
Twenty-First Century Community Learning Centers						
Pass-Through Entity Girard City Schools	84.287	S287C050035	-	-	6,027	6,027
Twenty-First Century Community Learning Centers						
Pass-Through Entity Austintown City Schools	84.287	S287C050035	-	-	8,035	8,035
Twenty-First Century Community Learning Centers						
Pass-Through Entity Community Development Agency	84.287	B-05-MC-39-0023	-	-	2,671	2,671
Subtotal Twenty-First Century Community Learning Centers			-	-	60,870	60,870
Reading First State Grants						
Pass-Through Entity Cleveland State University	84.357	RFP#0A03034	-	-	47,393	47,393
Mathematics and Science Partnerships						
Pass-Through Entity State of Ohio Department of Education	84.366	PublicLaw 107-110	-	-	757,669	757,669
Improving Teacher Quality State Grants						
Pass-Through Entity Ohio Board of Regents	84.367	S367B-050030	-	-	68,708	68,708
Total Department of Education (DOE)			9,611	14,984,117	1,547,155	16,540,883

Youngstown State University

Schedule of Expenditures of Federal Awards (continued)

Program Title	CFDA #	Pass Through Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
93 Department of Health and Human Services (HHS)						
Centers for Disease Control and Prevention –						
Investigations and Technical Assistance						
Pass-Through Entity Ohio State University	93.283	U90/CCU524240	–	–	4,243	4,243
Temporary Assistance for Needy Families						
Pass-Through Entity Burdman Group, Inc.	93.558	G994235	–	–	7,443	7,443
Community Services Block Grant	93.569		–	–	14,017	14,017
Community Services Block Grant – Discretionary Awards	93.570		–	–	43,981	43,981
Child Care and Development Block Grant						
Pass-Through Entity Ohio Afterschool Alliance	93.575	N/A	–	–	500	500
Refugee and Entrant Assistance – Wilson/Fish Program						
Pass-Through Entity Stony Brook University	93.583	1052682-2-38502	10,563	–	–	10,563
Microbiology and Infectious Diseases Research	93.856		20,790	–	–	20,790
Total Department of Health and Human Services (HHS)			31,353	–	70,184	101,537
Corporation for Public Broadcasting (CPB)						
WYSU-FM Audience Service Challenge Grant Phase II	*		–	–	18,241	18,241
CPB Community Service Grant 05-07	*		–	–	133,035	133,035
Total Corporation for Public Broadcasting (CPB)			–	–	151,276	151,276
Total Federal Expenditures			\$ 594,077	\$ 14,984,117	\$ 2,505,888	\$ 18,084,082

N/A – Pass Through number is not available.

* – CFDA # is not available.

Youngstown State University

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

1. Summary of Significant Accounting Policies

Basis of Presentation

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

2. Federal Perkins Loan Program

The University administers the Federal Perkins Loan Program – Federal Capital Contributions. The outstanding balance as of June 30, 2006 totaled \$3,090,451. Loan expenditures for the year ended June 30, 2007 totaled \$435,139 and are considered current year federal expenditures.

3. Federal Family Education Loan Program

During the fiscal year ending June 30, 2007, the University processed the following amount of new loans under the Federal Family Education Loan Program (which includes Stafford Loans and Parents’ Loans for Undergraduate Students). Since this program is administered by an outside financial institution, new loans made in the fiscal year ended June, 30, 2007 relating to this program are considered current year federal expenditures, whereas the outstanding loan balances are not. The new loans made in the fiscal year ended June 30, 2007, are not reported in the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount Processed
Federal Family Education Loan Program	84.032	\$ 53,245,911

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

The Board of Trustees
Youngstown State University

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Youngstown State University (University), a component unit of the State of Ohio, as of and for the year ended June 30, 2007, which collectively comprise the University's basic financial statements and have issued our report dated October 15, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Youngstown University Foundation, as described in our report on the University's financial statements. The financial statements of the Youngstown State University Foundation were not audited in accordance with *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 but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiency in the accompanying schedule of findings and questioned costs as Finding 07-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and accordingly, we express no opinion on it.

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



October 15, 2007

Report of Independent Auditors on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

The Board of Trustees
Youngstown State University

Compliance

We have audited the compliance of Youngstown State University (the University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. 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 auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of 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, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-02, 07-03, and 07-04.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

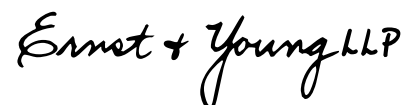
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-02, 07-03, and 07-04 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

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



October 15, 2007

Youngstown State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Part I – Summary of Auditor’s Results

Financial Statements Section

Type of auditor’s report issued: Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes None Reported

Type of auditor’s reports issued on compliance for major programs: Unqualified for all major programs

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

Youngstown State University

Schedule of Findings and Questioned Costs (continued)

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.033, 84.007, 84.038, 84.032	Student Financial Assistance – Cluster
10.224, 12.800, 20.701, 43.001, 47.041, 47.049, 47.074, 84.116, 93.583, 93.856	Research and Development – Cluster
84.366	Mathematics and Science Partnerships

Dollar threshold used to distinguish between
Type A and Type B programs:

\$542,522

Auditee qualified as low-risk auditee

 X Yes No

Youngstown State University

Schedule of Findings and Questioned Costs (continued)

Part II – Financial Statement Findings Section

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

07-01:

Annual Financial Statements

Criteria or specific requirement (including statutory, regulatory, or other citation):

Grant revenue should be deferred when the terms of the agreement indicate deferral of recognition is required.

Condition:

Grant revenue is not being deferred appropriately by the University in accordance with the specifications of the contract.

Questioned costs:

\$0

Context:

During fiscal year 2007, it was determined that the University was not appropriately recording deferred revenue associated with revenue from grants and contracts received in excess of corresponding expenditures or obligations incurred when the terms of the agreement indicate deferral of recognition is required. As of June 30, 2007 the University recorded \$696,048 relating to deferred grants and contracts revenue. Additionally, we determined that the University inappropriately analyzed the deferred revenue for the current and prior year, as they did not take into consideration the prior ending year balance. We identified an additional \$322,000 that should have been recorded at June 30, 2007 and \$695,000 that should have been recorded as deferred revenue as of June 30, 2006.

Youngstown State University

Schedule of Findings and Questioned Costs (continued)

Part II – Financial Statement Findings Section (continued)

Effect:	Revenue was recognized in the financial statements before the grants and contracts restrictions were fully meet.
Cause:	Management does not have a policies and procedures in place to appropriately account for the deferral of grants and contracts revenue.
Recommendation:	Management should put policies and procedures in place to ensure the appropriate recognition of grants and contracts revenue including having a consistent process for reviewing and documenting the significant items of all contracts when received.
Views of Responsible Officials and Planned Corrective Actions:	The University agrees that improvement of internal controls and procedures for the analysis and recording of deferred grants and contracts revenue are needed. Grants Accounting will put procedures in place during fiscal year 2008 to document the significant terms of grants and contracts when received and to review and analyze that information to appropriately record deferred revenue at June 30, 2008.

Youngstown State University

Schedule of Findings and Questioned Costs (continued)

Part III – Schedule of Federal Award Findings and Questioned Costs

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

Finding 07-02:

Federal Program Information:

Research & Development Cluster - various
CFDA #'s and Mathematics and Science
Partnerships CFDA # 84.366

<u>Contract #</u>	<u>Amount</u>
C I667-OSCI-07-13	\$ 35,070
C I667-OMAP-07-11	714
R-300-100193-40013	2,572
05 45006	51
Total	<u>\$ 38,407</u>

**Criteria or specific requirement
(including statutory, regulatory,
or other citation):**

In accordance with OMB Circular A-110 (2 CFR part 215) non-Federal entities receiving Federal awards must establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition:

The University does not have sufficient internal controls in place around Period of Availability to ensure that expenditures are recorded in the proper period.

Questioned costs:

\$38,407 – represents expenditures recorded in fiscal 2007 that pertained to fiscal 2006.

Youngstown State University

Schedule of Findings and Questioned Costs (continued)

Part III – Schedule of Federal Award Findings and Questioned Costs (continued)

Context: Invoices are not submitted for payment for expenditures incurred in a timely manner in order for expenditure to be reported in the proper period.

We selected a sample of 50 invoices to test internal control over period of availability and identified six expenditures that were not recorded in the appropriate period.

We selected an additional sample of 25 invoices for each major program and noted no additional compliance findings.

Effect: The lack of internal controls around the period of availability could result in incorrect financial data to be reported to the grantors. Although the questioned costs were not recorded in the proper period, they were allowable costs under the terms of the grant.

Cause: Although the University has year-end processing deadlines, current policies do not contain sufficient internal controls to adequately identify and segregate grant period processing from fiscal period processing.

Recommendation: Management should revise its current policies and procedures to ensure all grant expenditures incurred are submitted timely and in the proper fiscal period.

Youngstown State University

Schedule of Findings and Questioned Costs (continued)

Part III – Schedule of Federal Award Findings and Questioned Costs (continued)

Views of Responsible Officials and Planned Corrective Actions:

The University agrees that improvement of internal controls and procedures surrounding the recording of grant expenditures in the proper fiscal period are needed. Improvements will be made in the following areas:

1. Form instructions
2. Education of Principal Investigators
3. Review procedures
4. Exception processing

Finding 07-03:

Federal Program Information:

Research & Development Cluster -various CFDA #'s and Mathematics and Science Partnerships – CFDA #84.366

Criteria or specific requirement (including statutory, regulatory, or other citation):

OMB Circular A-110 Section 45 states “some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement actions. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.”

Condition:

Not every procurement action is supported by documentation of cost or price analysis in the procurement files.

Youngstown State University

Schedule of Findings and Questioned Costs (continued)

Part III – Schedule of Federal Award Findings and Questioned Costs (continued)

Questioned costs:	Not determinable.
Context:	<p>We inquired of management and noted that procedures are not in place to ensure that documentation is maintained to support that cost or price analysis is performed for each procurement action.</p> <p>Research & Development expenditures in fiscal 2007 totaled \$594,077 of which \$168,204 were processed through the procurement process. Mathematics and Science Partnerships federal expenditures totaled \$757,669 of which \$28,393 related to procurement.</p>
Effect:	The University is not in compliance with OMB Circular A-110 regulations related to Procurement, Cost and Price analysis.
Cause:	The University's internal controls are not sufficient to ensure compliance with procurement cost and price analysis requirements defined in OMB Circular A-110.
Recommendation:	The University should revise its procurement policies and procedures to ensure the provisions of OMB Circular A-110 are addressed.

Youngstown State University

Schedule of Findings and Questioned Costs (continued)

Part III – Schedule of Federal Award Findings and Questioned Costs (continued)

Views of Responsible Officials and Planned Corrective Actions:

Documentation of cost or price analysis is maintained centrally whenever competitive selection processes are required by policy or Purchasing Office mandate. Documentation is also available when purchases are made against University, State, or other contracts. The University agrees that improvement of procedures surrounding the documentation of cost and price analysis is needed for all other lower-cost purchases to be in full compliance with OMB Circular A-110. The University will explore cost effective methods of obtaining documentation of cost and price analysis on small dollar off-contract purchases.

Finding 07-04:

Federal program information:

Research and Development Cluster – various CFDA #'s

Criteria or specific requirement (including statutory, regulatory, or other citation):

In accordance with *OMB Circular A-110* Section 48e and Appendix A paragraph 8, internal controls are required over the suspension and debarment process. Further, no contract shall be made to entities on the General Services Administration's List of Parties Excluded from Federal Procurement.

Condition:

Entities are required to ensure its vendors are not suspended or debarred by reviewing the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Youngstown State University

Schedule of Findings and Questioned Costs (continued)

Part III – Schedule of Federal Award Findings and Questioned Costs (continued)

Questioned costs:	\$0.
Context:	We inquired with management and noted that procedures were not in place until February 2007 to ensure that vendors and non-vendors are not suspended and debarred. We performed compliance testing and noted for a sample of 15 vendors none were suspended or debarred.
Effect:	Management could not document its compliance with the suspension and debarment requirements until February 2007.
Cause:	Management did not have internal controls over the suspension and debarment process until February 2007.
Recommendation:	Management should develop written internal controls to document compliance with their policies and procedures over suspension and debarment.
Views of Responsible Officials and Planned Corrective Actions:	This finding was first referenced in the University's fiscal year 2006 Single Audit Report as Finding 06-02 and was adequately addressed in February 2007. Refer to response for 06-02 – Summary Schedule of Prior Audit Findings.

Youngstown State University

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2007

06-01

Research & Development Cluster

University grant administrators were given improper instructions on how to complete certified effort reports resulting in incorrect effort reporting. In addition, there are insufficient controls to match the period being certified with the pay period being charged. We further noted there are insufficient controls to ensure certified effort reports are completed.

Response:

Actions identified in the June 30, 2006, single audit report were taken during the actual audit fieldwork period. The March 6, 2007, workshop was held and well attended.

The frequency of time and effort reporting was evaluated by management in December 2006, and it was determined that the monthly reporting process was inefficient and took time away from follow-up efforts. Thus, effective Spring Semester 2007, Time and Effort reports are now certified three times a year – Fall, Spring and Summer. Simultaneously, Grants Accounting implemented a Time and Effort log to better monitor and ensure completion of certified level of efforts by research administrators.

The new policies and procedures were documented in January 2007, and instructions for proper completion of the time and effort forms were provided to principal investigators with the Spring Semester forms.

Management's corrective action plan was implemented as outlined in the prior year finding.

Youngstown State University

Summary Schedule of Prior Audit Findings (continued)

06-02

Research & Development Cluster

Management does not have internal controls over the suspension and debarment process.

Response:

Legal Counsel completed their review January 4, 2007, and, effective February 2007, procedures were implemented to ensure that vendors are not suspended and debarred. Grants Accounting reviews the *Excluded Parties List System (EPLS)* for all grant-related purchase orders \$25,000 or more, and for all grant-related contracted services regardless of the amount of payment, and appropriate documentation is now maintained as evidence of the review. These procedures were implemented retroactively to ensure auditable compliance in the FY2007 audit year and forward. Additional and/or alternative procedures are under review to further streamline the process.

Management's corrective action plan was implemented as outlined in the prior year finding.

06-03

Research & Development Cluster

Management does not have sufficient internal controls over progress reporting to ensure they are completed timely and that appropriate supporting documentation is maintained.

Response:

The Office of Grants and Sponsored Programs reviewed and updated their guidelines during Spring Semester 2007, and communicated the information to principal investigators between February and May 2007. In addition to other grant information and policies, the Office of Grants and Sponsored Programs' website is in the process of being updated prior to the start of Fall Semester 2007.

Management's corrective action plan was implemented as outlined in the prior year finding.

Youngstown State University

Summary Schedule of Prior Audit Findings (continued)

05-01

Student Financial Assistance

US Department of Education Student Financial Aid Cluster – Federal Family Education Loan (FFEL) Program CFDA #84.032. The University did not timely submit status changes on the Roster File for students who graduated.

Response:

Corrective action plan was taken in fiscal 2006.



YOUNGSTOWN STATE UNIVERSITY

The background of the cover is a faded photograph of a large, multi-story brick building, likely a university hall, with a prominent central tower. The building is set against a light sky and is partially obscured by green trees in the foreground. The entire image is framed by a thin, light-colored border.

YOUNGSTOWN STATE UNIVERSITY

**Financial Report
for the Years Ended
June 30, 2007 and 2006**

YOUNGSTOWN STATE UNIVERSITY

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YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT SWEET

October 15, 2007

Youngstown State University continued the focused implementation of its Centennial Strategic Plan during fiscal year 2007. During the year, significant time and effort was directed to activities that will take place during fiscal year 2008 including the Higher Learning Commission Accreditation site visit, the University's Centennial Celebration, the conclusion of the Centennial Capital Campaign, and the full implementation of financing for the Centennial Campus Master Plan.

The University's 2007 Institutional Annual Plan is available on the YSU website (<http://www.yzu.edu/president/index.shtml>). The report details progress in addressing the Centennial Strategic Plan's ten critical issues. The highlights of fiscal year 2007 include:

- Fall semester enrollment increased from 13,183 in 2006 to 13,497 in 2007. Enrollment has increased approximately 15% since Fall 2000.
- Minority enrollment increased from 2,062 in Fall 2006 to 2,338 in Fall 2007, a 13.4% increase. In Fall 2007, minority enrollment represented approximately 16% of total University enrollment compared to approximately 11% in Fall 2000.
- Completion of all preliminary phases of the self-study for the Higher Learning Commission/North Central Association Accreditation in preparation for submitting the self-study in December and the site visit scheduled for February 2008.
- Completion of the Academic Strategic Plan and restructuring of the academic colleges to create the College of Science, Technology, Engineering, and Mathematics (STEM) and the College of Liberal Arts and Social Sciences (CLASS) from the previous College of Arts and Sciences and Rayen College of Engineering and Technology.
- Launch of the Centennial Capital Campaign and achievement of fundraising \$32 million toward the target of \$43 million, representing 74% of the goal.
- Completion of key senior personnel searches with the recruitment of Eugene Grilli, Vice President for Finance and Administration; Yulanda McCarty-Harris, Director of Equal Opportunity and Diversity; and Craig Bickley, Chief Human Resources Officer.
- Implementation of two additional modules of the SCT Banner project—the Admissions module of the Student System and the Human Resources/Payroll module.
- Achievement of significant progress on the Centennial Campus Master Plan which includes the East and North Campus Gateways, the selection of an architect for the new Williamson College of Business Administration building, and the selection of a developer for the Smoky Hollow Neighborhood redevelopment project in partnership with Wick Neighbors, Inc.

During fiscal year 2007, the University has had to address major changes in the state and regional political environment including the appointment of a new Chancellor who is committed with the support of newly elected Governor Ted Strickland to dramatically restructure higher education in Ohio. In addition, a regional commission was formed to recommend changes in higher education in Northeast Ohio. Fiscal year 2008 will be marked by continued activity at the state and regional levels.

Sincerely,



David C. Sweet
President

Report of Independent Auditors

The Board of Trustees
Youngstown State University

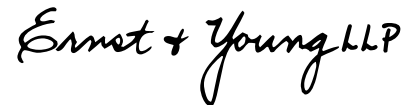
We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Youngstown State University (University), a component unit of the State of Ohio, as of and for the years ended June 30, 2007 and 2006, which collectively comprise the University's basic financial statement as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Youngstown State University Foundation, which represents 40%, 47%, and 1%, respectively, of the total assets, net assets and revenue of the aggregate discretely presented component units of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University for the discretely presented component unit, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of Youngstown State University as of June 30, 2007 and 2006, and the respective changes in its net assets and, where applicable, cash flows, thereof, for the years then ended in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 4 through 15 are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2007, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



October 15, 2007

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section of Youngstown State University's (YSU or University) Financial Report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2007 with comparative information for the fiscal years ended June 30, 2006 and 2005. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

In 1908, The Youngstown College was founded. In 1955, The Youngstown College became The Youngstown University. On September 1, 1967, The Youngstown University became officially known as Youngstown State University. The University is composed of six colleges and one school and operates on a main campus and a Metro College. Fall 2006 enrollment was approximately 13,200 students and Spring 2007 enrollment was approximately 12,500.

Using the Financial Statements

The University's financial report includes three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with the financial reporting format required by the Governmental Accounting Standards Board's (GASB) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole. Key presentation elements include:

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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

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

Financial and Other University Highlights

- Increased enrollment
- Positive Senate Bill 6 ratios
- Continued progress on four major planning initiatives including enrollment management, technology, the campus master plan, and the centennial capital campaign
- Continuation of partnership with SunGard Higher Education Solutions to implement an Enterprise Resource Planning (ERP) System to replace all administrative and financial information systems within the University
- Achieved a substantial amount of Centennial Capital Campaign fundraising goal.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The Statements of Net Assets

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

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Assets			
Current assets	\$ 39,091,090	\$ 29,766,825	\$ 35,321,462
Capital assets, net	156,013,424	160,912,963	152,956,510
Other assets	42,137,140	34,617,676	30,675,292
Total Assets	<u>237,241,654</u>	<u>225,297,464</u>	<u>218,953,264</u>
Liabilities			
Current liabilities	24,420,755	23,020,653	22,187,810
Noncurrent liabilities	29,221,380	30,888,229	21,232,048
Total Liabilities	<u>53,642,135</u>	<u>53,908,882</u>	<u>43,419,858</u>
Total Net Assets	<u>\$ 183,599,519</u>	<u>\$ 171,388,582</u>	<u>\$ 175,533,406</u>
Net Assets			
Invested in capital assets, net of related debt	135,740,831	138,839,999	139,692,381
Restricted	25,753,454	16,353,678	16,753,452
Unrestricted	22,105,234	16,194,905	19,087,573
Total Net Assets	<u>\$ 183,599,519</u>	<u>\$ 171,388,582</u>	<u>\$ 175,533,406</u>

Assets

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Cash and cash equivalents	\$ 13,428,352	\$ 10,106,720	\$ 16,411,426
Investments	39,983,400	37,847,254	29,779,808
Accounts, loans and pledges receivable, net	24,334,420	13,503,715	17,053,878
Capital assets, net	156,013,424	160,912,963	152,956,510
Other	3,482,058	2,926,812	2,751,642
Total Assets	<u>\$ 237,241,654</u>	<u>\$ 225,297,464</u>	<u>\$ 218,953,264</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Cash and cash equivalents, and investments increased \$5.4 million or 11.4% from fiscal year 2006 to fiscal year 2007. Contributors to the increase include increased enrollment and higher tuition; containment of operating expenses; favorable investment market; and increased fundraising activities.

Cash and cash equivalents increased \$3.3 million or 32.9% from fiscal year 2006 to fiscal year 2007; whereas investments increased \$2.1 million or 5.6%. Asset allocations for cash and cash equivalents, and investments were in line with the strategic targets set forth in the University's asset allocation guidelines.

Although total cash and cash equivalents, and investments only increased \$1.8 million from fiscal year 2005 to fiscal year 2006, the composition between cash and cash equivalents and investments fluctuated significantly. Cash and cash equivalents decreased \$6.3 million or 38.4% from fiscal year 2005 to fiscal year 2006 while investments increased \$8 million or 27.1%. The University's asset allocation guidelines specify a 20-40% range for cash and cash equivalents with a strategic target of 30%. Cash and cash equivalents were at the high end of the range at the end of fiscal year 2005 due to a planned transition to a new custodial investment manager, and a need for more liquidity to address scheduled payments of \$3.9 million for the West Campus Gateway Project including \$1.9 million in construction payables at June 30, 2005. Cash and cash equivalents were at the low end of the range at the end of fiscal year 2006 largely due to a shift of working capital from cash and cash equivalents to investments upon completion of the West Campus Gateway Project and depletion of cash and cash equivalents in the last quarter of fiscal year 2006 to address ERIP and other retirement-related payouts. See Note 4 for more information on investment types and maturities.

Endowment principal and other investments are included in noncurrent assets. The Statement of Cash Flows provides additional information on sources and uses of the University's cash and cash equivalents. Refer to Notes 3 and 4 for additional information on cash and cash equivalents, and investments.

Net accounts, loans and pledges receivable increased \$10.8 million or 80.2% from fiscal year 2006 to fiscal year 2007 due to:

- a \$2.4 million increase in grants and contracts receivable;
- a \$9.2 million increase in net pledges receivable for the Centennial Campaign for capital investment for student facilities including a new business college and a new indoor practice athletic facility.

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

At June 30, 2007, the University had \$156,013,424 in capital assets, net of accumulated depreciation. Depreciation and amortization totaled \$9,141,030, \$8,816,031, and \$8,320,547 in fiscal years 2007, 2006, and 2005, respectively. Details of net capital assets are shown below.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Land	\$ 13,527,705	\$ 13,380,116	\$ 13,329,592
Buildings	100,877,714	121,103,113	109,440,750
Improvements to buildings	25,530,838	-	-
Improvements other than buildings	6,961,158	6,287,958	6,410,980
Construction-in-progress	1,895,250	11,815,023	14,246,102
Moveable equipment and furniture	6,257,407	7,303,979	8,340,583
Vehicles	133,896	163,267	210,131
Historical treasures	297,513	297,513	297,513
Capital leased assets	531,943	561,994	680,859
Total	<u>\$ 156,013,424</u>	<u>\$ 160,912,963</u>	<u>\$ 152,956,510</u>

Major capital activity during fiscal year 2007 included substantial completion of the Energy Management System; completion of the Masonry Restorations projects, which included masonry repairs to various buildings on campus; and completion of the M-8 lot and Spring Street East portion of the East Campus Gateway Project. Major capital activity during fiscal year 2006 included the completion of the West Campus Gateway Project, which includes the Andrews Recreation and Wellness Center and Bookstore renovation and expansion; the completion of the Chiller Steamline Project; the inception of an Energy Management System; and the continued construction of the East Campus Gateway Project, which includes parking lot improvements, street renovations and repairs. Major capital activity during fiscal year 2005 included the Campus Electronic Upgrade, the Beeghly Gym Roof Renovations, and construction of the Andrews Recreation and Wellness Center reflected in Construction in Progress at June 30, 2005. The addition of properties to allow for future expansion of the University campus, and technology upgrades occurred in both fiscal years 2006 and 2005. More detailed information about the University's capital assets is presented in Note 7 to the financial statements.

Liabilities

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Accounts and construction payable	\$ 1,616,458	\$ 1,427,637	\$ 3,249,294
Payroll liabilities	8,734,992	8,901,927	8,688,678
Note payable	8,962,133	9,796,000	-
Bonds and capital leases payable, net	11,435,839	12,366,550	13,268,653
Deferred revenue	10,355,435	8,765,906	8,484,716
Compensated absences	8,959,219	8,990,506	6,636,242
Refundable advance	2,734,413	2,793,698	2,808,777
Other	843,646	866,658	283,498
Total Liabilities	<u>\$ 53,642,135</u>	<u>\$ 53,908,882</u>	<u>\$ 43,419,858</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Total liabilities at June 30, 2007 remained consistent with total liabilities at June 30, 2006. Debt reduction during fiscal year 2007 totaled \$1.76 million; whereas deferred revenue increased \$1.6 million due to increased grant activity. At June 30, 2007, the University had \$11,165,000 in principle debt outstanding compared to \$12,030,000 at June 30, 2006 and \$12,875,000 at June 30, 2005.

Total liabilities increased \$10.5 million in fiscal year 2006 primarily due to the addition of a \$9.8 million note payable for an energy management system. Accounts and construction payable increased in fiscal 2005 primarily due to construction payables related to the West Campus Gateway Project. Compensated absences increased \$2.4 million from fiscal year 2005 to fiscal year 2006 primarily due to the establishment of an Early Retirement Incentive Plan (ERIP) during fiscal year 2006 and an increase in the estimated sick leave liability. More detailed information about the University's ERIP, debt and long-term liabilities is presented in Note 9 to the financial statements. See Note 8 for a further breakout of accrued and other liabilities.

Net Assets

Overall the University's net assets increased \$12.2 million or 7% from \$171.4 million at June 30, 2006 to \$183.6 million at June 30, 2007. This increase is largely due to \$14.7 million combined increase in restricted and unrestricted expendable funds largely attributed to the Centennial Campaign fund raising activities and \$3.1 million decrease in Invested in Capital Assets, net of related debt.

Restricted net assets, including expendable and nonexpendable funds, totaled \$25.8 million at June 30, 2007 compared to \$16.4 million at June 30, 2006, an increase of \$9.4 million or 57%. Restricted expendable net assets totaled \$19.8 million at June 30, 2007 compared to \$11.1 million at June 30, 2006, an increase of \$8.7 million or 79%, largely due to capital pledges and funds for the purpose of constructing a new business college and a new indoor athletic practice facility. Capital gift revenue for these projects totaling \$8.4 million is included in capital grants and gifts in the Statement of Revenues, Expenses, and Changes in Net Assets. Current Funds include grants and sponsored programs and gifts, including scholarship donations, program support and endowed scholarship pledges. Revenues are included in private gifts. The following table summarizes restricted expendable net assets at:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current funds	\$ 8,033,675	\$ 6,362,872	\$ 5,430,838
Plant funds	11,745,616	4,650,793	5,982,601
Loan funds	64,429	66,166	72,584
Total	<u>\$ 19,843,720</u>	<u>\$ 11,079,831</u>	<u>\$ 11,486,023</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Unrestricted net assets totaled \$22.1 million at June 30, 2007 compared to \$16.2 million at June 30, 2006, an increase of \$5.9 million or 36%. Current funds increased largely due to General Fund operating year end excess of \$2.7 million compared to \$1.4 million in fiscal year 2006. Plant funds increased largely due to transfers of year-end excess of Auxiliary funds to plant reserves for future plant projects. The following table summarizes unrestricted net assets at:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current funds	\$ 8,889,218	\$ 4,122,451	\$ 6,864,725
Operating reserves	7,820,696	7,538,575	7,250,000
Plant funds	5,377,012	4,513,423	4,701,244
Loan funds	18,308	20,456	271,604
Total	<u>\$ 22,105,234</u>	<u>\$ 16,194,905</u>	<u>\$ 19,087,573</u>

Effective in fiscal year 2006, year end general carryforward funds are segregated into allocated funds that require approved spending plans prior to expenditure. Auxiliary year end carryforward funds have, and continue to be, transferred to plant reserve funds. During fiscal year 2006, \$1.1 million transfer from auxiliary to plant reserve funds.

Overall Analysis of Fiscal Year 2006 Versus 2005

The most significant factors affecting the decrease in net assets for fiscal year 2006 included significant increases in compensation-related liabilities and a decrease in year end current operating funds.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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

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

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Operating Revenues			
Net tuition, fees and other student charges	\$ 74,939,644	\$ 67,801,731	\$ 62,490,186
Auxiliary enterprises	16,904,112	15,617,059	15,049,075
Grants and contracts	13,717,515	13,807,232	13,576,193
Other	1,746,145	1,269,415	1,825,178
Total Operating Revenues	<u>107,307,416</u>	<u>98,495,437</u>	<u>92,940,632</u>
Operating Expenses	<u>173,205,585</u>	<u>168,597,834</u>	<u>163,214,249</u>
Operating Loss	<u>(65,898,169)</u>	<u>(70,102,397)</u>	<u>(70,273,617)</u>
Nonoperating Revenues (Expenses)			
State appropriations	42,912,623	42,256,300	43,534,244
Gifts, grants, and contracts	22,972,761	20,024,534	20,409,765
Investment income	3,981,962	1,550,845	1,776,256
Other nonoperating expenses, net	(2,575,260)	(1,897,913)	(1,221,188)
Net Nonoperating Revenues	<u>67,292,086</u>	<u>61,933,766</u>	<u>64,499,077</u>
Income (Loss) Before Other Revenues, Expenses, and Changes	1,393,917	(8,168,631)	(5,774,540)
Other Revenues, Expenses, and Changes			
State capital appropriations	2,101,533	3,870,015	8,477,922
Capital grants and gifts	8,691,475	103,757	1,138,011
Other	24,012	50,035	49,614
Total Other Revenues, Expenses, and Changes	<u>10,817,020</u>	<u>4,023,807</u>	<u>9,665,547</u>
Increase (Decrease) in Net Assets	12,210,937	(4,144,824)	3,891,007
Net Assets at Beginning of Year	<u>171,388,582</u>	<u>175,533,406</u>	<u>171,642,399</u>
Net Assets at End of the Year	<u>\$ 183,599,519</u>	<u>\$ 171,388,582</u>	<u>\$ 175,533,406</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Revenues

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

	June 30, 2007	June 30, 2006	June 30, 2005
Net tuition, fees and other student charges	\$ 74,939,644	\$ 67,801,731	\$ 62,490,186
Auxiliary enterprises	16,904,112	15,617,059	15,049,075
Gifts, grants, and contracts	45,405,763	33,985,558	35,173,583
State appropriations	42,912,623	42,256,300	43,534,244
Investment income	3,981,962	1,550,845	1,776,256
Other revenue	1,995,452	1,858,363	2,277,135
State capital appropriations	2,101,533	3,870,015	8,477,922
Total Revenues	\$ 188,241,089	\$ 166,939,871	\$ 168,778,401

Overall, the University's total net revenue increased \$21.3 million or 12.8% in fiscal year 2007 and decreased \$1.8 million or 1.1% in fiscal year 2006. The majority of the University's revenue, 63% in fiscal year 2007, 67% in fiscal year 2006 and 63% in fiscal year 2005, is attributed to State appropriations and tuition and fees. Combined, these two revenue streams increased \$7.8 million in fiscal year 2007 and \$4.0 million in fiscal year 2006. State capital appropriations revenue decreased \$1.76 million in fiscal year 2007 and decreased \$4.6 million in fiscal year 2006 primarily due to a decrease in the number capital projects.

From fiscal year 2006 to fiscal year 2007, net tuition, fees, and other student charges increased \$7.1 million primarily due to 5.75% increase in mandatory fees and increased FTE of 2.8%. From fiscal year 2005 to fiscal year 2006, net tuition, fees, and other student charges increased \$5.3 million, primarily due to a 7.63% increase in tuition and fees charged to all students, offset by a 1.8% decrease in full-time equivalent students.

Expenses

Operating expenses can be displayed in two formats: natural classification and functional classification. The table below summarizes both formats.

Functional Classification	Natural Classification				2007	2006	2005
	Compensation	Operating	Scholarships	Depreciation and Amortization	Total Functional	Total Functional	Total Functional
Instruction and departmental research	\$ 58,918,979	\$ 5,617,787	\$ 117,217	\$ -	64,653,983	\$ 62,665,700	\$ 63,608,020
Separately budgeted research	569,015	289,358	(500)	-	857,873	955,945	1,543,391
Public service	2,907,756	1,158,269	546	-	4,066,571	4,565,405	5,396,600
Academic support	9,168,920	3,489,571	5,431	-	12,663,922	11,355,057	10,325,582
Student services	7,125,364	1,296,288	2,624	-	8,424,276	8,015,148	8,747,696
Institutional support	17,445,631	7,421,092	9,767	-	24,876,490	26,654,373	22,749,601
Operation and maintenance of plant	6,988,590	6,793,086	94	-	13,781,770	13,482,934	13,022,133
Scholarships	-	482,320	12,139,203	-	12,621,523	10,917,454	9,391,805
Auxiliary enterprises	8,337,544	10,951,068	2,829,535	-	22,118,147	21,169,787	20,108,874
Depreciation and amortization	-	-	-	9,141,030	9,141,030	8,816,031	8,320,547
Total Natural Expenses	\$ 111,461,799	\$ 37,498,839	\$ 15,103,917	\$ 9,141,030	\$ 173,205,585	\$ 168,597,834	\$ 163,214,249

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall operating expenses increased \$4.6 million or 2.7% between fiscal year 2007 and fiscal year 2006. This increase was consistent with budgeted targets.

Overall operating expenses increased \$5.4 million or 3.3% between fiscal year 2006 and fiscal year 2005. The largest increase was a \$3.9 million increase in institutional support largely due to \$2 million ERIP OPERS purchases and retirement related payouts.

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

Total operating and non-operating expenses are \$176,030,151, \$171,084,695, and \$164,887,394 in fiscal years 2007, 2006 and 2005, respectively.

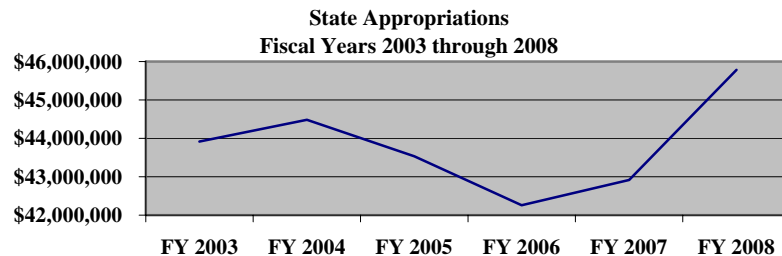
YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Economic Factors for the Future

Looking to the future, management believes the University is well-positioned to continue its favorable financial condition and level of excellence in service to students. The University's positive financial position is reflected in its Senate Bill 6 (SB6) composite scores. These scores are required to be calculated by Ohio legislation and provide a formalized structure for monitoring the financial health of the State's colleges and universities. These ratios, calculated annually, assess viability, financial strength and net income. The overall maximum score is 5 and the threshold for fiscal watch is 1.75. The University's SB6 composite score for the year ended June 30, 2007 was 3.7 compared to 2.9 at June 30, 2006 and 3.3 at June 30, 2005. The increase in the composite score is primarily the result of pledges for the Centennial Campaign.

A crucial element to the University's future will continue to be its relationship with the State as work continues toward providing quality education at an affordable price. The University continued to experience a decline in its revenue from State appropriations through fiscal year 2006. After experiencing a slight increase in fiscal year 2007, the fiscal year 2008 proposed budget reflects a 6.8% increase in state support. Amended Substitute House Bill 199 (HB199), the state of Ohio's biennial operating budget bill for fiscal years 2008 and 2009, allocates an additional \$96 million in direct state support for higher education in fiscal year 2008, of which YSU's share is projected to be approximately \$2.9 million or 6.8% above fiscal year 2007 actual state support. This increase is intended to offset the mandated tuition constraints imposed as part of HB199. The University's State appropriations are illustrated below:



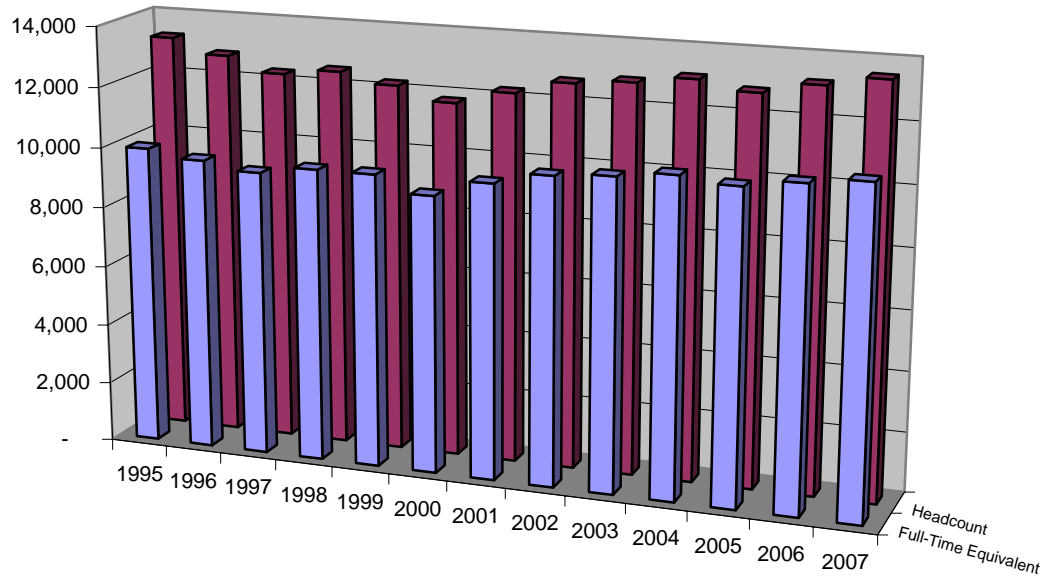
Note: Graph includes five years actual plus budgeted amount for fiscal year 2007

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The University's enrollment has stabilized:

**Fall Term Enrollment Trends
1995 through 2007**



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
■ Full-Time Equivalent	9,954	9,714	9,462	9,729	9,733	9,203	9,766	10,171	10,311	10,518	10,332	10,590	10,796
■ Headcount	13,273	12,801	12,324	12,533	12,222	11,787	12,250	12,698	12,858	13,101	12,812	13,183	13,497

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF NET ASSETS AT JUNE 30, 2007 AND 2006

	June 30, 2007	June 30, 2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 13,428,352	\$ 10,106,720
Investments	4,432,385	5,406,308
Restricted investments	331,757	890,724
Interest receivable	405,909	277,339
Accounts receivable, net	6,974,212	4,875,359
Pledges receivable, net	6,145,655	1,426,117
Pledges receivable - Youngstown State University Foundation	3,825,000	3,600,000
Loans receivable, net	597,050	601,950
Inventories	1,971,734	1,869,298
Prepaid expenses and deferred charges	979,036	713,010
Total Current Assets	39,091,090	29,766,825
Noncurrent Assets		
Investments	29,620,480	26,593,693
Endowments and other restricted investments	5,598,778	4,956,529
Pledges receivable, net	4,962,176	1,004,982
Loans receivable, net	1,830,327	1,995,307
Deposits on land	125,379	67,165
Nondepreciable capital assets, net	15,720,468	25,492,652
Depreciable capital assets, net	140,292,956	135,420,311
Total Noncurrent Assets	198,150,564	195,530,639
Total Assets	237,241,654	225,297,464
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	1,243,605	1,051,927
Construction payable	372,853	375,710
Payroll liabilities	8,734,992	8,901,927
Bonds payable	900,000	865,000
Note payable	863,303	833,867
Capital leases payable	88,100	89,763
Compensated absences	1,018,821	1,269,895
Deferred revenue	10,355,435	8,765,906
Other liabilities	843,646	866,658
Total Current Liabilities	24,420,755	23,020,653
Noncurrent Liabilities		
Bonds payable, net	10,104,602	10,983,967
Note payable	8,098,830	8,962,133
Capital leases payable	343,137	427,820
Compensated absences	7,940,398	7,720,611
Refundable advance	2,734,413	2,793,698
Total Noncurrent Liabilities	29,221,380	30,888,229
Total Liabilities	53,642,135	53,908,882
NET ASSETS		
Invested in capital assets, net of related debt	135,740,831	138,839,999
Restricted:		
Nonexpendable	5,909,734	5,273,847
Expendable	19,843,720	11,079,831
Unrestricted	22,105,234	16,194,905
Total Net Assets	\$ 183,599,519	\$ 171,388,582

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2007 AND 2006

	June 30, 2007	June 30, 2006
ASSETS		
Cash and cash equivalents	\$ 4,360,499	\$ 4,040,308
Accrued interest receivable	831,508	776,283
Due from University Housing Corporation	112,645	107,391
Prepaid insurance	11,841	18,019
Property acquired for resale to Youngstown State University	77,900	108,834
Investments - at market value:		
Common stock	104,623,471	90,113,223
Preferred stock	5,787,942	5,539,445
Fixed income securities:		
U.S. Government and Agencies	36,226,657	28,243,611
Corporate	14,994,201	17,652,617
Temporary cash investments	1,504,537	1,205,240
	163,136,808	142,754,136
Contribution receivable	-	4,653
Contribution receivable from remainder trusts	1,406,644	1,329,997
Cash surrender value of insurance policies	60,450	63,371
Office furniture and equipment, at cost, less accumulated depreciation of \$33,235 in 2007 and \$31,924 in 2006	867	2,177
TOTAL ASSETS	169,999,162	149,205,169
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	26,189	24,325
Retirement benefits payable	36,504	39,270
Grant commitments to Youngstown State University for scholarship awards	3,825,000	3,600,000
Total Liabilities	3,887,693	3,663,595
 Net Assets		
Unrestricted:		
Designated by Board for endowment	126,189,253	111,525,359
Undesignated	1,472,672	1,638,264
	127,661,925	113,163,623
Temporarily restricted	2,084,576	1,627,434
Permanently restricted	36,364,968	30,750,517
Total Net Assets	166,111,469	145,541,574
TOTAL LIABILITIES AND NET ASSETS	\$ 169,999,162	\$ 149,205,169

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF FINANCIAL POSITION AT JULY 31, 2007 AND 2006

	July 31, 2007	July 31, 2006
ASSETS		
Current Assets		
Cash	\$ 172,557	\$ 171,539
Restricted cash	299,080	83,857
Accounts receivable, net	32,285	23,539
Accounts receivable - Youngstown State University	14,934	15,879
Interest receivable	15,476	13,516
Restricted investments	3,324,291	2,935,241
Prepaid expenses	30,305	216,685
Total Current Assets	3,888,928	3,460,256
Property, Facilities, and Equipment, net	16,267,002	16,771,069
Bond issue costs, net	343,434	357,311
TOTAL ASSETS	20,499,364	20,588,636
LIABILITIES AND NET DEFICIT		
Liabilities		
Current Liabilities		
Accounts payable	29,895	6,799
Capital lease payable, current portion	23,977	21,273
Accrued bond interest payable	68,646	66,143
Bonds payable, current portion	100,000	60,000
Prepaid rent	42,320	42,006
Due to Ambling Company	9,626	9,626
Security deposits	77,838	96,543
Other accruals	77,703	17,417
Total Current Liabilities	430,005	319,807
Long-Term Debt		
Bonds payable	21,430,000	21,580,000
Interest rate swap	429,618	365,214
Loan payable - Youngstown State University Foundation	121,592	108,376
Capital lease payable	18,067	41,739
Total Long-Term Debt	21,999,277	22,095,329
Total Liabilities	22,429,282	22,415,136
Unrestricted Net Deficit	(1,929,918)	(1,826,500)
TOTAL LIABILITIES AND NET DEFICIT	\$ 20,499,364	\$ 20,588,636

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	June 30, 2007	June 30, 2006
REVENUES		
Operating Revenues		
Tuition, fees, and other student charges (net of scholarship allowance of \$17,102,380 in 2007 and \$16,907,746 in 2006)	\$ 74,939,644	\$ 67,801,731
Federal grants and contracts	5,113,858	3,640,710
State grants and contracts	7,882,092	8,672,343
Local grants and contracts	296,557	267,745
Private grants and contracts	425,008	1,226,434
Sales and services	299,550	243,638
Auxiliary enterprises	16,904,112	15,617,059
Other operating revenues	1,446,595	1,025,777
Total Operating Revenues	107,307,416	98,495,437
EXPENSES		
Operating Expenses		
Instruction and departmental research	64,653,983	62,665,700
Separately budgeted research	857,873	955,945
Public service	4,066,571	4,565,405
Academic support	12,663,922	11,355,057
Student services	8,424,276	8,015,148
Institutional support	24,876,490	26,654,373
Operation and maintenance of plant	13,781,770	13,482,934
Scholarships	12,621,523	10,917,454
Auxiliary enterprises	22,118,147	21,169,787
Depreciation and amortization	9,141,030	8,816,031
Total Operating Expenses	173,205,585	168,597,834
Operating Loss	(65,898,169)	(70,102,397)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	42,912,623	42,256,300
Federal grants	13,154,156	12,301,380
Private gifts	9,818,605	7,723,154
Unrestricted investment income (net of investment expense)	3,152,088	1,260,400
Restricted investment income (net of investment expense)	829,874	290,445
Interest on capital asset-related debt	(718,595)	(773,162)
Other nonoperating expenses, net	(1,856,665)	(1,124,751)
Net Nonoperating Revenues	67,292,086	61,933,766
Gain (Loss) Before Other Revenues, Expenses, and Changes	1,393,917	(8,168,631)
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	2,101,533	3,870,015
Capital grants and gifts	8,691,475	103,757
Additions to the principal of endowments	24,012	50,035
Total Other Revenues, Expenses, and Changes	10,817,020	4,023,807
Increase (Decrease) In Net Assets	12,210,937	(4,144,824)
NET ASSETS		
Net Assets at Beginning of the Year	171,388,582	175,533,406
Net Assets at End of the Year	\$ 183,599,519	\$ 171,388,582

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	June 30, 2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses) and other support:				
Contributions	\$ 393,522	\$ 353,171	\$ 2,353,683	\$ 3,100,376
Investment earnings	6,172,602	39,665	-	6,212,267
Net realized gain on sale of investments	1,724,789	27,647	109,564	1,862,000
Net unrealized gain on long-term investments	12,745,296	146,392	3,074,557	15,966,245
Increase in value of deferred gifts	-	-	76,647	76,647
Net assets released from restrictions	109,733	(109,733)	-	-
Total revenues, gains (losses) and other support	<u>21,145,942</u>	<u>457,142</u>	<u>5,614,451</u>	<u>27,217,535</u>
Expenditures and other distributions:				
Administrative expenditures	631,818	-	-	631,818
Distribution to Youngstown State University:				-
Grants for property	86,834	-	-	86,834
Scholarships and other	5,911,654	-	-	5,911,654
Benefits for retired Youngstown University faculty	17,334	-	-	17,334
Total Expenditures	<u>6,647,640</u>	<u>-</u>	<u>-</u>	<u>6,647,640</u>
Change in Net Assets	14,498,302	457,142	5,614,451	20,569,895
Net Assets at Beginning of the Year	113,163,623	1,627,434	30,750,517	145,541,574
NET ASSETS	<u>\$ 127,661,925</u>	<u>\$ 2,084,576</u>	<u>\$ 36,364,968</u>	<u>\$ 166,111,469</u>

	June 30, 2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses) and other support:				
Contributions	\$ 384,153	\$ 75,000	\$ 2,290,780	\$ 2,749,933
Investment earnings	5,883,522	42,999	-	5,926,521
Net realized gain (loss) on sale of investments	45,390	1,770	(47,431)	(271)
Net unrealized gain on long-term investments	4,017,950	53,938	228,927	4,300,815
Increase in value of deferred gifts	-	-	73,017	73,017
Net assets released from restrictions	52,917	(52,917)	-	-
Total revenues, gains (losses) and other support	<u>10,383,932</u>	<u>120,790</u>	<u>2,545,293</u>	<u>13,050,015</u>
Expenditures and other distributions:				
Administrative expenditures	580,704	-	-	580,704
Distribution to Youngstown State University:				
Grants for property	27,687	-	-	27,687
Scholarships and other	5,364,599	-	-	5,364,599
Benefits for retired Youngstown University faculty	20,297	-	-	20,297
Total Expenditures	<u>5,993,287</u>	<u>-</u>	<u>-</u>	<u>5,993,287</u>
Change in Net Assets	4,390,645	120,790	2,545,293	7,056,728
Net Assets at Beginning of the Year	108,772,978	1,506,644	28,205,224	138,484,846
NET ASSETS	<u>\$ 113,163,623</u>	<u>\$ 1,627,434</u>	<u>\$ 30,750,517</u>	<u>\$ 145,541,574</u>

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JULY 31, 2007 AND 2006

	<u>July 31, 2007</u>	<u>July 31, 2006</u>
Income:		
Rental income	\$ 2,214,370	\$ 2,131,506
Interest income	173,436	148,670
Other income	123,237	87,816
Total Income	<u>2,511,043</u>	<u>2,367,992</u>
Expenses:		
Administrative	40,845	31,124
Contract services	56,525	48,709
Interest expense	866,782	868,847
Bond fees	278,792	258,883
Depreciation and amortization expense	577,171	562,913
Bad debt expense	75,382	59,179
Management fees	114,312	114,312
Advertising costs	26,001	13,880
Payroll and payroll-related	148,735	149,479
Accounting and legal	46,310	25,125
Repairs and maintenance	116,331	85,202
Loss (Gain) on interest rate swap	64,404	(727,090)
Insurance and taxes	46,951	48,546
Unit utilities expense	155,920	162,704
Total Expenses	<u>2,614,461</u>	<u>1,701,813</u>
(Increase) Decrease in Unrestricted Net Deficit	(103,418)	666,179
Unrestricted Net Deficit at Beginning of Year	<u>(1,826,500)</u>	<u>(2,492,679)</u>
UNRESTRICTED NET DEFICIT AT END OF YEAR	<u>\$ (1,929,918)</u>	<u>\$ (1,826,500)</u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Cash Flows from Operating Activities		
Student tuition and fees	\$ 75,069,030	\$ 67,199,320
Federal, state, and local grants and contracts	11,587,762	14,105,458
Private grants and contracts	472,065	1,210,560
Sales and services of educational and other departmental activities	18,525,454	15,267,451
Payments to suppliers	(39,330,692)	(34,880,870)
Payments to employees	(83,855,292)	(81,926,490)
Payments for benefits	(27,668,144)	(27,379,890)
Payments for scholarships	(12,621,522)	(10,917,454)
Student loans issued	(407,586)	(499,393)
Student loans collected	577,464	631,451
Student loan interest and fees collected	39,377	32,859
Other receipts, net	1,407,215	992,918
Total Cash Flows Used In Operating Activities	<u>(56,204,869)</u>	<u>(56,164,080)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	55,269,305	65,703,842
Purchase of investments	(57,405,451)	(73,771,288)
Interest on investments	3,853,392	1,349,426
Total Cash Flows Provided By (Used In) Investing Activities	<u>1,717,246</u>	<u>(6,718,020)</u>
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	2,014,349	5,300,923
Private capital gifts and grants	1,569,777	1,351,264
Note payable proceeds	-	9,796,000
Purchase of capital assets	(4,243,462)	(18,962,015)
Principal payments on capital debt	(1,785,213)	(924,128)
Interest payments on capital debt	(697,960)	(572,080)
Total Cash Flows Used In Capital and Related Financing Activities	<u>(3,142,509)</u>	<u>(4,010,036)</u>
Cash Flows from Noncapital Financing Activities		
Federal grants	12,494,956	12,540,007
State educational appropriations	42,912,623	42,256,300
Private gifts	7,376,838	7,045,194
Additions to the principal of endowments	24,012	50,035
Other nonoperating expenses	(1,856,665)	(1,304,106)
Total Cash Flows Provided by Noncapital Financing Activities	<u>60,951,764</u>	<u>60,587,430</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,321,632	(6,304,706)
Cash and Cash Equivalents, Beginning of Year	<u>10,106,720</u>	<u>16,411,426</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13,428,352</u>	<u>\$ 10,106,720</u>

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS (CONT.) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Operating loss	\$ (65,898,171)	\$ (70,102,397)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	9,141,030	8,816,031
Provision for bad debts	964,214	781,396
Gifts in kind	22,708	330,906
Changes in assets and liabilities:		
Accounts receivable, net	(1,796,041)	31,938
Loans receivable, net	169,880	132,059
Inventories	(102,436)	37,542
Prepaid expenses and deferred charges	(266,026)	51,348
Accounts payable	191,678	796,409
Accrued and other liabilities	(189,947)	325,234
Deferred revenue	1,589,529	281,190
Compensated absences	(31,287)	2,354,264
Net Cash Flows Used In Operating Activities	<u><u>\$ (56,204,869)</u></u>	<u><u>\$ (56,164,080)</u></u>
Noncash Transactions		
Additional capital leases	<u><u>\$ 152,250</u></u>	<u><u>\$ -</u></u>
Gifts in kind	<u><u>\$ 81,808</u></u>	<u><u>\$ 350,906</u></u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Youngstown State University (the University or YSU) is a coeducational, degree granting state-assisted metropolitan university and was established by the General Assembly of the State of Ohio in 1967. The University provides a wide range of opportunities in higher education primarily to residents in northeastern Ohio and western Pennsylvania. The University offers degrees at the undergraduate, masters and doctoral levels.

In accordance with Governmental Accounting Standards Board (GASB) Statement No.14, *The Reporting Entity*, the University's financial statements are included, as a discretely presented component unit, in the State of Ohio's (State) Comprehensive Annual Financial Report. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Youngstown State University Foundation's (Foundation) and University Housing Corporation's (UHC) financial statements are included, as discretely presented component units, in the University's financial report by presentation of the individual financial statements of the entities immediately following the University's respective GASB financial statements. Additional information regarding these component units is contained in Note 13.

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

The University, together with Kent State University and The University of Akron, created a consortium to establish and govern Northeastern Education Television of Ohio, Inc. (NETO), Channels 45 and 49, Kent, Ohio; and Northeastern Ohio Universities College of Medicine (NEOUCOM), Rootstown, Ohio. These organizations are legally separate from the University; accordingly, their financial activity is not included within the accompanying financial statements.

Under the provisions of GASB Statement No. 35, resources are classified for accounting and reporting purposes into the following four net asset categories:

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

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

Summary of Significant Accounting Policies

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

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date. When an expense is incurred that can be paid using either restricted or unrestricted resources the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

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

The State approves a capital budget every two years. YSU submits requests to the Ohio Board of Regents, which sends the requests to the Governor. State capital improvements budget project lists are presented to the Board of Trustees for endorsement. The current fiscal year spending plan is approved by the Board of Trustees.

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Endowment Policy – The University Endowment Fund consists of 78 named funds. Each named fund is assigned a number of shares in the University Endowment Fund based on the value of the gifts to that named fund. Investments are managed by the Foundation. The University’s policy is to distribute realized gains and investment income monthly, based on each funds pro-rata share to the total endowment shares.

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

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

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

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

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

The Improvements to buildings category is new in fiscal year 2007 and only applies to assets added in fiscal year 2007.

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

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

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

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

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

Scholarship Allowances and Student Aid – Financial aid provided to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (such as loans and funds awarded to students by third parties) is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by the University, these amounts are computed by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

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

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

In June 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payment - generally, a single lump sum. The statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The University will be required to implement this statement in fiscal 2008. Management has not yet determined the impact that GASB Statement No. 48 will have on the University's financial statements and disclosures.

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups. The University will be required to implement this statement in fiscal year 2009. Management has not yet determined the impact that GASB Statement No. 49 will have on the University's financial statements and disclosures.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*. The Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The University will be required to implement this statement in fiscal year 2008. Management has not yet determined the impact that GASB Statement No. 50 will have on the University's financial statements and disclosures.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This Statement is to establish accounting and financial reporting

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

requirements for intangible assets to reduce inconsistencies. The University will be required to implement this statement in fiscal year 2010. Management has not yet determined the impact that GASB Statement No. 51 will have on the University's financial statements and disclosures.

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

Reclassification – Certain reclassifications have been made to the 2006 amounts to conform with the 2007 presentation.

Note 2 – State Support

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

State appropriations totaled \$42,912,623, including \$39,905,252 of State share of instruction and \$3,001,871 in challenge funds in fiscal year 2007, compared to State appropriations of \$42,256,300, including \$39,436,598 in State share of instruction and \$2,819,702 in challenge funds in fiscal year 2006. The State share of instruction is student based and determined annually by the Ohio Board of Regents.

Capital appropriations from the State totaled \$2,101,533 in fiscal year 2007 and \$3,870,015 in fiscal year 2006 and included funding for equipment and the construction/major renovations of plant facilities.

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Note 3 – Cash and Cash Equivalents

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

The aggregate cost of repurchase agreements, which approximates fair value, included in cash and cash equivalents is \$369,054 and \$27,380 at June 30, 2007 and 2006, respectively.

In accordance with Section 135.18 of the Ohio Revised Code, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or pledge a pool of securities with a value of at least 105% 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 or by a designated trustee as agent for the public depositories used by the University.

At June 30, 2007 and 2006, the carrying amount of the University's bank deposits and cash equivalents was \$13,428,352 and \$10,106,720 and the bank balances were \$15,026,155 and \$10,051,416, respectively. The difference in carrying amount and bank balance is caused by items in transit and outstanding checks. Of the balance, \$117,893 in fiscal year 2007 and \$200,000 in fiscal year 2006 was covered by federal depository insurance leaving \$14,908,263 in 2007 and \$9,851,416 in 2006 exposed to custodial credit risk because it is uninsured and uncollateralized. At times during the year, uncollateralized deposits may have been higher. Deposits held in safekeeping by a bank, as trustee or escrow agent, included in cash and investments totaled \$17,893 as of June 30, 2007 and \$1,014,189 as of June 30, 2006, 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 in escrow for final payment of an energy management system.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk.

Note 4 – Investments

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

In accordance with the Policies of the Board of Trustees of the University, investment types are not specifically limited but shall be made with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Furthermore, investments shall be managed for the use and benefit of the University in a diversified portfolio that focuses, over time, on the preservation of capital, minimization of cost and risk, and maintenance of required levels of liquidity in the overall portfolio to meet cash flow requirements. University policy requires that depository banks pledge collateral for funds on deposit, including certificates of deposit, with a market value at all times at least equal to the uninsured amount of the deposit or instrument.

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

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

As of June 30, 2007, the University had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 13,719,275	\$ 813,018	\$ 10,674,507	\$ 2,231,750	\$ -
Corporate Bonds	10,190,139	686,631	5,304,032	2,540,461	1,659,015
Foreign Bonds	267,834	-	84,736	143,198	39,900
U.S. Government Bonds	8,780,253	117,346	761,247	1,906,580	5,995,080
Preferred and Common Stock	6,418,556	6,178,556	240,000	-	-
Other Securities	607,343	607,343	-	-	-
Total	<u>\$ 39,983,400</u>	<u>\$ 8,402,894</u>	<u>\$ 17,064,522</u>	<u>\$ 6,821,989</u>	<u>\$ 7,693,995</u>

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

As of June 30, 2007, investments had the following quality credit ratings as rated by Moody's:

Investment Type	Fair Value	A	Aa	Baa	Unrated
Corporate Bonds	\$ 10,190,139	\$ 1,858,436	\$ 6,728,972	\$ 1,204,453	\$ 398,278
Foreign Bonds	267,834	97,377	51,953	118,504	-
U.S. Government Bonds	8,780,253				8,780,253
Total	<u>\$ 19,238,226</u>	<u>\$ 1,955,813</u>	<u>\$ 6,780,925</u>	<u>\$ 1,322,957</u>	<u>\$ 9,178,531</u>

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The total investments in the amount of \$39,983,400 as of June 30, 2007 and \$37,847,254 as of June 30, 2006 were 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 does not have a formal investment policy for custodial credit risk.

Note 5 – Accounts and Loans Receivable

Accounts and loans receivable at June 30, 2007 and 2006 consist of the following:

	2007	2006
Accounts Receivable		
Student accounts	\$ 3,832,622	\$ 3,752,130
Grants and contracts	3,647,260	1,265,300
State capital appropriations	449,961	362,777
Other receivables	1,007,820	1,470,183
Subtotal	8,937,663	6,850,390
Less: Allowance for doubtful accounts		
Student	(1,931,120)	(1,952,853)
Non student	(32,331)	(22,178)
Accounts receivable, net	\$ 6,974,212	\$ 4,875,359
Loans receivable - student notes	\$ 3,090,607	\$ 3,260,487
Less: Allowance for doubtful accounts	(663,230)	(663,230)
Loans receivable, net	\$ 2,427,377	\$ 2,597,257

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2007 and June 30, 2006 were as follows:

	2007	2007	2006
	Pledges Receivable	Current Portion	
Total pledges receivable	\$ 17,378,390	\$ 10,289,280	\$ 6,303,734
Less: allowance for doubtful accounts	(673,065)	(318,625)	(106,539)
present value discount	(1,772,494)	-	(166,096)
Pledges receivable, net	14,932,831	\$ 9,970,655	6,031,099
Less: current portion	(9,970,655)		(5,026,117)
Pledges receivable, noncurrent portion	\$ 4,962,176		\$ 1,004,982

Pledges have been discounted to net present value at a rate of 4.875% in fiscal year 2007 and 3.875% in fiscal year 2006.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions and Transfers	Ending Balance
Nondepreciable assets:				
Land	\$ 13,380,116	\$ 175,652	\$ (28,063)	\$ 13,527,705
Construction-in-progress	11,815,023	1,291,181	(11,210,954)	1,895,250
Historical treasures	297,513	-	-	297,513
Depreciable assets:				
Buildings	246,346,638	36,849	(16,733,459)	229,650,028
Improvements to buildings	-	1,452,983	25,967,392	27,420,375
Improvements other than buildings	22,242,592	110,063	1,339,756	23,692,411
Moveable equipment and furniture	26,178,447	1,073,716	22,754	27,274,917
Vehicles	1,028,427	30,932	(75,911)	983,448
Capital leases	790,186	152,250	(32,595)	909,841
Total cost	<u>322,078,942</u>	<u>4,323,626</u>	<u>(751,080)</u>	<u>325,651,488</u>
Less accumulated depreciation:				
Buildings	125,243,525	4,622,649	(1,093,860)	128,772,314
Improvements to buildings	-	795,677	1,093,860	1,889,537
Improvements other than buildings	15,954,634	776,619	-	16,731,253
Moveable equipment and furniture	18,874,468	2,703,481	(560,439)	21,017,510
Vehicles	865,160	60,303	(75,911)	849,552
Capital leases	228,192	182,301	(32,595)	377,898
Total accumulated depreciation	<u>161,165,979</u>	<u>9,141,030</u>	<u>(668,945)</u>	<u>169,638,064</u>
Capital assets, net	<u>\$ 160,912,963</u>	<u>\$ (4,817,404)</u>	<u>\$ (82,135)</u>	<u>\$ 156,013,424</u>

Capital assets activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions and Transfers	Ending Balance
Nondepreciable assets:				
Land	\$ 13,329,592	\$ 50,524	\$ -	\$ 13,380,116
Construction-in-progress	14,246,102	13,499,892	(15,930,971)	11,815,023
Historical treasures	297,513	-	-	297,513
Depreciable assets:				
Buildings	230,016,286	956,530	15,373,822	246,346,638
Improvements other than buildings	21,278,421	786,627	177,544	22,242,592
Moveable equipment and furniture	24,962,332	1,703,295	(487,180)	26,178,447
Vehicles	1,092,632	23,517	(87,722)	1,028,427
Capital leases	930,181	-	(139,995)	790,186
Total cost	<u>306,153,059</u>	<u>17,020,385</u>	<u>(1,094,502)</u>	<u>322,078,942</u>
Less accumulated depreciation:				
Buildings	120,575,536	4,667,989	-	125,243,525
Improvements other than buildings	14,867,441	1,087,193	-	15,954,634
Moveable equipment and furniture	16,621,749	2,874,837	(622,118)	18,874,468
Vehicles	882,501	67,147	(84,488)	865,160
Capital leases	249,322	118,865	(139,995)	228,192
Total accumulated depreciation	<u>153,196,549</u>	<u>8,816,031</u>	<u>(846,601)</u>	<u>161,165,979</u>
Capital assets, net	<u>\$ 152,956,510</u>	<u>\$ 8,204,354</u>	<u>\$ (247,901)</u>	<u>\$ 160,912,963</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Note 8 – Accrued and Other Liabilities

Accrued and other liabilities at June 30, 2007 and 2006 consist of the following:

	2007	2006
Payroll liabilities:		
Accrued compensation and benefits	\$ 5,760,416	\$ 5,743,358
Accrued health care benefits and insurance payable	1,046,009	1,096,575
Retirement system contribution payable	1,928,567	2,061,994
Subtotal	<u>8,734,992</u>	<u>8,901,927</u>
Other liabilities:		
Deposits held in custody	532,576	591,169
Refunds payable	54,361	20,254
Interest payable	185,366	202,145
Other liabilities	71,343	53,090
Subtotal	<u>843,646</u>	<u>866,658</u>
Totals	<u>\$ 9,578,638</u>	<u>\$ 9,768,585</u>

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2007 are completed, totaled \$4,041,552 and included \$2,375,591 in State capital appropriations compared to \$3,839,032 and \$2,401,076 at June 30, 2006, respectively. These amounts do not constitute expenses incurred or liabilities.

Note 9 – Liabilities

Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 12,030,000	\$ -	\$ 865,000	\$ 11,165,000	\$ 900,000
Less: unamortized bond discount and issue cost	(181,033)	-	(20,635)	(160,398)	-
Bonds payable, net	<u>11,848,967</u>	<u>-</u>	<u>844,365</u>	<u>11,004,602</u>	<u>900,000</u>
Note payable	9,796,000	-	833,867	8,962,133	863,303
Capital leases payable	517,583	-	86,346	431,237	88,100
Compensated absences	8,990,506	-	31,287	8,959,219	1,018,821
Refundable advance	2,793,698	41,001	100,286	2,734,413	-
Total long-term liabilities	<u>\$ 33,946,754</u>	<u>\$ 41,001</u>	<u>\$ 1,896,151</u>	<u>\$ 32,091,604</u>	<u>\$ 2,870,224</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 12,875,000	\$ -	\$ 845,000	\$ 12,030,000	\$ 865,000
Less: unamortized bond discount and issue cost	(203,058)	-	(22,025)	(181,033)	-
Bonds payable, net	12,671,942	-	822,975	11,848,967	865,000
Note payable	-	9,796,000	-	9,796,000	833,867
Capital leases payable	596,711	-	79,128	517,583	89,763
Compensated absences	6,636,242	2,354,264	-	8,990,506	1,269,895
Refundable advance	2,808,777	38,691	53,770	2,793,698	-
Total long-term liabilities	<u>\$ 22,713,672</u>	<u>\$ 12,188,955</u>	<u>\$ 955,873</u>	<u>\$ 33,946,754</u>	<u>\$ 3,058,525</u>

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

Bonds Payable

Bonds payable consist of General Receipts Bonds, Series 1997 and Series 1998. The Series 1997 Bonds were issued May 15, 1997. 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. There were no bonds outstanding at June 30, 2007 that were considered defeased.

Details of the outstanding Bonds Payable are as follows:

	Stated Interest Rate	Maturity Through	Original Principal
1997 - Term Bonds, fixed	6.25%	2017	\$ 200,000
1998 - Serial Bonds, fixed	4.3%-4.7%	2012	\$ 11,920,000
1998 - Term Bonds, fixed	4.75%	2016	\$ 5,030,000

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

The University has complied with all covenant requirements.

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

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
2008	\$ 900,000	\$ 497,978	\$ 1,397,978
2009	945,000	458,338	1,403,338
2010	985,000	415,917	1,400,917
2011	1,025,000	370,507	1,395,507
2012	1,075,000	322,029	1,397,029
2013-2018	6,235,000	773,861	7,008,861
Totals	<u>\$ 11,165,000</u>	<u>\$ 2,838,630</u>	<u>\$ 14,003,630</u>

Maturities of bonds payable for the fiscal years subsequent to June 30, 2007 are as follows:

Fiscal Year	General Receipts		Total
	Series 1997	Series 1998	
2008	\$ 10,000	\$ 890,000	\$ 900,000
2009	10,000	935,000	945,000
2010	10,000	975,000	985,000
2011	10,000	1,015,000	1,025,000
2012	10,000	1,065,000	1,075,000
2013-2018	90,000	6,145,000	6,235,000
Totals	<u>\$ 140,000</u>	<u>\$ 11,025,000</u>	<u>\$ 11,165,000</u>

Note Payable

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

In addition, the University entered into a ten year performance contract with Johnson Controls, which includes an assured performance providing for an annual measured cost savings of \$1,296,298. The contract amount of \$9,796,000 was financed in fiscal year 2006 with Chase Equipment Leasing, Inc. over 10 years, bears interest at 3.53%, and requires equal annual installment payments. Details of the installment schedule follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 863,303	\$ 316,363	\$ 1,179,666
2009	893,777	285,889	1,179,666
2010	925,328	254,338	1,179,666
2011	957,992	221,674	1,179,666
2012	991,809	187,857	1,179,666
2013-2016	4,329,924	388,742	4,718,666
Totals	<u>\$ 8,962,133</u>	<u>\$ 1,654,863</u>	<u>\$ 10,616,996</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

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

During fiscal year 2006, \$8,816,400 was disbursed to the contractor and the remaining \$979,600 was held in a special escrow fund in accordance with an escrow agreement, and was reflected in the University's cash and cash equivalents. During fiscal year 2007, the \$979,600 was disbursed to the contractor. The amount of \$9,295,644 is reflected in Building Improvements and \$500,356 is reflected in Construction in Progress (See Note 7).

Capital Lease Obligations

The University leases mailroom equipment including two postage machines and address printer, as well as sixty-eight Steinway pianos under capital lease agreements. The two postage machines and address printer bear interest at 7.60%. The Steinway pianos bear interest at 4.05%. The net book value of capital leased assets included in net Capital Assets in the Statements of Net Assets at June 30, 2007 and 2006, was \$531,943 and \$561,994, respectively.

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

Year Ending June 30,	Mailroom Equipment	Steinway Pianos	Total
2008	\$ 21,825	\$ 85,773	\$ 107,598
2009	17,460	85,773	103,233
2010	17,460	85,773	103,233
2011	-	85,773	85,773
2012	-	85,775	85,775
Total future minimum lease payments	56,745	428,867	485,612
Less amount representing interest	6,877	47,498	54,375
Total obligations under capital leases	<u>\$ 49,868</u>	<u>\$ 381,369</u>	<u>\$ 431,237</u>

Operating Lease Obligations

The University has an operating lease for the purpose of classroom and general office purposes. The University, in its second renewal period, has future minimum payments of \$79,502 thru December 31, 2007. The third renewal option is from January 1, 2008 thru June 30, 2009 with future minimum payments of \$238,508.

Compensated Absences

During fiscal year 2006, the University's Board of Trustees authorized the implementation of the Youngstown State University Early Retirement Incentive Plan (ERIP) for its eligible employees who are members of the Ohio Public Employees Retirement System (OPERS). Provisions of the ERIP are based on ORC Section 145.297, Ohio Administrative Rule 145-2-42. The plan is effective from March 1, 2006 through December 31, 2007. The latest benefit effective date for participating employees who are eligible to retire by December 31, 2007 will be March 1, 2008.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Participation shall be open to all eligible members of OPERS employed at the University as of the first day of the ERIP period. The University shall pay the cost (as determined by OPERS) of the lesser of two (2) years of service credit or one-fifth (1/5) of each member's total service credit for eligible members of OPERS who participate.

An estimated 163 employees were eligible to participate. During fiscal year 2007, the University recorded \$1,112,970 of ERIP OPERS purchases compared to \$1,764,310 in fiscal year 2006, a cumulative two-year total of \$2,877,280 for 73 individuals. These purchases are reflected in institutional support on the Statement of Revenues, Expenses, and Changes in Net Assets for the respective fiscal periods. Current year payouts totaled \$1,412,725 compared to \$1,071,703 in the prior year. Unpaid balances totaled \$392,846 at June 30, 2007 compared to \$692,607 at June 30, 2006 and are reflected in the current portion of the compensated absences liability for the respective fiscal years. Amounts recorded were based on actual purchases and estimates utilizing OPERS's benefit estimator and based on assumptions that everyone who signed the irrevocable form would indeed retire as of that date.

Note 10 - Retirement Plans

Basic Retirement Benefits

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

Plan Options - Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to invest all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a semi-monthly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Both plans issue a stand-alone financial report. Interested parties may obtain a copy of the OPERS report by making a written request to 277 East Broad Street, Columbus, Ohio, 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377), and the STRS report by making a written request to 275 East Broad Street, Columbus, Ohio, 43215-3771 or by calling (800) 227-7877.

Alternative Retirement Plan

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

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

Employee Contribution Rate						
Fiscal Year	STRS		OPERS		OPERSLE	
	Traditional	ARP	Traditional	ARP	Traditional	ARP
1/1/07-6/30/07	10.0%	10.0%	9.5%	9.5%	10.1%	10.1%
1/1/06-12/31/06	10.0%	10.0%	9.0%	9.0%	10.1%	10.1%
7/1/05-12/31/05	10.0%	10.0%	8.5%	8.5%	10.1%	10.1%
2005	10.0%	10.0%	8.5%	8.5%	9.0%	9.0%

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

Employer Contribution Rate							
Fiscal Year	STRS			OPERS		OPERSLE	
	Traditional	ARP		Traditional	ARP	Traditional	ARP
		STRS	ARP				
1/1/07-6/30/07	14.00%	3.50%	10.50%	13.77%	13.77%	17.17%	17.17%
1/1/06-12/31/06	14.00%	3.50%	10.50%	13.54%	13.54%	16.93%	16.93%
7/1/05-12/31/05	14.00%	3.50%	10.50%	13.31%	13.31%	16.70%	16.70%
2005	14.00%	3.50%	10.50%	13.31%	13.31%	16.70%	16.70%

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

Employer Contributions							
Fiscal Year	STRS			OPERS		OPERSLE	
	Traditional	ARP		Traditional	ARP	Traditional	ARP
		STRS	ARP				
2007	\$ 5,164,584	\$ 188,184	\$ 564,551	\$ 4,414,602	\$ 455,492	\$ 165,764	-
2006	\$ 5,062,128	\$ 169,332	\$ 515,193	\$ 4,169,825	\$ 428,625	\$ 160,211	-
2005	\$ 4,987,888	\$ 168,916	\$ 506,748	\$ 4,063,880	\$ 389,577	\$ 134,740	-

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

The OPERS employee contributions to the ARP totaled \$307,624 and the STRS employee contributions to the ARP totaled \$537,668.

Note 11 - Postretirement Benefits

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12 Disclosure *Information on Postemployment Benefits other than Pension Benefits by State and Local Governmental Employers*. A portion of the University's contribution to OPERS is set aside for the funding of postretirement health care. The portion used to fund health care was 4.5% in 2007, 4.0% in 2006, and 4.0% in 2005.

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

Summary of Assumptions:

- **Actuarial review** – The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2005.
- **Funding method** – An individual entry age 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 to reflect 25.0% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.
- **Investment return** – The investment assumption rate for 2005 was 6.50%.
- **Active employee total payroll** – An annual increase of 4.0% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In additionally, annual pay increases over and above the 4.0% base increase were assumed to range from 0.50% to 6.30%.
- **Health care** – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5% to 6% for the next 9 years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate). The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804. The portion of the

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

University's 2007, 2006, and 2005 contributions to OPERS used to fund postretirement benefits was \$1,522,713, \$1,301,175, and \$1,221,196, respectively. The actuarial value of the Retirement System's net assets available for payment of benefits at December 31, 2005 (the latest date information is available) was \$11.1 billion.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

State Teachers Retirement System

The State Teachers Retirement System (STRS Ohio) provides access to health care coverage to retirees, spouses, and dependents. Coverage includes hospitalization, physician fees, prescription drugs, and partial reimbursement of Medicare Part B premiums. Pursuant to the Ohio Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

A portion of the University's contribution to STRS is set aside for the funding of postretirement health care. The portion used to fund health care was 1.0% in 2007, 2006 and 2005. 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, 2006 (the latest date information is available) were 119,184. The portion of the University's 2007, 2006 and 2005 contributions to STRS used to fund postretirement benefits was \$368,186, \$358,454, \$356,278 and \$336,630, respectively.

The health care reserve fund within the employers' trust fund from which payments for health care benefits are paid had a balance of \$3.5 billion at June 30, 2006.

Health care benefits paid by the plan were \$282,743,000 for the fiscal year ended June 30, 2006.

Note 12 – Contingencies and Risk Management

The University is a defendant in various lawsuits. It is the opinion of University management that disposition of pending litigation will not have a material adverse effect on the financial condition of the University.

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Liabilities for estimates of outstanding claims and claims incurred but not reported under self-insurance programs have been recorded. Changes in the self-insured health care liabilities included in accrued health care benefits payable (see Note 8) for the past two years follows:

	2007	2006
Liability at beginning of fiscal year	\$ 1,008,160	\$ 1,131,861
Current year claims including changes in estimates	7,258,243	7,515,715
Claim payments	<u>(7,266,403)</u>	<u>(7,639,416)</u>
Liability at end of fiscal year	<u>\$ 1,000,000</u>	<u>\$ 1,008,160</u>

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

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has joined with other state-assisted universities in Ohio to form an insurance pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurance value to the pool. Future contributions will be adjusted based upon each university's loss history. The University had no significant reductions in coverage from the prior year.

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

Note 13 – Component Units

Youngstown State University Foundation (YSUF) and University Housing Corporation (UHC) are nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to YSUF's or UHC's financial information in the University's financial report for these differences.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

YSUF

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

Annually, the University files an application for funds from YSUF, subject to approval by the trustees of YSUF. Financial support from YSUF was \$4,851,450 for the fiscal year ended June 30, 2007 and \$4,681,325 for the fiscal year ended June 30, 2006. Financial support from YSUF has been committed for fiscal year 2008 in the amount of \$5,184,100 and is reflected in deferred revenue on the University's Statement of Net Assets at June 30, 2007. At June 30, 2007 and June 30, 2006, \$3,825,000 and \$3,600,000, respectively, was due from YSUF and is included in pledges receivable on the University's Statement of Net Assets at June 30, 2007. In addition, rental income from YSUF of \$10,560 in fiscal year 2007 and \$10,528 in fiscal year 2006 was recorded and is reflected in the University's Statements of Revenues, Expenses and Changes in Net Assets.

Under the terms of an agreement with the University, the Foundation serves as an investment manager for the University's endowments. Proceeds are forwarded to the University on an as needed basis to satisfy the individual endowment purposes. Fair value of such investments held by YSUF at June 30, 2007 and June 30, 2006 was \$5,930,535 and \$5,847,254, respectively. The management services are provided at no charge and investments are made in a manner consistent with the YSUF funds.

The Foundation acts in an agent capacity by receiving monies from various donors for the benefit of Youngstown State University entities and remitting to these entities the monies collected. The amounts collected and remitted to the various entities by the Foundation in 2007 and 2006 amounted to \$199,713 and \$140,008, respectively.

UHC

UHC operates the University Student Courtyard Apartments complex with 130 housing units for 408 students and staff. This unique public-private partnership includes YSUF, University Housing Corporation (UHC), the City of Youngstown, Mahoning County, and Ambling Companies, Inc., a national leader in developing student housing communities. UHC is a tax-exempt organization.

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

UHC Property

Property, facilities and equipment as of July 31, 2007 and 2006 are as follows:

	2007	2006
Buildings	\$ 17,442,241	\$ 17,442,241
Other capital asset	1,022,457	963,229
Total cost	<u>18,464,698</u>	<u>18,405,470</u>
Less accumulated depreciation:	(2,197,696)	(1,634,401)
Property, facilities and equipment, net	<u>\$ 16,267,002</u>	<u>\$ 16,771,069</u>

UHC Long-Term Debt

In May 2002, UHC issued \$22,040,000 of County of Mahoning, Ohio Adjustable Rate Housing Revenue Bonds Series 2002 (Series 2002 Bonds). The proceeds were used to finance the construction, site improvements, furnishing and equipping of the University Courtyard Project. The bonds bear interest at a variable rate determined weekly by JPMorgan Chase Bank as Remarketing Agent based on the weekly tax-exempt index as determined by JPMorgan Chase Bank, and are due at various dates until 2033. These variable interest rates at July 31, 2007 and 2006 were 5.3% and 3.7%, respectively, with an average weighted rate of 3.6% during fiscal year 2007 and 3.1% during fiscal year 2006. The bonds are secured by the assignment of incomes and revenues of the University Courtyard Project.

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

Maturities of the bonds are as follows:

Year ending July 31,	Amount
2008	\$ 100,000
2009	130,000
2010	175,000
2011	220,000
2012	270,000
Thereafter	<u>20,635,000</u>
Total	<u>\$ 21,530,000</u>

UHC's objectives of its derivative instruments include managing the risk of increased debt service resulting from rising market interest rates, the risk of decreased surplus returns resulting from falling interest rates, and the management risk of an increase in the fair value of outstanding fixed rate obligations resulting from declining market interest rates. Consistent with its interest rate risk management objectives, UHC entered into an interest rate swap in May 2002 with a notional amount of \$20,625,000 at July 31, 2007 and \$20,685,000 at July 31, 2006. This

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

swap agreement effectively changes UHC's interest rate exposure on its floating rate bonds to a fixed rate of 3.97%. The interest swap rate agreement matures in May 2012.

Under terms of the interest rate swap agreement, UHC makes payments calculated at a fixed rate of 3.97% to the counterparty of the swap. In return, the counterparty makes payments to UHC equal to 68% of 1-Month USD-LIBOR-BBA Index. Only the net difference in payments is exchanged with the counterparty. During fiscal years 2007 and 2006 the 1-Month USD-LIBOR-BBA Index ranged from 5.32% to 5.42% (5.32% at July 31, 2007) and 3.52% to 5.39% (5.39% at July 31, 2006), respectively.

The fair value of the swap agreement at July 31, 2007 and 2006 was \$429,618 and \$365,214 respectively, and is recorded as a liability on UHC's Statement of Financial Position.

Guarantee of the University Housing Corporation Mortgage by the Foundation

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

A financial institution has issued a letter of credit to collateralize the payment of principal, interest and other funding requirements. Subsequent to fiscal year 2007, an alternate letter of credit was security which expires September, 2012.

In addition to the debt and interest payments, UHC is responsible for a 0.3% letter of credit commitment fee and various draw fees. UHC's reimbursement agreement contains eight events of default, many of which are tied to restrictive loan covenants. In the event of default, the bank may require payment by the Foundation. The dormitory housing began operations in August 2003. In the event the Foundation is required to perform under the guarantee agreement, provisions exist for the Foundation to obtain the rights of the financial institution.

The Foundation also entered into an agreement with UHC to loan UHC funds to pay for initial organizational and legal costs. Under the terms of the agreement, UHC will repay the Foundation principal plus interest at prime rate. At June 30, 2007 and 2006, the amount due to the Foundation from UHC is \$112,645 and \$107,391, respectively.

YOUNGSTOWN STATE UNIVERSITY

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Donna J. Esterly	<i>Interim Chief Technology Officer</i>
Robert K. Herbert	<i>Provost and Vice President for Academic Affairs</i>
George E. McCloud	<i>Special Assistant for University Advancement</i>
Vacant	<i>Vice President for Administration</i>



YOUNGSTOWN STATE UNIVERSITY

Independent Auditors Report on the Application of Agreed-Upon Procedures

Dr. David Sweet
Youngstown State University

We have performed the procedures enumerated below, which were agreed to by Youngstown State University (the University) and the National Collegiate Athletic Association (NCAA), solely to assist you in evaluating whether the accompanying Statement of Revenue, Support, and Expenditures, for the Intercollegiate Athletics Department (the Statement) of the University is prepared in compliance with the NCAA Bylaw 6.2.3 for the year ended June 30, 2007. The University's management is responsible for the accompanying Statement and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

I. Statement of Revenue, Support, and Expenditures, for the Intercollegiate Athletics Department and Internal Controls

1. We obtained the Statement for the year ended June 30, 2007 as prepared by management (Schedule 1). We recomputed the subtotal and total line items on the Statement. We also agreed the amounts on the Statement to the appropriate general ledger accounts in the University's General Ledger System. We found no exceptions as a result of these procedures.
2. We performed a comparison of revenue, support, and expenditures per the Statement for fiscal years 2007 and 2006. We obtained management's explanations for variations greater than \$36,000 and 10% of each revenue, support and expenditure line item in the aggregate as follows:
 - a. Pledge income capital gifts-net of discounts revenue increased \$1,087,000, from \$0. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to the new Centennial campaign and these pledges were designated for Athletic Facilities.

- b. Football ticket sales revenue increased \$99,100 or 24%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to two playoff games in 2007, with ticket sales of \$86,000, and no playoff games in 2006. In addition, there was a 4% increase in regular game ticket sales.
- c. Basketball ticket sales revenue increased \$36,400 or 30%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to an increase in barter agreements and hosting the Horizon League tournaments.
- d. Football guarantees revenue increased \$100,000 or 40%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to the prior year including a game with the University of Pittsburgh and the current year including a game with Penn State, which generated a higher guarantee.
- e. Basketball guarantees revenue increased \$71,700 or 139%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to the prior year including games with schools such as Marshall and St. Bonaventure versus this year including games with University of Michigan and both the men and women having games with The Ohio State University.
- f. Private gifts and grants revenue increased approximately \$47,300, or 10%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was primarily due to successful basketball and football seasons generating more revenue.
- g. Athletic concessions revenue increased approximately \$65,600, or 29%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to two additional football playoff games in 2007 compared to 2006.
- h. Software expenditures increased approximately \$64,200, or 971%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increased expense was due to the purchase of a new digital editing software program for football.

- i. Team travel expenditures increased approximately \$132,500, or 19%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to an additional football road game and additional road trips in other sports programs.
- j. Dues expenditures decreased approximately \$50,000, or 71%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to membership payments for Horizon League membership being completed in FY06.
- k. Officials/fees and services expenditures increased approximately \$47,200, or 25%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the increase was due to additional officials for playoff games, fees to WYFX TV, and additional concession staff.
- l. Bank fees, collection expenditures, and bad debts expense increased approximately \$68,700, or 1802%. We were informed by management who has responsibility for financial and accounting matters that the increase was primarily due to the bad debt provision for the new account Pledge income capital gifts.
- m. Guarantees expenditures decreased \$63,500, or 46%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to the prior year having a \$100,000 cancellation fee payout to the University of Maine; offset by a guarantee in 2007 from the University of California (Davis).
- n. Improvements to buildings increased approximately \$47,300, or 100%. We were informed by certain officials of management who has responsibility for financial and accounting matters that the increase was due to a stadium elevator project.
- o. Sports camps expenditures decreased approximately \$67,500, or 24%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the decrease was due to a decrease in Century Cage basketball camp fees and services, no soccer camps were held in 2007, and a reduction of repairs and maintenance expenses.
- p. Mandatory transfers for indebtedness decreased approximately \$42,500, or 21%. We were informed by management who has responsibility for financial and accounting matters that the decrease was due to the 1996B bond series being completed as of 12/15/05, half way through FY06.

3. We performed a comparison of actual unrestricted operating revenue, support, and expenditures per the Statement to the budgeted amounts obtained from management. We obtained management's explanation for variations greater than \$36,000 and 10% of each revenue and support and expenditures line item in the aggregate as follows:
 - a. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the actual amount for basketball guarantee revenue exceeded the budgeted amount \$73,500, or 147%, due to budget being based on prior year. Current year activity included two guarantees: Michigan State and The Ohio State University, one guarantee was signed after the budget was submitted.
 - b. We were informed by management who has responsibility for financial and accounting matters that the actual amount for fringe benefit expenditures exceeded the budgeted amount by approximately \$136,200, or 15% due to athletics having a higher fringe to salary ratio than the majority of the University which was used to determine the budget.
 - c. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the actual amount for team travel expenditures exceeded the budgeted amount approximately \$79,200, or 12%, due to an additional football road game and additional road trips in other sports programs.
 - d. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the actual amount for advertising expenditures exceeded the budgeted amount approximately \$74,800, or 680%, due to the budget amount of \$11,000 being a set standard for each year and barter agreements not being included in budget.
 - e. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the budgeted amount for guarantees exceeded the actual amount \$44,000, or 37%, due to the guarantee amount budgeted being a standard amount.
 - f. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the actual amount for software license and fee expenditures exceeded the budgeted amount approximately \$66,800, or 1670%, due to the budgeted amount of \$4,000 not being adjusted for the purchase of the new digital editing software program for football.

- g. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that the actual amount for mandatory transfers for indebtedness exceeded the budgeted amount by approximately \$158,200, or 100%, due to no bond debt being budgeted.
- 4. We obtained a description of accounts and compared classifications of revenue, support, and expenditures to NCAA guidelines. We found no exceptions as a result of these procedures.
- 5. We obtained and made inquiries of management on the organizational chart prepared by management. We also made certain inquiries of management regarding control consciousness, competence of personnel, protection of records and equipment that are unique to the Intercollegiate Athletics Programs. We also inquired of specific components of the control environment and accounting system that are unique to Intercollegiate Athletics Program.
- 6. We were informed by management that the Department follows the University's policies and procedures for acquiring, approving, depreciating, and disposing of assets. Capital assets are stated at cost or fair value at date of gift. The University's capitalization threshold for equipment, furniture, and vehicles is \$5,000, and for building improvements and improvements other than buildings is \$100,000. Land is capitalized regardless of cost. Library purchases are excluded from capitalization and expensed as purchased. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Historical collections, including assets that are held for public exhibition, education, or research in furtherance of public service, which are protected and preserved, are not depreciated. When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are removed from asset accounts and net assets-invested in capital assets. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed.
- 7. We obtained a summary of football ticket revenue. We agreed football ticket revenue per the performance sales and gate sales reports for all games (the football reports) to the football summary. The football summary was \$520 less than the Statement (.1% of the total football revenue). We also performed analytical review procedures, comparing football revenues to ticket prices, number of games, and attendance figures, noting no unusual items.
- 8. We obtained a summary of basketball ticket revenue and for three games we agreed the season ticket, office and gate sales to performance sales and gate sales reports (the basketball reports) to the accounting records and the Statement. The basketball summary was \$266 more than the Statement (.2% of the total basketball revenue).

9. We agreed the General Fund Allocation in the Statement to the amount approved by the Board of Trustees for the year. We found no exceptions as a result of these procedures.
10. We obtained the summary of guarantees and agreed it to the Statement. We compared two football game guarantees that were paid to the University of California (Davis), and Slippery Rock University and five basketball guarantees that were paid to Lock Haven University, Slippery Rock University, Geneva College, Clarion University and Ohio Legends, to the guarantee contract and the amount recorded on the general ledger. We found no exceptions as a result of these procedures.
11. We compared the football game guarantee received from Penn State University and three basketball guarantees that were received from Michigan University and The Ohio State University for the men and The Ohio State University for the women, to the guarantee contract and the amount recorded on the general ledger and the Statement. We found no exceptions as a result of these procedures.
12. We obtained a detail listing of air time sold by the University for football and basketball games including the right fee, and agreed the listing to the accounting records and the Statement. From the listing we selected one item to test. We obtained the agreement with Clear Channel Broadcasting, Inc. related to the University's participation in revenues from radio, including the rights fee paid by Clear Channel and agreed the total radio revenues to Penguin Sports Network revenue on the Statement. We found no exceptions as a result of these procedures.
13. We obtained a summary of sponsorship revenue and agreed it to the accounting records and the Statement. We agreed the revenue from the summary for Applebee's, Dodge, Belleria Pizza, First Energy, WFMJ, Butler Wick, Covelli Enterprises, First Place, Humility of Mary, DeBartolo Corp., and Giant Eagle to the sponsorship contracts and to the University's accounting records. We found no exceptions as a result of these procedures.
14. We obtained a detail listing of expenses for the sports camps and agreed the total amount to the Statement. We selected a sample of five expenses from the listing, and obtained either the voucher package or journal entry noting agreement of amount, that the explanation of the expense related to the sports camp, and that the expense was incurred during fiscal year 2007. We found no exceptions as a result of these procedures.
15. Although management maintains complete sports camp participant listings, individual cash receipt support is not maintained; therefore, we did not vouch payments from participants. We noted the sport camp participant listing was \$1,850 less than the Statement (.8% of total sports camp revenue).

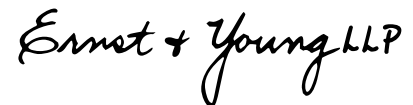
16. We obtained a detail listing of scholarship recipients and agreed the total amount of the listing to the Statement. We selected a sample of twenty-five student scholarship recipients from the detail listing of scholarships. We agreed the amount received per the detail listing of scholarships to the Student Financial Aid subledger and ensured amount disbursed was in accordance with student's aid award letter. We found no exceptions as a result of these procedures.
17. We obtained the detail of NCAA revenue sharing and agreed it to the Statement and to the NCAA distribution reports. We found no exceptions as a result of this procedure.
18. We obtained a detail listing of logeholders revenue and agreed the total revenue to the Stambaugh stadium viewing boxes on the Statement. We selected a sample of five loge lease contracts and agreed the revenue per the individual contract to the listing. We found no exceptions as a result of these procedures.
19. We received documentation from management of private gifts and grants received during 2007. We agreed the total to the Statement. We obtained the documentation, noting three single gifts greater than 10% from an "outside organization" and individuals, with such organization defined by NCAA Bylaws as a booster club or affiliated foundation. We obtained and agreed the supporting documentation for these contributions to the listing of private gifts and grants, and found no exceptions as a result of these procedures.
20. We obtained a summary of all athletic department salaried employees. We selected a sample of five coaches and five support staff employed by the University. We selected the June 2007 payroll distribution and obtained the employees contracts and calculated one twelfth of their pay and agreed it to the payroll distribution report. We found no exceptions as a result of these procedures.
21. We obtained the University's recruiting expense and team travel policies, comparing them to the NCAA policies.

II. Booster Organizations

1. Management verbally represented that the Penguin Club was the only "outside organization" which had expenditures for or on behalf of the University's Intercollegiate Athletic Program. The Penguin Club's related financial activities for the year ended June 30, 2007 are shown in Schedules 2 and 3.
2. We reconciled the Penguin Club's receipts and disbursements to a confirmation obtained directly from the Penguin Club without exception.
3. We noted the amounts included in Schedules 2 and 3 are not included in Schedule 1.
4. We received the audited financial statements of the Penguin Club for the year ended June 30, 2007, which reflected an unqualified opinion.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Statement included in Schedule 1, Schedule 2, and Schedule 3. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



December 10, 2007

Youngstown State University

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

Year Ended June 30, 2007

	Unrestricted			Non-Program Specific	Restricted	Designated	Total
	Football	Basketball	Other Sports				
Revenue and Support							
Pledge Income Capital Gifts – Net of Discounts	\$ –	\$ –	\$ –	\$ –	\$ 1,087,011	\$ –	\$ 1,087,011
Ticket Sales	516,450	157,765	–	–	–	–	674,215
Guarantees	350,000	123,500	–	–	–	–	473,500
Stambaugh Stadium Viewing Boxes	421,807	–	–	–	–	–	421,807
Scoreboard Panels	92,795	31,850	–	–	–	–	124,645
NCAA Distributions	111,140	51,837	203,796	–	58,330	–	425,103
Federal Gifts and Grants	–	–	–	–	20,889	–	20,889
Program Sales	10,260	1,244	–	–	–	–	11,504
Telephone and Vending Machine Commissions	–	–	–	104,302	–	–	104,302
Private Gifts and Grants	–	–	–	12,803	485,426	–	498,229
Athletic Concessions	183,447	30,517	–	77,426	–	–	291,390
Miscellaneous	62,800	–	–	42,095	21,102	–	125,997
Penguin Sports Network	–	–	–	41,501	–	–	41,501
Program Advertising	102,879	28,350	–	–	–	–	131,229
Pouring Rights	–	–	–	50,000	–	–	50,000
Tailgate Income	35,269	–	–	–	–	–	35,269
Endowment Income	–	–	–	–	6,115	–	6,115
Royalty Income	–	–	–	35,895	–	–	35,895
Sports Camps	–	–	–	233,565	–	–	233,565
Total Revenue	1,886,847	425,063	203,796	597,587	1,678,873	–	4,792,166
Support							
Non-Mandatory Additions:							
General Fund Allocations	–	–	247	6,694,071	–	–	6,694,318
Total Revenue and Support	1,886,847	425,063	204,043	7,291,658	1,678,873	–	11,486,484
Expenditures							
Personal Services:							
Salaries	515,493	450,742	512,747	1,442,976	59,249	–	2,981,207
Federal Work Study	–	–	–	–	20,889	–	20,889
Fringe Benefits	190,413	142,386	185,152	545,307	200	–	1,063,458
Total Personal Services	705,906	593,128	697,899	1,988,283	80,338	–	4,065,554

Youngstown State University

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

	Unrestricted				Restricted	Designated	Total
	Football	Basketball	Other Sports	Non-Program Specific			
Operating Expenses:							
Office Supplies	–	–	–	–	7,644	–	7,644
Athletic Supplies	74,820	43,189	89,173	85,313	80,125	–	372,620
Software	–	–	–	71,800	–	–	71,800
Clinics and Meetings	–	–	–	35,280	3,630	–	38,910
Recruiting	47,848	67,044	46,428	2	552	–	161,874
Team Travel	298,897	155,337	348,811	998	28,917	–	832,960
Dues	–	–	–	20,614	–	–	20,614
Printing	4,350	–	–	75,579	9,128	–	89,057
Publicity and Promotions	6,985	1,050	–	85,762	–	–	93,797
Telephone and Telephone Equipment	6,879	17,789	5,613	22,060	–	–	52,341
Postage and Freight	5,902	3,571	–	13,812	310	–	23,595
Maintenance and Repairs	2,112	–	–	18,936	8,211	7,272	36,531
Rentals	1,730	–	19,661	27,984	2,750	–	52,125
Pre-season Practice	61,965	–	10,732	1	–	–	72,698
Liability Insurance	–	–	–	60,215	–	–	60,215
Scholarships	1,005,680	447,743	1,378,786	(18,765)	137,922	–	2,951,366
Awards	–	–	419	13,598	2,075	–	16,092
Officials/ Fees and Services	51,362	65,992	30,508	62,796	26,699	–	237,357
Meals	7,821	18,725	200	1,347	10,359	–	38,452
Bank Fees Collection Expense and Bad Debt	–	–	–	9,982	62,546	–	72,528
Guarantees	65,000	11,000	–	–	–	–	76,000
Miscellaneous	350	7,649	66	(1,241)	9,642	–	16,466
Equipment	–	–	–	11,550	–	–	11,550
Campus Security	7,952	1,051	–	–	2,221	–	11,224
Improvements to Buildings	–	–	–	–	–	47,348	47,348
Athletic Concessions	76,813	12,778	–	32,420	–	–	122,011
Auxiliary Overhead	–	–	–	13,622	–	–	13,622
Sports Camps	–	–	–	217,761	–	–	217,761
Total Operating Expenses	1,726,466	852,918	1,930,397	861,426	392,731	54,620	5,818,558
Total Expenditures	2,432,372	1,446,046	2,628,296	2,849,709	473,069	54,620	9,884,112

Youngstown State University

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

	Unrestricted			Non-Program Specific	Restricted	Designated	Total
	Football	Basketball	Other Sports				
Revenue and Support (Less Than) in Excess of Expenditures	(545,525)	(1,020,983)	(2,424,253)	4,441,949	1,205,804	(54,620)	1,602,372
Transfers In (Out):							
Transfers for Scholarships	-	-	-	-	2,399	-	2,399
Transfers Other	-	-	-	(113,896)	(2,500)	113,896	(2,500)
Transfers for Capital Improvements	-	-	-	(10,000)	-	10,000	-
Mandatory Transfers for Indebtedness	-	-	-	(158,155)	-	-	(158,155)
Revenue and Support (Less Than) in Excess of Expenditures and Transfers	\$ (545,525)	\$ (1,020,983)	\$ (2,424,253)	\$ 4,159,898	\$ 1,205,703	\$ 69,276	\$ 1,444,116

Schedule 2

Youngstown State University

Schedule of Intercollegiate Athletics Program
Support by Booster Organization

Year Ended June 30, 2007

Booster Organization	Beginning Fund Balance	Adjustments	Receipts	Disbursements	Ending Fund Balance
The Penguin Club, Inc.	\$ 459,006	\$ -	\$ 638,802	\$ 474,923	\$ 622,885

Schedule 3

Youngstown State University

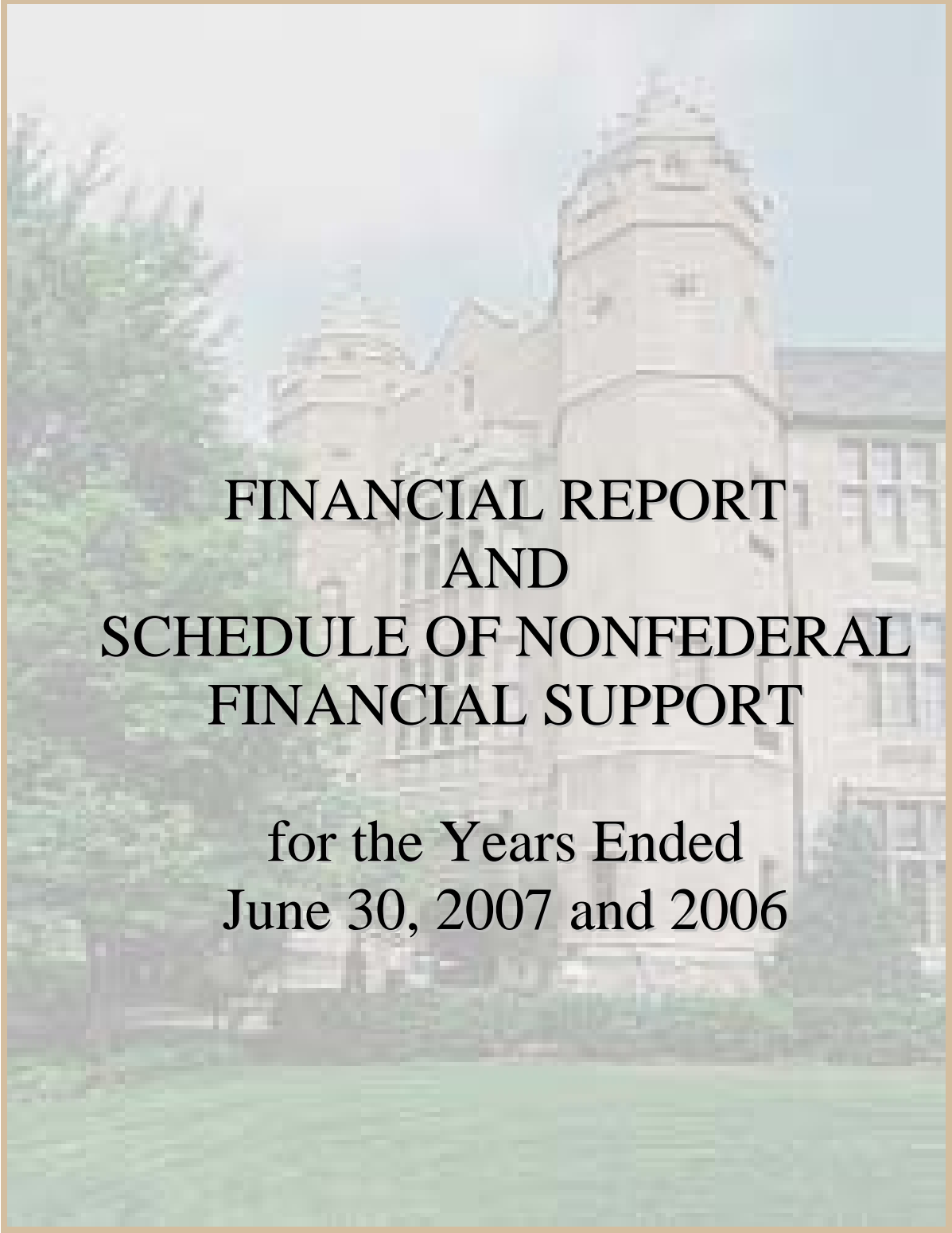
Schedule of Financial Activities of the Penguin Club

Year Ended June 30, 2007

The Penguin Club confirmed that the financial activities of the Penguin Club are not included in either the Statement of Revenue, Support, and Expenditures for the Intercollegiate Athletics Department (Schedule 1) or the books of the University.

Penguin Club

Century Kingbird tickets	\$ 159,767
Fundraising expenses	2,008
Wages and payroll taxes	47,573
Scholarship awards	17,351
Office and loge rent	30,000
Sports banquets	19,057
Athletic awards	39,631
Printing and office expenses	5,242
Communications	6,286
Publicity events and hospitality	8,528
Car leases & Auto allowance	13,764
Membership drive expenses	6,498
Hall of Fame expenses	3,752
Executive directors expenses	2,960
Miscellaneous	6,181
Total	<u>\$ 368,598</u>



**FINANCIAL REPORT
AND
SCHEDULE OF NONFEDERAL
FINANCIAL SUPPORT**

**for the Years Ended
June 30, 2007 and 2006**

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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 financial statements of the business-type activities of WYSU-FM, Youngstown State University Radio (Station) as of and for the years ended June 30, 2007 and 2006, as shown on pages 8 through 10. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

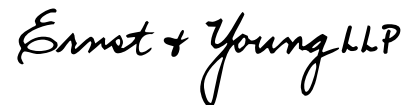
As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Youngstown State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Youngstown State University as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Station as of June 30, 2007 and 2006, and the respective changes in financial position and, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 3 through 7 are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2007 on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Station's basic financial statements. The supplementary information included in the Schedule of Nonfederal Financial Support is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Nonfederal Financial Support have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



December 18, 2007

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section of WYSU-FM's (Station) Financial Report presents a discussion and analysis of the financial performance of the Station, a noncommercial public radio station operated by Youngstown State University (the University or YSU), during the fiscal year ended June 30, 2007 with comparative information for the fiscal years ended June 30, 2006 and June 30, 2005. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

Using the Financial Statements

The Station's financial report includes three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with the financial reporting format required by the Governmental Accounting Standards Board's (GASB) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the financial condition of the Station, the results of operations, and cash flows of the Station as a whole. Key presentation elements include:

- Assets and liabilities are categorized as either current or noncurrent. Current assets and liabilities will be consumed or fulfilled within one year.
- Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the 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 reported net of depreciation.

Financial and Other Station Highlights

- Stable financial position
- Completion of strategic planning process aimed at improved public service and financial performance
- Growth in underwriting activity

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The Statements of Net Assets

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

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Assets			
Current assets	\$ 859,113	\$ 785,860	\$ 611,158
Other noncurrent assets	152,604	136,672	134,776
Capital assets, net	242,936	115,358	161,247
Total Assets	<u>1,254,653</u>	<u>1,037,890</u>	<u>907,181</u>
Liabilities			
Current liabilities	81,726	13,339	5,939
Noncurrent liabilities	79,277	64,705	57,755
Total Liabilities	<u>161,003</u>	<u>78,044</u>	<u>63,694</u>
Total Net Assets	<u>\$ 1,093,650</u>	<u>\$ 959,846</u>	<u>\$ 843,487</u>
Net Assets			
Invested in capital assets, net of related debt	242,936	115,358	161,247
Restricted	185,798	272,889	189,492
Unrestricted	664,916	571,599	492,748
Total Net Assets	<u>\$ 1,093,650</u>	<u>\$ 959,846</u>	<u>\$ 843,487</u>

2007 Versus 2006

Current assets, consisting primarily of cash and cash equivalents, increased \$73,253 or 9% from fiscal year 2006 to fiscal year 2007 due to increases in the general appropriation from the University and investment income. In addition, more resources remained in the Station's membership fund due to increased operational support from the University. Net capital assets increased \$127,578 or 111% in fiscal year 2007 due to the purchase of a Transmitter System and a Generator.

Current liabilities consist of accounts payable and the current portion of compensated absences. The increase was primarily due to an increase in accounts payable due to the timing of year-end purchases. The long-term portion of compensated absences is included in noncurrent liabilities. Compensated absences increased due to increases in accumulated sick and vacation days, and increases in salaries.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall, the Station's net assets increased \$133,804 or 14% from \$959,846 at June 30, 2006 to \$1,093,650 at June 30, 2007. This increase is largely due to increases in both the invested in capital assets, net of related debt and unrestricted net asset categories. Net assets invested in capital assets, net of related debt increased due to the purchase of a Transmitter System and a Generator. Unrestricted net assets increased \$93,317 or 16% due to increases in cash, primarily in the Membership fund. Restricted net assets include both nonexpendable and expendable net assets. Restricted nonexpendable net assets represent the Station's endowment, which increased in fiscal year 2007 due to increases in realized and unrealized gains. Restricted expendable net assets represent the capital portion of grants and a portion of the Corporation for Public Broadcasting (CPB) grant. WYSU-FM received capital grants in fiscal year 2006 for the purchase of the transmitter. Similar grants were not received in fiscal year 2007, thus causing restricted expendable net assets to decrease by \$103,023 or 76%.

2006 Versus 2005

Current assets increased \$174,702 or 29% from fiscal year 2005 to fiscal year 2006 due to increases in subscription and membership income, underwriting revenues, and the general appropriation from the University. The Station also received additional funding from grants in fiscal year 2006. Net capital assets decreased \$45,889, or 28% in fiscal year 2006 as there were no capital asset purchases, but existing assets continued to depreciate.

Total liabilities remained fairly consistent between fiscal years 2005 and 2006. There were slight increases in both accounts payable and compensated absences.

Restricted net assets increased \$83,397 or 44% from fiscal year 2005 to fiscal year 2006 due to the new Community Service Grant, the new Digital Radio Broadcasting grant, and the new Digital Radio Conversion grant received in fiscal year 2006. Unrestricted net assets increased \$78,851 or 16% due to increases in cash and cash equivalents as there were no major capital asset outlays in fiscal year 2006.

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

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

A summary of the Station's revenues, expenses, and changes in net assets follows:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Total operating revenues	\$ 454,475	\$ 461,917	\$ 370,759
Total operating expenses	1,292,292	1,185,809	967,197
Operating loss	(837,817)	(723,892)	(596,438)
Non-operating revenues	865,614	767,751	630,766
Income before other changes	27,797	43,859	34,328
Total other changes	106,007	72,500	20,000
Increase in Net Assets	133,804	116,359	54,328
Net Assets at the beginning of the year	959,846	843,487	789,159
Net Assets at the end of the year	<u>\$ 1,093,650</u>	<u>\$ 959,846</u>	<u>\$ 843,487</u>

2007 Versus 2006

Total operating revenue remained fairly consistent between fiscal years 2006 and 2007. The \$97,863 or 13% increase in net non-operating revenue between fiscal years 2006 and 2007 was primarily due to increases in the general appropriation from the University and investment income.

Total operating expenses increased \$106,483 or 9% between fiscal years 2006 and 2007. Of the increase between fiscal year 2006 and fiscal year 2007, \$85,418 or 12% was attributed to increases in program services while support services increased \$21,065 or 4%. In the program service category, broadcasting expenses showed the greatest increase, \$50,582 or 24%, due to increases in in-kind expenses and maintenance and repair expenses. In the support services category, clerical expenses increased \$10,513 or 19% due to increases in salaries and fringes. Depreciation expense increased \$18,179 or 40% due to additional depreciation resulting from the new Transmitter System.

Between fiscal year 2006 and fiscal year 2007, total other changes increased \$33,507 or 46% primarily due to a grant from eTech Ohio in fiscal year 2007.

2006 Versus 2005

Total operating revenue increased \$91,158, or 25% from fiscal year 2005 to fiscal year 2006 primarily from increases in the Corporation for Public Broadcasting (CPB) grant, in-kind contributions, and underwriting revenue. Increases in the general appropriation, donated facilities and administrative support from the University, and subscription and membership income caused the \$136,985 or 22% increase in net non-operating revenue between fiscal year 2005 and fiscal year 2006.

Total operating expenses increased \$218,612 or 23% between fiscal year 2005 and fiscal year 2006. Of the increase between fiscal year 2005 and fiscal year 2006, \$116,774 was attributed

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

to increases in program expenses while \$101,838 was due to increases in support services. Programming and production expenses increased \$43,428 or 11%, primarily due to expenses stemming from the Audience Service Challenge Grant and the increase in in-kind expenses. Broadcasting expenses increased \$69,374 or 50%, primarily due to increases in broadcasting salaries and fringes and goodwill expenses. Management and general expenses increased \$44,261 or 22% due to increases in donated facilities and increases in salary and fringe allocations. Fundraising and membership development expenses increased \$22,697 or 40% due to increases in expenses stemming from the Station's special campaign to increase memberships to raise funds for digital broadcasting during fiscal year 2006 and due to an increase in salaries and fringes. Underwriting expenses increased \$36,340, or 119% due to increases in salaries and fringes and due to the Station's effort to expand its underwriting program during fiscal year 2006.

Total other changes increased \$52,500 or 263% between fiscal year 2005 and 2006 due to an increase in the capital grant from the Wean Foundation and an additional Digital Radio Conversion Grant from CPB that was received in fiscal year 2006 but not fiscal year 2005.

Economic Factors for the Future

The regional economic climate and general quality of life issues remained rather insecure in fiscal year 2007, and are constant challenges to the success and growth of WYSU-FM, but in spite of these exterior challenges, there were a number of positive developments at the station in the past year:

- Both of the Arbitron audience survey reports were encouraging, with especially strong growth in the Average Quarter Hour (AQH) listeners, the AQH market share, and in the Time Spent Listening categories.
- WYSU-FM hit its Fall 2006 fund drive goal, fell short of the Spring 2007 goal, but made up the difference with an end of the fiscal year appeal.
- The analog/digital transmitter was successfully installed.

The Station completed its research and planning phases of a strategic study, and constructed a long-term strategy outline, which includes the following:

- Migrate to an all news and information format by 2011.
- Use new HD channel for classical music programming.
- Relocate the Radio Station to an accessible, visible space no later than 2010.
- Reconfigure the Radio Station's transmission facilities to ensure long-term control over tower location and space cost by June 2009.
- Create a marketing program aimed at introducing a new brand and public service profile to the region by 2010.
- Be prepared to follow through on the development of a daily, high quality, locally-hosted, community dialogue/public affairs program, following the facilities upgrade/expansion and antenna relocation.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF NET ASSETS AT JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 846,013	\$ 752,034
Interest receivable	853	900
Accounts receivable (net of allowance of \$1,342 in 2007 and \$1,173 in 2006)	5,550	30,515
Pledges receivable (net of allowance of \$7,076 in 2007 and \$7,196 in 2006)	6,697	2,411
Total Current Assets	<u>859,113</u>	<u>785,860</u>
Noncurrent Assets		
Endowment investments	152,604	136,672
Capital assets, net	242,936	115,358
Total Noncurrent Assets	<u>395,540</u>	<u>252,030</u>
Total Assets	<u>1,254,653</u>	<u>1,037,890</u>
LIABILITIES		
Current Liabilities		
Accounts payable	64,878	7,863
Deferred revenue	9,098	-
Compensated absences	7,750	5,476
Total Current Liabilities	<u>81,726</u>	<u>13,339</u>
Noncurrent Liabilities		
Compensated absences	79,277	64,705
Total Noncurrent Liabilities	<u>79,277</u>	<u>64,705</u>
Total Liabilities	<u>161,003</u>	<u>78,044</u>
NET ASSETS		
Invested in capital assets, net of related debt	242,936	115,358
Restricted:		
Nonexpendable	152,604	136,672
Expendable	33,194	136,217
Unrestricted	664,916	571,599
Total Net Assets	<u>\$ 1,093,650</u>	<u>\$ 959,846</u>

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
REVENUES		
Operating Revenues		
Corporation for Public Broadcasting grant	\$ 130,420	\$ 160,601
In-Kind contributions	192,092	157,331
eTech Ohio Commission grant	38,400	38,773
Underwriting revenue	93,563	105,212
Total Operating Revenues	454,475	461,917
EXPENSES		
Operating Expenses		
Program Services:		
Programming and production	461,066	441,831
Broadcasting	259,837	209,255
Program information	42,561	32,578
Traffic and continuity	10,579	4,961
Support Services:		
Management and general	236,935	249,900
Fund raising and membership development	81,431	79,031
Underwriting	69,721	66,783
Clerical	66,094	55,581
Depreciation	64,068	45,889
Total Operating Expenses	1,292,292	1,185,809
Operating Loss	(837,817)	(723,892)
NON-OPERATING REVENUES		
General appropriation from the University	515,852	390,989
Donated facilities and administrative support from the University	118,482	128,784
Subscription and membership revenue	208,710	229,372
Private gifts	-	10,000
Net revenue from fund raising	697	804
Investment income, net	21,873	7,802
Non-operating Revenues	865,614	767,751
Income before other changes	27,797	43,859
OTHER CHANGES		
Capital grants and gifts	105,991	72,500
Additions to the principal of endowments	16	-
Total other changes	106,007	72,500
Total increase in Net Assets	133,804	116,359
NET ASSETS		
Net Assets at the beginning of the year	959,846	843,487
Net Assets at the end of the year	\$ 1,093,650	\$ 959,846

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Corporation for Public Broadcasting grant	\$ 175,832	\$ 143,185
Receipts from eTech Ohio Commission grant	38,400	38,773
Business & underwriting support	101,057	110,132
Payments to suppliers	(346,448)	(330,884)
Payments to employees	(391,659)	(374,271)
Payments for benefits	(131,794)	(136,184)
Total Cash Flows Used in Operating Activities	(554,612)	(549,249)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	6,004	5,005
Total Cash Flows Provided by Investing Activities	6,004	5,005
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
General appropriation from the University	515,852	390,989
Membership receipts	211,693	228,512
Private gifts	-	10,000
Fundraising receipts	33,238	58,171
Payments for fundraising	(32,541)	(57,367)
Total Cash Flows Provided By Noncapital Financing Activities	728,242	630,305
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Grant for capital purchases	105,991	72,500
Purchase of capital assets	(191,646)	-
Total Cash Flows (Used in) Provided by Capital Financing Activities	(85,655)	72,500
NET INCREASE IN CASH & CASH EQUIVALENTS	93,979	158,561
Cash & Cash Equivalents - Beginning of year	752,034	593,473
Cash & Cash Equivalents - End of year	\$ 846,013	\$ 752,034
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (837,817)	\$ (723,892)
Adjustments to reconcile operating loss to cash flows used in operating activities		
Depreciation Expense	64,068	45,889
Donated facilities & administrative support from the University	118,482	128,784
Changes in assets & liabilities:		
Accounts receivable, net	17,696	(14,380)
Accounts payable and compensated absences	82,959	14,350
CASH FLOWS USED IN OPERATING ACTIVITIES	\$ (554,612)	\$ (549,249)

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

WYSU-FM (the Station) is operated as a department of the Division of University Advancement at Youngstown State University (the University or YSU) and is subject to the policies established by the University's Board of Trustees. The Station reports annually to the Corporation for Public Broadcasting.

For financial reporting purposes, the Station is considered a part of a special-purpose government engaged in business-type activities as defined by GASB Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

Under the provisions of GASB Statement No. 35, resources are classified for accounting and reporting purposes into the following four net asset categories:

- Invested in capital assets, net of related debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted Nonexpendable - Net assets subject to externally imposed stipulations that they be maintained permanently by the Station. Such assets include the Station's permanent endowment fund.
- Restricted Expendable - Net assets whose use by the Station is subject to externally imposed stipulations that can be fulfilled by actions of the Station pursuant to those stipulations or that expire by the passage of time.
- Unrestricted - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management, Board of Trustees, Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially, all unrestricted net assets are designated for Station programs and initiatives, capital programs, and operating reserves.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The Station 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 Station has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Station has elected to not apply FASB pronouncements issued after the applicable date. When an expense is incurred that can be paid using either restricted or unrestricted resources the Station's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

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

Accounts Receivable - Accounts receivable consist of underwriting charges for various Station programs. Also included are amounts due from private sources in connection with reimbursement of allowable expenditures under the applicable Station grants and contracts. Accounts are recorded net of allowance for uncollectible accounts.

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

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

Endowment Policy - The University Endowment Fund consists of 78 named funds, which includes the Station's endowment. Each named fund is assigned a number of shares in the University Endowment Fund based on the value of the gifts to that named fund. Investments are managed by The Youngstown State University Foundation (YSUF). The University's policy is to distribute realized gains and investment income monthly, based on each fund's pro-rata share to the total endowment shares.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Capital Assets – Capital assets are comprised of equipment and stated at cost or fair value at date of gift. The University’s capitalization threshold for equipment is \$5,000. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful life for equipment is 3 to 7 years.

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

Deferred Revenue – Deferred revenue includes amounts received from grants and contract sponsors that have not yet been earned.

Compensated Absences - Accumulated unpaid vacation and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The Station uses the termination method to accrue sick leave compensated absences on the balance sheet.

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

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

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

Measurement Focus and Financial Statement Presentation - Operating revenues and expenses result from providing programming, production, and broadcasting support for the Station. The principal operating revenues include two grants, one from the Corporation of Public Broadcasting and one from the eTech Ohio commission, along with underwriting revenue from area businesses. Principal operating expenses include programming, production, broadcasting, fundraising, and management services and support. The principal non-operating revenues are the general appropriation from the University and membership support.

Reclassification – Certain reclassifications have been made to the 2006 amounts to conform to the 2007 presentation.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Note 2 – Cash and Cash Equivalents

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

In accordance with Section 135.18 of the Ohio Revised Code, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or pledge a pool of securities with a value of at least 105% 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 or by a designated trustee as agent for the public depositories used by the University.

At June 30, 2007 and 2006, the carrying amount of the University's bank deposits and cash equivalents was \$13,428,352 and \$10,106,720 and the bank balances were \$15,026,155 and \$10,051,416, respectively. The Station's cash and cash equivalents are included in these totals and were \$846,013 and \$752,034 at June 30, 2007 and 2006, respectively. The difference in carrying amount and bank balance of the University is caused by items in transit and outstanding checks. Of the balance, \$117,893 in fiscal year 2007 and \$200,000 in fiscal year 2006 was covered by federal depository insurance; leaving \$14,908,263 in 2007 and \$9,851,416 in 2006 exposed to custodial credit risk because it is uninsured and uncollateralized. At times during the year, uncollateralized deposits may have been higher. Deposits held in safekeeping by a bank, as trustee or escrow agent, included in cash and investments totaled \$17,893 as of June 30, 2007 and \$1,014,189 as of June 30, 2006, 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 in escrow for final payment of an energy management system.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Note 3 - Investments

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

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

As of June 30, 2007 the Station had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Common Stock	\$ 89,562	\$ 89,562	\$ -	\$ -	\$ -
Corporate Notes & Bonds	11,584	1,942	1,305	4,336	4,001
Preferred Stock	9,811	3,635	6,176	-	-
U.S. Gov't. & Agency Securities	41,656	7,038	6,665	15,572	12,381
Other Securities	(9)	(9)	-	-	-
	<u>\$ 152,604</u>	<u>\$ 102,168</u>	<u>\$ 14,146</u>	<u>\$ 19,908</u>	<u>\$ 16,382</u>

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

As of June 30, 2007, investments had the following quality credit ratings:

Investment Type	Fair Value	A	Aa	Baa	Unrated
Common Stock	\$ 89,562	\$ -	\$ -	\$ -	\$ 89,562
Corporate Notes & Bonds	11,584	6,384	2,608	2,592	-
Preferred Stock	9,811	-	-	-	9,811
U.S. Gov't. & Agency Securities	41,656	-	-	-	41,656
Other Securities	(9)	-	-	-	(9)
	<u>\$ 152,604</u>	<u>\$ 6,384</u>	<u>\$ 2,608</u>	<u>\$ 2,592</u>	<u>\$ 141,020</u>

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

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

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The total investments held by YSUF in the amount of \$5,930,535 as of June 30, 2007 and \$5,847,253 as of June 30, 2006 were 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 does not have a formal policy for custodial credit risk.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2007

Note 4 – Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Depreciable assets:				
Building, antenna, and tower	\$ 170,048	\$ 160,423	\$ -	\$ 330,471
Studio and broadcast equipment	275,799	31,223	-	307,022
	445,847	191,646	-	637,493
Less: Accumulated depreciation	330,489	64,068	-	394,557
Capital assets, net	<u>\$ 115,358</u>	<u>\$ 127,578</u>	<u>\$ -</u>	<u>\$ 242,936</u>

Capital assets activity for the year ended June 30, 2006 was as follows:

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Depreciable assets:				
Building, antenna, and tower	\$ 170,048	\$ -	\$ -	\$ 170,048
Studio and broadcast equipment	275,799	-	-	275,799
	445,847	-	-	445,847
Less: Accumulated depreciation	284,600	45,889	-	330,489
Capital assets, net	<u>\$ 161,247</u>	<u>\$ (45,889)</u>	<u>\$ -</u>	<u>\$ 115,358</u>

Note 5 – Long Term Liabilities

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Net Additions	Ending Balance	Current Portion
Compensated absences	<u>\$ 70,181</u>	<u>\$ 16,846</u>	<u>\$ 87,027</u>	<u>\$ 7,750</u>

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Net Additions	Ending Balance	Current Portion
Compensated absences	<u>\$ 62,494</u>	<u>\$ 7,687</u>	<u>\$ 70,181</u>	<u>\$ 5,476</u>

Note 6 - Related Party

YSUF is a legally separate nonprofit organization exempt from federal income tax and classified as a public charity. YSUF is devoted to the support, expansion and development of educational programs at the University that are useful and beneficial to the students and the community. Under the terms of an agreement with the University, YSUF serves as an investment manager for the University's, and therefore the Station's, endowments.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

SCHEDULE OF NONFEDERAL FINANCIAL SUPPORT FOR THE YEAR ENDED JUNE 30, 2007

Direct Income	\$ 931,686
Indirect Administrative Support	118,482
In-Kind Contributions of Services and Other Intangibles	<u>192,092</u>
Total Nonfederal Financial Support	<u>\$ 1,242,260</u>



YOUNGSTOWN STATE UNIVERSITY

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

The Board of Trustees
Youngstown State University

We have audited the financial statements of the business-type activities of WYSU-FM, Youngstown State University Radio (Station) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Station's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

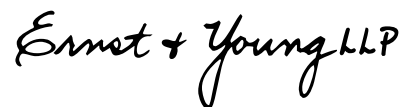
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information and use of management, the Board of Trustees, others within the entity, 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.



December 18, 2007



Mary Taylor, CPA
Auditor of State

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 11, 2008**