

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

Financial Report
Including Supplemental Information
June 30, 2009

Central State University

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Plante & Moran, PLLC

Suite 600

65 E. State St.

Columbus, OH 43215

Tel: 614.849.3000

Fax: 614.221.3535

plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Central State University

We have audited the accompanying basic financial statements of Central State University and its discretely presented component unit as of and for the years ended June 30, 2009 and 2008, 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, 2009 and 2008 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, 2009 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, 2009. 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 10 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, 2009

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, 2009, 2008, and 2007. 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 nonoperating revenues. Since dependency on State of Ohio and certain federal grants is recognized as nonoperating 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 revenues for the years ended June 30, 2009 and 2008 were \$69.1 million and \$56.0 million, respectively, of which operating revenues totaled \$31.3 million and \$28.8 million, respectively. Operating revenue in fiscal year 2009 increased \$2.5 million, or 9 percent, when compared with fiscal year 2008.

Total revenues for the years ended June 30, 2008 and 2007 were \$56.0 million and \$50.6 million, respectively, of which operating revenue totaled \$28.8 million and \$27.7 million, respectively. Operating revenue decreased \$1.1 million, or 4.0 percent, when compared with fiscal year 2007.

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 1.7 percent, when compared with fiscal year 2008.

Total expenses for the years ended June 30, 2008 and 2007 were \$57.0 million and \$50.7 million, respectively. Operating expenses increased \$6.3 million, or 12.4 percent, when compared with fiscal year 2007.

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.

The University's operating loss totaled \$28.2 million during 2008 compared to \$23.0 million in 2007, which represented an unfavorable increase of \$5.2 million, or 22.6 percent.

The University's total net assets for 2009 increased \$11.2 million during 2009 compared to a decrease of \$1.0 million during 2008, which represents a favorable increase of \$12.2 million.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

The decrease in net assets for fiscal 2008 was \$1.0 million compared to a decrease of \$.01 million in 2007, which represented an unfavorable increase of \$1.0 million.

Student enrollment increased 7 percent in fall fiscal year 2009 compared to fall fiscal year 2008; in-state tuition and fees rate for 2009 was not increased; however, out-of-state tuition and fees rate was increased 3 percent. Room and board rates for 2009 were increased 7 percent when compared to 2008 amounts. The \$2.5 million increase in operating revenues were related to increases of \$.8 million net tuition and fee; \$.7 million increase in other sources; \$.5 million increase in state, local, and private grants and contracts; a \$.4 million increase in net auxiliary revenue; and both federal grants and indirect cost recovery increased by \$.1 million.

Student enrollment increased 14.5 percent in fall of fiscal year 2008 compared to fall of fiscal year 2007; tuition, fees, room, and board rates for 2008 were not increased when compared to 2007 amounts.

A breakdown and comparison of operating revenues are provided below.

| Operating Revenues (in millions) | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|--|----------------|----------------|----------------|
| Tuition and fees - Net | \$ 8.6 | \$ 7.8 | \$ 6.8 |
| Federal grants and contracts | 8.3 | 8.2 | 9.1 |
| State, local, and private grants and contracts | 3.0 | 2.6 | 2.5 |
| Indirect cost recovery | .6 | .5 | 0.5 |
| Auxiliary activities - Net | 9.0 | 8.6 | 7.5 |
| Other sources | 1.8 | 1.1 | 1.3 |
| Total | \$ 31.3 | \$ 28.8 | \$ 27.7 |

A breakdown and comparison of nonoperating revenues are as follows:

| Nonoperating Revenues (Expenses) (in millions) | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---|----------------|----------------|----------------|
| Federal Pell grant appropriations | \$ 5.8 | \$ 4.6 | \$ 3.8 |
| State appropriations | 21.8 | 21.9 | 16.9 |
| Investment income | .1 | .3 | .4 |
| Interest expense | (.1) | (.1) | (.1) |
| Total | \$ 27.6 | \$ 26.7 | \$ 21.0 |

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

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

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

| State Appropriations (in millions) | 2009 | 2008 | 2007 |
|--------------------------------------|----------------|----------------|----------------|
| State Share of Instructional Support | \$ 6.3 | \$ 5.7 | \$ 5.5 |
| Central State supplement | 12.1 | 11.8 | 11.4 |
| Speed to Scale | 3.4 | 4.4 | - |
| Total | \$ 21.8 | \$ 21.9 | \$ 16.9 |

The change in State of Ohio funding from 2009 to 2008 was primarily due to an increase in SSIS (\$.6 million), an increase of the Central State Supplement of (\$.3 million), and a decrease of Speed to Scale funding (\$1.0 million). The change in State of Ohio funding from 2008 to 2007 was primarily due to a increase in SSIS (\$.2 million) and an increase of the Central State Supplement (\$.4 million) and Speed to Scale funding (\$4.4 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) | 2009 | 2008 | 2007 |
|------------------------------------|----------------|----------------|----------------|
| Instruction | \$ 11.6 | \$ 10.7 | \$ 9.4 |
| Research | 2.1 | 1.4 | 1.4 |
| Student services | 3.8 | 3.9 | 3.4 |
| Academic support | 7.8 | 7.5 | 6.1 |
| Public services | 2.3 | 2.3 | 2.9 |
| Institutional administration | 8.9 | 11.0 | 7.5 |
| Operation and maintenance of plant | 5.4 | 4.8 | 4.7 |
| Auxiliary enterprises | 10.6 | 10.3 | 9.3 |
| Student aid | 2.3 | 2.1 | 3.2 |
| Depreciation | 3.2 | 3.0 | 2.8 |
| Total | \$ 58.0 | \$ 57.0 | \$ 50.7 |

Central State 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 increase in expenses was primarily related to an increase in instruction (\$0.9 million), and research (\$0.7 million), academic support (\$0.3 million), operation and maintenance of plant (\$0.6 million), auxiliary enterprises (\$0.3 million), student aid (\$0.2 million) and depreciation (\$0.2 million) offset by decreases in institutional administration (\$2.1 million) and student services (\$0.1 million). 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.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

The University's operating expenses during 2008 reflected a \$6.3 million increase in operating expenses totaling \$57.0 million in 2008 as compared to \$50.7 million in 2007. The increase in expenses was primarily related to increased spending caused by receipt of Speed to Scale funding of \$4.4 used to improve the educational experience of our students plus increased operation and maintenance of plant expenses.

Analysis of Overall Financial Position

At June 30, 2009, current assets totaled \$18.4 million, as compared to \$17.6 million at June 30, 2008, an increase of \$0.8 million. The increase in current assets was primarily attributable to a \$0.9 million increase in accounts receivable, a \$0.7 million increase in cash and cash equivalents, and a \$0.8 million decrease in pre-paid assets. Current liabilities at June 30, 2009, as compared to June 30, 2008, totaled \$11.1 million and \$12.5 million, respectively, an 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. The decrease in current liabilities was primarily attributable to a decrease of \$2.8 million in deferred revenue, \$0.7 million decrease in accounts payable, and \$0.1 million decrease in other liabilities which was partially offset by an increase of \$1.3 million in accrued salaries, wages, and benefits.

The University's current assets at June 30, 2008 totaled \$17.6 million, as compared to \$10.8 million at June 30, 2007, which represents an increase of \$6.8 million. Current liabilities at June 30, 2008 as compared to June 30, 2007 totaled \$12.5 million and \$5.9 million, respectively, an increase of \$6.6 million. The University's working capital ratios at June 30, 2008 and June 30, 2007 were 1.41 and 1.83, respectively.

Noncurrent assets are comprised of capital assets and restricted cash and cash equivalents. The \$9.0 million increase in the University's noncurrent assets, which total \$72.6 million at June 30, 2009 and \$63.6 million at June 30, 2008, is associated with a \$12.2 million increase in buildings and equipment was offset by a \$3.2 million increase in accumulated depreciation.

Noncurrent assets at June 30, 2008 were \$63.6 million, as compared to \$64.8 million at June 30, 2007. The decrease was primarily associated with a \$0.2 million decrease in restricted cash, an increase in buildings and equipment of \$1.8 million which was offset by a \$2.9 million increase in depreciation.

The University's noncurrent liabilities at June 30, 2009 total \$3.5 million, as compared to \$3.4 million at June 30, 2008. The \$0.1 million increase is attributed to a 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, 2008 were \$3.4 million, as compared to \$3.4 million at June 30, 2007. While the total of University noncurrent liabilities did not change year to year, the long-term debt decreased by \$0.2 million and long-term liabilities increased by \$0.2 million.

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

The University's net assets were \$65.3 million and \$66.3 million at June 30, 2008 and 2007.

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

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 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. During 2008, the University utilized \$0.5 million in state capital appropriations for construction.

The University's long-term debt is comprised of notes payable to Housing and Urban Development and the Department of Education. During 2009, the University did not issue any new debt or capital lease obligations and paid \$0.1 million in connection with debt maturities; during 2008, \$0.2 million was paid in connection with debt maturities. The University is in compliance with all of its contractual long-term debt requirements and covenants.

A breakdown and comparison of the University's balance sheets as of June 30, 2009, 2008, and 2007 are provided below.

| Balance Sheet (in millions) | 2009 | 2008 | 2007 |
|---|----------------|----------------|----------------|
| Assets: | | | |
| Current assets | \$ 18.4 | \$ 17.6 | \$ 10.8 |
| Noncurrent assets: | | | |
| Restricted cash and equivalents | 1.2 | 1.2 | 1.4 |
| Capital assets - Net | 71.4 | 62.4 | 63.4 |
| Total assets | \$ 91.0 | \$ 81.2 | \$ 75.6 |
| Liabilities: | | | |
| Current | \$ 11.1 | \$ 12.5 | \$ 5.9 |
| Noncurrent | 3.5 | 3.4 | 3.4 |
| Total liabilities | 14.6 | 15.9 | 9.3 |
| Net assets: | | | |
| Invested in capital assets - Net | \$ 69.6 | \$ 60.5 | \$ 61.4 |
| Restricted - Expendable | .4 | .5 | .9 |
| Unrestricted | 6.4 | 4.3 | 4.0 |
| Total net assets | 76.4 | 65.3 | 66.3 |
| Total liabilities and net assets | \$ 91.0 | \$ 81.2 | \$ 75.6 |

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

Statement of Cash Flows

Net cash used in operating activities was \$24.8 million, \$24.0 million, and \$19.0 million in 2009, 2008, and 2007, respectively. Cash flows from operating activities were primarily comprised of tuition and fees (\$13.7 million), grants and contracts (\$9.1 million), other receipts (\$1.3 million), and auxiliary enterprise charges (\$3.2 million), which was offset by payments to suppliers and employees of \$52.1 million.

Cash flows from noncapital financing activities were \$27.6 million, \$26.6 million, and \$20.7 million in 2009, 2008, and 2007, respectively. In 2009, these were comprised of State of Ohio appropriations of \$21.8 million, Federal Pell Grants of \$5.8 million, and offsetting federal family education loan receipts and disbursements.

Net cash used in capital and related financing activities for 2009, 2008, and 2007 was \$2.2 million, \$1.7 million, and \$1.7 million, respectively. Cash flows from purchase of capital assets and construction increased by \$10.3 million and was offset by the increase of \$9.8 million in the capital grants and gifts. The change in cash flows from 2008 to 2007 is negligible.

The net increase in cash and cash equivalents was \$0.7 million, \$1.2 million, and \$0.4 million in 2009, 2008, and 2007, respectively. Year-end cash and cash equivalents for 2009, 2008, and 2007 were \$10.3 million, \$9.6 million, and \$8.4 million, respectively.

A breakdown and comparison of the University's statement of cash flows for the years ended June 30, 2009, 2008, and 2007 are provided below:

| Cash Flow Activities (in millions) | 2009 | 2008 | 2007 |
|--|----------------|---------------|---------------|
| Cash flows from operating activities | \$ (24.8) | \$ (24.0) | \$ (19.0) |
| Cash flows from noncapital financing activities | 27.6 | 26.6 | 20.7 |
| Cash flows from capital and related financing activities | (2.2) | (1.7) | (1.7) |
| Cash flows from investing activities | .1 | .3 | 0.4 |
| Net increase in cash and cash equivalents | .7 | 1.2 | 0.4 |
| Cash and cash equivalents - Beginning of year | 9.6 | 8.4 | 8.0 |
| Cash and cash equivalents - End of year | \$ 10.3 | \$ 9.6 | \$ 8.4 |

Central State University

Management's Discussion and Analysis - Unaudited (Continued)

Factors Impacting Future Periods

Phase two of the construction for the new Center for Education and Natural Sciences was completed in Fall 2009. Moving plans are in place for November and December 2009 with classes scheduled to start in January 2010.

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 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.

Central State University aspires to be a premier historically black university in the twenty-first 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. The measure for this is to enroll 3,000 students by 2010. 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). The SAEM, now in its fourth year of implementation, involves all divisions of the University, and has function 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.

In addition to SAEM, Central State University is also pursuing a strategy of partnering with the Board of Regents and five participating state institutions to create a plan to increase the size of Central State from 1,800 to 6,000 students by 2017. This plan is called Speed to Scale. The plan includes a one-time investment from the State over a period of three years and an extensive set of partnerships with the participating institutions. This plan began in fiscal year 2008 with a \$4.4 million investment by the State.

While the world and U.S. economies have suffered a recent downturn, our financial support from the State for the upcoming fiscal year has remained fairly consistent with the help of the American Recovery and Reinvestment Act, also referred to as stimulus funds.

Central State University

Statement of Net Assets University

| | June 30 | |
|--|----------------------|----------------------|
| | 2009 | 2008 |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents (Note 2) | \$ 9,088,582 | \$ 8,381,671 |
| Accounts receivable - Net of allowance of approximately \$9.3 million at June 30, 2009 and \$8.5 million at June 30, 2008 (Note 3) | 9,230,430 | 8,284,583 |
| Notes receivable - Net of allowance of approximately \$954,000 and \$948,000 at June 30, 2009 and 2008, respectively (Note 3) | - | - |
| Prepaid assets | 44,082 | 906,547 |
| Total current assets | 18,363,094 | 17,572,801 |
| Noncurrent Assets | | |
| Deposits | 36,592 | 43,844 |
| Restricted cash and cash equivalents (Note 2) | 1,218,433 | 1,216,209 |
| Capital assets - Net (Note 4) | 71,383,068 | 62,343,551 |
| Total noncurrent assets | 72,638,093 | 63,603,604 |
| Total assets | <u>\$ 91,001,187</u> | <u>\$ 81,176,405</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Deposits | \$ 234,600 | \$ 181,575 |
| Accounts payable | 850,395 | 1,539,427 |
| Accrued salaries, wages, and benefits | 3,902,013 | 2,623,434 |
| Deferred student fee revenue | 4,519,920 | 3,688,774 |
| Current portion of long-term debt (Note 6) | 125,400 | 119,406 |
| Other liabilities | 622,885 | 746,343 |
| Other deferred revenue | 859,979 | 3,603,293 |
| Total current liabilities | 11,115,192 | 12,502,252 |
| Noncurrent Liabilities | | |
| Long-term debt (Note 6) | 1,617,887 | 1,743,287 |
| Long-term liabilities (Note 5) | 1,842,515 | 1,655,506 |
| Total noncurrent liabilities | 3,460,402 | 3,398,793 |
| Total liabilities | 14,575,594 | 15,901,045 |
| Net Assets | | |
| Invested in capital assets - Net of related debt | 69,639,781 | 60,480,858 |
| Restricted for expendable - Grants | 406,474 | 519,697 |
| Unrestricted | 6,379,338 | 4,274,805 |
| Total net assets | 76,425,593 | 65,275,360 |
| Total liabilities and net assets | <u>\$ 91,001,187</u> | <u>\$ 81,176,405</u> |

Central State University

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

| | Year Ended June 30 | |
|--|----------------------|----------------------|
| | 2009 | 2008 |
| Operating Revenues | | |
| Tuition and fees | \$ 13,196,883 | \$ 11,770,060 |
| Less grants and scholarships | (4,633,437) | (3,965,545) |
| Federal grants and contracts | 8,280,357 | 8,171,837 |
| State, local, and private grants and contracts | 3,008,154 | 2,588,680 |
| Indirect cost recovery | 606,376 | 471,594 |
| Auxiliary activities | 13,768,252 | 12,878,876 |
| Less grants and scholarships | (4,748,257) | (4,291,207) |
| Other sources | 1,783,578 | 1,131,870 |
| Total operating revenues | 31,261,906 | 28,756,165 |
| Operating Expenses | | |
| Instruction | 11,543,098 | 10,671,231 |
| Research | 2,127,182 | 1,366,963 |
| Student services | 3,774,595 | 3,886,782 |
| Academic support | 7,836,166 | 7,497,880 |
| Public services | 2,311,652 | 2,306,190 |
| Institutional administration | 8,940,978 | 11,025,647 |
| Operation and maintenance of plant | 5,353,119 | 4,835,959 |
| Auxiliary enterprises | 10,557,742 | 10,348,705 |
| Student aid | 2,312,544 | 2,059,691 |
| Depreciation | 3,212,555 | 3,040,542 |
| Total operating expenses | 57,969,631 | 57,039,590 |
| Operating Loss | (26,707,725) | (28,283,425) |
| Nonoperating Revenues (Expenses) | | |
| Federal Pell Grant appropriations | 5,823,775 | 4,634,788 |
| State appropriations | 21,823,485 | 21,896,930 |
| Investment income | 64,010 | 309,185 |
| Interest expenses on capital asset - Related debt | (98,747) | (103,447) |
| Loss on sale of fixed assets | (600) | (4,030) |
| Net nonoperating revenues | 27,611,923 | 26,733,426 |
| Income (Loss) - Before other revenues | 904,198 | (1,549,999) |
| Other Revenues - State capital appropriations/Capital gifts | 10,246,035 | 534,552 |
| Increase (Decrease) in Net Assets | 11,150,233 | (1,015,447) |
| Net Assets - Beginning of year | 65,275,360 | 66,290,807 |
| Net Assets - End of year | <u>\$ 76,425,593</u> | <u>\$ 65,275,360</u> |

Central State University

Statement of Cash Flows University

| | Year Ended June 30 | |
|---|----------------------|---------------------|
| | 2009 | 2008 |
| Cash Flows from Operating Activities | | |
| Tuition and fees | \$ 13,651,447 | \$ 10,623,905 |
| Grants and contracts | 9,151,573 | 13,619,167 |
| Payments to suppliers and employees | (52,058,215) | (51,891,435) |
| Auxiliary enterprise charges | 3,210,509 | 2,530,171 |
| Other | 1,267,941 | 1,131,871 |
| Net cash used in operating activities | (24,776,745) | (23,986,321) |
| Cash Flows from Noncapital Financing Activities | | |
| Federal Pell grant | 5,823,775 | 4,634,788 |
| State appropriations | 21,823,485 | 21,896,930 |
| Federal family education loan receipts | 19,337,099 | 14,735,862 |
| Federal family education loan disbursements | (19,337,099) | (14,735,862) |
| Net cash provided by noncapital financing activities | 27,647,260 | 26,531,718 |
| Cash Flows from Capital and Related Financing Activities | | |
| Capital grants and gifts received | 10,246,035 | 534,552 |
| Sale of capital assets | (600) | (4,031) |
| Purchase of capital assets and construction | (12,252,672) | (1,972,080) |
| Principal paid on capital debt | (119,406) | (141,260) |
| Interest paid on capital debt | (98,747) | (103,447) |
| Net cash used in capital and related financing activities | (2,225,390) | (1,686,266) |
| Cash Flows from Investing Activities - Interest on investments | 64,010 | 309,185 |
| Net Change in Cash and Cash Equivalents | 709,135 | 1,168,316 |
| Cash and Cash Equivalents - Beginning of year | 9,597,880 | 8,429,564 |
| Cash and Cash Equivalents - End of year | \$ 10,307,015 | \$ 9,597,880 |

Central State University

Statement of Cash Flows (Continued) University

| | Year Ended June 30 | |
|--|------------------------|------------------------|
| | 2009 | 2008 |
| Reconciliation of net operating loss to net cash from operating activities: | | |
| Operating loss | \$ (26,707,725) | \$ (28,283,425) |
| Adjustments to reconcile operating loss to net cash from operating activities: | | |
| Depreciation expense | 3,212,555 | 3,040,542 |
| Changes in operating assets and liabilities which provided (used) cash: | | |
| Accounts receivable | (945,847) | (5,327,028) |
| Inventories, prepaids, and other assets | 869,717 | (872,100) |
| Notes receivable | - | 731,072 |
| Accounts payable | (689,032) | (101,400) |
| Accrued salaries, wages, and benefits | 1,253,722 | 586,272 |
| Other liabilities | 89,008 | 402,888 |
| Deferred revenue and student deposits | (1,859,143) | 5,836,858 |
| Net cash used in operating activities | <u>\$ (24,776,745)</u> | <u>\$ (23,986,321)</u> |

Central State University

Consolidated Statement of Financial Position Discretely Presented Component Unit - Foundation

| | June 30 | |
|---|----------------------|----------------------|
| | 2009 | 2008 |
| Assets | | |
| Cash and cash equivalents | \$ 4,985,878 | \$ 3,036,648 |
| Investments | - | 3,398,360 |
| Contributions receivable | 52,065 | 184,338 |
| Other receivables | 28,322 | 28,322 |
| Prepaid expenses | 5,672 | 5,672 |
| Total current assets | 5,071,937 | 6,653,340 |
| Restricted cash and cash equivalents (Note 2) | 3,132,693 | 2,973,473 |
| Fixed assets - Net (Note 4) | 13,640,050 | 14,157,946 |
| Financing costs - Net | 1,727,426 | 1,828,598 |
| Total assets | <u>\$ 23,572,106</u> | <u>\$ 25,613,357</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 381,023 | \$ 272,492 |
| Surplus payable | 516,239 | - |
| Deferred revenue | 30,266 | 888,484 |
| Accrued interest payable | 497,169 | 504,909 |
| Current portion of long-term debt (Note 6) | 405,000 | 380,000 |
| Total current liabilities | 1,829,697 | 2,045,885 |
| Long-term accounts payable | - | 85,000 |
| Long-term debt (Note 6) | 18,896,628 | 19,268,856 |
| Total liabilities | 20,726,325 | 21,399,741 |
| Net Assets | | |
| Unrestricted | (1,015,602) | (26,671) |
| Temporarily restricted | 1,735,844 | 2,236,559 |
| Permanently restricted | 2,125,539 | 2,003,728 |
| Total net assets | 2,845,781 | 4,213,616 |
| Total liabilities and net assets | <u>\$ 23,572,106</u> | <u>\$ 25,613,357</u> |

Central State University

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

| | Year Ended June 30 | |
|--|---------------------|---------------------|
| | 2009 | 2008 |
| Revenue | | |
| Rental revenues | \$ 2,716,635 | \$ 2,749,852 |
| Contributions | 872,499 | 1,314,545 |
| Reimbursements | 153,476 | 49,806 |
| Other | 728,922 | 416,889 |
| Unrealized loss on investments | (974,607) | (497,831) |
| Investment income | 161,907 | 415,032 |
| Total revenue | 3,658,832 | 4,448,293 |
| Expenses | | |
| Programs: | | |
| Scholarship programs | 498,291 | 329,018 |
| Athletic programs | 215,440 | 274,478 |
| Academic programs | 392,630 | 300,442 |
| Institutional programs | 562,826 | 248,507 |
| Support activities: | | |
| Management fees | 190,164 | 192,492 |
| Operating expenses | 725,434 | 701,094 |
| Surplus expense | 516,239 | - |
| Depreciation expense | 605,664 | 614,485 |
| Interest expense | 1,027,109 | 1,044,954 |
| Other | 292,870 | 248,924 |
| Total expenses | 5,026,667 | 3,954,394 |
| (Decrease) Increase in Net Assets | (1,367,835) | 493,899 |
| Net Assets - Beginning of year | 4,213,616 | 3,719,717 |
| Net Assets - End of year | \$ 2,845,781 | \$ 4,213,616 |

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 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. Marauder, an Ohio limited liability corporation, was formed to develop property for the use of Central State University. The financial operations of Marauder Development, LLC, which maintains a fiscal year end of August 31, have been consolidated within these financial statements. Marauder West, an Ohio limited liability corporation, was formed to purchase property in Dayton for the location of CSU - Dayton campus. The financials have been consolidated with these financial statements also. 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 revenues, 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.

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 Revenues and Expenses - The University defines operating activities as reported on the statement of revenues, 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 \$40,000 and \$22,000 as of June 30, 2009 and 2008, respectively.

Central State University

Notes to Financial Statements June 30, 2009 and 2008

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 had \$7,181,565 and \$6,235,383 of cash and cash equivalents that were uninsured and uncollateralized as of June 30, 2009 and 2008, respectively.

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 \$1,218,433 and \$1,216,209 invested in bank mutual fund pools at June 30, 2009 and 2008, 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, 2009 and 2008:

| | 2009 | 2008 |
|-----------------------------|---------------------|---------------------|
| Restricted: | | |
| Debt interest account | \$ 527,577 | \$ 507,981 |
| Debt principal account | 405,356 | 383,327 |
| Repair and replacement fund | 791,073 | 668,704 |
| Debt reserve fund | <u>1,408,687</u> | <u>1,413,461</u> |
| Total restricted cash | <u>\$ 3,132,693</u> | <u>\$ 2,973,473</u> |

Central State University

Notes to Financial Statements June 30, 2009 and 2008

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 money market funds as of June 30, 2009 and bond mutual funds as of June 30, 2008.

Note 3 - Receivables

At June 30, 2009 and 2008, receivables consist of the following:

| | 2009 | 2008 |
|--------------------------------------|---------------------|---------------------|
| Student accounts receivable | \$ 12,736,424 | \$ 14,445,618 |
| Student notes receivable | 953,969 | 947,789 |
| Grant and contract receivables | 5,016,877 | 1,828,360 |
| Other | 808,982 | 552,775 |
| Total | 19,516,252 | 17,774,542 |
| Less allowance for doubtful accounts | (10,285,822) | (9,489,959) |
| Net receivables | <u>\$ 9,230,430</u> | <u>\$ 8,284,583</u> |

Note 4 - Capital Assets

Capital assets activity for the University for the years ended June 30, 2009 and 2008 is summarized as follows:

| | 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 | 175,327 | 9,054,314 | - | - | 9,229,641 |
| 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 | 11,799,763 | 817,434 | (78,210) | - | 12,538,987 |
| Total accumulated depreciation | 64,086,765 | \$ 3,212,555 | \$ (78,210) | \$ - | 67,221,110 |
| Capital assets - Net | <u>\$ 62,343,551</u> | | | | <u>\$ 71,383,068</u> |

Central State University

Notes to Financial Statements June 30, 2009 and 2008

Note 4 - Capital Assets (Continued)

| | 2008 | | | | Ending Balance |
|---------------------------------------|----------------------|--------------|--------------|-----------|----------------------|
| | Beginning Balance | Additions | Retirements | Transfers | |
| Depreciable assets: | | | | | |
| Buildings and improvements | \$ 110,120,070 | \$ 680,428 | \$ - | \$ - | \$ 110,800,498 |
| Automobiles, machinery, and equipment | 14,116,724 | 1,099,792 | (119,216) | 48,541 | 15,145,841 |
| Nondepreciable assets: | | | | | |
| Land improvements | 308,650 | - | - | - | 308,650 |
| Construction in progress | 21,973 | 201,895 | - | (48,541) | 175,327 |
| Total capital assets | 124,567,417 | 1,982,115 | (119,216) | - | 126,430,316 |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | 49,942,527 | 2,344,475 | - | - | 52,287,002 |
| Automobiles, machinery, and equipment | 11,212,877 | 696,067 | (109,181) | - | 11,799,763 |
| Total accumulated depreciation | 61,155,404 | \$ 3,040,542 | \$ (109,181) | \$ - | 64,086,765 |
| Capital assets - Net | <u>\$ 63,412,013</u> | | | | <u>\$ 62,343,551</u> |

Commitments for construction contracts at June 30, 2009 were approximately \$3.2 million. Since this work has not yet been performed, no liability has been recorded at year end.

Capital assets activity for the Foundation for the years ended June 30, 2009 and 2008 is summarized as follows:

| | 2009 | 2008 |
|-------------------------------|----------------------|----------------------|
| Land | \$ 140,800 | \$ 140,800 |
| Building | 15,592,051 | 15,592,051 |
| Furniture | 896,603 | 896,603 |
| Total fixed assets | 16,629,454 | 16,629,454 |
| Less accumulated depreciation | (2,989,404) | (2,471,508) |
| Net | <u>\$ 13,640,050</u> | <u>\$ 14,157,946</u> |

Central State University

Notes to Financial Statements June 30, 2009 and 2008

Note 5 - Long-term Liabilities

Long-term liability (other than long-term debt) activity for the years ended June 30, 2009 and 2008 is summarized as follows:

| | 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 | 450,313 | 215,380 | 3,515 | 662,178 | - |
| Total | <u>\$ 2,375,475</u> | <u>\$ 890,510</u> | <u>\$ 644,904</u> | <u>\$ 2,621,081</u> | <u>\$ 778,566</u> |

| | 2008 | | | | |
|----------------------|---------------------|-------------------|-------------------|---------------------|-------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Compensated absences | \$ 1,705,778 | \$ 847,939 | \$ 628,555 | \$ 1,925,162 | \$ 719,969 |
| Other liabilities | 548,961 | - | 98,648 | 450,313 | - |
| Total | <u>\$ 2,254,739</u> | <u>\$ 847,939</u> | <u>\$ 727,203</u> | <u>\$ 2,375,475</u> | <u>\$ 719,969</u> |

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

Note 6 - Long-term Debt

University

Long-term debt for the University consists of the following for the years ended June 30, 2009 and 2008:

| | 2009 | | | | |
|---|---------------------|-------------|-------------------|---------------------|-------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Notes payable: | | | | | |
| Note payable to HUD, 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 | 1,809,938 | - | 93,421 | 1,716,517 | 98,630 |
| Total | <u>\$ 1,862,693</u> | <u>\$ -</u> | <u>\$ 119,406</u> | <u>\$ 1,743,287</u> | <u>\$ 125,400</u> |

Central State University

Notes to Financial Statements June 30, 2009 and 2008

Note 6 - Long-term Debt (Continued)

| | 2008 | | | | |
|--|----------------------|-------------|-------------------|---------------------|--------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Bond payable: | | | | | |
| Central State University Revenue Bonds of 1970, Series F, 3.0%, payable in varying installments through December 1, 2010 | \$ 27,550 | \$ - | \$ 27,550 | \$ - | \$ - |
| Notes payable: | | | | | |
| Note payable to HUD, 3.0%, payable in varying installments through June 12, 2010 | 77,977 | - | 25,222 | 52,755 | 25,985 |
| Note payable to the Department of Education, 5.5%, payable in varying installments through November 1, 2021 | 1,898,425 | - | 88,487 | 1,809,938 | 93,421 |
| Total | <u>\$ 2,003,952</u> | <u>\$ -</u> | <u>\$ 141,259</u> | <u>\$ 1,862,693</u> | <u>\$ 119,406</u> |

At June 30, 2009, maturities of long-term debt, including interest payments, are as follows:

| | Principal | Interest | Total |
|-----------|---------------------|-------------------|---------------------|
| 2010 | \$ 125,400 | \$ 93,674 | \$ 219,074 |
| 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 |
| 2015-2019 | 723,106 | 235,397 | 958,503 |
| 2020-2022 | 442,116 | 132,984 | 575,100 |
| Total | <u>\$ 1,743,287</u> | <u>\$ 776,193</u> | <u>\$ 2,519,480</u> |

Revenues from student housing and dining facilities are pledged for the redemption of the notes.

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 (\$230,036 accumulated at June 30, 2009).

Central State University

Notes to Financial Statements June 30, 2009 and 2008

Note 6 - Long-term Debt (Continued)

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, 2009 and 2008:

| | 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> |

| | Interest Rate | Maturity | Balance September 1, 2007 | Additions | Payments | Balance August 31, 2008 |
|---------------------------|---------------|----------|---------------------------------|------------------|-------------------|----------------------------|
| Revenue Bonds Series 2004 | 3.3%-5.1% | 2035 | \$ 11,717,994 | \$ 13,392 | \$ 200,000 | \$ 11,531,386 |
| Revenue Bonds Series 2002 | 3.0%-5.625% | 2032 | 8,265,726 | 21,744 | 170,000 | 8,117,470 |
| Total | | | <u>\$ 19,983,720</u> | <u>\$ 35,136</u> | <u>\$ 370,000</u> | 19,648,856 |
| Less current portion | | | | | | 380,000 |
| Long-term portion | | | | | | <u>\$ 19,268,856</u> |

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 | |
| 2010 | \$ 180,000 | \$ 427,184 | \$ 225,000 | \$ 559,841 | \$ 1,392,025 |
| 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 |
| 2015-2019 | 1,240,000 | 1,791,360 | 1,495,000 | 2,424,092 | 6,950,452 |
| 2020-2024 | 1,600,000 | 1,420,469 | 1,885,000 | 2,017,500 | 6,922,969 |
| 2025-2029 | 2,105,000 | 915,321 | 2,405,000 | 1,480,185 | 6,905,506 |
| 2030-2034 | 2,175,000 | 256,359 | 3,090,000 | 783,105 | 6,304,464 |
| 2035 | - | - | 1,465,000 | 75,607 | 1,540,607 |
| Total | <u>\$ 8,105,000</u> | <u>\$ 6,436,046</u> | <u>\$ 11,555,000</u> | <u>\$ 9,491,501</u> | <u>\$ 35,587,547</u> |

Note 6 - Long-term Debt (Continued)

Marauder issued Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the University Housing Project. The bond discount was \$142,946 and \$162,530 at June 30, 2009 and 2008, 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 \$180,000 on September 1, 2009 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 \$215,426 and \$228,614 at June 30, 2009 and 2008, 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 \$225,000 on September 1, 2009 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.

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).

Central State University

Notes to Financial Statements June 30, 2009 and 2008

Note 6 - Long-term Debt (Continued)

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

| | 2009 | 2008 |
|--|---------------------|---------------------|
| Change in member's capital | \$ (321,316) | \$ 352,530 |
| Add items to convert net income to pledged revenues: | | |
| Interest expense on bonds | 1,027,109 | 1,044,954 |
| Management fees | 190,164 | 192,492 |
| Surplus expense | 573,599 | - |
| Depreciation and amortization expense | 605,664 | 606,360 |
| Net pledged revenues as defined (1) | <u>\$ 2,075,220</u> | <u>\$ 2,196,336</u> |
| Debt service requirement on bonds (2) | \$ 1,382,078 | \$ 1,386,792 |
| Coverage ratio (1/2) | 150% | 158% |
| 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

STRS
275 East Board Street
Columbus, Ohio 43215

614.466.2085

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, 2009, 2008, and 2007 are as follows:

| | OPERS | STRS |
|------|------------|------------|
| 2009 | \$ 767,716 | \$ 944,915 |
| 2008 | 797,021 | 898,708 |
| 2007 | 710,362 | 872,093 |

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 \$530,064 and \$558,638 and the University's contributions to the ARP were \$705,521 and \$720,892 for the years ended June 30, 2009 and 2008, respectively. In addition, the amounts contributed to ARP by the University on behalf of the faculty participants were \$162,294 and \$161,080 for the years ended June 30, 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.

Note 9 - Other Postemployment Benefits (Continued)

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.

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, 2007 was \$12.8 billion. There were 382,177 active, contributing members. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$30.7 billion, respectively. For the years ended June 30, 2009 and 2008, the University contributed \$437,143 and \$396,660, 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, 2007, STRS allocated employer contributions equal to 4.75 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 \$3.7 billion at June 30, 2008. There were 126,506 benefit recipients eligible for post-employment benefits at June 30, 2008. For the years ended June 30, 2009 and 2008, the University contributed \$56,747 and \$56,378, 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.

Central State University

Notes to Financial Statements June 30, 2009 and 2008

Note 11 - Commitments and Contingencies

Commitments - The University has encumbered \$1,216,452 and \$1,163,371 of funds as of June 30, 2009 and 2008, 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.

Litigations - The University is involved in various litigation and regulatory matters. Based upon management's review, the ultimate disposition of these matters is uncertain; therefore, no adjustments have been made to the financial statements relative to these matters. The University's administration believes that the ultimate disposition of these matters would not have a material adverse effect upon 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 \$678,566 and \$655,993 for the years ended June 30, 2009 and 2008, 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 \$915,598 and \$893,586 for the years ended June 30, 2009 and 2008, respectively. The University paid Marauder Development, LLC \$2,716,635 and \$2,749,852 for the years ended June 30, 2009 and 2008, 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.

Supplemental Information

Central State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

| 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 FY 2008 | 84.375 | \$ 750 |
| ACG Grant FY 2009 | 84.375 | 4,550 |
| Federal SEOG FY 2008 | 84.007 | 250 |
| Federal Work Study FY 2008 | 84.033 | 976 |
| Federal Pell Grant FY 2008 | 84.063 | 2,086,887 |
| Federal SEOG FY 2009 | 84.007 | 558,533 |
| Federal Work Study FY 2009 | 84.033 | 607,962 |
| Federal Pell Grant FY 2009 | 84.063 | <u>3,736,888</u> |
| TOTAL STUDENT FINANCIAL AID CLUSTER | | 6,996,796 |
| RESEARCH AND DEVELOPMENT CLUSTER: | | |
| National Aeronautics and Space Administration: | | |
| Ohio Space Grant | 43.001 | 13,891 |
| Environmental Protection Agency: | | |
| NET Incubator | 66.510 | 34,016 |
| Center for Allaying Health Disparities Through Research and Ed. | 93.307 | <u>583,219</u> |
| TOTAL RESEARCH AND DEVELOPMENT CLUSTER | | 631,126 |
| TRIO CLUSTER: | | |
| U.S. Department of Education Direct Programs: | | |
| TRIO: Student Support Services | 84.042A | 377,875 |
| TRIO: Upward Bound Program | 84.047 | <u>252,864</u> |
| TOTAL TRIO CLUSTER | | 630,739 |

Central State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

| Federal Agency/Pass-through Agency Program Title | CFDA Number | Federal Expenditures |
|---|-------------|----------------------|
| OTHER FEDERAL PROGRAMS: | | |
| U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAMS: | | |
| Higher Education - Institutional Aid - Direct Program: | | |
| Campus Security | 84.031B | \$ 6,620 |
| Strengthening Institutional Enhancement 02/07 CO Yr 3 | 84.031B | 254,546 |
| Library Acquisition Enhancement | 84.031B | 137,822 |
| Institutional Advancement | 84.031B | 299,666 |
| Improving Administrative Management | 84.031B | 111,777 |
| Program Administration | 84.031B | 218,001 |
| SAEM | 84.031B | 97,123 |
| Strengthening Institutional Enhancement 02/07 CO Year 4 | 84.031B | 205,840 |
| Strengthening Academic Success | 84.031B | 225,546 |
| K-16 Higher Education Access | 84.031B | 83,434 |
| Center for Teaching and Learning | 84.031B | 362,884 |
| Center for Teaching and Retention | 84.031B | 236,895 |
| CCRA - Library Enhancement | 84.031B | 21,188 |
| CCRA - Dayton Campus | 84.031B | 53,636 |
| CCRA - Digital Divide | 84.031B | 9,342 |
| Pre Law | 84.031B | 35,632 |
| Strengthening Institutional Management COY 2007/08 | 84.031B | 21,204 |
| Total Higher Education - Institutional Aid | | 2,381,156 |
| Minority Science and Engineering Program (MSEIP) - BISCA | 84.120 | 53,949 |
| Integrated Biotech Education | 84.120 | 2,074 |
| Ralph Regula Computational Science | 84.215 | 2,754 |
| TOTAL U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAMS | | 2,439,933 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | |
| Head Start Teacher Preparation | 93.600 | 98,136 |
| KRUNKED 4 Life | 93.910 | 166,346 |
| Cultural Competanancy | 93.558 | 534,781 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | 799,263 |
| U.S. DEPARTMENT OF TRANSPORTATION: | | |
| Summer Transportation Program | 20.000 | 34,578 |
| Akron University Transportation Center | 20.701 | 9,432 |
| 2009 Summer Transportation Program | 20.000 | 22,883 |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | 66,893 |

Central State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Federal Expenditures |
|--|-------------|----------------------|
| U.S. DEPARTMENT OF DEFENSE: | | |
| Basic and Applied Scientific Research: | | |
| Identifying Max. Rhizosphere Biom. | 12.431 | \$ 81,290 |
| Battelle Mentor Protégé | 12.000 | 6,099 |
| Materials and Manufacturing Research | 12.000 | 19,011 |
| Sensors Technical Thrust | 12.000 | 7,500 |
| Technology Transfer Program | 12.000 | 2,311 |
| Sensors Research | 12.000 | 36,344 |
| Materials and Manufacturing Research | 12.000 | 13,648 |
| TOTAL U.S. DEPARTMENT OF DEFENSE | | 166,203 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: | | |
| Tawawa Community Development | 14.251 | 63,466 |
| NATIONAL SCIENCE FOUNDATION: | | |
| Earth System Science Education Alliance | 47.050 | 13,128 |
| QUEST | 47.076 | 11,255 |
| LSAMP OH Science and Engineering | 47.076 | 8,564 |
| CSU JUMP | 47.076 | 110,784 |
| REEL Program | 47.049 | 5,997 |
| Benjamin Banneker's Scholarship Program | 47.076 | 64,860 |
| Computational Science Educational Materials | 47.076 | 10,000 |
| ADVANCE | 47.076 | 11,841 |
| CEENE | 47.076 | 106,663 |
| TOTAL NATIONAL SCIENCE FOUNDATION | | 343,092 |
| U.S. DEPARTMENT OF ENERGY: | | |
| National Renewable Energy Laboratory | 81.087 | 47,420 |
| STEM UP - OUT | 81.123 | 1,178,005 |
| Training of Radiochemistry Students | 84.000 | 38,273 |
| TOTAL U.S. DEPARTMENT OF ENERGY | | 1,263,698 |
| U.S. DEPARTMENT OF INTERIOR: | | |
| Applications of Remote Sensing Technology (USBR) | 15.504 | 465,709 |
| Historic Preservation Grants | 15.904 | 721,229 |
| TOTAL U.S. DEPARTMENT OF INTERIOR | | 1,186,938 |

Central State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Federal Expenditures |
|--|-------------|----------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | |
| Monitoring Agricultural Sewage | 11.460 | \$ 1,359 |
| U.S. DEPARTMENT OF COMMERCE | | |
| Monitoring of Lake Erie | 11.460 | 16,494 |
| U.S. DEPARTMENT OF LABOR | | |
| Modular Automated Training System | 17.261 | 60,958 |
| NUCLEAR REGULATORY COMMISSION | | |
| Development of a Reactor Safety | 77.006 | 4,737 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | \$ 14,671,695 |

Central State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Central State University and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - 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, 2009, are summarized as follows:

| | | |
|--|----|--------------------------|
| Federal Stafford Loans | \$ | 7,178,297 |
| Federal Unsubsidized Stafford Loans | | 8,672,039 |
| Federal Parent Loans for Undergraduate Students (PLUS) | | <u>1,347,729</u> |
| Total federal Family Education Loan Program | \$ | <u><u>17,198,065</u></u> |

Note 3 - Loans Outstanding

The University administers the Perkins Loan Program (Federal CFDA Number 84.038). Outstanding loans as of June 30, 2009 were \$953,569. No new loans were issued during the year ended June 30, 2009.

Note 4 - 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 |
|--|----------------|-------------------------------------|
| Identifying Maximum Rhizosphere Bioremediative Potential through DNA Microarray | 12.431 | \$ 17,444 |
| STEM UP-OUT | 81.123 | 66,706 |
| CADRE | 93.307 | 40,134 |
| KRUNKED 4 Life | 93.910 | 7,123 |
| Applications of Remote Sensing | 15.504 | 285,337 |

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 Central State University (the "University") as of and for the year ended June 30, 2009 and have issued our report thereon dated October 15, 2009. 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 the University'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 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FS-2009-01 and FS-2009-02 to be significant deficiencies.

To the Board of Trustees
Central State University

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the University in a separate letter dated October 15, 2009.

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

Plante & Moran, PLLC

October 15, 2009

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, 2009. 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 the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies. In aggregate, we consider these significant deficiencies to constitute a material weakness.

As described in items 2009-01, 2009-02, 2009-03, 2009-04, 2009-05, 2009-06, 2009-07, 2009-08, and 2009-09 in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding Eligibility and Special Tests and Provisions that are applicable to its Student Financial Aid Cluster. Compliance with such requirements is necessary, in our opinion, for the University to comply with requirements applicable to those programs.

To the Board of Trustees
Central State University

In our opinion, except for the noncompliance described in the preceding paragraph, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-10.

Internal Control Over Compliance

The management of Central State University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies. In aggregate, we consider these significant deficiencies to constitute a material weakness.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-01, 2009-02, 2009-03, 2009-04, 2009-05, 2009-07, 2009-08 and 2009-09 to be significant deficiencies.

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

To the Board of Trustees
Central State University

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

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

Plante & Moran, PLLC

October 15, 2009

Central State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2009

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 |
| Higher Education - Institutional Aid Cluster | - Unqualified |
| Cultural Competency | - Unqualified |
| STEM UP - OUT | - Unqualified |
| Historic Preservation Grants | - 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, 2009

Section I - Summary of Auditor's Results (Continued)

Identification of major program(s):

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|--|
| 84.007, 84.033, 84.063, 84.375, 84.032, 84.038 | Student Financial Aid Cluster |
| 43.001, 66.510, 93.307 | Research and Development Cluster |
| 84.031B | Higher Education - Institutional Aid Cluster |
| 93.558 | Cultural Competency |
| 81.123 | STEM UP - OUT |
| 15.904 | Historic Preservation Grants |

Dollar threshold used to distinguish between type A and type B programs: \$444,995

Auditee qualified as low-risk auditee? Yes No

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section II - Financial Statement Audit Findings

| Reference Number | Findings |
|------------------|---|
| FS-2009-01 | <p>Grants Receivable Allowance</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past, current and future events. The allowance for doubtful grants receivable is a significant estimate affecting the financial statements.</p> <p>Condition - During our testing and review of the outstanding grants receivable balance at June 30, 2009, we noted several old, outstanding amounts for which the University feels are unlikely to be collected.</p> <p>Context - The University recorded a significant adjusting entry to the allowance for doubtful grants receivable account to increase the reserve for these uncollectible amounts and to writeoff another of the outstanding balances as result of our audit testing.</p> <p>Cause and Effect - The old, outstanding amounts on the grants receivable schedule had not been reviewed in a timely manner and no determination had been made at June 30, 2009 to determine if an adjustment to the allowance was necessary.</p> <p>Recommendation - We recommend the University assess collectibility for the entire outstanding grant receivable balance and writeoff any old, outstanding items that are deemed to be uncollectible to ensure the balance is accurately recorded at net realizable value on the financial statements. This review should be completed at least on an annual basis.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University agrees that the grants in question were not collectible and they were fully reserved for the current fiscal year. We will establish a quarterly procedure to review and take appropriate action for any funds not covered by the positive/negative reserve process. This is already in progress as we continually improve the process quality of our work. We have upgraded an open clerical position to a staff accountant position.</p> |

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section II - Financial Statement Audit Findings (Continued)

| Reference Number | Findings |
|---------------------|---|
| FS-2009-02 | <p data-bbox="428 554 906 583">Grants Positive/Negative Analysis</p> <p data-bbox="428 632 902 661">Finding Type - Significant deficiency</p> <p data-bbox="428 709 1425 886">Criteria - Annually, the University performs a positive/negative cash analysis to determine the related assets and liabilities to be recorded for each grant fund at June 30. This analysis determines which grant activity should be recognized as revenue and which activity should be deferred to future periods.</p> <p data-bbox="428 934 1414 1041">Condition - During our audit procedures, we noted that the calculation was being recorded incorrectly in the general ledger, resulting in a misstatement of the grants receivable and deferred grant revenue amounts.</p> <p data-bbox="428 1089 1414 1194">Context - The University posted an adjusting entry to correct the misstatement and properly state grants receivable and deferred revenue amounts at June 30, 2009.</p> <p data-bbox="428 1243 1425 1308">Cause and Effect - The schedule had not been reviewed timely to ensure amounts were being posted properly in the general ledger.</p> <p data-bbox="428 1356 1414 1461">Recommendation - We recommend the positive/negative analysis calculation be reviewed to ensure the amounts are being recorded properly in the general ledger.</p> <p data-bbox="428 1509 1414 1722">Views of Responsible Officials and Planned Corrective Actions - The University agrees the positive/negative analysis calculation should be reviewed more carefully. In order to continually improve the process quality of our work, we have upgraded an open clerical position to a staff accountant position. This will provide our institution with more expertise and allow for more timely review of the work product.</p> |

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section III - Federal Program Audit Findings

| Reference Number | Findings |
|------------------|---|
| 2009-01 | <p>Program Name - Student Financial Aid Cluster - Federal Family Education Loans - 84.032</p> <p>Finding Type - Significant deficiency/noncompliance</p> <p>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 (34 CFR § 668.167(b)). 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.</p> <p>Condition - The Institution did not disburse FFEL loan proceeds within three business days of receipt and the undisbursed FFEL loan proceeds were not returned to the lender within 10 business days after the date the funds were required to be disbursed.</p> <p>Questioned Costs - \$500</p> <p>Context - Of 36 students tested for eligibility and disbursement testing, we noted one student where the Institution did not disburse loan proceeds within three business days of receipt and two students who declined funds and the undisbursed loan amounts were not returned to the lender within 10 business days.</p> <p>Cause and Effect - The disbursements were overlooked and Student Financial Aid did not disburse loan funds within three business days or did not return unused loan funds to the lender within 10 business days.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University agrees with the recommendation. An additional financial aid staff member has been assigned to assist the loan processor with processing loan disbursements and returns in a timely fashion. Further, financial aid and cash management will determine if loan disbursements should in fact be processed in cash management and cross-checked by a financial aid loan processor to ensure greater checks and balances.</p> |

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section III - Federal Program Audit Findings (Continued)

| Reference Number | Findings |
|------------------|---|
| 2009-02 | <p>Program Name - Student Financial Aid Cluster - Federal Family Education Loans - 84.032</p> <p>Finding Type - Significant deficiency/noncompliance</p> <p>Criteria - Special tests and provisions compliance requirement -The Institution shall return loan proceeds to the lender if the verification process is not completed after 45 days (34 CFR § 668.58).</p> <p>Condition - The verification process was not completed within 45 days at the University did not return undisbursed loan proceeds to the lender.</p> <p>Questioned Costs - None</p> <p>Context - Of 36 students tested for verification, one loan proceeds was not returned to the lender for one student.</p> <p>Cause and Effect - The disbursement was held pending verification but was overlooked until the verification worksheet was returned, and therefore, the Student Financial Aid Department did not return the loan funds within the required 45 days.</p> <p>Recommendation - We recommend that the Student Financial Aid Department track outstanding student verification worksheets to monitor completion within 45 days and establish a deadline by which to return funds.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University agrees with the recommendation. Loans will no longer be certified until verification is complete. Additionally, verification will be processed by two clerks who are currently being trained. Counselors will review verifications for accuracy by reviewing newly generated ISIRs and verification figures in order to provide checks and balances that result in accurate verifications. Additionally, Access Educator will provide FAFSA completion workshops in order to reduce the instances of verification triggers.</p> |

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section III - Federal Program Audit Findings (Continued)

| Reference Number | Findings |
|------------------|--|
| 2009-03 | <p>Program Name - Student Financial Aid Cluster - Federal Family Education Loans - 84.032</p> <p>Finding Type - Significant deficiency/noncompliance</p> <p>Criteria - Special tests and provisions compliance requirement - The institution must make disbursements no later than three business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash (34 CFR § 668.166). Excess cash includes any funds received from the Department of Education that are deposited or transferred to the institution's federal account as a result of an award adjustment, cancellation, or recovery. A school may retain for up to seven days an amount of excess cash that does not exceed 1 percent of the total amount of funds the University drew down in the prior award year.</p> <p>Condition - The University did not return excess loan funds within seven days.</p> <p>Questioned Costs - \$3,375</p> <p>Context - Of 36 students tested, two instances of excess cash not being returned within seven days were identified.</p> <p>Cause and Effect - Scholarships posting to student accounts after loans were disbursed caused adjustments which required a reduction in the total loan award and a return of excess funds to the Department of Education. The excess funds were not returned within seven days.</p> <p>Recommendation - We recommend establishing a process of review by the Student Financial Aid Department when adjustments are made to financial aid awarded on student accounts, to ensure excess funds are identified and returned within seven days.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University agrees with the recommendation. Counselors have been instructed to electronically communicate award adjustments to loan processors on a daily basis for loan cancellation, reduction, and recovery.</p> |

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section III - Federal Program Audit Findings (Continued)

| Reference Number | Findings |
|------------------|---|
| 2009-04 | <p>Program Name - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 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 University did not calculate Title IV refunds properly, and as a result, incorrect aid amounts were returned.</p> <p>Questioned Costs - \$3,054</p> <p>Context - Of 36 students selected for return of Title IV testing, two of those students were improperly calculated.</p> <p>Cause and Effect - The University used incorrect inputs for the Title IV Funds withdrawal worksheet and, thus did not calculate the proper refund.</p> <p>Recommendation - The University should develop a review procedure to identify manual input errors. The University should also establish a process for identifying students who have completely withdrawn from courses or have been academically terminated in order to determine when a return to Title IV calculation needs to be completed.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University agrees with the recommendation. The Student Financial Aid Department will implement a process of checks and balances in which data is entered by one staff person and reviewed for accuracy by a second in addition to review by the director.</p> |

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section III - Federal Program Audit Findings (Continued)

| Reference Number | Findings |
|---------------------|---|
| 2009-05 | <p data-bbox="418 558 1421 630">Program Name - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.032, 84.038</p> <p data-bbox="418 680 1421 716">Finding Type - Significant deficiency/noncompliance</p> <p data-bbox="418 758 1421 1056">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 data-bbox="418 1098 1421 1134">Condition - The University did not return Title IV refunds within 45 days.</p> <p data-bbox="418 1184 1421 1220">Questioned Costs - \$3,907</p> <p data-bbox="418 1262 1421 1333">Context - Of 36 students selected for return of Title IV testing, there were four instances in which Title IV refunds were not returned within 45 days.</p> <p data-bbox="418 1375 1421 1480">Cause and Effect - Currently there is no formal process in place to review Title IV refund calculations and to ensure funds are returned in a timely manner.</p> <p data-bbox="418 1522 1421 1627">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.</p> <p data-bbox="418 1677 1421 1896">Views of Responsible Officials and Planned Corrective Actions - The University agrees with the recommendation; withdrawals will be reviewed/identified on a weekly basis using a Banner student module generated dashboard report. A staff member is assigned to collaborate and communicate with the registrar's office on a weekly basis to ensure that calculations are done accurately and in a timely fashion.</p> |

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section III - Federal Program Audit Findings (Continued)

| Reference Number | Findings |
|------------------|---|
| 2009-06 | <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 NSLDS within 60 days of the status change (34 CFR § 82.610).</p> <p>Condition - The University did not report status changes within the 30/60 day rule.</p> <p>Questioned Costs - None</p> <p>Context - Of the 36 students selected for status change testing, 11 of those students did not have a status change reported in a timely manner.</p> <p>Cause and Effect - The University uploads enrollment information three times a semester, but these students selected were not updated on NSLDS in a timely manner.</p> <p>Recommendation - The University should establish another method of reporting status changes during the year to ensure that status changes are being updated and reflected on NSLDS in a timely manner.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University agrees with the recommendation. The Office of Student Financial Aid has updated the process by which student status is reported to NSLDS to include implementation of reporting schedule with the Registrar and manual entry of changes into NSLDS by staff at the time of calculation.</p> |

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section III - Federal Program Audit Findings (Continued)

| Reference Number | Findings |
|------------------|---|
| 2009-07 | <p>Program Name - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 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 the information recorded by the University on the verification worksheet.</p> <p>Questioned Costs - Unknown</p> <p>Context - Of 36 students tested for verification, we noted five students with inconsistencies between information included on the ISIR and the verification worksheet.</p> <p>Cause and Effect - The information recorded by the University did not match the verification worksheet or supporting documentation and resulted in an incorrect calculation of the expected family contribution.</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> <p>Views of Responsible Officials and Planned Corrective Actions - The University agrees with the recommendation. Verification will be processed by two clerks who are currently being trained. Counselors will review verifications for accuracy by reviewing newly generated ISIRs and verification figures in order to provide checks and balances that result in accurate verifications.</p> |

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

| Reference Number | Findings |
|------------------|--|
| 2009-08 | <p>Program Name - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.032, 84.038</p> <p>Finding Type - Significant deficiency/noncompliance</p> <p>Criteria - Eligibility compliance requirement - Institutions must establish and publish reasonable standards for measuring whether eligible students are maintaining satisfactory progress in their educational program. The institution must monitor eligibility on at least an annual basis against these standards (34 CFR § 668.16).</p> <p>Condition - The University did not review or monitor academic eligibility in a timely manner.</p> <p>Questioned Costs - None</p> <p>Context - Of the 36 students selected for review of academic eligibility, five of those students were not reviewed or updated at the end of the academic year.</p> <p>Cause and Effect -The individual responsible for reviewing academic eligibility is no longer with the University, and the duties were reassigned during the fiscal year.</p> <p>Recommendation - We recommend academic review be completed at least annually and updated in a timely manner to ensure students are eligible to receive federal aid.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University agrees with the findings. The SAP review process was reassigned to individual counselors by their respective caseloads in December 2008. Additionally, the Office of Student Financial Aid will address this matter further by automating the process via Banner. The new SFA director will oversee the retroactive review all records for the current year.</p> |

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

| Reference Number | Findings |
|------------------|---|
| 2009-09 | <p>Program Name - Student Financial Aid Cluster - Federal Family Education Loans - 84.032</p> <p>Finding Type - Significant deficiency/noncompliance</p> <p>Criteria - Special tests and provisions compliance requirement - Institutions may not disburse or deliver the first installment of FFEL or Direct Loans to first-year undergraduates who are first-time borrowers until 30 days after the student's first day of classes, unless the institution has low default rates (less than 10 percent for each of the three most recent years for which data is available) (34 CFR § 682.604(c)).</p> <p>Condition - The University disbursed loans to first-year undergraduates who are first-time borrowers within 30 days after the students' first day of classes.</p> <p>Questioned Costs - None</p> <p>Context - Of 36 students tested for first-time loan disbursement, six students were identified as first-time borrowers having received proceeds within 30 days of the first day of classes.</p> <p>Cause and Effect - The loans were improperly credited to the student's account within 30 days after the student's first day of classes and the University does not meet the low default rate qualifications.</p> <p>Recommendation - We recommend the Student Financial Aid Department review a listing of student records to ensure loan amounts to be disbursed by the University for first-year undergraduates who are first-time borrowers are processed within established time guidelines.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University agrees with the recommendation. The loan certification process has been modified to include class standing before loans are certified with the lender. Rules for automating function in Banner are to be evaluated and updated with the guidance of the Banner consultant. Banner coding in the financial aid module is to be implemented for NFT. Manual processing of loans will be processed by the loan processor and reviewed for accuracy by another SFA staff, as well as the director.</p> |

Central State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

| Reference Number | Findings |
|------------------|--|
| 2009-10 | <p data-bbox="418 512 1419 617">Program Name - Research and Development Cluster - Department of Health and Human Services - Center for Allaying Health Disparities Through Research and Education (CADRE) - 93.307</p> <p data-bbox="418 674 834 701">Finding Type - Noncompliance</p> <p data-bbox="418 747 1419 968">Criteria - Activities allowed or unallowed compliance requirement - The Department of Health and Human Services grant agreement for the project entitled Center for Allaying Health Disparities Through Research and Education (CADRE), states “stipends and payments made for educational assistance may not be paid from research grant funds even when they would appear to benefit the research project.”</p> <p data-bbox="418 1014 1419 1083">Condition - The University paid stipends to two students during fiscal year 2008-09 and improperly charged them to the CADRE grant.</p> <p data-bbox="418 1136 789 1163">Questioned Costs - \$2,000</p> <p data-bbox="418 1209 1419 1314">Context - Reviewed grant expenditure detail for 2008-09 and selected 27 disbursements for testing, noting two students who improperly received stipends.</p> <p data-bbox="418 1360 1419 1430">Cause and Effect - The University improperly charged the stipend payments to the CADRE grant fund.</p> <p data-bbox="418 1476 1419 1581">Recommendation - We recommend the University complete a review of expenditure activity during the period to ensure the University is in compliance with allowable costs of the grant agreement.</p> <p data-bbox="418 1627 1419 1923">Views of Responsible Officials and Planned Corrective Actions - The University agrees that the stipends should not have been charged to the CADRE grant fund. The stipends were intended to be paid from the indirect cost fund. A correcting entry has been completed. In addition to our current management review of expenditures, the stipends account will be removed from this fund to prevent this error from occurring in the future. This will eliminate any accidental issuance of stipends against funds that do not authorize the expenditure.</p> |

Central State University

Summary Schedule of Prior Audit Findings Year Ended June 30, 2009

| Reference Number | Findings |
|------------------|---|
| 2008-01 | <p>Program Name - Student Financial Aid Cluster - Federal Stafford Loans and Federal Unsubsidized Stafford Loans - 84.032</p> <p>Finding Type - Significant deficiency/noncompliance</p> <p>Description - For FFEL, students must be enrolled on at least a half-time basis to receive aid (34 CFR § 682.305). Student enrollment was less than half time and the student was awarded and received federal financial aid (FFEL loan) for which the student was not eligible.</p> <p>Status - The University collaborated with the Office of the Registrar to properly update credit hours in Banner to generate accurate loan disbursement reports. Additionally, financial aid staff updated Banner feed to eliminate disbursement to ineligible students.</p> |

| Reference Number | Findings |
|------------------|--|
| 2008-02 | <p>Program Name - Student Financial Aid Cluster - Pell Grant - 84.063</p> <p>Finding Type - Significant deficiency/noncompliance</p> <p>Description -The University must report Pell disbursement information to Common Origination and Disbursement (COD) within 30 days (34 CFR §690.83). The University did not report Pell disbursement information in a timely manner.</p> <p>Status - A reconciliation schedule has been established with the Office of Cash Management and the Office of Sponsored Research & Programs.</p> |

Central State University

Summary Schedule of Prior Audit Findings (Continued) Year Ended June 30, 2009

| Reference Number | Findings |
|------------------|---|
| 2008-03 | <p>Program Name - Student Financial Aid Cluster - Pell Grant - 84.063</p> <p>Finding Type - Noncompliance</p> <p>Description - For Pell recipients, the award amount must be in compliance with the Pell payment schedule. This schedule indicates the maximum award amount based on enrollment status, computed estimated family contribution and cost of attendance (34 CFR § 690.63). The University disbursed awards that were not in compliance with the Pell payment schedule.</p> <p>Status - A report was established on the SFA dashboard that displays the students' summer award and EFC to ensure proper awarding of Pell Grant for the year.</p> |

| Reference Number | Findings |
|------------------|---|
| 2008-04 | <p>Program Name - Student Financial Aid Cluster - Federal Stafford Loans and Federal Unsubsidized Stafford Loans - 84.032</p> <p>Finding Type - Noncompliance</p> <p>Description -For FFEL, loan funds must be disbursed within three business days if funds are received EFT or by master check or within 30 days if funds are received by check payable to the borrower or co-payable to the borrower or institution (34 CFR § 668.167(b)). The University did not disburse funds within three business days.</p> <p>Status - This finding is still being addressed under the guidance of new SFA director. An additional financial aid staff member has been assigned to assist the loan processor with processing loan disbursements and returns in a timely fashion. Further, financial aid and cash management will determine if loan disbursements should in fact be processed in cash management and cross checked by a financial aid loan processor to ensure greater checks and balances.</p> |

Central State University

Summary Schedule of Prior Audit Findings (Continued) Year Ended June 30, 2009

| Reference Number | Findings |
|------------------|---|
| 2008-05 | <p>Program Name - Student Financial Aid Cluster - Student Financial Aid Cluster - 84.032 and 84.038</p> <p>Finding Type - Significant deficiency/noncompliance</p> <p>Description - 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 sent to NSLDS within 60 days of the status change (34 CFR § 682.610). The University did not report student status changes in a timely manner.</p> <p>Status - The University has an established enrollment reporting schedule with the National Clearing House. However, a new avenue of reporting directly to the National Clearing House when the Return to Title IV calculations are completed is being developed to ensure all students are reported on the required timeline.</p> |

| Reference Number | Findings |
|------------------|---|
| 2008-06 | <p>Program Name - Student Financial Aid Cluster - Student Financial Aid Cluster - 84.007, 84.032, 84.033, 84.063, 84.375, and 84.376</p> <p>Finding Type - Significant Deficiency/Noncompliance</p> <p>Description - 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). The University did not calculate Title IV refunds properly, and as a result, incorrect aid amounts were returned.</p> |

Central State University

Summary Schedule of Prior Audit Findings (Continued) Year Ended June 30, 2009

| Reference Number | Findings |
|------------------------|---|
| 2008-06 (Continued) | Status - The Office of Student Financial Aid will implement a process of checks and balances in which data is entered by one staff person and reviewed for accuracy by a second in addition to review by the Director. |

| Reference Number | Findings |
|------------------|--|
| 2008-07 | Program Name - Student Financial Aid Cluster - Student Financial Aid Cluster - 84.007, 84.032, 84.033, 84.063, 84.375, and 84.376 Finding Type - Significant deficiency/noncompliance Description - Institutions must establish and publish reasonable standards for measuring whether eligible students are maintaining satisfactory progress in their educational program. The institution must monitor eligibility on at least an annual basis against these standards (34 CFR § 668.16). The University did not review or monitor academic eligibility in a timely manner. Status - This finding is still being addressed under the guidance of new SFA director for the current year by retroactively reviewing all records. SAP review process assigned to individual counselors by caseload. |

Central State University

Summary Schedule of Prior Audit Findings (Continued) Year Ended June 30, 2009

| Reference Number | Findings |
|------------------|--|
| 2008-08 | <p>Program Name - Student Financial Aid Cluster - Federal Stafford Loans and Federal Unsubsidized Stafford Loans - 84.032</p> <p>Finding Type - Noncompliance</p> <p>Description -The institution must notify the student or parent of the date and amount as well as the right to cancel all or portion of the loan no earlier than 30 days before and no later than 30 days after crediting the student's account (34 CFR § 668.165). The University did not notify the student within the required timeframe.</p> <p>Status - The University uses individual e-mails to students notifying them of their right to cancel all or a portion of their loans. The right is also being communicated to families as part of orientation curriculum for new first-time freshmen.</p> |