

**BOARD OF TRUSTEES  
AUDIT SUBCOMMITTEE  
Leonard D. Schiavone, Chair  
James E. "Ted" Roberts, Vice Chair  
Carole S. Weimer  
David C. Deibel  
Samantha P. Anderson**

*Audit  
Sust.*

**Wednesday, November 30, 2016  
1:00 p.m. or immediately following  
previous meeting**

**Tod Hall  
Board Meeting Room**

**AGENDA**

- A. Disposition of Minutes for Meeting Held September 7, 2016**
- B. Old Business**
- C. Committee Items**

**1. Action Items**

**Tab C.1.a. a. Resolution to Renew and Amend the Internal Audit Charter**  
Sarah Gampo, Director of Internal Audit and Risk Management, will report.

**Tab C.1.b. b. Resolution to Approve the FY17 Annual Internal Audit Plan**  
Sarah Gampo, Director of Internal Audit and Risk Management, will report.

**2. Discussion Items**

**a. Anonymous Ethics Reporting Hotline**  
Sarah Gampo, Director of Internal Audit and Risk Management, will report.

**Tab C.2.b. b. Internal Audit Strategic Plan**  
Sarah Gampo, Director of Internal Audit and Risk Management, will report.

**Tab C.2.c. c. Audit Timeline Matrix**  
This matrix tracks the progress of the implementation of recommendations for improvement or correction made by internal and external auditors.  
Sarah Gampo, Director of Internal Audit and Risk Management, will report.

**Tab C.2.d. d. Required Communication with the Board of Trustees**  
Angie Lewis, Crowe Horwath, LLP, will report

- Tab C.2.e.**      **e. Crowe Horwath Management Letter with Management Response**  
Angie Lewis, Crowe Horwath, LLP, will report.
- Tab C.2.f.**      **f. Financial Report for the Years Ended June 30, 2016 and 2015**  
Neal P. McNally, Vice President for Finance and Business Operations, will report.
- Tab C.2.g.**      **g. Strategic Plan Cornerstone Dashboard Update**  
A report on the Accountability and Sustainability Cornerstone will be given by  
Neal P. McNally, Vice President for Finance and Business Operations, and  
Katrena Davidson, Controller.

**D. New Business**

**E. Adjournment**

# YSU 2020 Strategic Plan Update: Accountability & Sustainability Cornerstone - Fiscal Health

## Senate Bill 6 Ratios

The Accountability & Sustainability Cornerstone of the YSU 2020 Strategic Plan identifies the institution/Board metric for **fiscal health** as an "Index of Pertinent Financial Ratios (Senate Bill 6 Ratio)."

The Ohio Department of Higher Education annually calculates the S.B. 6 ratios on the basis each institution's audited financial statements:

\* **Net income ratio**: change in total net assets ÷ total revenues. = **20% of composite score**

\* **Viability ratio**: expendable net assets ÷ plant debt. = **30% of composite score**

\* **Primary reserve ratio**: expendable net assets ÷ total operating expenses + interest on debt. = **50% of composite score**

YSU's FY 2016 ratios and scores are depicted in the table below:

Senate Bill 6 Sliding Scale		YSU	
Net Income Ratio		Factor	Weight Score
0	1	2	3
<-.049	-.05 to 0	0 to .009	.01 to .029
			.03 to .049
			=>.05
			0.027
			0.60
Viability Ratio:		Factor	Weight Score
0	1	2	3
<0	0 to .29	.30 to .59	.60 to .99
			1.0 to 2.50
			>2.50
			0.725
			0.90
Primary Reserve Ratio:		Factor	Weight Score
0	1	2	3
<-.10	-.10 to .049	.05 to .099	.10 to .249
			.25 to .49
			=>.50
			0.298
			2.00
<b>YSU Composite Score for FY 2016 =&gt;</b>			<b>3.50</b>

What the ratios mean:

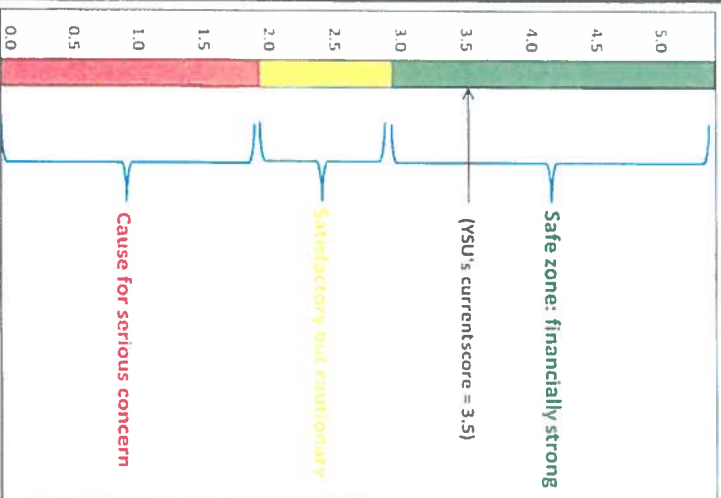
\* **Net income ratio**: compares expenses and revenues to determine if a campus is operating within its resources.

\* **Viability ratio**: measures a campus's ability to manage long-term debt obligations.

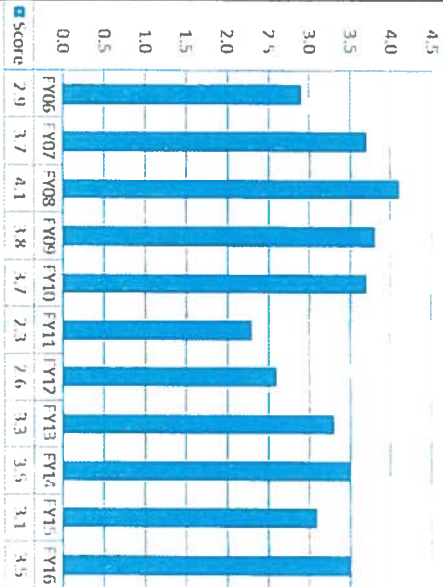
\* **Primary reserve ratio**: measures a campus's ability to use reserves in the absence of future revenue.

Key metric: **Composite Score**, the sum of weighted scores from the net income, viability and primary reserve ratios.

How to interpret the S. B. 6 Composite Score:



How YSU's S.B. 6 composite score has changed over the last 10 years:



## Bond Ratings

The YSU 2020 Strategic Plan also cites the University's bond rating as a metric of fiscal health. Measured by independent rating agencies, this metric signifies the University's credit worthiness in the public debt market. YSU's current ratings are as follows:

- \* **Moody's (2014): A2, stable outlook**
- \* **Standard & Poor's (2015): A, stable outlook**

These ratings indicate that YSU is a high quality investment with only moderate risk. The table below summarizes the rating scales used by Moody's and S&P.

Moody's	S & P	Description
Aaa1	Aaa3	AAA
Aa1	Aa2	AA
Aa2	Aa1	High quality, little or no risk
Aa3	Aa3	High quality, low risk
A1	A2	A
A2	A1	High quality, moderate risk
Baa1	Baa2	Baa3
Baa2	Baa1	Good quality, some risk
Baa3	Baa3	Medium quality, some risk
Ba1	Ba2	Ba1
Ba2	Ba2	Medium quality, higher risk
Ba3	Ba3	Medium quality, higher risk
B1	B2	B
B2	B1	Low quality, susceptible to default
B3	B3	Low quality, susceptible to default
Caa1	Caa2	CC
Caa2	Caa1	Lowest quality, highly susceptible to default
Caa3	Caa3	Lowest quality, highly susceptible to default
C1	C2	C
C2	C1	In default (S&P rating only)
C3	C3	
D	D	

# YSU 2020 Strategic Plan Update: Accountability & Sustainability Cornerstone - Fiscal Health

## Senate Bill 6 Ratio

The Accountability & Sustainability Cornerstone of the YSU 2020 Strategic Plan identifies the Institution/Board metric for as an "Index of Pertinent Financial Ratios (Senate Bill 6 Ratio)."

The Ohio Department of Higher Education annually calculates the S.B. 6 ratios on the basis each institution's audited financial statements:

**\*Net income ratio:** change in total net assets ÷ total revenues of composite s

**\*Viability ratio:** expendable net assets ÷ plant debt composite score

**\*Primary reserve ratio:** expendable net assets + total operating expenses + interest on debt.

YSU's FY 2016 ratios and scores are depicted in the table below:

Senate Bill 6 Sliding Scale			YSU	YSU	
			Factor	Weight	Score
<b>Net Income Ratio</b>					
0	1	2	3	4	5
<-.049	-.05 to 0	0 to .009	.01 to .029	.03 to .049	=>.05
			0.027		
					Factor 3
					Weight 20%
					Score 0.60
<b>Viability Ratio:</b>					
0	1	2	3	4	5
<0	0 to .29	.30 to .59	.60 to .99	1.0 to 2.50	>2.50
			0.725		
					Factor 3
					Weight 30%
					Score 0.90
<b>Primary Reserve Ratio:</b>					
0	1	2	3	4	5
<-.10	-.10 to .049	.05 to .099	.10 to .249	.25 to .49	=>.50
				0.298	
					Factor 4
					Weight 50%
					Score 2.00
<b>YSU Composite Score for FY 2016 =&gt;</b>					
<b>3.50</b>					

What the ratios mean:

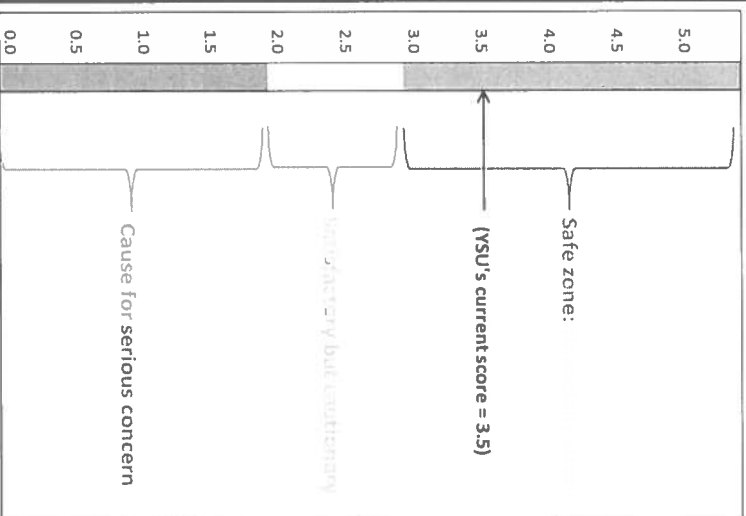
**\*Net income ratio:** compares expenses and revenues to determine if a campus is operating within its resources.

**\*Viability ratio:** measures a campus's ability to manage long-term debt obligations.

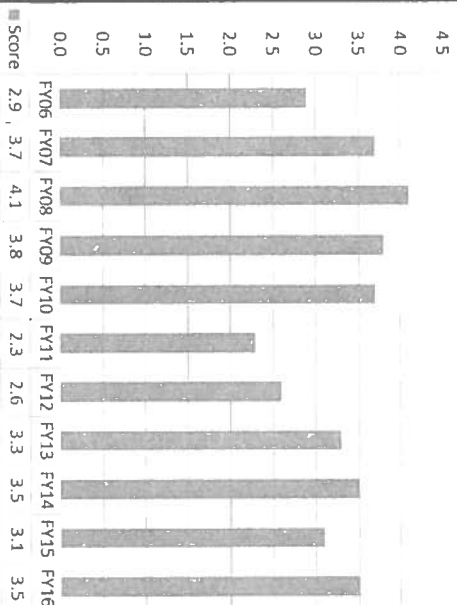
**\*Primary reserve ratio:** measures a campus's ability to use reserves in the absence of future revenue.

Key metric: *Composite Score*, the sum of weighted scores from the net income, viability and primary reserve ratios.

How to interpret the S.B. 6 Composite Score:



How YSU's S.B. 6 composite score has changed over the last 10 years:



## Bond Ratings

The YSU 2020 Strategic Plan also cites the University's bond rating as a metric of fiscal health. Measured by independent rating agencies, this metric signifies the University's credit worthiness in the public debt market. YSU's current ratings are as follows:

\* *Moody's (2014): A2, stable outlook*  
 \* *Standard & Poor's (2015): A, stable outlook*

These ratings indicate that YSU is a high quality investment with only moderate risk. The table below summarizes the rating scales used by Moody's and S&P.

Moody's	S & P	Description
Aaa1	AAA	Best quality, little or no risk
Aa1	AA	High quality, low risk
A1	A	High quality, moderate risk
Baa1	BBB	Good quality, some risk
Ba1	BB	Medium quality, some risk
B1	B	Medium quality, higher risk
Caa1	CCC	Low quality, susceptible to default
Ca1	CC	Lower quality, susceptible to default
C1	C	Lowest quality, highly susceptible to default
-	D	In default (S&P rating only)