

Central State University
(a component unit of the State of Ohio)

Financial Report
Including Supplemental Information
June 30, 2010



Dave Yost • Auditor of State

Board of Trustees
Central State University
1400 Brush Row Road
PO Box 1004
Wilberforce, Ohio 45384-1004

We have reviewed the *Independent Auditor's Report* of the Central State University, Greene County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2009 through June 30, 2010. 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 Central State University is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 27, 2011

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Central State University

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Independent Auditor's Report

To the Board of Trustees
Central State University

We have audited the accompanying basic financial statements of Central State University (the "University") and its discretely presented component unit as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These basic financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. In addition, the basic financial statements were audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Central State University and its discretely presented component unit as of June 30, 2010 and 2009 and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 15, 2010 on our consideration of Central State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2010. 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 opinions on the internal control 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.

To the Board of Trustees
Central State University

The accompanying schedule of expenditures of federal awards is presented for the purpose 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 part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis presented on pages 3 through 11 is not a required part of the basic financial statements, but is supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 15, 2010

Central State University

Management's Discussion and Analysis - Unaudited

This section of Central State University's (the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2010, 2009, and 2008. This discussion should be read in conjunction with the accompanying financial statements and footnotes. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the University's administration.

Using this Report

The University's annual report consists of a series of financial statements prepared in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The financial statements prescribed by GASB Statement No. 35 (the statement of net assets, statement of revenues, expenses, and changes in net assets, and the statement of cash flows) are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. The financial statements focus on the financial condition, the results of operations, and the impact on cash flows of the University as a whole.

One of the most important questions asked about the University's finances is whether the University as a whole is better off, or worse off, as a result of the current year's activities. The keys to understanding this question are the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. These statements present financial information in a form similar to that used by corporations. The University's net assets are one indicator of its financial health.

The statement of net assets includes all assets and liabilities of the University. Changes in net assets (the difference between assets and liabilities) are an indicator of the improvement or erosion of the University's financial health when considered with nonfinancial facts, such as enrollment levels, changes in state funding, facility changes, and the like.

The statement of revenues, expenses, and changes in net assets presents the revenues earned and the expenses incurred during the year. Activities are reported either as operating or non-operating. The financial reporting model reflects treatment of state and local appropriations, as well as gifts, as non-operating revenues. Since dependency on State of Ohio and certain federal grants is recognized as non-operating under accounting principles generally accepted in the United States of America, a public university normally presents operating results as a deficit. The utilization of long-lived assets, primarily capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

Another important factor to consider when evaluating the University's financial viability is its ability to meet financial obligations as they mature. One measure of this factor is the University's working capital, or the relationship of its current assets less its current liabilities.

The statement of cash flows presents the information related to cash inflows and outflows. These cash inflows and outflows are summarized by operating, noncapital financing, capital and related financing, and related investing activities. This statement illustrates the University's sources and uses of cash and helps measure the ability to meet financial obligations as they mature.

The University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in 2004. As such, the Central State University Foundation's (the "Foundation") financial statements, footnotes, and management's discussion and analysis have been discretely incorporated into the University's financial statements.

Analysis of Results of Operations

Total revenue for the years ended June 30, 2010 and 2009 was \$64.3 million and \$69.1 million, respectively, of which operating revenue totaled \$31.5 million and \$31.3 million, respectively. Operating revenue in fiscal year 2010 increased \$0.2 million, or 0.6 percent, when compared with fiscal year 2009.

Total revenue for the years ended June 30, 2009 and 2008 was \$69.1 million and \$56.0 million, respectively, of which operating revenue totaled \$31.3 million and \$28.8 million, respectively. Operating revenue increased \$2.5 million, or 9.0 percent, when compared with fiscal year 2008.

Total expenses for the years ended June 30, 2010 and 2009 were \$63.5 million and \$58.0 million, respectively. Operating expenses increased \$5.5 million, or 9.5 percent, when compared with fiscal year 2009.

Total expenses for the years ended June 30, 2009 and 2008 were \$58.0 million and \$57.0 million, respectively. Operating expenses increased \$1.0 million, or 1.8 percent, when compared with fiscal year 2008.

The University's operating loss totaled \$32.0 million during 2010 compared to \$26.7 million in 2009, which represented an unfavorable increase of \$5.3 million, or 19.9 percent.

The University's operating loss totaled \$26.7 million during 2009 compared to \$28.2 million in 2008, which represented a favorable decrease of \$1.5 million, or 5.3 percent.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

The University's total net assets for 2010 increased \$0.8 million during 2010 compared to an increase of \$11.2 million during 2009, which represents an unfavorable decrease of \$10.4 million.

The increase in net assets for fiscal 2009 was \$11.2 million compared to a decrease of \$1.0 million in 2008, which represented a favorable increase of \$12.2 million.

Student enrollment increased 12 percent in fall fiscal year 2010 compared to fall fiscal year 2009; in-state tuition and fees rate for 2010 was not increased; however, out-of-state tuition and fees rate was increased 3 percent. Room and board rates for 2010 were increased 7 percent when compared to 2009 amounts. The \$0.2 million increase in operating revenue were related to increases of \$1.3 million in net auxiliary revenue; a \$0.8 million increase in net tuition and fees; and a \$1.5 million decrease in state, local, and private grants and contracts; a \$0.2 million decrease in other sources; a decrease of \$0.2 million in federal grants while indirect cost recovery remained flat.

Student enrollment increased 7.5 percent in fall of fiscal year 2009 compared to fall of fiscal year 2008; tuition, fees, room, and board rates for 2009 were not increased when compared to 2008 amounts.

A breakdown and comparison of operating revenues are provided below:

Operating Revenue (in millions)	2010	2009	2008
Tuition and fees - Net	\$ 9.4	\$ 8.6	\$ 7.8
Federal grants and contracts	8.1	8.3	8.2
State, local, and private grants and contracts	1.5	3.0	2.6
Indirect cost recovery	.6	.6	.5
Auxiliary activities - Net	10.3	9.0	8.6
Other sources	1.6	1.8	1.1
Total	\$31.5	\$ 31.3	\$ 28.8

A breakdown and comparison of nonoperating revenue are as follows:

Nonoperating Revenue (Expenses) (in millions)	2010	2009	2008
Federal Pell grant appropriations	\$ 9.4	\$ 5.8	\$ 4.6
Federal fiscal stabilization funds	.9	-	-
State appropriations	19.6	21.8	21.9
Investment income	-	.1	.3
Interest expense	(.1)	(.1)	(.1)
Total	\$29.8	\$ 27.6	\$ 26.7

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

State appropriations include core funding sources composed of the State's Share of Instructional Support (SSIS), the Central State University Supplement, and Speed to Scale.

A breakdown and comparison of State appropriation revenues are as follows:

State Appropriations (in millions)	<u>2010</u>	<u>2009</u>	<u>2008</u>
State Share of Instructional Support	\$ 5.7	\$ 6.3	\$ 5.7
Central State supplement	12.1	12.1	11.8
Speed to Scale	1.8	3.4	4.4
Total	\$19.6	\$ 21.8	\$ 21.9

The change in State of Ohio funding from 2010 to 2009 was primarily due to a decrease in SSIS (\$.6 million), and a decrease of Speed to Scale funding (\$1.6 million). The change in State of Ohio funding from 2009 to 2008 was primarily due to an increase in SSIS (\$.6 million) and an increase of the Central State Supplement (\$.3 million) and a decrease of Speed to Scale funding (\$1.0 million).

Operating expenses include educational and general, auxiliary enterprises, restricted funding from grants and contracts, and depreciation. A breakdown and comparison of these expenses are as follows:

Expense (in millions)	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction	\$ 12.4	\$ 11.6	\$ 10.7
Research	1.8	2.1	1.4
Student services	4.3	3.8	3.9
Academic support	6.6	7.8	7.5
Public services	1.9	2.3	2.3
Institutional administration	10.0	8.9	11.0
Operation and maintenance of plant	6.1	5.4	4.8
Auxiliary enterprises	12.6	10.6	10.3
Student aid	4.4	2.3	2.1
Depreciation	3.4	3.2	3.0
Total	\$63.5	\$ 58.0	\$ 57.0

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

Central State University's operating expenses during 2010 reflected a \$5.5 million increase in operating expenses, totaling \$63.5 million in 2010 as compared to \$58.0 million in 2009. The increase in expenses was primarily related to an increase in student aid (\$2.1 million), auxiliary enterprises (\$2.0 million), institutional administration (\$1.1 million), instruction (\$0.8 million), operation and maintenance of plant (\$0.7 million), student services (\$0.5 million), and depreciation (\$0.2 million) offset by decreases in academic support (\$1.2 million), public services (\$0.4 million), and research (\$0.3 million). The changes reflect ongoing realignment of funds to meet current SAEM strategies, including increased spending in Student Aid. Auxiliary spending increased due to increased student enrollment and the establishment of the Marauder Zone Bookstore.

The University's operating expenses during 2009 reflected a \$1.0 million increase in operating expenses totaling \$58.0 million in 2009 as compared to \$57.0 million in 2008. The changes reflect realignment of funds to meet current SAEM and Speed to Scale strategies and increased spending in research for the Center for Allaying Health Disparities thru Research (CADRE) grant.

Analysis of Overall Financial Position

At June 30, 2010, current assets totaled \$22.0 million, as compared to \$18.4 million at June 30, 2009, an increase of \$3.6 million. The increase in current assets was primarily attributable to a \$2.6 million increase in accounts receivable, a \$0.5 million increase in cash and cash equivalents, and a \$0.5 million increase in inventory. Current liabilities at June 30, 2010, as compared to June 30, 2009, totaled \$15.4 million and \$11.1 million, respectively, an increase of \$4.3 million. The increase in current liabilities was primarily attributable to an increase of \$3.9 million in deferred revenues, \$0.5 million increase in accounts payable; and a \$0.1 million increase accrued salaries and wages. The increases were offset by a \$0.2 million decrease in other payables. The University's working capital ratios at June 30, 2010 and June 30, 2009 were 1.43 and 1.65, respectively.

The University's current assets at June 30, 2009 totaled \$18.4 million, as compared to \$17.6 million at June 30, 2008, which represents an increase of \$0.8 million. Current liabilities at June 30, 2009 as compared to June 30, 2008 totaled \$11.1 million and \$12.5 million, respectively, a decrease of \$1.4 million. The University's working capital ratios at June 30, 2009 and June 30, 2008 were 1.65 and 1.41, respectively.

Noncurrent assets are comprised of capital assets and restricted cash and cash equivalents. The \$1.7 million increase in the University's noncurrent assets, which total \$74.3 million at June 30, 2010 and \$72.6 million at June 30, 2009, is associated with a \$5.0 million increase in buildings and equipment which was offset by a \$3.4 million increase in accumulated depreciation.

Noncurrent assets at June 30, 2009 were \$72.6 million, as compared to \$63.6 million at June 30, 2008. The increase was primarily associated with a \$12.2 million increase in buildings and equipment which was offset by a \$3.2 million increase in accumulated depreciation.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

The University's noncurrent liabilities at June 30, 2010 total \$3.6 million, as compared to \$3.5 million at June 30, 2009. The \$0.1 million increase is attributed to an increase in long-term liabilities of \$0.2 million offset by a decrease in long-term debt of \$0.1 million.

Noncurrent liabilities at June 30, 2009 were \$3.5 million, as compared to \$3.4 million at June 30, 2008. The \$0.1 million increase is attributed to an increase in long-term liabilities of \$0.2 million offset by a decrease in long-term debt of \$0.1 million.

The University's net assets were \$77.3 million at June 30, 2010 and \$76.4 million at June 30, 2009.

The University's net assets were \$76.4 million and \$65.3 million at June 30, 2009 and 2008.

Capital Assets and Long-term Debt Activity

The University utilizes state capital appropriations for capital asset expenditures. State capital appropriations are on a biennium basis, and individual institutions' capital funding allocations are based largely on enrollment as well as appropriations for new facilities. During 2010, the University utilized \$2.9 million in state capital appropriations for construction. During 2009, the University utilized \$10.2 million in state capital appropriations for the construction of Phase II of the Center for Education and Natural Sciences facility.

The University's long-term debt is comprised of notes payable to Housing and Urban Development and the Department of Education. During 2010, the University did not issue any new debt or capital lease obligations and paid \$0.1 million in connection with debt maturities; during 2009, \$0.1 million was paid in connection with debt maturities. The University is in compliance with all of its contractual long-term debt requirements and covenants.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

A breakdown and comparison of the University's balance sheets as of June 30, 2010, 2009, and 2008 are provided below:

Balance Sheet (in millions)	2010	2009	2008
Assets:			
Current assets	\$ 22.0	\$ 18.4	\$ 17.6
Noncurrent assets:			
Restricted cash and equivalents	1.2	1.2	1.2
Capital assets - Net	73.1	71.4	62.4
Total assets	\$ 96.3	\$ 91.0	\$ 81.2
Liabilities:			
Current	\$ 15.4	\$ 11.1	\$ 12.5
Noncurrent	3.6	3.5	3.4
Total liabilities	19.0	14.6	15.9
Net assets:			
Invested in capital assets - Net	71.4	69.6	60.5
Restricted - Expendable	1.2	.4	.5
Unrestricted	4.7	6.4	4.3
Total net assets	77.3	76.4	65.3
Total liabilities and net assets	\$ 96.3	\$ 91.0	\$ 81.2

Statement of Cash Flows

Net cash used in operating activities was \$27.1 million, \$24.8 million, and \$24.0 million in 2010, 2009, and 2008, respectively. In 2010, cash flows from operating activities were primarily comprised of tuition and fees (\$12.4 million), grants and contracts (\$13.4 million), other receipts (\$1.6 million), and auxiliary enterprise charges (\$3.1 million), which was offset by payments to suppliers and employees of \$57.6 million.

Cash flows from noncapital financing activities were \$29.9 million, \$27.6 million, and \$26.5 million in 2010, 2009, and 2008, respectively. In 2010, these were comprised of State of Ohio appropriations of \$19.6 million, Federal Pell Grants of \$9.4 million, federal ARRA funds of \$0.9 million, and offsetting federal family education loan receipts and disbursements.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

Net cash used in capital and related financing activities for 2010, 2009, and 2008 was \$2.3 million, \$2.2 million, and \$1.7 million, respectively. In 2010, cash flows from purchase of capital assets and construction decreased by \$7.2 million and were offset by the decrease of \$7.3 million in capital grants and gifts. The change in cash flows from 2009 to 2008 increased from purchase of capital assets and construction by \$10.3 million which was offset by the increase of \$9.8 million in capital grants and gifts.

The net increase in cash and cash equivalents was \$0.5 million, \$0.7 million, and \$1.2 million in 2010, 2009, and 2008, respectively. Year-end cash and cash equivalents for 2010, 2009, and 2008 were \$10.8 million, \$10.3 million, and \$9.6 million, respectively.

A breakdown and comparison of the University's statement of cash flows for the years ended June 30, 2010, 2009, and 2008 are provided below:

Cash Flows Activities (in millions)	2010	2009	2008
Cash flows from operating activities	\$ (27.1)	\$ (24.8)	\$ (24.0)
Cash flows from noncapital financing activities	29.9	27.6	26.6
Cash flows from capital and related financing activities	(2.3)	(2.2)	(1.7)
Cash flows from investing activities	-	.1	.3
Net increase in cash and cash equivalents	.5	.7	1.2
Cash and cash equivalents - Beginning of year	10.3	9.6	8.4
Cash and cash equivalents - End of year	\$ 10.8	\$ 10.3	\$ 9.6

Factors Impacting Future Periods

The University places significant reliance on state appropriations, particularly core funding received as the State Share of Instruction and the Central State University Supplement to expand programs to undertake new initiatives and meet its mission and ongoing operational needs. Stability of state support and funding increases are essential for the University to continue to provide access to underserved populations and expand program offerings to meet the educational needs of students. The state has changed its funding strategy from enrollment driven to performance based metrics. Central State continues to struggle with one size fits all funding formulas with our special mission.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

Central State University aspires to be a premier historically black university in the 21st century. This vision is being pursued within the framework of the institution's core values of honesty, hard work, caring, and excellence. Two strategic goals flow from the Central State vision. First, the University aims for optimal size of 6,000 students by 2017. Secondly, the University is committed to strengthening the academic profile of the institution. Central State is pursuing these two goals simultaneously through its Strategic Academic and Enrollment Management Plan (SAEM). SAEM, now in its fifth year of implementation, involves all divisions of the University, and has functional teams in the areas of recruitment, enrollment, and marketing; academic program development and enhancement; retention; assessment; and administrative support. Successful execution of SAEM is essential for concurrent growth in enrollment and strengthening of academic quality.

Because the world and U.S. economies have continued to suffer a recession, our financial support from the State for the upcoming fiscal year is becoming less certain even with the help of the American Recovery and Reinvestment Act, also referred to as stimulus funds. Recently, one-twelfth of the universities' subsidy funds have been deferred from fiscal 2011 to fiscal year 2012.

Despite all the financial challenges, Central State's SAEM strategies will continue to enrich the programs available to our students. In anticipation of continued growth, the University has begun building two new living learning centers for the students. The centers are scheduled to be available for the class arriving in fall 2011. Preparation of the foot print for Central State's new student center has also begun with an estimated completion date of 2014.

Central State University

Statement of Net Assets University

	June 30	
	2010	2009
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 9,591,177	\$ 9,088,582
Accounts receivable - Net of allowance of approximately \$9.5 million at June 30, 2010 and \$9.3 million at June 30, 2009 (Note 3)	11,888,151	9,230,430
Notes receivable - Net of allowance of approximately \$949,000 and \$954,000 at June 30, 2010 and 2009, respectively (Note 3)	-	-
Inventory	467,719	-
Prepaid assets	<u>47,615</u>	<u>44,082</u>
Total current assets	21,994,662	18,363,094
Noncurrent Assets		
Deposits	36,592	36,592
Restricted cash and cash equivalents (Note 2)	1,221,862	1,218,433
Capital assets - Net (Note 4)	<u>73,025,935</u>	<u>71,383,068</u>
Total noncurrent assets	<u>74,284,389</u>	<u>72,638,093</u>
Total assets	<u>\$ 96,279,051</u>	<u>\$ 91,001,187</u>
Liabilities and Net Assets		
Current Liabilities		
Deposits	\$ 246,041	\$ 234,600
Accounts payable	1,359,442	850,395
Accrued salaries, wages, and benefits	3,997,426	3,902,013
Deferred student fee revenue	5,070,352	4,519,920
Current portion of long-term debt (Note 6)	104,129	125,400
Other liabilities	481,405	622,885
Other deferred revenue	<u>4,131,467</u>	<u>859,979</u>
Total current liabilities	15,390,262	11,115,192
Noncurrent Liabilities		
Long-term debt (Note 6)	1,513,758	1,617,887
Long-term liabilities (Note 5)	<u>2,119,952</u>	<u>1,842,515</u>
Total noncurrent liabilities	<u>3,633,710</u>	<u>3,460,402</u>
Total liabilities	19,023,972	14,575,594
Net Assets		
Invested in capital assets - Net of related debt	71,408,048	69,639,781
Restricted for expendable - Grants	1,216,670	406,474
Unrestricted	<u>4,630,361</u>	<u>6,379,338</u>
Total net assets	<u>77,255,079</u>	<u>76,425,593</u>
Total liabilities and net assets	<u>\$ 96,279,051</u>	<u>\$ 91,001,187</u>

Central State University

Statement of Revenue, Expenses, and Changes in Net Assets University

	2010	2009
Operating Revenue		
Tuition and fees	\$ 14,534,745	\$ 13,196,883
Less grants and scholarships	(5,120,561)	(4,633,437)
Federal grants and contracts	8,055,524	8,280,357
State, local, and private grants and contracts	1,453,982	3,008,154
Indirect cost recovery	610,720	606,376
Auxiliary activities	15,743,436	13,768,252
Less grants and scholarships	(5,351,188)	(4,748,257)
Other sources	1,618,706	1,783,578
Total operating revenues	31,545,364	31,261,906
Operating Expenses		
Instruction	12,380,310	11,543,098
Research	1,765,391	2,127,182
Student services	4,285,983	3,774,595
Academic support	6,564,760	7,836,166
Public services	1,928,342	2,311,652
Institutional administration	10,005,474	8,940,978
Operation and maintenance of plant	6,078,724	5,353,119
Auxiliary enterprises	12,654,735	10,557,742
Student aid	4,433,852	2,312,544
Depreciation	3,369,447	3,212,555
Total operating expenses	63,467,018	57,969,631
Operating Loss	(31,921,654)	(26,707,725)
Nonoperating Revenue (Expenses)		
Federal Pell Grant appropriations	9,381,378	5,823,775
Federal fiscal stabilization funds	939,915	-
State appropriations	19,592,167	21,823,485
Investment income	37,159	64,010
Interest expenses on capital asset - Related debt	(92,703)	(98,747)
Loss on sale of fixed assets	-	(600)
Net nonoperating revenues	29,857,916	27,611,923
(Loss) Income - Before other revenue	(2,063,738)	904,198
Other Revenue - State capital appropriations/Capital gifts	2,893,224	10,246,035
Increase in Net Assets	829,486	11,150,233
Net Assets - Beginning of year	76,425,593	65,275,360
Net Assets - End of year	\$ 77,255,079	\$ 76,425,593

Central State University

Statement of Cash Flows University

	Year Ended June 30	
	2010	2009
Cash Flows from Operating Activities		
Tuition and fees	\$ 12,438,896	\$13,651,447
Grants and contracts	13,391,714	9,151,573
Payments to suppliers and employees	(57,645,422)	(52,058,215)
Auxiliary enterprise charges	3,088,701	3,210,509
Other	<u>1,618,709</u>	<u>1,267,941</u>
Net cash used in operating activities	(27,107,402)	(24,776,745)
Cash Flows from Noncapital Financing Activities		
Federal Pell grant	9,381,378	5,823,775
Federal fiscal stabilization funds	939,915	-
State appropriations	19,592,167	21,823,485
Federal family education loan receipts	20,578,079	19,337,099
Federal family education loan disbursements	<u>(20,578,079)</u>	<u>(19,337,099)</u>
Net cash provided by noncapital financing activities	29,913,460	27,647,260
Cash Flows from Capital and Related Financing Activities		
Capital grants and gifts received	2,893,224	10,246,035
Sale of capital assets	-	(600)
Purchase of capital assets and construction	(5,012,314)	(12,252,672)
Principal paid on capital debt	(125,400)	(119,406)
Interest paid on capital debt	<u>(92,703)</u>	<u>(98,747)</u>
Net cash used in capital and related financing activities	(2,337,193)	(2,225,390)
Cash Flows from Investing Activities - Interest on investments	<u>37,159</u>	<u>64,010</u>
Net Change in Cash and Cash Equivalents	506,024	709,135
Cash and Cash Equivalents - Beginning of year	<u>10,307,015</u>	<u>9,597,880</u>
Cash and Cash Equivalents - End of year	<u>\$ 10,813,039</u>	<u>\$10,307,015</u>

Central State University

Statement of Cash Flows (Continued) University

	Year Ended June 30	
	2010	2009
Reconciliation of net operating loss to net cash from operating activities:		
Operating loss	\$ (31,921,654)	\$ (26,707,725)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	3,369,447	3,212,555
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	(2,657,721)	(945,847)
Inventories, prepaids, and other assets	(471,252)	869,717
Accounts payable	509,047	(689,032)
Accrued salaries, wages, and benefits	(159,468)	1,253,722
Other liabilities	390,838	89,008
Deferred revenue and student deposits	<u>3,833,361</u>	<u>(1,859,143)</u>
Net cash used in operating activities	<u>\$ (27,107,402)</u>	<u>\$ (24,776,745)</u>

Central State University

Consolidated Statement of Financial Position Discretely Presented Component Unit - Foundation

	June 30	
	2010	2009
Assets		
Cash and cash equivalents	\$ 1,965,207	\$ 4,985,878
Investments	2,597,447	-
Contributions receivable - Net	8,183	52,065
Due from Central State University	180,650	28,322
Prepaid expenses	<u>5,668</u>	<u>5,672</u>
Total current assets	4,757,155	5,071,937
Restricted cash and cash equivalents (Note 2)	3,128,331	3,132,693
Fixed assets - Net (Note 4)	13,122,154	13,640,050
Financing costs - Net	<u>1,626,818</u>	<u>1,727,426</u>
Total assets	<u>\$ 22,634,458</u>	<u>\$ 23,572,106</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 256,928	\$ 381,023
Surplus payable	176,901	516,239
Deferred revenue	-	30,266
Accrued interest payable	489,856	497,169
Current portion of long-term debt (Note 6)	<u>425,000</u>	<u>405,000</u>
Total current liabilities	1,348,685	1,829,697
Long-term debt (Note 6)	<u>18,502,312</u>	<u>18,896,628</u>
Total liabilities	19,850,997	20,726,325
Net Assets		
Unrestricted	(1,170,970)	(1,015,602)
Temporarily restricted	1,825,666	1,735,844
Permanently restricted	<u>2,128,765</u>	<u>2,125,539</u>
Total net assets	2,783,461	2,845,781
Total liabilities and net assets	<u>\$ 22,634,458</u>	<u>\$ 23,572,106</u>

Central State University

Consolidated Statement of Activities and Changes in Net Assets Discretely Presented Component Unit - Foundation

	Year Ended June 30	
	2010	2009
Revenue		
Rental revenue	\$ 2,823,252	\$ 2,716,635
Contributions	850,953	872,499
Reimbursements	13,865	153,476
Other	502,700	728,922
Unrealized loss on investments	(45,240)	(974,607)
Investment income	22,757	161,907
	<u>4,168,287</u>	<u>3,658,832</u>
Total revenue		
	4,168,287	3,658,832
Expenses		
Programs:		
Scholarship programs	287,845	498,291
Athletic programs	150,223	215,440
Academic programs	178,303	392,630
Institutional programs	451,655	562,826
Support activities:		
Management fees	197,628	190,164
Operating expenses	896,837	725,434
Surplus expense	176,901	516,239
Depreciation expense	605,100	605,664
Interest expense	1,010,396	1,027,109
Other	275,719	292,870
	<u>4,230,607</u>	<u>5,026,667</u>
Total expenses		
	4,230,607	5,026,667
Decrease in Net Assets	(62,320)	(1,367,835)
Net Assets - Beginning of year	<u>2,845,781</u>	<u>4,213,616</u>
Net Assets - End of year	<u><u>\$ 2,783,461</u></u>	<u><u>\$ 2,845,781</u></u>

Note I - Basis of Presentation and Significant Accounting Policies

Central State University (the "University") is a co-educational, degree-granting university located in Wilberforce, Ohio. The University was originally established in 1887 by the General Assembly of the State of Ohio and is considered a component unit of the State of Ohio. The University continued to expand degree programs, which resulted in a granting of university status in 1965 by Statutory Act under Chapter 3343 of the Ohio Revised Code and is a component unit of the State of Ohio as a state university. The University is governed by a board of trustees appointed by the governor with the advice and consent of the State Senate. The University offers undergraduate degrees in arts and science, business, teacher education, and technology. The University also has a branch facility, CSU-Dayton, located in Dayton, Ohio.

The Central State University Foundation (the "Foundation") is being discretely presented as part of the University reporting entity (although it is a legally separate entity and governed by its own board of directors) because its sole purpose is to provide support for the University. This was done for the first time on June 30, 2004 in accordance with GASB Statement No. 39. Separate statements for the Foundation may be obtained through the State of Ohio auditor's web site. The Foundation is a private organization that reports 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 those under GASB. No modifications have been made to the Foundation financial information included in the University's financial report to account for these differences.

The Foundation is an Ohio nonprofit corporation and exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to receive contributions, which are to be used to support the educational undertakings of Central State University. The Foundation established and owns Marauder Development, LLC, (Marauder), an Ohio limited liability corporation, that was formed to develop property for the use of Central State University. The financial operations of Marauder, which maintains a fiscal year end of August 31, have been consolidated within these financial statements. The Foundation also established Marauder West, LLC an Ohio limited liability corporation, which was formed to purchase property in Dayton for the location of CSU - Dayton campus. Central State University Foundation and its wholly owned subsidiaries, Marauder and Marauder West, LLC have been consolidated within these financial statements. All significant intercompany accounts and transactions have been eliminated. The Foundation operates exclusively for the benefit of the University. The University provides certain administrative and payroll services for the Foundation.

Note I - Basis of Presentation and Significant Accounting Policies (Continued)

Financial Statement Presentation

The accompanying financial statements have been prepared using the total economic resource measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities, and are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The College follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of the University's financial statements:

- Management's discussion and analysis
- Basic financial statements, including a statement of net assets, statement of revenue, expenses, and changes in net assets, and a statement of cash flows for the University as a whole
- Notes to the financial statements

GASB Statement No. 34 established standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

- **Invested in Capital Assets - Net of Related Debt** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted Assets - Nonexpendable** - Net assets which represent endowment contributions from donors that are permanently restricted as to principal. Income generated from these funds may be designated for student scholarships, loans, instruction, research, and other specific University needs.
- **Restricted Net Assets - Expendable** - Net assets whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

- **Unrestricted** - Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the board of trustees (the "board") or may otherwise be limited by contractual agreements with outside parties.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The University has elected not to follow private sector standards issued after November 30, 1989.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the University's policy is to first apply restricted resources.

Cash and Cash Equivalents - Cash and cash equivalents include cash and money market funds, stated at cost (which approximates market).

Allowance for Student Accounts Receivable - Effective June 30, 2005, the University has changed its method of allowing for student accounts receivable from a subsequent cash receipts method to a more systematic method based on applying percentages to the student accounts receivable aging.

Inventory - During the year ended June 30, 2010, the University took over operations of the University bookstore, including all inventories. Inventory is recorded using the first in first out (FIFO) method and is stated at the lower of cost or market.

Capital Assets - Capital assets are recorded at cost or, if acquired by gift, at fair value at the date of the gift. The University capitalizes all assets with a useful life greater than one year and a value in excess of \$5,000. When capital assets are disposed of, the net carrying value of such assets is removed from the accounts and the invested in capital assets component of net assets is adjusted as appropriate. Capital assets, with the exception of land, are depreciated on the straight-line method over the following estimated lives:

Buildings	40 years
Building improvements	20 years
Automobiles, machinery, and equipment	3-15 years

Deferred Student Fee Income - Deferred student fee income consists of the unearned portion of student tuition and fees for the summer sessions and prepaid tuition and fees for the upcoming fall semester. The amounts which are deferred are recognized as revenue in the following fiscal year.

Note I - Basis of Presentation and Significant Accounting Policies (Continued)

Operating Versus Nonoperating Revenue and Expenses - The University defines operating activities as reported on the statement of revenue, expenses, and changes in net assets as those that generally result from exchange transactions such as payments received for providing goods or services. All of the University's expenses are from exchange transactions. Certain significant revenue streams relied on for operations are reported as nonoperating revenues as required by GASB Statement No. 35, including state appropriations, investment income, and state capital grants. Federal Pell grant revenue is included in nonoperating revenues in accordance with GASB Statement No. 34.

Grants and Scholarships - Student tuition and fees and auxiliary revenues are presented net of grants and scholarships applied directly to students' accounts. Grants and scholarships consist primarily of awards to students from the Federal Supplemental Educational Opportunity Grant Program and the Ohio Instructional Grant Program. Payments made directly to students from grants and scholarships are presented as student aid.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure in the footnotes. Actual results could differ from the estimates.

Income Taxes - The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The University would be subject to taxes on unrelated business income; however, any taxable income would be minimal.

Risk Management - The University is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; errors or omissions; employee injuries and illnesses; national disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage for any of the preceding three years. The University is self-insured for student health insurance claims; the recorded liability for these claims is \$69,000 and \$40,000 as of June 30, 2010 and 2009, respectively.

Note 2 - Cash and Cash Equivalents and Investments

In accordance with the State of Ohio's and the University's policy, the University is authorized to invest in obligations of the U.S. Treasury, agencies and instrumentalities, municipal and state bonds, certificates of deposit collateralized at market value, repurchase agreements, reverse repurchase agreements, and forward commitments. Statutes also authorize the University to invest endowment funds in the above investments, as well as commercial paper rated A-1 by Standard and Poor's bonds, common and preferred stock, mutual funds, and real estate upon specific authorization by the board of trustees.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a policy restricting custodial credit risk. The University did not have any uninsured or uncollateralized cash and cash equivalents at June 30, 2010. The University had \$2,306,593 of cash and cash equivalents that were uninsured and uncollateralized as of June 30, 2009.

Credit Risk

As discussed above, state law limits investments to U.S., state, and municipal government obligations. The University has no investment policy that would further limit its investment choices. The University had \$1,221,862 and \$1,218,433 invested in bank mutual fund pools at June 30, 2010 and 2009, respectively; these funds are not rated by a national rating agency, due to the short-term nature of their holdings.

Restricted Cash and Cash Equivalents

The University's restricted cash and cash equivalents consist of money market accounts restricted for debt reserve payments.

The Foundation, through Marauder, maintains restricted cash balances in the following accounts as of August 31, 2010 and 2009:

	2010	2009
Restricted:		
Debt interest account	\$ 489,857	\$ 527,577
Debt principal account	425,000	405,356
Repair and replacement fund	782,160	791,073
Debt reserve fund	<u>1,431,314</u>	<u>1,408,687</u>
Total restricted cash	<u>\$ 3,128,331</u>	<u>\$ 3,132,693</u>

Note 2 - Cash and Cash Equivalents and Investments (Continued)

Foundation investments are managed by a professional investment manager. The investment manager is subject to the Foundation's investment policies which contain objectives, guidelines, and restrictions designed to provide for preservation of capital with emphasis on providing current income and achieving long-term growth of the funds. Investments consist of fixed income and equity mutual funds and government and corporate bonds as of June 30, 2010 and money market funds as of June 30, 2009.

Note 3 - Receivables

At June 30, 2010 and 2009, receivables consist of the following:

	Year Ended June 30	
	2010	2009
Student accounts receivable	\$ 17,846,905	\$ 12,736,424
Student notes receivable	948,610	953,969
Grant and contract receivables	1,977,504	5,016,877
Other	<u>1,642,258</u>	<u>808,982</u>
Total	22,415,277	19,516,252
Less allowance for doubtful accounts	<u>(10,527,126)</u>	<u>(10,285,822)</u>
Net receivables	<u>\$ 11,888,151</u>	<u>\$ 9,230,430</u>

Student note receivables represent outstanding loans from the Federal Perkins Loan Program. These loans have been assigned to the Department of Education and are no longer administered by the University. The outstanding balance at June 30, 2010 and 2009 has been reserved in full and is included in the allowance for doubtful accounts.

Central State University

Notes to Financial Statements June 30, 2010 and 2009

Note 4 - Capital Assets

Capital assets activity for the University for the years ended June 30, 2010 and 2009 is summarized as follows:

	2010				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Depreciable assets:					
Buildings and improvements	\$ 112,819,504	\$ 2,301,652	\$ -	\$ 8,036,450	\$ 123,157,606
Automobiles, machinery, and equipment	16,246,383	973,551	(10,836)	-	17,209,098
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	<u>9,229,641</u>	<u>1,737,111</u>	<u>-</u>	<u>(8,036,450)</u>	<u>2,930,302</u>
Total capital assets	138,604,178	5,012,314	(10,836)	-	143,605,656
Less accumulated depreciation:					
Buildings and improvements	54,682,123	2,544,193	-	-	57,226,316
Automobiles, machinery, and equipment	<u>12,538,987</u>	<u>825,254</u>	<u>(10,836)</u>	<u>-</u>	<u>13,353,405</u>
Total accumulated depreciation	<u>67,221,110</u>	<u>\$ 3,369,447</u>	<u>\$ (10,836)</u>	<u>\$ -</u>	<u>70,579,721</u>
Capital assets - Net	<u>\$ 71,383,068</u>				<u>\$ 73,025,935</u>
	2009				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Depreciable assets:					
Buildings and improvements	\$ 110,800,498	\$ 2,019,006	\$ -	\$ -	\$ 112,819,504
Automobiles, machinery, and equipment	15,145,841	1,179,352	(78,810)	-	16,246,383
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	<u>175,327</u>	<u>9,054,314</u>	<u>-</u>	<u>-</u>	<u>9,229,641</u>
Total capital assets	126,430,316	12,252,672	(78,810)	-	138,604,178
Less accumulated depreciation:					
Buildings and improvements	52,287,002	2,395,121	-	-	54,682,123
Automobiles, machinery, and equipment	<u>11,799,763</u>	<u>817,434</u>	<u>(78,210)</u>	<u>-</u>	<u>12,538,987</u>
Total accumulated depreciation	<u>64,086,765</u>	<u>\$ 3,212,555</u>	<u>\$ (78,210)</u>	<u>\$ -</u>	<u>67,221,110</u>
Capital assets - Net	<u>\$ 62,343,551</u>				<u>\$ 71,383,068</u>

Commitments for construction contracts at June 30, 2010 were approximately \$0.3 million. Since this work has not yet been performed, no liability has been recorded at year end.

Central State University

Notes to Financial Statements June 30, 2010 and 2009

Note 4 - Capital Assets (Continued)

Capital assets activity for the Foundation for the years ended June 30, 2010 and 2009 is summarized as follows:

	2010	2009
Land	\$ 140,800	\$ 140,800
Building	15,592,051	15,592,051
Furniture	<u>896,603</u>	<u>896,603</u>
Total fixed assets	16,629,454	16,629,454
Less accumulated depreciation	<u>(3,507,300)</u>	<u>(2,989,404)</u>
Net	<u>\$ 13,122,154</u>	<u>\$ 13,640,050</u>

Note 5 - Long-term Liabilities

Long-term liability (other than long-term debt) activity for the years ended June 30, 2010 and 2009 is summarized as follows:

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 1,958,903	\$ 487,846	\$ 489,301	\$ 1,957,448	\$ 1,031,990
Other liabilities	<u>662,178</u>	<u>1,132,154</u>	<u>599,838</u>	<u>1,194,494</u>	<u>-</u>
Total	<u>\$ 2,621,081</u>	<u>\$ 1,620,000</u>	<u>\$ 1,089,139</u>	<u>\$ 3,151,942</u>	<u>\$ 1,031,990</u>
	2009				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 1,925,162	\$ 675,130	\$ 641,389	\$ 1,958,903	\$ 778,566
Other liabilities	<u>450,313</u>	<u>215,380</u>	<u>3,515</u>	<u>662,178</u>	<u>-</u>
Total	<u>\$ 2,375,475</u>	<u>\$ 890,510</u>	<u>\$ 644,904</u>	<u>\$ 2,621,081</u>	<u>\$ 778,566</u>

The current portion of long-term liabilities is included in accrued salaries, wages, and benefits. See Note 7 for description of compensated absences.

Central State University

Notes to Financial Statements June 30, 2010 and 2009

Note 6 - Long-term Debt

University

Long-term debt for the University consists of the following for the years ended June 30, 2010 and 2009:

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable:					
Note payable to Department of Housing and Urban Development, 3.0%, payable in varying installments through June 12, 2010	\$ 26,770	\$ -	\$ 26,770	\$ -	\$ -
Note payable to the Department of Education, 5.5%, payable in varying installments through November 1, 2021	<u>1,716,517</u>	<u>-</u>	<u>98,630</u>	<u>1,617,887</u>	<u>104,129</u>
Total	<u>\$1,743,287</u>	<u>\$ -</u>	<u>\$ 125,400</u>	<u>\$1,617,887</u>	<u>\$ 104,129</u>
Notes payable:					
Note payable to Department of Housing and Urban Development, 3.0%, payable in varying installments through June 12, 2010	\$ 52,755	\$ -	\$ 25,985	\$ 26,770	\$ 26,770
Note payable to the Department of Education, 5.5%, payable in varying installments through November 1, 2021	<u>1,809,938</u>	<u>-</u>	<u>93,421</u>	<u>1,716,517</u>	<u>98,630</u>
Total	<u>\$1,862,693</u>	<u>\$ -</u>	<u>\$ 119,406</u>	<u>\$1,743,287</u>	<u>\$ 125,400</u>

At June 30, 2010, maturities of long-term debt, including interest payments, are as follows:

	Principal	Interest	Total
2011	\$ 104,129	\$ 87,571	\$ 191,700
2012	109,935	81,766	191,701
2013	116,065	75,636	191,701
2014	122,536	69,165	191,701
2015	129,368	62,333	191,701
2016-2020	763,423	195,079	958,502
2021-2022	<u>272,431</u>	<u>110,969</u>	<u>383,400</u>
Total	<u>\$ 1,617,887</u>	<u>\$ 682,519</u>	<u>\$ 2,300,406</u>

Revenue from student housing and dining facilities is pledged for the redemption of the notes.

Central State University

Notes to Financial Statements June 30, 2010 and 2009

Note 6 - Long-term Debt (Continued)

The University is required to maintain a debt service payment account and a debt service reserve account under the Department of Education note. The debt service account has been paid in full as of June 30, 2008 and the reserve is no longer required. The University is also required to deposit \$28,010 annually into a repair and replacement reserve account until \$280,100 has been accumulated in that account (\$258,046 accumulated at June 30, 2010).

Central State University Foundation

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's years ended August 31, 2010 and 2009:

	Interest Rate	Maturity	Balance September 1, 2009	Additions	Payments	Balance August 31, 2010
Revenue Bonds Series 2004	3.3%-5.1%	2035	\$ 11,339,574	\$ 13,008	\$ 225,000	\$ 11,127,582
Revenue Bonds Series 2002	3.0%-5.625%	2032	7,962,054	17,676	180,000	7,799,730
Total			<u>\$ 19,301,628</u>	<u>\$ 30,684</u>	<u>\$ 405,000</u>	18,927,312
Less current portion						425,000
Long-term portion						<u>\$ 18,502,312</u>

	Interest Rate	Maturity	Balance September 1, 2008	Additions	Payments	Balance August 31, 2009
Revenue Bonds Series 2004	3.3%-5.1%	2035	\$ 11,531,386	\$ 13,188	\$ 205,000	\$ 11,339,574
Revenue Bonds Series 2002	3.0%-5.625%	2032	8,117,470	19,584	175,000	7,962,054
Total			<u>\$ 19,648,856</u>	<u>\$ 32,772</u>	<u>\$ 380,000</u>	19,301,628
Less current portion						405,000
Long-term portion						<u>\$ 18,896,628</u>

Central State University

Notes to Financial Statements June 30, 2010 and 2009

Note 6 - Long-term Debt (Continued)

Principal and interest payments on long-term debt are as follows:

Years Ending August 31	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2011	\$ 190,000	\$ 419,546	\$ 235,000	\$ 551,899	\$ 1,396,445
2012	195,000	411,122	245,000	543,014	1,394,136
2013	205,000	402,121	250,000	533,359	1,390,480
2014	215,000	392,564	260,000	522,899	1,390,463
2015	225,000	382,275	275,000	511,423	1,393,698
2016-2020	1,300,000	1,726,575	1,560,000	2,352,944	6,939,519
2021-2025	1,695,000	1,331,228	1,980,000	1,920,875	6,927,103
2026-2030	2,215,000	795,634	2,530,000	1,354,560	6,895,194
2031-2035	1,685,000	147,797	3,245,000	621,562	5,699,359
2036	-	-	750,000	19,125	769,125
Total	<u>\$ 7,925,000</u>	<u>\$ 6,008,862</u>	<u>\$ 11,330,000</u>	<u>\$ 8,931,660</u>	<u>\$ 34,195,522</u>

During 2002, Marauder issued \$8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The bond discount was \$125,270 and \$142,946 at June 30, 2010 and 2009, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from \$190,000 on September 1, 2010 to \$620,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.0 percent to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building and restricted cash held as required by the bond agreement.

During 2004, Marauder issued \$12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The original bond discount totaled \$287,699, with an amortized balance of \$202,418 and \$215,426 at June 30, 2010 and 2009, respectively. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from \$235,000 on September 1, 2010 to \$750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 percent to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building and restricted cash held as required by the bond agreement.

Note 6 - Long-term Debt (Continued)

Bond legislation provides that Marauder Development, LLC will charge rates sufficient for the excess of revenue over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio).

The coverage ratio computed under the bond legislation is as follows:

	2010	2009
Change in member's capital	\$ 15,037	\$ (321,316)
Add items to convert net income to pledged revenues:		
Interest expense on bonds	1,010,396	1,027,109
Management fees	197,628	190,164
Surplus expense	176,901	573,599
Depreciation and amortization expense	605,100	605,664
Net pledged revenues as defined (1)	<u>\$ 2,005,062</u>	<u>\$ 2,075,220</u>
Debt service requirement on bonds (2)	\$ 1,392,025	\$ 1,382,078
Coverage ratio (1/2)	144%	150%
Required coverage ratio	120%	120%

Note 7 - Compensated Absences for Vacation and Sick Leave

The University has three classifications of employees: classified, contract, and faculty.

Classified employees are nonacademic, permanent, full-time employees. Classified employees are entitled to vacation leave based upon length of service. The employees may accumulate up to a maximum of 30 to 75 days of vacation leave, depending on number of years of service. Vacation leave becomes payable upon termination or retirement. Employees may accumulate an unlimited amount of sick leave. One-third of accumulated sick leave is payable to classified employees with 10 years or more of service upon termination or retirement.

Contract employees are nonacademic, contracted, full-time employees. Contract employees are entitled to vacation leave based upon length of service and/or classification. The employee may accumulate up to a maximum of 30 days of vacation leave. Vacation leave not to exceed 240 hours becomes payable upon termination or retirement. Contract employees accrue sick leave at a rate of 15 days per year. One-third of accumulated sick leave, not to exceed one-third of 120 days, is payable to contract employees with 10 years or more of service upon retirement.

Note 7 - Compensated Absences for Vacation and Sick Leave (Continued)

Faculty employees are full-time, academic employees. Faculty employees accrue sick leave at a rate of 15 days per year. One-third of accumulated sick leave, not to exceed one-third of 120 days, is payable to faculty employees with 10 years or more of service upon retirement.

Vested or accumulated leave is recorded as an expenditure and liability of the current funds as the benefits accrue to employees.

Note 8 - Retirement Plans

University faculties participate in either the State Teachers Retirement System of Ohio (STRS) or an alternative retirement plan (ARP). Substantially all other employees participate in either the Ohio Public Employees Retirement System (OPERS) or the ARP.

The OPERS and STRS plans are statewide cost-sharing, multiple-employer, defined benefit retirement plans. Each provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The OPERS and STRS plans also provide healthcare benefits to vested retirees. Authority to establish and amend benefits for OPERS and STRS is provided by state statute by Chapters 145 and 3307, respectively, of the Ohio Revised Code.

Each of the plans issues separate, publicly available financial reports that include balance sheets and required supplementary information. These reports may be obtained by contacting each system as follows:

OPERS
227 East Town Street
Columbus, Ohio 43215

614.466.2085

STRS
275 East Board Street
Columbus, Ohio 43215

614.227.4090

The Ohio Revised Code provides OPERS and STRS statutory authority for employee and employer contributions. The required, actuarially determined contribution rates for the University and for the employee are as follows:

	Retirement System	University Share	Employee Share
Classified, contract	OPERS	14.00%	10.00%
Faculty	STRS	14.00%	10.00%

Note 8 - Retirement Plans (Continued)

The University's contributions, representing 100 percent of employer contributions, for the periods ended June 30, 2010, 2009, and 2008 are as follows:

	<u>OPERS</u>	<u>STRS</u>
2010	\$ 867,941	\$ 976,817
2009	767,716	944,915
2008	797,021	898,708

Certain full-time University faculty and staff have the option to choose the ARP in place of STRS or OPERS. The ARP is a defined contribution plan that provides employees with the opportunity to establish individual retirement accounts with a defined group of investment options, with each participant having control of the assets and investment options associated with those assets. The administrators of the plan are the providers of the plan investment options. Authority to establish and amend benefits and contribution requirements of the ARP is provided by state statute per the Ohio Revised Code.

Under the provisions of ARP, the required contribution rate for plan participants is 10 percent employees' covered compensation for employees who would otherwise participate in STRS and OPERS, respectively. The University contributes 10.5 percent of a participating faculty member's compensation and 13.77 percent of a participating contract staff member's compensation to the participant's account. The University is also required to contribute an additional 3.5 percent of employees' covered compensation to STRS. Plan participants' contributions were \$576,872, \$530,064, and \$558,638 and the University's contributions to the ARP were \$807,334, \$705,521, and \$720,892 for the years ended June 30, 2010, 2009, and 2008, respectively.

Note 9 - Other Postemployment Benefits

In order to qualify for postretirement healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to other postemployment health benefits. Under the new method, effective January 1, 1998, employer contributions, equal to 5.0 percent of member covered payroll, are used to fund healthcare expenses. Under the prior method, accrued liabilities and the normal cost rates were determined for retiree healthcare coverage.

Note 9 - Other Postemployment Benefits (Continued)

Starting in 2007, the portion of employer contributions that were used to fund post-employment benefits was approximated at 0.3323 of actual employer contributions as actuarially determined for OPERS.

The actuarial value of OPERS net assets available for these benefits at December 31, 2008 was \$10.7 billion. There were 374,002 active, contributing members. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.6 billion and \$18.9 billion, respectively. For the years ended June 30, 2010 and 2009, the University contributed \$482,131 and \$437,143, respectively, to OPERS for OPEB funding, which is equal to the actuarially required contributions of the plan.

STRS currently provides comprehensive healthcare benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Pursuant to ORC, STRS has discretionary authority over how much, if any, of the associated healthcare costs will be absorbed by STRS. Most benefit recipients pay a portion of the healthcare cost in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS are included in the employer contribution rate. For the fiscal year ended June 30, 2009, STRS allocated employer contribution rate was 1.0 percent of covered payroll to a Health Care Reserve Fund (HCRF) from which payments for healthcare benefits are paid. The balance in the HCRF was \$2.7 billion at June 30, 2009. There were 129,659 benefit recipients eligible for postemployment benefits at June 30, 2009. For the years ended June 30, 2010 and 2009, the University contributed \$69,692 and \$56,747, respectively, to fund these benefits.

Note 10 - Grants and Contracts

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 their grants or contracts are subject to examination and approval by the granting agency. It is the opinion of the University administration that any potential disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

Note 11 - Commitments and Contingencies

Commitments - The University has encumbered \$780,804 and \$1,216,452 of funds as of June 30, 2010 and 2009, respectively. These encumbrances represent purchase orders and other commitments for materials or services not received as of fiscal year end. These are not included as liabilities in the statement of net assets.

Note 11 - Commitments and Contingencies (Continued)

Litigations - The University is involved in various litigation and regulatory matters. Based upon management's review, the ultimate disposition of these matters may have an unfavorable outcome; therefore, appropriate financial reserves have been made to the financial statements relative to these matters. The University's administration believes that the ultimate disposition of these matters have been properly reflected in the financial statements of the University.

Note 12 - Related Organization

The University is the sole beneficiary of the Central State University Foundation (the "Foundation"), a separate, not-for-profit entity governed by a separate board of trustees, organized for the purpose of promoting educational and research activities. Amounts received by the University from the Foundation in the form of private gifts, grants, and contracts amounted to \$427,898 and \$678,566 for the years ended June 30, 2010 and 2009, respectively.

The Foundation established and owns Marauder Development, LLC, which owns two residence halls (Foundation I and Foundation II) located on the University's campus. The University receives an annual management fee and the reimbursement of operating expenses from Marauder Development, LLC. These fees and reimbursement amounted to \$1,094,465 and \$915,598 for the years ended June 30, 2010 and 2009, respectively. The University paid Marauder Development, LLC \$2,823,252 and \$2,716,635 for the years ended June 30, 2010 and 2009, respectively. These payments were primarily student residence hall fees.

Note 13 - Bureau of Workers' Compensation

The University participates in a state plan that pays workers' compensation benefits to beneficiaries who have been injured on the job with any of certain state agencies and state universities. The Ohio Bureau of Workers' Compensation (the "Bureau") calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from these participating state agencies and universities in that subsequent one-year period. As these already-injured workers' claims will be paid out over a period of time, the Bureau also actuarially calculates estimated amounts that will be paid in future periods for the entire pool of state agencies and state universities. Settled claims have not exceeded this coverage for any of the preceding three years.

Supplemental Information

Central State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Clusters:		
Student Financial Aid Cluster - U.S. Department of Education		
Direct Programs:		
ACG Grant Year I	84.375	\$ 19,403
Smart Grant Year I	84.376	4,000
Federal SEOG FY 2009	84.007	(200)
Federal Work Study FY 2009	84.033	5,293
Federal Pell Grant FY 2009	84.063	515
Federal SEOG FY 2010	84.007	543,599
Federal Pell Grant FY 2010	84.063	9,098,803
ARRA Federal Work Study FY 2010	84.033	119,204
Federal Work Study FY 2010	84.033	475,647
Total Student Financial Aid Cluster		10,266,264
Research and Development Cluster - National Aeronautics and Space Administration:		
Ohio Space Grant	43.001	21,136
Center for Allaying Health Disparities Through Research and Ed.	93.307	641,233
Total Research and Development Cluster		662,369
TRIO Cluster - U.S. Department of Education		
Direct Programs:		
TRIO: Student Support Services	84.042A	399,041
TRIO: Upward Bound Program	84.047	235,993
Total TRIO Cluster		635,034
Head Start Cluster - U.S. Department of Health and Human Services - Cultural Competency		
	93.600	58,811
TANF Cluster - U.S. Department of Health and Human Services - Cultural Competency		
	93.558	3,479
State Fiscal Stabilization Fund Cluster - U.S. Department of Education - ARRA - State Fiscal Stabilization Fund Cluster		
	84.394	939,915
Other federal programs:		
U.S. Department of Education Direct Programs:		
Higher Education - Institutional Aid - Direct Program:		
Strengthening Institutional Enhancement 02/07 CO Yr 3	84.031B	33,236
Library Acquisition Enhancement	84.031B	126,082
Institutional Advancement	84.031B	60,344
Improving Administrative Management	84.031B	19,839
Program Administration	84.031B	166,470
SAEM	84.031B	59,561
Strengthening Institutional Enhancement 02/07 CO Year 4	84.031B	5,092
Strengthening Academic Success through Counseling Services	84.031B	248,339
K-16 Higher Education Access	84.031B	118,961
Center for Teaching and Retention	84.031B	246,234
CCRA - Library Enhancement	84.031B	57,285
CCRA - Dayton Campus	84.031B	58,134
CCRA - Digital Divide	84.031B	134,281
CCRA Enhancing STEM Education	84.031B	104,336
CCRA CSU Campus Vision Phase I	84.031B	9,185
CCRA eLearning Development	84.031B	40,625

See Notes to Schedule of Expenditures
of Federal Awards.

Central State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Other federal programs (Continued):		
U.S. Department of Education Direct Programs (Continued):		
Higher Education - Institutional Aid - Direct Program (Continued):		
CCRA CSU Dayton Enhancement	84.031B	\$ 132,065
CCRA Library Resource Enhancement	84.031B	30,014
CCRA Strategic Vision Phase II	84.031B	10,909
Pre Law COY 2007-2008	84.031B	82,337
Strengthening Institutional Management COY 2007/08	84.031B	30,290
Center for Academic Success	84.031B	306,119
Effective Management Administrators	84.031B	23,273
Enhancing Institutional Advancement	84.031B	143,256
Pre Law Program	84.031B	125,081
Enhancement Theatre Arts Program COY 2008-2009	84.031B	15,754
Strengthening Institutional Advancement COY 2008-2009	84.031B	<u>13,184</u>
Total U.S. Department of Education Direct Programs		2,400,286
U.S. Department of Health and Human Services:		
KRUNKED 4 Life	93.910	121,209
Healthy Marauder Program	93.243	<u>4,482</u>
Total U.S. Department of Health and Human Services		125,691
U.S. Department of Transportation:		
Summer Transportation Program	20.000	23,988
Akron University Transportation Center	20.701	<u>8,838</u>
Total U.S. Department of Transportation		32,826
U.S. Department of Defense:		
Basic and Applied Scientific Research		
Identifying Max. Rhizosphere Biom.	12.431	38,962
Battelle Mentor Protégé	12.000	7,551
Technology Transfer Program	N62473-07-D-4013	1,803
Sensors Research	12.000	9,122
Materials and Manufacturing Research	12.000	6,873
Sensors Research Year 2	12.000	6,378
SensorPlex	FA8650-09-D-6939	<u>269,030</u>
Total U.S. Department of Defense		339,719
National Science Foundation - Education and Human Resources:		
CSU JUMP	47.076	146,149
REEL Program	47.049	15,012
Benjamin Banneker's Scholarship Program	47.076	160,240
ADVANCE	47.076	47,873
CEENE	47.076	37,384
ARRA SPINS Program	47.082	4,500
Advanced Energy Workforce	47.041	<u>9,631</u>
Total National Science Foundation		420,789
U.S. Department of Energy:		
National Renewable Energy Laboratory	81.087	13,243
STEM UP - OUT	81.123	987,354
Training of Radiochemistry Students	81.123	<u>(3,000)</u>
Total U.S. Department of Energy		997,597

See Notes to Schedule of Expenditures
of Federal Awards.

Central State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Other federal programs (Continued):		
U.S. Department of Interior		
Applications of Remote Sensing Technology (USBR)	15.504	\$ 308,443
Historic Preservation Grants	15.904	804,122
ARRA - Emery Hall	15.932	<u>39,026</u>
Total U.S. Department of Interior		1,151,591
U.S. Department of Commerce:		
Monitoring Agricultural Sewage	11.460	4,035
Monitoring of Lake Erie	11.460	<u>17,922</u>
Total U.S. Department of Commerce		21,957
U.S. Department of Labor - Modular Automated Training System	17.261	36,560
U.S. Department of Justice - Bulletproof Vest Partnership	16.607	4,770
Corporation for National and Community Service - Great Cities - Great Service	94.005	6,344
National Aeronautics and Space Administration - Ohio Aerospace Institute - Student Mission to Mars - MIMIC	43.001	<u>3,000</u>
Total expenditures of federal awards		<u><u>\$ 18,107,002</u></u>

Central State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Central State University (the "University") under programs of the federal government for the year ended June 30, 2010. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the University. Pass-through entity identifying numbers are presented where available.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

All programs with identifiable CFDA numbers have been listed separately. Grant project numbers have been provided for several programs for which CFDA numbers were not available.

Note 3 - Federal Family Education Loans

Federal Family Education Loans (Federal CFDA Number 84.032), processed for students by the University during the year ended June 30, 2010, are summarized as follows:

Federal Stafford Loans	\$ 8,491,173
Federal Unsubsidized Stafford Loans	10,714,029
Federal Parent Loans for Undergraduate Students (PLUS)	<u>1,372,877</u>
Total Federal Family Education Loan Program	<u>\$ 20,578,079</u>

Central State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note 4 - Loans Outstanding

The University administers the Perkins Loan Program (Federal CFDA Number 84.038). Outstanding loans as of June 30, 2010 were \$948,610. No new loans were issued during the year ended June 30, 2010.

Note 5 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Center for Allaying Health Disparities Through Research and Ed.	93.307	\$ 65,263
Identifying Max. Rhizosphere Biom.	12.431	6,344
STEM UP - OUT	81.123	11,109
Applications of Remote Sensing Technology (USBR)	15.504	189,111

Note 6 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, in the year ended June 30, 2010, the University carried forward \$58,932 of the 2009-2010 Federal Work Study (FWS) Program (84.003) award to the 2010-2011 award year.

The University expended \$4,165 of carried-forward Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007) funds from the 2008-2009 award year during the 2009-2010 award year. The University also expended \$33,494 of the 2010-2011 SEOG award carried backward to the 2009-2010 award year.

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

To the Board of Trustees
Central State University

We have audited the financial statements of the business-type activities and discretely presented component unit of Central State University (the "University") as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2010. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central State University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

To the Board of Trustees
Central State University

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Central State University in a separate letter dated October 15, 2010.

This report is intended solely for the information and use of management, the board of trustees, others within Central State University, 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.

Plante & Moran, PLLC

October 15, 2010

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

To the Board of Trustees
Central State University

Compliance

We have audited the compliance of Central 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, 2010. The major federal programs of Central State University 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 Central State University's management. Our responsibility is to express an opinion on Central State University's compliance based on our audit.

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

As described in Findings 2010-01, 2010-02, 2010-03, 2010-04, 2010-05, and 2010-06 in the accompanying schedule of findings and questioned costs, Central State University did not comply with requirements regarding Special Tests and Provisions that are applicable to its Student Financial Aid Cluster. Compliance with such requirements is necessary, in our opinion, for Central State University to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Central State 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, 2010.

To the Board of Trustees
Central State University

Internal Control Over Compliance

The management of Central State 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 Central State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses in aggregate and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2010-01, 2010-02, 2010-03, 2010-04, 2010-05, and 2010-06 to be material weaknesses in aggregate.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2010-01, 2010-02, 2010-03, 2010-04, 2010-05, and 2010-06 to be significant deficiencies.

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

To the Board of Trustees
Central State University

This report is intended solely for the information and use of management, the board of trustees, others within Central State University, 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.

Plante & Moran, PLLC

October 15, 2010

Central State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major program(s):

Student Financial Aid Cluster	- Qualified
Research and Development Cluster	- Unqualified
National Science Foundation - Education and Human Resources	- Unqualified
ARRA - State Fiscal Stabilization Fund Cluster	- Unqualified

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

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.375, 84.376, 84.032, 84.038	Student Financial Aid Cluster
43.001, 93.307	Research and Development Cluster
47.076	National Science Foundation - Education and Human Resources
84.394	ARRA- State Fiscal Stabilization Fund Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee? Yes X No

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section II - Financial Statement Audit Findings

Reference Number	Findings
None	

Section III - Federal Program Audit Findings

Reference Number	Findings
2010-01	<p>Program Name - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.376, 84.032, 84.038</p> <p>Finding Type - Significant deficiency/noncompliance</p> <p>Criteria - Special tests and provisions compliance requirement - For each student selected for verification by the central processor, the institution is required to obtain acceptable documentation to verify the information required, match information on the documentation to the Institutional Student Information Record (ISIR), and submit necessary data corrections to the central processor and recalculate awards (34 CFR § 668.59).</p> <p>Condition - We noted inconsistencies in the information appearing on the ISIR and supporting documentation (i.e., tax returns) and the information recorded by the University on the verification worksheet.</p> <p>Questioned Costs - Unknown</p> <p>Context - Of the 60 students tested for verification, we noted eight students with inconsistencies between information included on the ISIR, supporting documentation, and the verification worksheet.</p> <p>Cause and Effect - The information recorded by the University did not match the verification worksheet or supporting documentation due to a lack of an independent review performed. The differences could affect the calculation of the expected family contribution and impact the student's financial aid award.</p> <p>Recommendation - We recommend establishing a process of independent review of the verification worksheet to ensure the proper financial aid amounts are being awarded.</p>

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2010-01 (Continued)	Views of Responsible Officials and Planned Corrective Actions - The University has made the following process improvements for the 2010-2011 award year: Financial aid clerks, who have been properly trained on the latest regulations and DOE guidelines, perform verification, and verifications are reviewed for accuracy by financial aid officers who review newly generated ISIRs and verification figures in order to provide checks and balances that result in accurate verifications. Additionally, the Access and Investment Educator will continue to offer FAFSA completion workshops in order to reduce the instances of verification triggers. The NAFSAA fact sheet on FAFSA completion has been integrated into the University's newly released resource guide in the form of a brief on verification for students and their families.

Reference Number	Findings
2010-02	Program Name - Student Financial Aid Cluster - Federal Family Education Loans - 84.032 Finding Type - Significant deficiency/noncompliance Criteria - Special tests and provisions compliance requirement - For FFEL, loan funds must be disbursed within three business days of receipt if the lender provided the funds by EFT or master check or 30 days if the lender provided the funds by check payable to the borrower or co-payable to the borrower and the institution. If the institution does not disburse FFEL loan funds in accordance with the time frames required, the institution must return the funds to the lender within 10 business days after the date the funds were required to be disbursed (34 CFR § 668.167(b)) and send changes to the National Student Loan Data System (NSLDS), a national database of information about loans and other financial aid awarded to students under Title IV. Educational institutions are required to send data to the NSLDS pertaining to FPL, FFEL, Direct Loans, and Title IV grant program overpayments (OMB No. 1845-0035).

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2010-02 (Continued)	<p>Condition - The University did not return FFEL loan proceeds to the lender within 10 business days after the student's account was adjusted to correct an over-award of federal aid. In addition, the funds being returned were not reflected on the NSLDS in a timely manner.</p> <p>Questioned Costs - \$4,683. The population of FFEL loans tested totaled \$333,645, as compared to the University's total disbursed loans of \$20,578,079 during the year.</p> <p>Context - Of the 60 students tested for eligibility and disbursement testing, we noted five students where the undisbursed loan amounts were not returned to the lender within 10 business days and the returned funds were not updated with the lender or the NSLDS in a timely manner.</p> <p>Cause and Effect - Due to a lack of review, the loan funds were not returned timely to the lender after adjustments were made to the student's account and the loan adjustment was not communicated to the NSLDS in a timely manner.</p> <p>Recommendation - We recommend the student financial aid office monitor all loan adjustments during the semester to ensure amounts are returned to the lender in a timely manner and communicated to the NSLDS accordingly.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University has made major staffing changes in the unit. Some staff have been terminated and replaced; others have been assessed and reassigned. Additionally, each financial aid officer on a case-by-case basis must inform the loan officer and director of loan reductions. Each loan reduction request is formally documented. The officer in question is required to confirm that the loan funds have in fact been returned. The director verifies the return of funds with the professional staff on a weekly basis. The unit also now generates a monthly report that cross-references disbursed amounts versus paid loans amount. Further, under the new Direct Lending model, monthly reconciliation is required, which significantly reduces the likelihood of this oversight.</p>

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2010-03	<p>Program Name - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.376, 84.032, 84.038</p> <p>Finding Type - Significant deficiency/noncompliance</p> <p>Criteria - Special tests and provisions compliance requirement - Returns of Title IV funds are required to be deposited or transferred to the Department of Education or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew (34 CFR § 668.173(b)). The withdrawal date is the date that the student began the withdrawal process, provided official notification to the school in writing or orally, or ceases attendance (34 CFR § 668.22(c) and (d)).</p> <p>Condition - The University did not return Title IV refunds within 45 days.</p> <p>Questioned Costs - \$21,135. - The population of Title IV returns tested totaled \$37,387, as compared to the University's total Title IV returns and loan adjustments of \$3,419,481.</p> <p>Context - Of the 40 students tested for return of Title IV funds, there were 10 instances in which Title IV refunds were not returned within 45 days.</p> <p>Cause and Effect - The calculations were not independently reviewed and, as a result, were not performed in a timely manner or were calculated incorrectly resulting in funds not being returned within federal regulations.</p> <p>Recommendation - We recommend the student financial aid department implement a review process and establish internal deadlines to ensure Title IV refunds are returned in a timely manner. The University may also want to consider automating the refund calculation process to mitigate manual data entry errors.</p>

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2010-03 (Continued)	<p>Views of Responsible Officials and Planned Corrective Actions - A new staff member has been assigned to manage R2T4; calculations and submissions are reviewed by assistant director or director monthly. With the assistance of IT, the unit designed a standing query/report to assist the unit obtaining data on official withdrawals and identifying unofficially withdrawn students. University provided staff training on withdrawal and Title IV compliance by sending five finance and financial aid staff persons to the Department of Education's HBCU Summer 2010 Workshops. Under the guidance of the Provost, the University has mandated that faculty track and report attendance electronically via self-service banner during the first fourteen days of the semester, at each interim grade period and the final grading period to better identify students who unofficially withdraw.</p>

Reference Number	Findings
2010-04	<p>Program Name - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.376, 84.032, 84.038</p> <p>Finding Type - Significant deficiency/noncompliance</p> <p>Criteria - Special tests and provisions compliance requirement - An institution must determine the withdrawal date for a student who withdraws without providing notification no later than 30 days after the end of the earlier of the payment period or the period of enrollment, or the academic year in which the student withdrew (34 CFR § 668.22(j)).</p> <p>Condition - The withdrawal date was not determined within the required time frame.</p> <p>Questioned Costs - None</p> <p>Context - Of the 40 students tested for return of Title IV testing, we noted two "unofficial" withdrawal students where the withdrawal date was not determined within the required time frame.</p>

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2010-04 (Continued)	<p>Cause and Effect - The calculations were not independently reviewed and thus the University did not determine the date of withdrawal or complete the return of Title IV calculations within the required time frame.</p> <p>Recommendation - We recommend the student financial aid department establish internal deadlines to review all “unofficial” withdrawal students immediately following the completion of the academic term and determine the withdrawal date within the required 30-day time frame. The University may also want to consider automating the refund calculation process to mitigate manual data entry errors.</p> <p>Views of Responsible Officials and Planned Corrective Actions - With the assistance of IT, the unit designed a standing query/report to assist the unit with obtaining data on official withdrawals and identifying unofficially withdrawn students. The University provided staff training on withdrawal and Title IV compliance by sending five finance and financial aid staff persons to the Department of Education’s HBCU Summer 2010 Workshops. Under the guidance of the Provost, the University has mandated that faculty track and report attendance electronically via self-service banner during the first fourteen days of the semester, at each interim grade period and the final grading period to identify students who unofficially withdraw. Further, a new staff member has been assigned to manage R2T4 with review by assistant director or director monthly. The University hired a temporary staff member to complete R2T4 prior to completing new hires during the Spring 2010 semester.</p>

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2010-05	<p>Program Name - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.376, 84.032, 84.038</p> <p>Finding Type - Significant deficiency/noncompliance</p> <p>Criteria - Special tests and provisions compliance requirement - When a recipient of Title IV aid withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. This is compared to the amount disbursed, and a refund or post-withdrawal disbursement is calculated. The institution is responsible for returning aid up to the unearned institutional charges (34 CFR §668.22).</p> <p>Condition - The withdrawal date used by the University to calculate Title IV refunds did not agree to the withdrawal date submitted to and certified by the National Student Loan Data System (NSLDS). As a result, the calculation was improper and too much aid was returned.</p> <p>Questioned Costs - \$1,324. The population of Title IV refunds tested totaled \$37,387, as compared to the University's total Title IV returns and loan adjustments of \$3,419,481.</p> <p>Context - Of the 60 students tested for status change testing one student had a withdrawal date that did not match the NSLDS, resulting in incorrect Title IV refund calculations.</p> <p>Cause and Effect - Due to a manual input error, the University did not use the proper withdrawal date for the Title IV calculation and thus did not calculate the proper refund amount.</p> <p>Recommendation - The University should develop and implement a review procedure to identify manual input errors and ensure the proper withdrawal date is being used in the calculation. The University may also want to consider automating the refund calculation process to mitigate manual data entry errors.</p>

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2010-05 (Continued)	<p>Views of Responsible Officials and Planned Corrective Actions - A new staff member has been assigned to manage R2T4 with review by assistant director or director monthly. NSLDS submissions will be generated by one officer and reviewed for accuracy by another to ensure accuracy. University will identify a vendor to assist in programming automated refund calculation functionality that exists in the Banner Financial Aid module</p>
2010-06	<p>Program Name - Student Financial Aid Cluster - Federal Family Education Loans and Perkins Loan Program - 84.032 and 84.038</p> <p>Finding Type - Noncompliance</p> <p>Criteria - Special tests and provisions compliance requirement - Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a Student Status Confirmation Report (SSCR) sent to the NSLDS within 60 days of the status change (34 CFR § 682.610).</p> <p>Condition - The University did not report status changes within the required time frame.</p> <p>Questioned Costs - None</p> <p>Context - Of the 60 students tested for status change testing, eight of those students did not have status changes reported in a timely manner.</p> <p>Cause and Effect - The University transmits student enrollment data to the Federal Clearinghouse, but not within the timeline required by federal regulations. As a result, these students did not have status changes updated with the Federal Clearinghouse or the NSLDS within the required time frame.</p>

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2010-06 (Continued)	<p data-bbox="418 567 1437 682">Recommendation - The University should submit student enrollment information more frequently to ensure compliance with federal regulations by having the registrar's office upload reports on a monthly basis.</p> <p data-bbox="418 724 1437 982">Views of Responsible Officials and Planned Corrective Actions - The Office of the Registrar submits an annual Transmission Schedule to the National Student Clearinghouse. The schedule has three submission dates per full semester that we are in compliance with. In light of the findings in the audit report, the Office of the Registrar will increase by two additional submissions. This will allow for notification of add/drop updates within the 30 day requirement.</p>

Central State University

Summary Schedule of Prior Audit Findings Year Ended June 30, 2010

Prior Year Finding Number	Federal Program	Status	Planned Corrective Action
2009-01	Student Financial Aid Cluster - Federal Family Education Loans - 84.032	Has Not Been Corrected	See 2010-02
2009-02	Student Financial Aid Cluster - Federal Family Education Loans - 84.032	Corrective Action Has Been Taken	NA
2009-03	Student Financial Aid Cluster - Federal Family Education Loans - 84.032	Corrective Action Has Been Taken	NA
2009-04	Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.032, 84.038	Has Not Been Corrected	See 2010-05
2009-05	Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.032, 84.038	Has Not Been Corrected	See 2010-03
2009-06	Student Financial Aid Cluster - Federal Family Education Loans and Perkins Loan Program - 84.032 and 84.038	Has Not Been Corrected	See 2010-06
2009-07	Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.032, 84.038	Has Not Been Corrected	See 2010-01
2009-08	Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.032, 84.038	Corrective Action Has Been Taken	NA
2009-09	Student Financial Aid Cluster - Federal Family Education Loans - 84.032	Corrective Action Has Been Taken	NA
2009-10	Research and Development Cluster - Center for Allaying Health Disparities Through Research and Education (CADRE) -	Corrective Action Has Been Taken	NA

WCSU-FM
**(a public telecommunications entity
operated by Central State University)**

Financial Report
June 30, 2010

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Independent Auditor's Report

To the Board of Trustees
WCSU-FM

We have audited the accompanying statement of net assets of WCSU-FM, a public telecommunications entity operated by Central State University (the "University"), as of June 30, 2010 and 2009, and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of WCSU-FM as of June 30, 2010 and 2009 and the results of its activities, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2010 on our consideration of WCSU-FM's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide opinions 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.

To the Board of Trustees
WCSU-FM

The management's discussion and analysis presented on pages 3 through 6 is not a required part of the basic financial statements but is supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 15, 2010

Management's Discussion and Analysis - Unaudited

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of WCSU-FM (the "Station"), which is owned and operated by Central State University (the "University"). The report consists of three basic financial statements that provide information on the radio station: the statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows. These reports begin on page 7 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion of the results are intended to provide the readers with an overview of the financial statements.

The Statement of Net Assets

The statement of net assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector institutions. Net assets - the difference between assets and liabilities - are one way to measure the financial activities of the Station. Unrestricted net assets decreased by \$6,329 due to an excess of expenses over revenue incurred by the Station from 2010 to 2009 and decreased by \$14,268 due to an excess of expenses over revenue incurred by the Station from 2008 to 2009. Net assets invested in capital assets decreased by \$7,591 due to the ongoing depreciation of existing fixed assets from 2009 to 2010 and decreased by \$7,991 due to the ongoing depreciation of existing fixed assets from 2008 to 2009. Therefore, total net assets decreased by \$13,920 from 2009 to 2010 and decreased by \$22,259 from 2008 to 2009.

Total assets increased \$22,908 in 2010 and decreased \$28,179 in 2009; the changes were related primarily to increases and decreases in the amount due from the University (pooled cash and investments).

Total liabilities increased by \$36,828 in 2010, which was primarily attributable to an increase in deferred revenue, with a slight increase in accounts payable. Total liabilities decreased by \$5,920 in 2009, which was attributable primarily to a decrease in deferred revenue.

WCSU-FM

Management's Discussion and Analysis - Unaudited (Continued)

	2010	2009	2008
Assets			
Current Assets	\$ 182,115	\$ 151,616	\$ 171,804
Capital Assets - Net of depreciation	<u>28,401</u>	<u>35,992</u>	<u>43,983</u>
Total assets	<u>\$ 210,516</u>	<u>\$ 187,608</u>	<u>\$ 215,787</u>
Liabilities and Net Assets			
Current Liabilities	\$ 186,117	\$ 149,289	\$ 155,209
Net Assets			
Invested in capital assets	28,401	35,992	43,983
Unrestricted	<u>(4,002)</u>	<u>2,327</u>	<u>16,595</u>
Total net assets	<u>24,399</u>	<u>38,319</u>	<u>60,578</u>
Total liabilities and net assets	<u>\$ 210,516</u>	<u>\$ 187,608</u>	<u>\$ 215,787</u>

As described further in Note 2, current assets reflect mainly the amount due to the Station from the University's pooled cash and investment system. Current assets, including advances to the University, and current liabilities increased during 2010 due to an increase in cash and deferred revenue and decreased in 2009 due to expended grant proceeds at year end, which caused a decrease in cash and deferred revenue. Further detail about the sources and uses of cash is reflected in the statement of cash flows.

WCSU-FM

Management's Discussion and Analysis - Unaudited (Continued)

Statement of Revenue, Expenses, and Changes in Net Assets

The statement of revenue, expenses, and changes in net assets presents the operating results of the Station.

	2010	2009	2008
Operating Revenue			
Corporation for Public Broadcasting	\$ 101,675	\$ 146,231	\$ 133,105
State Network Commission and private grants	20,468	31,061	34,094
Contributed services	75,246	69,604	84,042
Nonoperating Revenue			
Miscellaneous	3,159	2,120	5,855
University support	462,016	452,325	443,214
Total revenue	662,564	701,341	700,310
Operating Expenses			
Programming and production	324,036	361,293	362,255
Program information and promotion	35,541	41,670	39,745
Management and general	316,907	320,637	322,798
Total operating expenses	676,484	723,600	724,798
Decrease in Net Assets	(13,920)	(22,259)	(24,488)
Net Assets - Beginning of year	38,319	60,578	85,066
Net Assets - End of year	<u>\$ 24,399</u>	<u>\$ 38,319</u>	<u>\$ 60,578</u>

Operating revenue decreased by \$49,507, or 20 percent, from 2009 to 2010; Corporation for Public Broadcasting decreased \$44,556 (30 percent), State Network Commission and private grants revenue decreased \$10,593 (34 percent), and contributed services increased \$5,642 (8 percent). The decrease is primarily driven by the reduction in support from the federal and state levels as budget constraints continue to increase due to economic conditions. Operating expenses decreased by \$47,116, or 6.5 percent from 2009 to 2010.

Operating revenue decreased by \$4,345, or 2 percent, from 2008 to 2009, Corporation for Public Broadcasting increased \$13,126 (10 percent), State Network Commission and private grants revenue decreased \$3,033 (9 percent), and contributed services decreased \$14,438 (17 percent). Both the State Network Commission and contributed services decreases are due to reductions in state funding. Operating expenses decreased by \$1,198, or 0.2 percent from 2008 to 2009.

WCSU-FM

Management's Discussion and Analysis - Unaudited (Continued)

Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. Cash consists of the Station's share of University pooled cash and investments.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash Used in Operating Activities	\$ (433,170)	\$ (474,633)	\$ (498,727)
Cash Provided by Noncapital Financing Activities	<u>465,175</u>	<u>454,445</u>	<u>449,069</u>
Increase (Decrease) in Cash	32,005	(20,188)	(49,658)
Cash - Beginning of year	<u>150,110</u>	<u>170,298</u>	<u>219,956</u>
Cash - End of year	<u>\$ 182,115</u>	<u>\$ 150,110</u>	<u>\$ 170,298</u>

The Station consumed \$433,170 and \$474,633 in operating activities in 2010 and 2009, respectively. The primary operating cash receipts consist of grants and contracts of \$184,939 and \$237,559 for 2010 and 2009, respectively. Cash outlays include payments for wages and to vendors of \$618,109 and \$712,192 for 2010 and 2009, respectively. The primary noncapital financing activities consist of support from the University.

Economic Factors that Will Affect the Future

In the continued economic downturn, the challenge continues to maintain the level of funding sources. Growing deficits at the federal and state government levels will continue to negatively affect the size of future grants.

Statement of Net Assets

	June 30	
	2010	2009
Assets		
Current Assets		
Due from the University (Note 2)	\$ 182,115	\$ 150,110
Accounts receivable	<u>-</u>	<u>1,506</u>
Total current assets	182,115	151,616
Capital Assets - Net (Note 3)		
	<u>28,401</u>	<u>35,992</u>
Total assets	<u>\$ 210,516</u>	<u>\$ 187,608</u>
Liabilities and Net Assets		
Current Liabilities		
Deferred revenue	\$ 179,045	\$ 145,965
Accounts payable	<u>7,072</u>	<u>3,324</u>
Total liabilities	186,117	149,289
Net Assets		
Unrestricted	(4,002)	2,327
Net investment in capital assets	<u>28,401</u>	<u>35,992</u>
Total net assets	<u>24,399</u>	<u>38,319</u>
Total liabilities and net assets	<u>\$ 210,516</u>	<u>\$ 187,608</u>

WCSU-FM

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2010	2009
Support and Revenue		
Corporation for Public Broadcasting (Note 4)	\$ 101,675	\$ 146,231
State Network Commission and private grants (Note 5)	20,468	31,061
Contributed services (Note 5)	75,246	69,604
Total support and revenue	197,389	246,896
Expenses		
Program services:		
Programming and production	324,036	361,293
Program information and promotion	35,541	41,670
Support services - Management and general	316,907	320,637
Total expenses	676,484	723,600
Operating Loss	(479,095)	(476,704)
Nonoperating Revenue		
Miscellaneous	3,159	2,120
University support (Note 6)	462,016	452,325
Total nonoperating revenue	465,175	454,445
Decrease in Net Assets	(13,920)	(22,259)
Net Assets - Beginning of year	38,319	60,578
Net Assets - End of year	<u>\$ 24,399</u>	<u>\$ 38,319</u>

Statement of Cash Flows

	Year Ended June 30	
	2010	2009
Cash Flows from Operating Activities		
Grants and contracts	\$ 184,939	\$ 237,559
Payments to employees and vendors	<u>(618,109)</u>	<u>(712,192)</u>
Net cash used in operating activities	(433,170)	(474,633)
Cash Flows from Noncapital Financing Activities -		
Other receipts	<u>465,175</u>	<u>454,445</u>
Increase (Decrease) in Cash	32,005	(20,188)
Cash - Beginning of year	<u>150,110</u>	<u>170,298</u>
Cash - End of year	<u><u>\$ 182,115</u></u>	<u><u>\$ 150,110</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (479,095)	\$ (476,704)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	7,591	7,991
Changes in assets and liabilities:		
Receivables - Net	1,506	-
Accounts payable	3,748	3,324
Deferred revenue	<u>33,080</u>	<u>(9,244)</u>
Net cash used in operating activities	<u><u>\$ (433,170)</u></u>	<u><u>\$ (474,633)</u></u>

Note I - Significant Accounting Policies

Organization - WCSU-FM (the "Station") is a radio station owned and operated by Central State University (the "University"), a state-supported, public university. WCSU-FM is located on the campus of the University in Wilberforce, Ohio.

Basis of Presentation - WCSU-FM 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 for goods or services. In accordance with GASB Statement No. 35, the funds of the Station are reported in the statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows.

The Station follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. In addition, the Station applies all applicable Financial Accounting Standards Board (FASB) *Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures* issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Station has elected not to apply FASB pronouncements issued after November 30, 1989.

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

Net Asset Classifications - In accordance with GASB Statement No. 35 guidelines, WCSU-FM's resources are classified into the following two net asset categories:

- **Invested in Capital Assets** - Capitalized physical assets net of accumulated depreciation
- **Unrestricted** - Net assets that are not subject to externally imposed restrictions. May be designated for specific purposes by the board of trustees

Operating Versus Nonoperating Revenue and Expenses - WCSU-FM defines operating activities as reported on the statement of revenue, expenses, and changes in net assets as those that generally result from exchange transactions such as payments received for providing goods or services and payments made for goods or services received.

Income Taxes - Under Internal Revenue Code Section 501(c)(3), the operations of WCSU-FM are exempt from income taxes as part of the overall operations of the University as a political subdivision of the State of Ohio.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets - Capital assets are recorded at cost or, if acquired by gift, at fair value at the date of the gift. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the invested in capital assets component of net assets is adjusted as appropriate. Capital assets, with the exception of land, are depreciated on the straight-line method over their estimated useful lives, ranging from 5 to 15 years.

Deferred Revenue - Deferred revenue represents grant money received but not yet expended and as such, revenue will not be recorded until spent.

Functional Allocation of Expenses - The costs of providing program and support services have been reported on a functional basis in the statement of revenue, expenses, and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Due from the University

The financial records for WCSU-FM are maintained as a part of the operations of the University. Separate fund account activities are maintained to account for the operations of WCSU-FM. Separate cash accounts are not maintained for WCSU-FM. Consequently, funds deposited on account for WCSU-FM are reflected in the financial statements as due from the University and, for the purpose of the statement of cash flows, these amounts are considered cash.

**Notes to Financial Statements
June 30, 2010 and 2009**

Note 3 - Capital Assets

Capital assets activity for the years ended June 30, 2010 and 2009 is summarized as follows:

	2010			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 15,082	-	-	\$ 15,082
Telecommunications equipment	<u>388,080</u>	<u>-</u>	<u>-</u>	<u>388,080</u>
Total	403,162	-	-	403,162
Less accumulated depreciation:				
Office equipment	15,082	-	-	15,082
Telecommunications equipment	<u>352,088</u>	<u>7,591</u>	<u>-</u>	<u>359,679</u>
Total accumulated depreciation	<u>367,170</u>	<u>7,591</u>	<u>-</u>	<u>374,761</u>
Capital assets - Net	<u>\$ 35,992</u>	<u>(\$ 7,591)</u>	<u>\$ -</u>	<u>\$ 28,401</u>
	2009			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 15,082	-	-	\$ 15,082
Telecommunications equipment	<u>388,080</u>	<u>-</u>	<u>-</u>	<u>388,080</u>
Total	403,162	-	-	403,162
Less accumulated depreciation:				
Office equipment	15,082	-	-	15,082
Telecommunications equipment	<u>344,097</u>	<u>7,991</u>	<u>-</u>	<u>352,088</u>
Total accumulated depreciation	<u>359,179</u>	<u>7,991</u>	<u>-</u>	<u>367,170</u>
Capital assets - Net	<u>\$ 43,983</u>	<u>(\$ 7,991)</u>	<u>\$ -</u>	<u>\$ 35,992</u>

Note 4 - Corporation for Public Broadcasting Grants

WCSU-FM receives grant funding from the Corporation for Public Broadcasting (CPB) to assist in the operations of WCSU-FM. The CPB grants consist of a Radio Community Service Grant (CSG), which is unrestricted in its use, and a National Program Production and Acquisition Grant (NPPAG), which is restricted to national programming activities. Recognition of the CPB grant revenue is deferred until expenses are incurred. Any unused grant amounts at the end of the spending period must be returned to the granting agency. There were no amounts due to the CPB at June 30, 2010 or 2009.

Note 5 - State Network Commission Grant and Private Grants

WCSU-FM receives unrestricted radio station funding through E-Tech Ohio (OET). For the years ended June 30, 2010 and 2009, WCSU-FM received cash support of \$22,993 and \$31,061, respectively. WCSU-FM received in-kind contributed services support from OET of \$58,376 and \$66,188 during the years ended June 30, 2010 and 2009, respectively.

Private grants in the amount of \$3,159 and \$2,120 in 2010 and 2009, respectively, have been received.

Note 6 - University Support Allocation

The operations of WCSU-FM are supported primarily by the general revenue of the University. The University effectively covers all operating costs of WCSU-FM in excess of direct support received through grant awards and contributions attributable to WCSU-FM's operations. The University's support allocation totaled \$223,783 and \$223,019 in direct support for 2010 and 2009, respectively, and \$238,233 and \$229,306 in indirect administrative support for 2010 and 2009, respectively.

Report Letter 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*

To the Board of Trustees
WCSU-FM

We have audited the financial statements of WCSU-FM as of and for the year ended June 30, 2010 and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WCSU-FM's internal control over financial reporting as a basis for designing 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 WCSU-FM's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WCSU-FM's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

To the Board of Trustees
WCSU-FM

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central State 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*.

This report is intended solely for the information and use of the board of trustees, management of WCSU-FM, Central State University, and the auditor of the State of Ohio and is not intended to be used and should not be used by anyone other than those specified parties.

Plante & Moran, PLLC

October 15, 2010



Dave Yost • Auditor of State

CENTRAL STATE UNIVERSITY

GREENE 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
FEBRUARY 8, 2011**