

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

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**Financial Report**  
**Including Supplemental Information**  
**June 30, 2008**

# Central State University

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## Independent Auditor's Report

To the Board of Trustees  
Central State University

We have audited the accompanying basic financial statements of Central State University and its discretely presented component unit as of and for the years ended June 30, 2008 and 2007, 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, 2008 and 2007 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, 2008 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, 2008. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Trustees  
Central State University

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

The management's discussion and analysis presented on pages 3 through 11 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

October 15, 2008

# Central State University

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## 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, 2008, 2007, and 2006. 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, 2008 and 2007 were \$56.0 million and \$50.6 million, respectively, of which operating revenues totaled \$28.8 million and \$27.7 million, respectively. Operating revenue in fiscal year 2008 increased \$1.1 million, or 4 percent, when compared with fiscal year 2007.

Total revenues for the years ended June 30, 2007 and 2006 were \$50.6 million and \$57.7 million, respectively, of which operating revenue totaled \$27.7 million and \$28.7 million, respectively. Operating revenue decreased \$1.0 million, or 3.5 percent, when compared with fiscal year 2006.

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.

Total expenses for the years ended June 30, 2007 and 2006 were \$50.7 million and \$51.3 million, respectively. Operating expenses decreased \$.6 million, or 1.2 percent, when compared with fiscal year 2006.

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 decrease in net assets for fiscal 2008 was \$1.0 million.

The University's operating loss totaled \$23.0 million during 2007 compared to \$22.6 million in 2006, which represented an unfavorable increase of \$.4 million, or 1.8 percent.

# Central State University

## Management's Discussion and Analysis - Unaudited (Continued)

Student enrollment increased 14.5 percent in fall fiscal year 2008 compared to fall fiscal year 2007; tuition, fees, room, and board rates for 2008 were not increased when compared to 2007 amounts. Of the \$1.1 million increase in operating revenues, federal grants decreased \$1.0 million, and other sources decreased \$.2 million offset by \$1.0 million related to net tuition and fee increases and \$1.1 million increases related to net auxiliary revenue and state, local, and private grants and contracts increase of \$.1 million.

Student enrollment increased 8.8 percent in fall of fiscal year 2007 compared to fall of fiscal year 2006; tuition, fees, room, and board rates for 2007 increased 6 percent when compared to 2006 amounts.

A breakdown and comparison of operating revenues are provided below.

<b>Operating Revenues</b> (in millions)	2008	2007	2006
Tuition and fees - Net	\$ 7.8	\$ 6.8	\$ 5.6
Federal grants and contracts	8.2	9.1	11.2
State, local, and private grants and contracts	2.6	2.5	3.2
Indirect cost recovery	.5	0.5	0.7
Auxiliary activities - Net	8.6	7.5	6.1
Other sources	1.1	1.3	1.9
<b>Total</b>	<b>\$ 28.8</b>	<b>\$ 27.7</b>	<b>\$ 28.7</b>

A breakdown and comparison of nonoperating revenues are as follows:

<b>Nonoperating Revenues (Expenses)</b> (in millions)	2008	2007	2006
Federal Pell grant appropriations	\$ 4.6	\$ 3.8	\$ 3.5
State appropriations	21.9	16.9	15.8
Investment income	.3	.4	.3
Interest expense	(.1)	(.1)	(.1)
<b>Total</b>	<b>\$26.7</b>	<b>\$ 21.0</b>	<b>\$ 19.5</b>

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)	2008	2007	2006
State share of instruction	\$ 5.7	\$ 5.5	\$ 5.6
Central State supplement	11.8	11.4	10.2
Speed to Scale	4.4	-	-
Total	<b>\$ 21.9</b>	<b>\$ 16.9</b>	<b>\$ 15.8</b>

The change in State of Ohio funding from 2008 to 2007 was primarily due to an increase in SSI (\$.2 million), an increase of the Central State Supplement of (\$.4 million), and Speed to Scale funding (\$4.4 million). The change in State of Ohio funding from 2007 to 2006 was primarily due to a decrease in SSIS (\$.1 million) and an increase of the Central State Supplement (\$1.2 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)	2008	2007	2006
Instruction	\$ 10.7	\$ 9.4	\$ 9.2
Research	1.4	1.4	0.6
Student services	3.9	3.4	3.3
Academic support	7.5	6.1	5.1
Public services	2.3	2.9	6.7
Institutional administration	11.0	7.5	7.7
Operation and maintenance of plant	4.8	4.7	4.3
Auxiliary enterprises	10.3	9.3	8.8
Student aid	2.1	3.2	2.9
Depreciation	3.0	2.8	2.7
Total	<b>\$ 57.0</b>	<b>\$ 50.7</b>	<b>\$ 51.3</b>

Central State 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 an increase in Institutional administration (\$3.5 million), academic support (\$1.4 million), and instruction (\$1.3 million) due to Speed to Scale funding). Auxiliary enterprises (\$1.0), operation and maintenance of plant (\$1.0 million), and student services (\$0.5 million) also increased while public services (\$0.6 million) and student aid (\$1.1 million) decreased.

# Central State University

## Management's Discussion and Analysis - Unaudited (Continued)

The University's operating expenses during 2007 reflected a \$0.6 million decrease in operating expenses totaling \$50.7 million in 2007 as compared to \$51.3 million in 2006. The decrease in expenses was primarily related to decreased public services caused by the closure of the FCVP grant.

### Analysis of Overall Financial Position

At June 30, 2008, current assets totaled \$17.6 million, as compared to \$10.8 million at June 30, 2007, an increase of \$6.8 million. The increase in current assets was primarily attributable to a \$5.3 million increase in accounts receivable and a \$1.3 million increase in cash and cash equivalents. 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. The increase in current liabilities was primarily attributable to \$3.4 million in deferred tuition, \$2.4 million in other deferred revenue, \$0.5 million in other liabilities, and \$0.4 million in accrued salaries, wages, and benefits which was partially offset by a \$0.1 million decrease in accounts payable.

The University's current assets at June 30, 2007 totaled \$10.8 million, as compared to \$11.1 million at June 30, 2006, which represents a decrease of \$0.3 million. Current liabilities at June 30, 2007 as compared to June 30, 2006 totaled \$5.9 million and \$6.0 million, respectively, a decrease of \$0.1 million. The University's working capital ratios at June 30, 2007 and June 30, 2006 were 1.83 and 1.85, respectively.

Noncurrent assets are comprised of capital assets and restricted cash and cash equivalents. The \$1.2 million decrease in the University's noncurrent assets, which total \$63.6 million at June 30, 2008 and \$64.8 million at June 30, 2007, is associated with a \$0.2 million decrease in restricted cash and cash equivalents, and a \$1.8 million increase in buildings and equipment was offset by a \$2.9 million increase in accumulated depreciation.

Noncurrent assets at June 30, 2007 were \$64.8 million, as compared to \$64.1 million at June 30, 2006. The increase was primarily associated with a \$0.1 million increase in restricted cash, an increase in buildings and equipment of \$3.4 million which was offset by a \$2.7 million increase in depreciation.

The University's noncurrent liabilities at June 30, 2008 total \$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.

Noncurrent liabilities at June 30, 2007 were \$3.4 million, as compared to \$2.9 million at June 30, 2006. The increase was primarily attributable to a \$.1 million reduction in long-term debt and a \$.6 million increase in long-term liabilities.

# Central State University

## Management's Discussion and Analysis - Unaudited (Continued)

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

The University's net assets were \$66.3 million at both June 30, 2007 and 2006.

### 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 2008, the University utilized \$535 thousand in state capital appropriations. During 2007, the University utilized \$1.9 million in state capital appropriations for construction of Phase I of the Center for Education and Natural Sciences facility. The total for capital appropriations in fiscal year 2006 was \$9.4 million.

The University's long-term debt is comprised of its general revenue bonds, notes payable to Housing and Urban Development and the Department of Education, and capital lease obligations. During 2008, the University did not issue any new debt or capital lease obligations and paid \$0.2 million in connection with debt maturities; during 2007, \$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, 2008, 2007, and 2006 are provided below.

<b>Balance Sheet</b> (in millions)	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Assets:</b>			
Current assets	\$ 17.6	\$ 10.8	\$ 11.1
Noncurrent assets:			
Deposits	.04	.04	-
Restricted cash and equivalents	1.2	1.4	1.3
Capital assets - Net	62.4	63.4	62.8
<b>Total assets</b>	<b>\$ 81.2</b>	<b>\$ 75.6</b>	<b>\$ 75.2</b>
<b>Liabilities:</b>			
Current	\$ 12.5	\$ 5.9	\$ 6.0
Noncurrent	3.4	3.4	2.9
<b>Total liabilities</b>	<b>15.9</b>	<b>9.3</b>	<b>8.9</b>

# Central State University

## Management's Discussion and Analysis - Unaudited (Continued)

Balance Sheet (in millions) (Continued)	2008	2007	2006
Net assets (as restated for 2006 and 2005):			
Invested in capital assets - Net	\$ 60.5	\$ 61.4	\$ 60.7
Restricted for:			
Expendable	.5	.9	1.1
Unrestricted	4.3	4.0	4.5
Total net assets	65.3	66.3	66.3
Total liabilities and net assets	<u>\$ 81.2</u>	<u>\$ 75.6</u>	<u>\$ 75.2</u>

### Statement of Cash Flows

Net cash used in operating activities was \$24.0 million, \$19.0 million, and \$21.6 million in 2008, 2007, and 2006, respectively. Cash flows from operating activities were primarily comprised of grants and contracts (\$13.6 million), tuition and fees (\$10.6 million), other receipts (\$1.1 million), and auxiliary enterprise charges (\$2.5 million), which was offset by payments to suppliers and employees of \$51.8 million.

Cash flows from noncapital financing activities were \$26.6 million, \$20.7 million, and \$19.3 million in 2008, 2007, and 2006, respectively. In 2008, these were comprised of State of Ohio appropriations of \$21.9 million, Federal Pell Grants of \$4.7 million, and offsetting federal family education loan receipts and disbursements.

Net cash used in capital and related financing activities for 2008, 2007, and 2006 was \$1.7 million, \$1.7 million, and \$0.7 million, respectively. The change in cash flows from 2008 to 2007 is negligible. Cash flows from capital grants and gifts decreased by \$1.4 million and was offset by the decrease of \$1.4 million in the purchase of capital assets and construction.

The net increase in cash and cash equivalents was \$1.2 million in 2008, the net increase in cash and cash equivalents was \$0.4 million in 2007, and the net decrease was \$2.7 million in 2006. Year-end cash and cash equivalents for 2008, 2007, and 2006 were \$9.6 million, \$8.4 million, and \$8.0 million, respectively.

# Central State University

## Management's Discussion and Analysis - Unaudited (Continued)

A breakdown and comparison of the University's statement of cash flows for the years ended June 30, 2008, 2007, and 2006 are provided below:

Cash Flow Activities (in millions)	2008	2007	2006
Cash flows from operating activities	\$ (24.0)	\$ (19.0)	\$ (21.6)
Cash flows from noncapital financing activities	26.6	20.7	19.3
Cash flows from capital and related financing activities	(1.7)	(1.7)	(0.7)
Cash flows from investing activities	.3	0.4	0.3
Net increase (decrease) in cash and cash equivalents	1.2	0.4	(2.7)
Cash and cash equivalents - Beginning of year	8.4	8.0	10.7
Cash and cash equivalents - End of year	<b>\$ 9.6</b>	<b>\$ 8.4</b>	<b>\$ 8.0</b>

### Factors Impacting Future Periods

Phase one of the construction for the new Center for Education and Natural Sciences was completed in Fall 2006. Phase two (40,000 square feet) has been appropriated and planning is underway with an estimated occupancy scheduled for Fall 2009.

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.

# **Central State University**

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## **Management's Discussion and Analysis - Unaudited (Continued)**

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 call 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.

# Central State University

## Statement of Net Assets University

	June 30	
	2008	2007
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 8,381,671	\$ 7,047,565
Accounts receivable - Net of allowance of approximately \$8.5 million at June 30, 2008 and \$6.9 million at June 30, 2007 (Note 3)	8,284,583	2,957,554
Notes receivable - Net of allowance of approximately \$948,000 and \$243,000 at June 30, 2008 and 2007, respectively (Note 3)	-	731,072
Prepaid assets	906,547	34,447
Total current assets	17,572,801	10,770,638
<b>Noncurrent Assets</b>		
Deposits	43,844	43,844
Restricted cash and cash equivalents (Note 2)	1,216,209	1,381,999
Capital assets - Net (Note 4)	62,343,551	63,412,013
Total noncurrent assets	63,603,604	64,837,856
Total assets	<u>\$ 81,176,405</u>	<u>\$ 75,608,494</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Deposits	\$ 181,575	\$ 186,721
Accounts payable	1,539,427	1,640,827
Accrued salaries, wages, and benefits	2,623,434	2,234,067
Deferred student fee revenue	3,688,774	233,827
Current portion of long-term debt (Note 6)	119,406	141,260
Other liabilities	746,343	244,806
Other deferred revenue	3,603,293	1,216,237
Total current liabilities	12,502,252	5,897,745
<b>Noncurrent Liabilities</b>		
Long-term debt (Note 6)	1,743,287	1,862,692
Long-term liabilities (Note 5)	1,655,506	1,557,250
Total noncurrent liabilities	3,398,793	3,419,942
Total liabilities	15,901,045	9,317,687
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	60,480,858	61,408,060
Restricted for expendable - Grants	519,697	876,795
Unrestricted	4,274,805	4,005,952
Total net assets	65,275,360	66,290,807
Total liabilities and net assets	<u>\$ 81,176,405</u>	<u>\$ 75,608,494</u>

# Central State University

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

	Year Ended June 30	
	2008	2007
<b>Operating Revenues</b>		
Tuition and fees	\$ 11,770,060	\$ 9,916,047
Less grants and scholarships	(3,965,545)	(3,111,513)
Federal grants and contracts	8,171,837	9,140,863
State, local, and private grants and contracts	2,588,680	2,520,678
Indirect cost recovery	471,594	471,999
Auxiliary activities	12,878,876	10,818,603
Less grants and scholarships	(4,291,207)	(3,334,792)
Other sources	1,131,870	1,307,984
Total operating revenues	28,756,165	27,729,869
<b>Operating Expenses</b>		
Instruction	10,671,231	9,361,732
Research	1,366,963	1,348,580
Student services	3,886,782	3,467,032
Academic support	7,497,880	6,120,578
Public services	2,306,190	2,912,514
Institutional administration	11,025,647	7,548,291
Operation and maintenance of plant	4,835,959	4,692,407
Auxiliary enterprises	10,348,705	9,253,002
Student aid	2,059,691	3,181,185
Depreciation	3,040,542	2,764,761
Total operating expenses	57,039,590	50,650,082
<b>Operating Loss</b>	(28,283,425)	(22,920,213)
<b>Nonoperating Revenues (Expenses)</b>		
Federal Pell Grant appropriations	4,634,788	3,824,643
State appropriations	21,896,930	16,868,855
Investment income	309,185	391,847
Interest expenses on capital asset - Related debt	(103,447)	(111,692)
Loss on sale of fixed assets	(4,030)	-
Net nonoperating revenues	26,733,426	20,973,653
<b>Loss - Before other revenues</b>	(1,549,999)	(1,946,560)
<b>Other Revenues - State capital appropriations/Capital gifts</b>	534,552	1,930,209
<b>Decrease in Net Assets</b>	(1,015,447)	(16,351)
<b>Net Assets - Beginning of year</b>	66,290,807	66,307,158
<b>Net Assets - End of year</b>	<u>\$ 65,275,360</u>	<u>\$ 66,290,807</u>

# Central State University

## Statement of Cash Flows University

	Year Ended June 30	
	2008	2007
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 10,623,905	\$ 10,856,592
Grants and contracts	13,619,167	12,166,101
Payments to suppliers and employees	(51,891,435)	(44,881,445)
Auxiliary enterprise charges	2,530,171	1,565,601
Other	1,131,871	1,307,984
Net cash used in operating activities	(23,986,321)	(18,985,167)
<b>Cash Flows from Noncapital Financing Activities</b>		
Federal Pell grant	4,634,788	3,824,643
State appropriations	21,896,930	16,868,855
Federal family education loan receipts	14,735,862	11,210,753
Federal family education loan disbursements	(14,735,862)	(11,210,753)
Net cash provided by noncapital financing activities	26,531,718	20,693,498
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital grants and gifts received	534,552	1,930,209
Sale of capital assets	(4,031)	
Purchase of capital assets and construction	(1,972,080)	(3,354,053)
Principal paid on capital debt	(141,260)	(173,297)
Interest paid on capital debt	(103,447)	(111,692)
Net cash used in capital and related financing activities	(1,686,266)	(1,708,833)
<b>Cash Flows from Investing Activities - Interest on investments</b>	309,185	391,847
<b>Net Change in Cash and Cash Equivalents</b>	1,168,316	391,345
<b>Cash and Cash Equivalents - Beginning of year</b>	8,429,564	8,038,219
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 9,597,880</b>	<b>\$ 8,429,564</b>

# Central State University

## Statement of Cash Flows (Continued) University

	Year Ended June 30	
	2008	2007
Reconciliation of net operating loss to net cash from operating activities:		
Operating loss	\$ (28,283,425)	\$ (22,920,213)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	3,040,542	2,764,761
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(5,327,028)	675,744
Inventories, prepaids, and other assets	(872,100)	(67,945)
Notes receivable	731,072	11,610
Accounts payable	(101,400)	346,509
Accrued salaries, wages, and benefits	586,272	(670,864)
Other liabilities	402,888	589,479
Deferred revenue and student deposits	5,836,858	285,752
Net cash used in operating activities	<u><b>\$(23,986,321)</b></u>	<u><b>\$(18,985,167)</b></u>

# Central State University

## Consolidated Statement of Financial Position Discretely Presented Component Unit - Foundation

	June 30	
	2008	2007
<b>Assets</b>		
Cash and cash equivalents	\$ 3,036,648	\$ 1,508,621
Investments	3,398,360	3,750,249
Contributions receivable	184,338	213,629
Other receivables	28,322	128,174
Prepaid expenses	5,672	5,724
Total current assets	6,653,340	5,606,397
Restricted cash and cash equivalents (Note 2)	2,973,473	2,458,508
Fixed assets - Net (Note 4)	14,157,946	14,568,143
Financing costs - Net	1,828,598	1,930,466
Total assets	<u>\$ 25,613,357</u>	<u>\$ 24,563,514</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 272,492	\$ 263,193
Deferred revenue	888,484	-
Accrued interest payable	504,909	511,884
Current portion of long-term debt (Note 6)	380,000	370,000
Total current liabilities	2,045,885	1,145,077
Long-term accounts payable	85,000	85,000
Long-term debt (Note 6)	19,268,856	19,613,720
Total liabilities	21,399,741	20,843,797
<b>Net Assets</b>		
Unrestricted	(26,671)	(253,872)
Temporarily restricted	2,236,559	2,167,780
Permanently restricted	2,003,728	1,805,809
Total net assets	4,213,616	3,719,717
Total liabilities and net assets	<u>\$ 25,613,357</u>	<u>\$ 24,563,514</u>

# Central State University

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

	Year Ended June 30	
	2008	2007
<b>Revenue</b>		
Rental revenues	\$ 2,749,852	\$ 2,617,070
Contributions	1,314,545	1,086,892
Reimbursements	49,806	14,821
Other	416,889	493,859
Unrealized (loss) gain on investments	(497,831)	239,013
Investment income	415,032	439,460
Total revenue	4,448,293	4,891,115
<b>Expenses</b>		
Programs:		
Scholarship programs	329,018	431,623
Athletic programs	274,478	425,897
Academic programs	300,442	395,688
Institutional programs	248,507	367,617
Support activities:		
Management fees	192,492	183,195
Operating expenses	701,094	654,160
Depreciation expense	614,485	606,924
Interest expense	1,044,954	1,061,448
Other	248,924	362,486
Total expenses	3,954,394	4,489,038
<b>Increase in Net Assets</b>	493,899	402,077
<b>Net Assets - Beginning of year</b>	3,719,717	3,317,640
<b>Net Assets - End of year</b>	<u>\$ 4,213,616</u>	<u>\$ 3,719,717</u>

### **Note 1 - 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. 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. Recent guidance on GASB Statement No. 34 has resulted in reclassification of federal Pell grant revenue from operating to nonoperating revenues.

**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 \$22,000 and \$36,000 as of June 30, 2008 and 2007, respectively.

**Reclassifications** - Certain items in the June 30, 2007 financial statements have been reclassified to conform to the June 30, 2008 presentations. Recent guidance on GASB Statement No. 34 has resulted in reclassification of federal Pell grant revenue from operating to nonoperating revenues. There is no effect on net assets.

### 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 \$6,235,383 and \$8,029,564 of cash and cash equivalents that were uninsured and uncollateralized as of June 30, 2008 and 2007, 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 \$1,216,209 and \$1,381,999 invested in bank mutual fund pools at June 30, 2008 and 2007, 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 June 30, 2008 and 2007:

	2008	2007
Restricted:		
Debt interest account	\$ 507,981	\$ 521,912
Debt principal account	383,327	384,115
Debt issuance account	-	23,851
Repair and replacement fund	668,704	115,103
Debt reserve fund	1,413,461	1,413,527
Total restricted cash	<u>\$ 2,973,473</u>	<u>\$ 2,458,508</u>

# Central State University

## Notes to Financial Statements June 30, 2008 and 2007

### 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 bond mutual funds as of June 30, 2008 and 2007.

### Note 3 - Receivables

At June 30, 2008 and 2007, receivables consist of the following:

	2008	2007
Student accounts receivable	\$ 14,445,618	\$ 7,557,591
Student notes receivable	947,789	974,706
Grant and contract receivables	1,828,360	2,042,389
Other	552,775	256,930
Total	<u>17,774,542</u>	<u>10,831,616</u>
Less allowance for doubtful accounts	<u>(9,489,959)</u>	<u>(7,142,990)</u>
Net receivables	<u>\$ 8,284,583</u>	<u>\$ 3,688,626</u>

### Note 4 - Capital Assets

Capital assets activity for the University for the years ended June 30, 2008 and 2007 is summarized as follows:

	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	<u>124,567,417</u>	<u>1,982,115</u>	<u>(119,216)</u>	<u>-</u>	<u>126,430,316</u>
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	<u>61,155,404</u>	<u>\$ 3,040,542</u>	<u>\$ (109,181)</u>	<u>\$ -</u>	<u>64,086,765</u>
Capital assets - Net	<u>\$ 63,412,013</u>				<u>\$ 62,343,551</u>

# Central State University

## Notes to Financial Statements June 30, 2008 and 2007

### Note 4 - Capital Assets (Continued)

	2007				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Depreciable assets:					
Buildings and improvements	\$ 95,367,624	\$ 2,227,599	\$ -	\$ 12,524,847	\$ 110,120,070
Automobiles, machinery, and equipment	13,012,243	1,104,481	-	-	14,116,724
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	12,524,847	21,973	-	(12,524,847)	21,973
Total capital assets	121,213,364	3,354,053	-	-	124,567,417
Less accumulated depreciation:					
Buildings and improvements	47,781,807	2,160,720	-	-	49,942,527
Automobiles, machinery, and equipment	10,608,837	604,040	-	-	11,212,877
Total accumulated depreciation	58,390,644	\$ 2,764,760	\$ -	\$ -	61,155,404
Capital assets - Net	<u>\$ 62,822,720</u>				<u>\$ 63,412,013</u>

Commitments for construction contracts at June 30, 2008 were approximately \$0.4 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, 2008 and 2007 is summarized as follows:

	2008	2007
Land	\$ 140,800	\$ 75,330
Building	15,592,051	15,592,051
Furniture	896,603	859,653
Total fixed assets	16,629,454	16,527,034
Less accumulated depreciation	(2,471,508)	(1,958,891)
Net	<u>\$ 14,157,946</u>	<u>\$ 14,568,143</u>

# Central State University

## Notes to Financial Statements June 30, 2008 and 2007

### Note 5 - Long-term Liabilities

Long-term liability (other than long-term debt) activity for the years ended June 30, 2008 and 2007 is summarized as follows:

	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	-
<b>Total</b>	<b>\$ 2,254,739</b>	<b>\$ 847,939</b>	<b>\$ 727,203</b>	<b>\$ 2,375,475</b>	<b>\$ 719,969</b>

  

	2007				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 1,843,788	\$ 447,461	\$ 585,471	\$ 1,705,778	\$ 697,489
Other liabilities	78,070	470,891	-	548,961	-
<b>Total</b>	<b>\$ 1,921,858</b>	<b>\$ 918,352</b>	<b>\$ 585,471</b>	<b>\$ 2,254,739</b>	<b>\$ 697,489</b>

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, 2008 and 2007:

	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
<b>Total</b>	<b>\$ 2,003,952</b>	<b>\$ -</b>	<b>\$ 141,259</b>	<b>\$ 1,862,693</b>	<b>\$ 119,406</b>

# Central State University

## Notes to Financial Statements June 30, 2008 and 2007

### Note 6 - Long-term Debt (Continued)

	2007				
	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	\$ 92,550	\$ -	\$ 65,000	\$ 27,550	\$ 27,550
Notes payable:					
Note payable to HUD, 3.0%, payable in varying installments through June 12, 2010	102,460	-	24,483	77,977	25,223
Note payable to the Department of Education, 5.5%, payable in varying installments through November 1, 2021	1,982,239	-	83,814	1,898,425	88,487
Total	<u>\$ 2,177,249</u>	<u>\$ -</u>	<u>\$ 173,297</u>	<u>\$ 2,003,952</u>	<u>\$ 141,260</u>

At June 30, 2008, maturities of long-term debt, including interest payments, are as follows:

	Principal	Interest	Total
2009	\$ 119,406	\$ 99,669	\$ 219,075
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
2014-2018	684,917	273,585	958,502
2019-2022	602,841	163,961	766,802
Total	<u>\$ 1,862,693</u>	<u>\$ 875,862</u>	<u>\$ 2,738,555</u>

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

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 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 (\$202,026 accumulated at June 30, 2008).

The Series F Bonds were paid off in December 2007 and the related debt and reserve funds were closed.

# Central State University

## Notes to Financial Statements June 30, 2008 and 2007

### 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, 2008 and 2007:

	Interest Rate	Maturity	Balance August 31, 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						<u>380,000</u>
Long-term portion						<u>\$ 19,268,856</u>

	Interest Rate	Maturity	Balance September 1, 2006	Additions	Payments	Balance August 31, 2007
Revenue Bonds Series 2004	3.3%-5.1%	2035	\$ 11,894,410	\$ 13,584	\$ 190,000	\$ 11,717,994
Revenue Bonds Series 2002	3.0%-5.625%	2032	8,406,630	24,096	165,000	8,265,726
Total			<u>\$ 20,301,040</u>	<u>\$ 37,680</u>	<u>\$ 355,000</u>	19,983,720
Less current portion						<u>370,000</u>
Long-term portion						<u>\$ 19,613,720</u>

### Note 6 - Long-term Debt (Continued)

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

Years Ending August 31	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2009	\$ 175,000	\$ 434,065	\$ 205,000	\$ 568,012	\$ 1,382,077
2010	180,000	427,184	225,000	563,554	1,395,738
2011	190,000	419,546	235,000	556,128	1,400,674
2012	195,000	411,121	245,000	547,669	1,398,790
2013	205,000	402,121	250,000	538,359	1,395,480
2014-2018	1,180,000	1,851,383	1,430,000	2,522,570	6,983,953
2019-2023	1,515,000	1,504,409	1,795,000	2,153,562	6,967,971
2024-2028	2,000,000	1,028,500	2,290,000	1,657,235	6,975,735
2029-2033	2,640,000	391,781	2,940,000	1,011,840	6,983,621
2034-2035	-	-	2,145,000	222,360	2,367,360
Total	<u>\$ 8,280,000</u>	<u>\$ 6,870,110</u>	<u>\$ 11,760,000</u>	<u>\$ 10,341,289</u>	<u>\$ 37,251,399</u>

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 \$162,530 at June 30, 2008 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 \$170,000 on September 1, 2007 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.

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 \$228,614 at August 31, 2008. 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 \$200,000 on September 1, 2006 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.

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).

### Note 6 - Long-term Debt (Continued)

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

	2008	2007
Change in net assets	\$ 352,530	\$ 242,793
Add items to convert net income to pledged revenues:		
Interest expense on bonds	1,044,954	1,061,448
Management fees	192,492	183,195
Cascading fees	-	13,353
Depreciation and amortization expense	606,360	606,924
Net pledged revenues as defined (1)	<u>\$ 2,196,336</u>	<u>\$ 2,107,713</u>
Debt service requirement on bonds (2)	\$ 1,382,077	\$ 1,384,727
Coverage ratio (1/2)	159%	152%
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. Faculty employees accruing vacation in excess of 30 days shall forfeit it. 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, 2008, 2007, and 2006 are as follows:

	OPERS	STRS
2008	\$ 797,021	\$ 898,708
2007	710,362	872,093
2006	643,966	840,486

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 \$558,638 and \$474,225 and the University's contributions to the ARP were \$720,892 and \$632,479 for the years ended June 30, 2008 and 2007, respectively. In addition, the amounts contributed to ARP by the University on behalf of the faculty participants were \$161,080 and \$107,936 for the years ended June 30, 2008 and 2007, 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, 2006 was \$12.0 billion. There were 362,130 active, contributing members. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively. For the years ended June 30, 2008 and 2007, the University contributed \$396,660 and \$353,532, 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, 2001, STRS allocated employer contributions equal to 4.5 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 \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2006, STRS allocated employer contributions equal to 4.5 percent of covered payroll to the HCRF. There were 122,934 benefit recipients eligible for post-employment benefits at June 30, 2007. For the years ended June 30, 2008 and 2007, the University contributed \$56,378 and \$27,867, respectively, to fund these benefits.

### **Note 10 - Grants and Contracts**

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

### **Note 11 - Commitments and Contingencies**

**Commitments** - The University has encumbered \$1,163,371 and \$1,097,290 of funds as of June 30, 2008 and 2007, 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 approximately \$655,993 and \$672,800 for the years ended June 30, 2008 and 2007, 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 \$893,586 and \$850,708 for the years ended June 30, 2008 and 2007, respectively. The University paid Marauder Development, LLC \$2,749,852 and \$2,617,070 for the years ended June 30, 2008 and 2007, 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**

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# Central State University

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
<b>CLUSTERS:</b>		
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER:</b>		
U.S. Department of Education Direct Programs:		
ACG Grant Year 1	84.375	\$ 44,625
ACG Grant Year 2	84.375	14,400
Smart Grant Year 2	84.376	16,000
Federal Pell Grant FY 2007	84.063	4,273
Federal SEOG FY 2007	84.007	(3,006)
Federal SEOG FY 2008	84.007	533,685
Federal Work Study FY 2008	84.033	<u>679,785</u>
Federal Pell Grant FY 2008	84.063	4,798,617
<b>TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER</b>		<b>6,088,379</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER:</b>		
National Aeronautics and Space Administration:		
Ohio Space Grant	43.001	10,620
Environmental Protection Agency:		
NET Incubator	66.510	<u>112,862</u>
<b>TOTAL RESEARCH AND DEVELOPMENT CLUSTER</b>		<b>123,482</b>
<b>TRIO CLUSTER:</b>		
U.S. Department of Education Direct Programs:		
TRIO: Student Support Services	84.042A	<u>330,731</u>
TRIO: Upward Bound Program	84.047	76,694
<b>TOTAL TRIO CLUSTER</b>		<b>407,425</b>

# Central State University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
<b>OTHER FEDERAL PROGRAMS:</b>		
<b>U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAMS:</b>		
Higher Education - Institutional Aid - Direct Program:		
Campus Security	84.03 1B	\$ 166,671
Strengthening Institutional Enhancement 02/07 CO Yr 1	84.03 1B	7,698
Strengthening Institutional Enhancement 02/07 CO Yr 2	84.03 1B	21,772
Strengthening Institutional Enhancement 02/07 CO Yr 3	84.03 1B	97,373
Honors Program	84.03 1B	10,869
Faculty Development	84.03 1B	46,881
Computer Science Program	84.03 1B	12,829
Library Acquisition Enhancement	84.03 1B	144,156
Institutional Advancement	84.03 1B	208,232
Center for Student Academic Success	84.03 1B	115,264
Student Success Counseling	84.03 1B	40,534
Improving Administrative Management	84.03 1B	117,366
Program Administration	84.03 1B	162,953
Program Accreditation	84.03 1B	52,030
Improving Utilization Information Systems	84.03 1B	86,862
SAEM	84.03 1B	99,123
Strengthening Institutional Enhancement 02/07 CO Year 4	84.03 1B	90,580
Strengthening Academic Success	84.03 1B	148,533
K-16 Higher Education Access	84.03 1B	33,284
Center for Teaching and Learning	84.03 1B	149,667
Total Higher Education - Institutional Aid		1,812,677
Minority Science and Engineering Program (MSEIP)	84.120	46,387
Integrated Biotech Education	84.120	28,983
<b>TOTAL U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAMS</b>		<b>1,888,047</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>		
Family and Community Violence Prevention	93.910	11,132
Head Start Teacher Preparation	93.600	123,400
TEAP	93.558	(900)
Cultural Competency	93.558	279,125
KRUNKED 4 Life	93.910	236,029
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b>648,786</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>		
Summer Transportation Program	20.000	66,063
Akron University Transportation Center	20.701	17,102
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>		<b>83,165</b>

# Central State University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>		
Tawawa Community Development	14.251	<b>730,611</b>
<b>NATIONAL SCIENCE FOUNDATION:</b>		
Earth System Science Education Alliance	47.050	5,198
QUEST	47.076	266,791
LSAMP OH Science and Engineering	47.076	11,812
Scholarships for Academic Recruitment	47.076	3,209
CSU JUMP	47.076	<u>59,441</u>
REEL Program	47.049	11,519
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>		<b>357,970</b>
<b>U.S. DEPARTMENT OF ENERGY:</b>		
National Renewable Energy Laboratory	81.087	32,685
STEM UP - OUT	81.123	<u>1,007,570</u>
Training of Radiochemistry Students	81.123	38,226
<b>TOTAL U.S DEPARTMENT OF ENERGY</b>		<b>1,078,481</b>
<b>U.S. DEPARTMENT OF INTERIOR:</b>		
Applications of Remote Sensing Technology (USBR)	15.504	<u>474,822</u>
Historic Preservation Grants	15.904	116,667
<b>TOTAL U.S DEPARTMENT OF INTERIOR</b>		<b>591,489</b>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>		
Monitoring Agricultural Sewage	11.460	<u>844</u>
Monitoring of Lake Erie	11.460	21,116
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b>21,960</b>
<b>U.S. DEPARTMENT OF LABOR:</b>		
Modular Automated Training System	17.261	<b>43,045</b>
<b>NUCLEAR REGULATORY COMMISSION</b>		
Development of a Reactor Safety	77.006	<u>1,262</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 12,276,987</b>

# Central State University

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

### 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, 2008, are summarized as follows:

Federal Stafford Loans	\$ 6,513,914
Federal Unsubsidized Stafford Loans	5,398,065
Federal Parental Loans for Undergraduate Students (PLUS)	<u>1,651,591</u>
Total Federal Family Education Loan Program	<u>\$ 13,563,570</u>

### Note 3 - Loans Outstanding

The University administers the Perkins Loan Program (Federal CFDA Number 84.038). Outstanding loans as of June 30, 2008 were \$947,789. No new loans were issued during the year ended June 30, 2008.

### 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
Cleveland State University	15.504	\$ 53,195
Colorado State University	15.504	57,455
Ohio Aerospace Institute	15.504	46,491
Utah State University	15.504	49,180
Wright State University	15.504	74,423
University of Toledo	12.431	5,000
Wright State University	12.431	53,734
Lakeland Community College	81.123	10,485

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 as of and for the year ended June 30, 2008 and have issued our report thereon dated October 15, 2008. 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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Trustees  
Central State University

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

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

*Plante & Moreau, PLLC*

October 15, 2008

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 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, 2008. 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. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, Central State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, 2008-06, 2008-07, and 2008-08.

To the Board of Trustees  
Central State University

## **Internal Control Over Compliance**

The management of Central State University is responsible for establishing and maintaining effective internal control over compliance with 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.

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 2008-01, 2008-02, 2008-05, 2008-06, and 2008-07 to be significant deficiencies.

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

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.

To the Board of Trustees  
Central State University

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

*Plante & Moran, PLLC*

October 15, 2008

# Central State University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2008

### 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): Unqualified

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

Identification of major programs:

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Dollar threshold used to distinguish between type A and type B programs: \$368,310

Auditee qualified as low-risk auditee?  Yes  No

# Central State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section II - Financial Statement Audit Findings

None

### Section III - Federal Program Audit Findings

Reference Number	Findings
2008-01	<p><b>Program Name</b> - Student Financial Aid Cluster - Federal Stafford Loans and Federal Unsubsidized Stafford Loans - 84.032</p> <p><b>Finding Type</b> - Significant deficiency/Noncompliance - FFEL Limits</p> <p><b>Criteria</b> - For FFEL, students must be enrolled on at least a half-time basis to receive aid (34 CFR section 682.305).</p> <p><b>Condition</b> - 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><b>Questioned Costs</b> - \$500</p> <p><b>Context</b> - Out of 36 students tested, one error was found.</p> <p><b>Cause and Effect</b> - Federal aid was awarded to an ineligible student due to the student's status being incorrectly coded in Banner and therefore, the amount was improperly disbursed by cash management.</p> <p><b>Recommendation</b> - We recommend student status in Banner be updated in a timely manner to ensure improper disbursements do not occur.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The University agrees with the auditor's recommendation. The funds that were improperly disbursed will be returned immediately. Management will collaborate with Office of the Registrar to properly update credit hours in Banner to generate accurate loan disbursement reports. Subsequently, Financial Aid staff will update Banner "Feed" indicator to eliminate disbursement to ineligible students.</p>

# Central State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-02	<p><b>Program Name</b> - Student Financial Aid Cluster - Pell Grant - 84.063</p> <p><b>Finding Type</b> - Significant deficiency/Noncompliance</p> <p><b>Criteria</b> - The University must report Pell disbursement information to Common Origination and Disbursement (COD) within 30 days (34 CFR Section 690.83).</p> <p><b>Condition</b> - The University did not report Pell disbursement information in a timely manner.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - Of the 34 students selected for eligibility and disbursement testing, four of those students did not have their Pell payment information reported within 30 days.</p> <p><b>Cause and Effect</b> - The individual responsible did not perform reporting of disbursements in a timely manner.</p> <p><b>Recommendation</b> - The University should establish a procedure for reporting disbursements in instances when an official with the primary responsibility of reporting is unable to do so.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The University agrees with the auditor's recommendation. The University will reconcile Pell Grant awards each semester (fall, spring, and summer) to ensure that COD is updated in a timely manner.</p>

# Central State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-03	<p><b>Program Name</b> - Student Financial Aid Cluster - Pell Grant - 84.063</p> <p><b>Finding Type</b> - Noncompliance - Pell award limits</p> <p><b>Criteria</b> - 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 section 690.63).</p> <p><b>Context</b> - Of the 34 students selected for eligibility and disbursement testing, one student was not in compliance with the Pell payment schedule.</p> <p><b>Cause and Effect</b> - The student's summer enrollment status was 3/4 time; however, the student received the full-time Pell award based on the payment schedule.</p> <p><b>Recommendation</b> - We recommend CSU implement a policy documenting how the summer Pell award is calculated and determined for each recipient.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The University will develop a report on the warehouse dashboard that displays the student's award for summer semester as well as their current Expected Family Contribution to ensure that the student is properly awarded the Pell Grant. Counselors will be trained to consult this report on a regular basis to eliminate exceeding awards with the understanding that failure to do so will result in corrective action.</p>

# Central State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-04	<p><b>Program Name</b> - Student Financial Aid Cluster - Federal Stafford Loans and Federal Unsubsidized Stafford Loans - 84.032</p> <p><b>Finding Type</b> - Noncompliance</p> <p><b>Criteria</b> - 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 section 668.167(b)).</p> <p><b>Condition</b> - The University did not disburse funds within three business days.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - Of the 36 students selected for eligibility and disbursement testing, one student was not disbursed within three business days.</p> <p><b>Cause and Effect</b> - The disbursement was overlooked and cash management did not disburse the loan funds within three business days.</p> <p><b>Recommendation</b> - We recommend the student financial aid department communicate on a regular basis with cash management to ensure loan amounts received by the University are disbursed in a timely manner.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The University will implement proper disbursement protocol to be reinforced to all Financial Aid Staff with the understanding that failure to do so will result in corrective action.</p>

# Central State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-05	<p><b>Program Name</b> - Student Financial Aid Cluster - Student Financial Aid Cluster - 84.032 and 84.038</p> <p><b>Finding Type</b> - Significant deficiency/Noncompliance</p> <p><b>Criteria</b> - 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 Section 682.610).</p> <p><b>Condition</b> - The University did not report student status changes in a timely manner.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - Of the 36 students selected for status change testing, 10 of those students did not have a status change reported in a timely manner.</p> <p><b>Cause and Effect</b> - The University uploads enrollment information three times a year. The reports were submitted within 60 days of the status change, but were not updated on NSLDS in a timely manner.</p> <p><b>Recommendation</b> - 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><b>Views of Responsible Officials and Planned Corrective Actions</b> - The University plans to work with the Office of the Registrar to review procedures and error reports between Banner and the Clearinghouse.</p>

# Central State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-06	<p><b>Program Name</b> - Student Financial Aid Cluster - Student Financial Aid Cluster - 84.007, 84.032, 84.033, 84.063, 84.375, and 84.376</p> <p><b>Finding Type</b> - Significant deficiency/Noncompliance</p> <p><b>Criteria</b> - 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 section 668.22).</p> <p><b>Condition</b> - The University did not calculate Title IV refunds properly, and as a result, incorrect aid amounts were returned.</p> <p><b>Questioned Costs</b> - \$4,316</p> <p><b>Context</b> - Of the 36 students selected for return of Title IV testing, 14 of those students were improperly calculated.</p> <p><b>Cause and Effect</b> - The University has a manual system for Title IV calculations and responsibility was given to a new staff member during the Fall semester. Calculations were not reviewed prior to the University returning aid amounts.</p> <p><b>Recommendation</b> - The University should either automate the calculation process or 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><b>Views of Responsible Officials and Planned Corrective Actions</b> - This issue has been resolved by re-assigning staff responsibilities. The sample indicated that the issue was with the students who were withdrawn from the Fall Semester 2007. The students sampled from Spring Semester 2008 were not in question. In addition, the University will review treatment of "Academically Terminated" students to ensure compliance.</p>

# Central State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-07	<p><b>Program Name</b> - Student Financial Aid Cluster - Student Financial Aid Cluster - 84.007, 84.032, 84.033, 84.063, 84.375, and 84.376</p> <p><b>Finding Type</b> - Significant deficiency/Noncompliance</p> <p><b>Criteria</b> - 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 section 668.16)</p> <p><b>Condition</b> - The University did not review or monitor academic eligibility in a timely manner.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - Of the 36 students selected for review of academic eligibility, two of those students were not reviewed or updated at the end of the academic year.</p> <p><b>Cause and Effect</b> - The individual responsible did not monitor academic eligibility review in a timely manner.</p> <p><b>Recommendation</b> - 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><b>Views of Responsible Officials and Planned Corrective Actions</b> - The University agrees with the auditor's recommendation. The University will monitor academic eligibility periodically and ensure student status is updated in a timely manner.</p>

# Central State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Reference Number	Findings
2008-08	<p><b>Program Name</b> - Student Financial Aid Cluster - Federal Stafford Loans and Federal Unsubsidized Stafford Loans - 84.032</p> <p><b>Finding Type</b> - Noncompliance</p> <p><b>Criteria</b> - 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 section 668.165).</p> <p><b>Condition</b> - The University did not notify the student within the required timeframe.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - Of the 36 students selected for review, three students were sent award letters outside the 30-day requirement.</p> <p><b>Cause and Effect</b> - The individual responsible did not send notification in a timely manner.</p> <p><b>Recommendation</b> - We recommend the institution notify the student, or parent of (1) the date and amount of the disbursement, and (2) the student's right, or parent's right to cancel all or a portion of that loan or loan disbursement no earlier than 30 days before and no later than 30 days after crediting the student's account.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The University agrees with the auditor's recommendation. The University will monitor notification and ensure award letters are sent within the required time frame.</p>

# Central State University

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-01	<p><b>Program Name</b> - Student Financial Aid Cluster - Federal Stafford Loans and Federal Unsubsidized Stafford Loans - 84.032</p> <p><b>Finding Type</b> - Noncompliance - Timely return of Title IV refunds</p> <p><b>Description</b> - While reviewing NSLDS website for the 25 students tested, we noted three students with subsidized and/or unsubsidized loans that still appeared on the students' accounts and should not have because the University should have returned the funds to the lender within 45 days after the date the institution determined the student had withdrawn (34 CFR section 668.173).</p> <p><b>Status</b> - Corrective action has been taken. The University corrected the issue during the Fall 2007 semester and, as a result, no issues have been identified in subsequent semesters.</p>