

**Central State University**  
**(A Component Unit of the State of Ohio)**

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**Financial Report**  
**Including Supplemental Information**  
**June 30, 2005**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Central State University, Greene County, prepared by Plante & Moran, PLLC for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Central State University is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 27, 2005

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# Central State University

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## Independent Auditor's Report

To the Board of Trustees  
Central State University

We have audited the accompanying basic financial statements of Central State University and its discretely presented component unit as of and for the years ended June 30, 2005 and 2004, 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 and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, 2005 and 2004 and the respective changes in financial position and cash flows for the year 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 14, 2005 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, and grant agreements and other matters for the year ended June 30, 2005. 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 8 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 14, 2005

# Central State University

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## Management's Discussion and Analysis - Unaudited

The discussion and analysis of Central State University's (the "University") annual financial statements provide an overview of the University's financial activities for the year ended June 30, 2005. 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 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 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. Over time, increases or decreases in net assets reflect the improvement or erosion of the University's financial health when considered with non-financial facts (such as enrollment levels, changes in State funding, facility changes, etc.).

The statement of net assets includes all assets and liabilities of the University, and is prepared using the accrual basis of accounting. Revenues and assets are recognized when services are provided and expenses and liabilities are recognized when others provide the goods or services, regardless of when cash is exchanged.

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

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.



# Central State University

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

The statement of cash flows presents the information related to cash inflows and outflows. These cash inflows and outflows are summarized by operating, capital and non-capital financing, and investing activities, and illustrate the University's sources and uses of cash.

### Analysis of Results of Operations

Total revenues for the years ended June 30, 2005 and 2004 were \$53.1 million and \$49.3 million, respectively, of which operating revenues amounted to \$33.4 million and \$31.6 million, respectively. Operating revenue increased \$1.7 million, or 5.8 percent. Total expenses for the years ended June 30, 2005 and 2004 were \$50.6 million and \$49.6 million, respectively. Operating expenses increased \$1.0 million, or 2.0 percent. The University's operating loss amounted to \$17.2 million during 2005 compared to \$18.0 million in 2004, which represented a favorable decrease of \$0.8 million, or 4.4 percent. The increase in net assets for fiscal 2005 was \$2.7 million, from \$57.3 million to \$60.0 million.

Student enrollment increased 12.3 percent in fall fiscal year 2005 compared to fall fiscal year 2004; tuition, fees, room, and board rates for 2005 increased 8.0 percent when compared to 2004 amounts. Of the \$1.7 million increase in operating revenues, \$1.5 million was related to net tuition and fee increases (\$1.0 million of which was related to enrollment increases and \$0.5 million of which was related to rate increases), \$1.0 million was related to net auxiliary revenue increases, federal grants increased \$0.8 million, State grants and contracts decreased \$1.4 million, and other sources decreased \$0.2 million. A breakdown and comparison of operating revenues are provided below.

<b>Operating Revenues</b> (in millions)	<u>2005</u>	<u>2004</u>
Tuition and fees - Net	\$ 5.8	\$ 4.3
Federal grants and contracts	18.4	17.6
State grants and contracts	1.8	3.2
Indirect cost recovery	0.7	0.6
Auxiliary activities - Net	6.2	5.2
Other sources	<u>0.4</u>	<u>0.7</u>
Total	<u><b>\$ 33.3</b></u>	<u><b>\$ 31.6</b></u>

The University's non-operating revenues are comprised primarily of State of Ohio (State) appropriations. State appropriations include core funding that is the State's Share of Instructional Support (SSIS) and the Central State University Supplement.

# 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)	2005	2004
State Share of Instruction	\$ 5.8	\$ 6.0
Central State Supplement	10.7	11.0
Other	0.0	0.1
Total	<u>\$ 16.5</u>	<u>\$ 17.1</u>

The change in State of Ohio funding from 2004 to 2005 was primarily due to a combination of the decrease in SSIS (\$0.2 million) and the Central State Supplement (\$0.3 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)	2005	2004
Instruction	\$ 8.9	\$ 8.1
Research	0.7	1.1
Student services	3.4	3.5
Academic support	4.3	4.7
Public services	8.8	8.6
Institutional administration	6.2	7.7
Operation and maintenance of plant	4.4	4.5
Auxiliary enterprises	9.0	6.6
Student aid	2.3	2.1
Depreciation	2.6	2.7
Total	<u>\$ 50.6</u>	<u>\$ 49.6</u>

Central State University's educational and general operating expenses during 2005 reflected a \$1.0 million increase in operating expenses, totaling \$50.6 million in 2005 as compared to \$49.6 million in 2004. The increase in expenses was primarily related to increased student enrollment and focus on academic areas (\$0.8 million in instruction, \$2.4 million in auxiliary enterprises, and \$0.2 million in student aid), which are partially offset by a \$1.5 million decrease in institutional administration, a \$0.4 million decrease in research, a \$0.4 million decrease in academic support, and a \$0.1 million decrease in operation and maintenance of plant related to control of operating expenses.

# Central State University

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

### Analysis of Overall Financial Position

At June 30, 2005, current assets amounted to \$14.2 million, as compared to \$14.4 million at June 30, 2004, a decrease of \$0.2 million. The decrease in current assets was primarily attributable to a \$0.5 million decrease in accounts receivable, which was offset by a \$0.7 million increase in cash and cash equivalents. Current liabilities at June 30, 2005, as compared to June 30, 2004, amounted to \$8.8 million and \$8.9 million, respectively, a decrease of \$0.1 million. The University's working capital ratios at June 30, 2005 and June 30, 2004 were 1.60 percent and 1.62 percent, respectively. The decrease in current liabilities was primarily attributable to a \$1.3 million decrease in accounts payable, a \$0.3 million increase in accrued salaries, wages, and benefits, a \$0.5 million increase in other liabilities, and a \$0.6 million increase in deferred revenue.

Non-current assets are comprised of capital assets and restricted cash and cash equivalents. The \$2.2 million increase in the University's non-current assets is associated with a \$0.2 million increase in restricted cash and cash equivalents, and a \$2.0 million increase in construction in progress associated with the Center for Education and Natural Sciences building.

The total of University non-current liabilities is \$0.5 million less than the prior year and is related to the \$0.2 million reduction in long-term debt and the \$0.3 million reduction in long-term liabilities.

The University's net assets were \$60.0 million and \$57.3 million at June 30, 2005 and 2004, respectively. The \$2.7 million increase in net assets was primarily attributable to the \$3.2 million in State of Ohio capital appropriations for building additions.

### 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 institution's capital funding allocations are based largely on enrollment as well as appropriations for new facilities. During 2005, the University utilized \$3.2 million in State capital appropriations related to the construction of the Center for Education and Natural Sciences facility.

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 2005, the University did not issue any new debt or capital lease obligations and paid \$0.3 million in connection with debt maturities. The University is in compliance with all of its contractual long-term debt requirements and covenants.

# Central State University

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

A breakdown and comparison of the University's balance sheets as of June 30, 2005 and 2004 are provided below.

Balance Sheet (in millions)	2005	2004
Assets:		
Current assets	\$ 14.2	\$ 14.4
Non-current assets	56.9	54.7
Total assets	<u>\$ 71.1</u>	<u>\$ 69.1</u>
Liabilities:		
Current liabilities	\$ 8.8	\$ 8.9
Non-current liabilities	2.4	2.9
Total liabilities	11.2	11.8
Net assets:		
Invested in capital assets - Net	53.4	51.1
Restricted for:		
Nonexpendable	1.8	1.8
Expendable	1.1	0.1
Unrestricted	3.6	4.3
Total net assets	<u>59.9</u>	<u>57.3</u>
Total liabilities and net assets	<u>\$ 71.1</u>	<u>\$ 69.1</u>

### Statement of Cash Flows

Net cash used in operating activities was \$14.0 million and \$15.5 million in 2005 and 2004, respectively. Cash flows from operating activities were primarily comprised of grants and contracts (\$17.2 million), tuition and fees (\$6.7 million), other receipts (\$1.1 million) and auxiliary enterprise charges (\$0.4 million), which was partially offset by payments to suppliers and employees of \$39.5 million.

Cash flows from non-capital financing activities were \$16.5 million and \$17.2 million in 2005 and 2004, respectively. In 2005, these were comprised of State of Ohio appropriations of \$16.5 million, and offsetting federal family education loan receipts and disbursements.

# Central State University

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

Net cash used in capital and related financing activities for 2005 and 2004 was \$1.7 million and \$1.8 million, respectively. The decrease in cash flows is primarily attributable to a \$2.7 million increase in capital grants and gifts received and a \$3.2 million increase in the purchase of capital assets and construction. Cash flows from investing activities increased \$0.1 million in 2005, and are related to interest on investments.

The net increase in cash and cash equivalents for 2005 was \$0.9 million; the net decrease in cash and cash equivalents for 2004 was \$0.1 million. Year-end cash and cash equivalents for 2005 and 2004 were \$10.7 million and \$9.8 million, respectively.

A breakdown and comparison of the University's statement of cash flows for the years ended June 30, 2005 and 2004 are provided below.

<b>Cash Flow Activities</b> (in millions)	<u>2005</u>	<u>2004</u>
Cash flows from operating activities	(\$ 14.1)	(\$15.5)
Cash flows from non-capital financing activities	16.5	17.1
Cash flows from capital and related financing activities	(1.7)	(1.8)
Cash flows from investing activities	<u>0.2</u>	<u>0.1</u>
Net increase (decrease) in cash and cash equivalents	0.9	(0.1)
Cash and cash equivalents - Beginning of year	<u>9.8</u>	<u>9.9</u>
Cash and cash equivalents - End of year	<u><u>\$10.7</u></u>	<u><u>\$ 9.8</u></u>

### **Factors Impacting Future Periods**

Phase one (60,000 sq. ft.) of the construction for the new Center for Education and Natural Sciences is underway and is slated for completion in August 2006. Currently, \$3.7 million of the \$8.1 million needed has been appropriated for Phase II of the Center (an additional 40,000 square feet), and \$4.4 million has been requested in the 2007-08 capital appropriations bill. Design of a 100,000 sq. ft. University Center is planned for late 2007, with a targeted completion date of fall 2009. Various options for funding the University Center currently are being pursued.

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. The continued decrease in State appropriations for higher education in general, and Central State University in particular, have created great challenges in meeting the needs of the University's increasing student enrollment.

# Central State University

## Statement of Net Assets

	June 30	
	2005	2004
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 9,482,740	\$ 8,787,814
Accounts receivable - Net of allowance of approximately \$6.2 million at June 30, 2005 and \$6.5 million at June 30, 2004	3,920,195	4,438,029
Notes receivable - Net of allowance of approximately \$250,000 and \$270,000 at June 30, 2005 and 2004, respectively	777,255	860,729
Prepaid assets	-	322,212
Total current assets	<u>14,180,190</u>	<u>14,408,784</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)	1,219,234	1,037,850
Capital assets - Net (Note 3)	<u>55,697,195</u>	<u>53,636,124</u>
Total noncurrent assets	<u>56,916,429</u>	<u>54,673,974</u>
Total assets	<u><b>\$ 71,096,619</b></u>	<u><b>\$ 69,082,758</b></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Deposits	\$ 61,560	\$ 214,234
Accounts payable	1,864,235	3,113,331
Accrued salaries, wages, and benefits	2,929,919	2,605,967
Deferred student fee revenue	164,886	187,885
Current portion of long-term debt (Note 5)	163,152	195,418
Other liabilities	600,749	154,922
Other deferred revenue	<u>3,037,092</u>	<u>2,409,321</u>
Total current liabilities	8,821,593	8,881,078
<b>Noncurrent Liabilities</b>		
Long-term debt (Note 5)	2,177,250	2,340,403
Long-term liabilities (Note 4)	<u>245,513</u>	<u>550,696</u>
Total noncurrent liabilities	<u>2,422,763</u>	<u>2,891,099</u>
Total liabilities	11,244,356	11,772,177
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	53,356,793	51,100,303
Restricted for:		
Nonexpendable	1,850,277	1,850,277
Expendable - Grants	1,085,211	62,445
Unrestricted	<u>3,559,982</u>	<u>4,297,556</u>
Total net assets	<u>59,852,263</u>	<u>57,310,581</u>
Total liabilities and net assets	<u><b>\$ 71,096,619</b></u>	<u><b>\$ 69,082,758</b></u>

# Central State University

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

	Year Ended June 30	
	2005	2004
<b>Operating Revenues</b>		
Tuition and fees	\$ 8,526,136	\$ 6,629,698
Less grants and scholarships	(2,759,663)	(2,359,463)
Federal grants and contracts	18,405,871	17,623,159
State, local, and private grants and contracts	1,842,579	3,214,451
Indirect cost recovery	676,020	663,982
Auxiliary activities	9,334,385	7,959,519
Less grants and scholarships	(3,158,252)	(2,802,345)
Other sources	462,628	664,847
Total operating revenues	33,329,704	31,593,848
<b>Operating Expenses</b>		
Instruction	8,901,428	8,077,423
Research	731,342	1,052,641
Student services	3,430,647	3,511,203
Academic support	4,316,912	4,770,790
Public services	8,768,991	8,571,078
Institutional administration	6,222,238	7,696,186
Operation and maintenance of plant	4,404,289	4,471,444
Auxiliary enterprises	8,945,430	6,613,492
Student aid	2,270,436	2,105,601
Depreciation	2,595,980	2,729,590
Total operating expenses	50,587,693	49,599,448
<b>Operating Loss</b>	(17,257,989)	(18,005,600)
<b>Nonoperating Revenues and Expenses</b>		
State appropriations	16,505,519	17,168,239
Investment income	159,834	83,000
Interest expenses on capital asset - Related debt	(128,238)	(134,385)
Net nonoperating revenues	16,537,115	17,116,854
<b>Loss - Before other revenues</b>	(720,874)	(888,746)
<b>Other Revenues - State capital appropriations</b>	3,262,556	540,363
<b>Increase (Decrease) in Net Assets</b>	2,541,682	(348,383)
<b>Net Assets - Beginning of year</b>	57,310,581	57,658,964
<b>Net Assets - End of year</b>	<b>\$ 59,852,263</b>	<b>\$ 57,310,581</b>

# Central State University

## Statement of Cash Flows

	Year Ended June 30	
	2005	2004
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 6,715,237	\$ 4,366,305
Grants and contracts	17,194,840	19,777,723
Payments to suppliers and employees	(39,508,571)	(39,378,899)
Auxiliary enterprise charges	388,955	(1,618,000)
Other	1,138,648	1,328,829
Net cash used in operating activities	(14,070,891)	(15,524,042)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	16,505,519	17,168,239
Federal family education loan receipts	6,999,381	8,217,387
Federal family education loan disbursements	(6,999,381)	(8,217,387)
Net cash provided by noncapital financing activities	16,505,519	17,168,239
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital grants and gifts received	3,262,556	540,363
Purchase of capital assets and construction	(4,657,051)	(2,034,171)
Principal paid on capital debt	(195,419)	(167,608)
Interest paid on capital debt	(128,238)	(134,385)
Net cash used in capital and related financing activities	(1,718,152)	(1,795,801)
<b>Cash Flows from Investing Activities</b>		
Interest on investments	159,834	83,000
<b>Net Change in Cash and Cash Equivalents</b>	876,310	(68,604)
<b>Cash and Cash Equivalents - Beginning of year</b>	9,825,664	9,894,268
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 10,701,974</b>	<b>\$ 9,825,664</b>



# Central State University

## Statement of Cash Flows (Continued)

	Years Ended June 30	
	2005	2004
Reconciliation of net operating loss to net cash from operating activities:		
Operating loss	\$ (17,257,989)	\$ (18,005,600)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	2,595,980	2,729,590
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	767,092	445,437
Inventories, prepaids, and other assets	322,212	18,870
Notes receivable	(165,784)	(817,702)
Accounts payable	(1,249,096)	186,869
Accrued salaries, wages, and benefits	(5,748)	424,370
Other liabilities	470,344	(33,835)
Deferred revenue and student deposits	452,098	(472,041)
Net cash used in operating activities	<u>\$ (14,070,891)</u>	<u>\$ (15,524,042)</u>

# Central State University

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

	June 30	
	2005	2004
<b>Assets</b>		
Cash and cash equivalents	\$ 1,641,176	\$ 927,542
Investments	3,360,144	3,674,391
Contributions receivable	109,221	228,778
Other receivables	88,559	99,119
Prepaid expenses	1,664	4,332
Total current assets	5,200,764	4,934,162
Restricted cash and cash equivalents (Note 2)	2,231,655	3,644,450
Fixed assets - Net (Note 3)	15,252,127	15,756,619
Financing costs - Net	2,135,666	2,237,954
Total assets	<u>\$ 24,820,212</u>	<u>\$ 26,573,185</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 508,613	\$ 96,767
Construction payable	-	1,293,646
Accrued interest payable	520,247	450,869
Current portion of long-term debt (Note 5)	160,000	95,000
Total current liabilities	1,188,860	1,936,282
Long-term debt (Note 5)	20,260,708	20,377,724
Total liabilities	21,449,568	22,314,006
<b>Net Assets</b>		
Unrestricted	4,078	272,637
Temporarily restricted	1,790,619	2,518,610
Permanently restricted	1,575,947	1,467,932
Total net assets	3,370,644	4,259,179
Total liabilities and net assets	<u>\$ 24,820,212</u>	<u>\$ 26,573,185</u>

# Central State University

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

	Year Ended June 30	
	2005	2004
<b>Revenue</b>		
Rental revenues	\$ 2,115,047	\$ 990,340
Contributions	742,418	1,557,122
Reimbursements	38,683	14,143
Other	141,860	82,203
Unrealized gain on investments	66,400	64,030
Investment income	<u>241,234</u>	<u>189,447</u>
Total revenue	3,345,642	2,897,285
<b>Expenses</b>		
Programs:		
Scholarship programs	497,065	421,052
Athletic programs	481,962	229,730
Academic programs	259,490	198,313
Institutional programs	321,972	201,878
Support activities:		
Management fees	142,100	63,371
Operating expenses	606,244	246,775
Depreciation expense	606,780	277,701
Interest expense	1,083,475	690,068
Other	<u>235,089</u>	<u>211,285</u>
Total expenses	<u>4,234,177</u>	<u>2,540,173</u>
<b>Increase (Decrease) in Net Assets</b>	(888,535)	357,112
<b>Net Assets - Beginning of year</b>	<u>4,259,179</u>	<u>3,902,067</u>
<b>Net Assets - End of year</b>	<u><b>\$ 3,370,644</b></u>	<u><b>\$ 4,259,179</b></u>

# Central State University

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## Notes to Financial Statements June 30, 2005 and 2004

### **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. 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-West, 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 last year 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. 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; and
- 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 1 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	5-15 years

**Deferred Student Fee Income** - Deferred student fee income consists of the unearned portion of student tuition and fees for the summer sessions.

### **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.

**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 Pell Grant Program, 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 \$35,000 as of June 30, 2005 and 2004.

# Central State University

## Notes to Financial Statements June 30, 2005 and 2004

### 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. At year end, the University had \$281,286 of bank deposits that were uninsured and uncollateralized.

#### 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. At year end, the University had \$11,405,000 invested in bank mutual fund pools; 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, 2005 and 2004:

	2005	2004
Restricted:		
Debt interest account	\$ 534,684	\$ 750,179
Debt principal account	161,011	95,298
Debt issuance account	21,844	21,432
Repair and replacement fund	2	60,896
Construction account	105,417	1,280,518
Debt reserve fund	1,408,697	1,436,127
Total restricted cash	<u>\$ 2,231,655</u>	<u>\$ 3,644,450</u>



# Central State University

## Notes to Financial Statements June 30, 2005 and 2004

### Note 3 - Capital Assets

Capital assets activity for the University for the years ended June 30, 2005 and 2004 is summarized as follows:

	2005			
	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable assets:				
Buildings and improvements	\$ 93,791,944	\$ 1,356,767	\$ -	\$ 95,148,711
Automobiles, machinery, and equipment	12,048,247	745,561	(69,222)	12,724,586
Nondepreciable assets:				
Land improvements	308,650	-	-	308,650
Construction in progress	<u>651,811</u>	<u>2,554,723</u>	<u>-</u>	<u>3,206,534</u>
Total capital assets	106,800,652	4,657,051	(69,222)	111,388,481
Less accumulated depreciation:				
Buildings and improvements	43,808,834	1,906,775	-	45,715,609
Automobiles, machinery, and equipment	<u>9,355,694</u>	<u>689,205</u>	<u>(69,222)</u>	<u>9,975,677</u>
Total accumulated depreciation	<u>53,164,528</u>	<u>\$ 2,595,980</u>	<u>\$ (69,222)</u>	<u>55,691,286</u>
Capital assets - Net	<u>\$ 53,636,124</u>			<u>\$ 55,697,195</u>
	2004			
	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable assets:				
Buildings and improvements	\$ 93,080,937	\$ 711,007	\$ -	\$ 93,791,944
Automobiles, machinery, and equipment	10,768,236	1,280,011	-	12,048,247
Nondepreciable assets:				
Land improvements	308,650	-	-	308,650
Construction in progress	<u>608,658</u>	<u>55,153</u>	<u>(12,000)</u>	<u>651,811</u>
Total capital assets	104,766,481	2,046,171	(12,000)	106,800,652
Less accumulated depreciation:				
Buildings and improvements	41,907,940	1,900,894	-	43,808,834
Automobiles, machinery, and equipment	<u>8,526,998</u>	<u>828,696</u>	<u>-</u>	<u>9,355,694</u>
Total accumulated depreciation	<u>50,434,938</u>	<u>\$ 2,729,590</u>	<u>\$ -</u>	<u>53,164,528</u>
Capital assets - Net	<u>\$ 54,331,543</u>			<u>\$ 53,636,124</u>

Commitments for construction contracts at June 30, 2005 were approximately \$9,908,000. Since this work has not yet been performed, no liability has been recorded at year end.

# Central State University

## Notes to Financial Statements June 30, 2005 and 2004

### Note 3 - Capital Assets (Continued)

Capital assets activity for the Foundation for the years ended June 30, 2005 and 2004 is summarized as follows:

	2005	2004
Land	\$ 75,330	\$ 75,330
Building	15,267,051	6,903,766
Furniture	859,653	859,653
Construction in progress	-	8,363,285
Total fixed assets	16,202,034	16,202,034
Less accumulated depreciation	(949,907)	(445,415)
Net	<u>\$ 15,252,127</u>	<u>\$ 15,756,619</u>

### Note 4 - Long-term Liabilities

Long-term liability (other than long-term debt) activity for the years ended June 30, 2005 and 2004 is summarized as follows:

	2005				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 1,400,274	\$ 834,605	\$ 1,189,730	\$ 1,045,149	\$ 874,181
Other liabilities	50,028	27,500	2,983	74,545	-
Total	<u>\$ 1,450,302</u>	<u>\$ 862,105</u>	<u>\$ 1,192,713</u>	<u>\$ 1,119,694</u>	<u>\$ 874,181</u>
	2004				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 1,226,371	\$ 1,073,509	\$ 899,606	\$ 1,400,274	\$ 899,606
Other liabilities	76,345	708	27,025	50,028	-
Total	<u>\$ 1,302,716</u>	<u>\$ 1,074,217</u>	<u>\$ 926,631</u>	<u>\$ 1,450,302</u>	<u>\$ 899,606</u>

The current portion of long-term liabilities is included in accrued salaries, wages, and benefits.

# Central State University

## Notes to Financial Statements June 30, 2005 and 2004

### Note 5 - Long-term Debt

#### University:

Long-term debt for the University consists of the following for the years ended June 30, 2005 and 2004:

	2005				
	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	\$ 212,550	\$ -	\$ 60,000	\$ 152,550	\$ 60,000
Notes payable:					
Note payable to HUD, 3.0%, payable in varying installments through June 12, 2010	149,492	-	23,267	126,225	23,764
Note payable to the Department of Education, 5.5%, payable in varying installments through November 1, 2021	2,136,623	-	74,996	2,061,627	79,388
Capital lease:					
Capital lease, 6.91%, payable in varying installments through September 1, 2004	37,156	-	37,156	-	-
Total	<u>\$ 2,535,821</u>	<u>\$ -</u>	<u>\$ 195,419</u>	<u>\$ 2,340,402</u>	<u>\$ 163,152</u>
	2004				
	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	\$ 272,550	\$ -	\$ 60,000	\$ 212,550	\$ 60,000
Notes payable:					
Note payable to HUD, 3.0%, payable in varying installments through June 12, 2010	171,682	-	22,190	149,492	23,067
Note payable to the Department of Education, 5.5%, payable in varying installments through November 1, 2021	2,208,047	-	71,424	2,136,623	75,195
Capital lease:					
Capital lease, 6.91%, payable in varying installments through September 1, 2004	51,150	-	13,994	37,156	37,156
Total	<u>\$ 2,703,429</u>	<u>\$ -</u>	<u>\$ 167,608</u>	<u>\$ 2,535,821</u>	<u>\$ 195,418</u>

# Central State University

## Notes to Financial Statements June 30, 2005 and 2004

### Note 5 - Long-term Debt (Continued)

At June 30, 2005, maturities of long-term debt, including interest payments, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 163,152	\$ 119,599	\$ 282,751
2007	173,296	112,579	285,875
2008	141,260	105,778	247,038
2009	119,406	99,669	219,075
2010	125,400	93,674	219,074
2011-2015	582,032	376,471	958,503
2016-2020	763,424	195,079	958,503
2021-2022	272,431	15,119	287,550
Total	<u>\$ 2,340,401</u>	<u>\$ 1,117,968</u>	<u>\$ 3,458,369</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 University is required to deposit \$23,923 semiannually in the debt service payment account for the principal and interest payments. The University has accumulated the required reserve in the debt service reserve account (\$192,221). The University is now required to deposit \$28,010 annually into a repair and replacement reserve account until \$280,100 has been accumulated in that account (\$179,508 accumulated at June 30, 2005).

The University is required to maintain an operating reserve under the provisions of the revenue bonds. This reserve is required to be maintained at an amount adequate to provide working capital for the operation and maintenance of the dormitories; however, it should not exceed one-fourth of the operating and maintenance expenses of the dormitory facilities for the preceding 12 months, plus a reasonable amount for operating and maintenance expenses of the new dormitory facilities. Once the operating reserve is adequately funded, the University is required to maintain the following funds, in the order of priority.

- a. The University is required to make deposits on May 15 and November 15 of each year to the Debt Service Fund, in an amount equal to the principal plus interest payments due in the current year for certain series of revenue bonds.

# Central State University

## Notes to Financial Statements June 30, 2005 and 2004

### Note 5 - Long-term Debt (Continued)

- b. The Debt Service Reserve Fund is equal to the maximum principal and interest requirements for any consecutive two-year certain series of dormitory revenue bonds.
- c. The Contingency Repair and Replacement Fund is equal to .25 percent of the cost of construction on all dormitory facilities then under construction plus 3 percent of the cost of movable equipment for all dormitory facilities.

The University is required to provide the trustees and the original purchasers of the bonds with an annual report of the accounts and operations of the dormitory facilities within 120 days after year end.

#### Central State University Foundation:

The Foundation's subsidiary, Marauder Development, LLC, has the following debt related to the financing of student dormitories. Information is for the subsidiary's years ended August 31, 2005 and 2004:

	Interest Rate	Maturity	Balance September 1, 2004	Additions	Payments	Balance August 31, 2005
Revenue Bonds Series 2004	3.3%-5.1%	2035	\$ 11,866,954	\$ 13,728	\$ -	\$ 11,880,682
Revenue Bonds Series 2002	3.0%-5.625%	2032	8,605,770	29,256	95,000	8,540,026
Total			<u>\$ 20,472,724</u>	<u>\$ 42,984</u>	<u>\$ 95,000</u>	20,420,708
Less: Current portion						(160,000)
Long-term portion						<u>\$ 20,260,708</u>

	Interest Rate	Maturity	Balance September 1, 2003	Additions	Payments	Balance August 31, 2004
Revenue Bonds Series 2004	3.3%-5.1%	5168	\$ -	\$ 11,866,954	\$ -	\$ 11,866,954
Revenue Bonds Series 2002	3.0%-5.625%	2032	8,577,499	28,271	-	8,605,770
Total			<u>\$ 8,577,499</u>	<u>\$ 11,895,225</u>	<u>\$ -</u>	20,472,724
Less: Current portion						95,000
Long-term portion						<u>\$ 20,377,724</u>

# Central State University

## Notes to Financial Statements June 30, 2005 and 2004

### Note 5 - Long-term Debt (Continued)

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

Year ended August 31	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2006	\$ 160,000	\$ 451,059	\$ -	\$ 587,026	\$ 1,198,085
2007	165,000	445,978	190,000	583,749	1,384,727
2008	170,000	440,321	200,000	576,471	1,386,792
2009	175,000	434,065	205,000	568,012	1,382,077
2010	180,000	427,184	225,000	563,554	1,395,738
2011-2015	1,030,000	2,007,627	1,265,000	2,687,954	6,990,581
2016-2020	1,300,000	1,726,575	1,560,000	2,389,760	6,976,335
2021-2025	1,695,000	1,331,228	1,980,000	1,970,375	6,976,603
2026-2030	2,215,000	795,634	2,530,000	1,419,075	6,959,709
2031-2035	1,685,000	147,797	3,245,000	704,310	5,782,107
2036	-	-	750,000	38,250	788,250
	<u>\$ 8,775,000</u>	<u>\$ 8,207,468</u>	<u>\$ 12,150,000</u>	<u>\$ 12,088,536</u>	<u>\$ 41,221,004</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 \$234,974 at June 30, 2005, 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 \$160,000 on September 1, 2005 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.

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 \$269,318 at August 31, 2005. 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 \$190,000 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.

### **Note 5 - Long-term Debt (Continued)**

Bond legislation provides that Marauder Development, LLC will charge rates sufficient for the excess of revenue over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio). As of August 31, 2005, Marauder was in compliance with this requirement.

### **Note 6 - 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.

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.

# Central State University

## Notes to Financial Statements June 30, 2005 and 2004

### Note 7 - Retirement Plans

University faculty 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 health care benefits to vested retirees. Authority to establish and amend benefits for OPERS and STRS is provided by state statute by Chapters 145 and 3307, respectively, of the Ohio Revised Code.

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

OPERS  
227 East Town Street  
Columbus, Ohio 43215

614.466.2085

STRS  
275 East Board Street  
Columbus, Ohio 43215

614.227.4090

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

	Retirement System	University Share	Employee Share
Classified, contract	OPERS	13.31%	8.50%
Faculty	STRS	14.00%	10.00%

The University's contributions, representing 100 percent of employer contributions, for the periods ended June 30, 2004, 2003 and 2002 are as follows:

	OPERS	STRS
2004	\$ 634,013	\$ 778,544
2003	629,161	755,319
2002	575,363	447,857



### **Note 7 - Retirement Plans (Continued)**

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 rates for plan participants are 10 percent and 8.5 percent of 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 13.31 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 \$291,868 and \$303,168 and the University's contributions to the ARP were \$431,814 and \$448,262 for the years ended June 30, 2005 and 2004, respectively. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were \$84,809 and \$54,754 for the years ended June 30, 2005 and 2004, respectively.

### **Note 8 - Other Postemployment Benefits**

OPERS currently provides postemployment health care benefits to retirees with 10 or more years of qualifying service credit and to primary survivors of those retirees. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code ("ORC"), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. The contributions allocated to retiree health benefits, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

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 health care expenses. Under the prior method, accrued liabilities and the normal cost rates were determined for retiree health care coverage.

### **Note 8 - Other Postemployment Benefits (Continued)**

The actuarial value of OPERS net assets available for these benefits at December 31, 2003 was \$10.5 billion. There were 369,885 active, contributing members. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively. For the years ended June 30, 2005 and 2004, the University contributed \$398,120 and \$381,471, respectively, to OPERS for OPEB funding, which is equal to the actuarially required contributions of the plan.

STRS currently provides comprehensive health care 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 health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care 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 health care benefits are paid. The balance in the HCRF was \$3.011 billion at June 30, 2002. For the fiscal year ended June 30, 2001, STRS allocated employer contributions equal to 4.5 percent of covered payroll to the HCRF. There were 105,300 benefit recipients eligible for post-employment benefits at that date. For the years ended June 30, 2005 and 2004, the University contributed \$28,358 and \$18,251, respectively, to fund these benefits.

### **Note 9 - Grants and Contracts**

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

# Central State University

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## Notes to Financial Statements June 30, 2005 and 2004

### **Note 10 - Commitments and Contingencies**

**Commitments** - The University has encumbered approximately \$3,782,950 and \$3,005,187 of funds as of June 30, 2005 and 2004, 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 review, the ultimate disposition of these matters are 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 11 - 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 \$687,500 and \$416,300 for the years ended June 30, 2005 and 2004, respectively.

The Foundation established and owns Marauder Development, LLC, which owns a new residence hall (Foundation Hall) 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 \$706,572 and \$196,746 for the years ended June 30, 2005 and 2004, respectively. The University paid Marauder Development, LLC \$2,110,173 and \$872,837 for the years ended June 30, 2005 and 2004, respectively. These payments were primarily student residence hall fees and some reimbursable construction interest and furniture expenses.

### **Note 12 - 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, 2005

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:		
Federal Work Study	84.033	\$ 555,428
Federal SEOG	84.007	536,319
Federal Pell Grant	84.063	<u>4,115,017</u>
<b>TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER</b>		<b>5,206,764</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER:</b>		
National Aeronautics and Space Administration:		
Ohio Space Grant	43.001	18,137
Faculty Fellowship Program	43.001	29,699
Ohio View Modification #2	43.001	19,814
Student Mission to Mars - MIMIC	43.001	<u>5,954</u>
Total National Aeronautics and Space Administration		73,604
Environmental Protection Agency:		
Argon Optimization of Phytormediation	66.509	150,537
US EPA Training	66.607	<u>21,002</u>
Total Environmental Protection Agency		<u>171,539</u>
<b>TOTAL RESEARCH AND DEVELOPMENT CLUSTER</b>		<b>245,143</b>
<b>TRIO CLUSTER:</b>		
U.S. Department of Education - Direct Program:		
TRIO: Student Support Services	84.042A	<b>270,566</b>

# Central State University

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
<b>OTHER FEDERAL PROGRAMS:</b>		
<b>U.S. DEPARTMENT OF EDUCATION</b>		
Higher Education - Institutional Aid - Direct Program		
Academic Enhancement	84.031B	17,910
Center for Student Academic Success	84.031B	355,290
Computer Science	84.031B	50,131
Computer Services	84.031B	4,316
Faculty Development	84.031B	109,888
Faculty Development Travel	84.031B	4,342
Fine Arts	84.031B	38,706
Funds Management	84.031B	42,776
Honors Program	84.031B	28,386
Improving Administrative Management	84.031B	15,877
Institutional Advancement	84.031B	80,731
Institutional Enhancement	84.031B	964
International Studies Center	84.031B	44,311
Library Acquisition Enhancement	84.031B	278,096
Management Administration	84.031B	149,935
Professional Development	84.031B	8,429
Program Accreditation	84.031B	55,695
Program Administration	84.031B	157,594
Radio/TV	84.031B	14,625
Research/Internships	84.031B	4,085
Semester Conversion	84.031B	108,255
Strengthen Administrative Management	84.031B	710
Strengthen Development Office	84.031B	19,887
Strengthening Institutional Enhancement	84.031B	22,467
Student Success Support	84.031B	1,695
Student Success Counseling	84.031B	89,543
Technical Part	84.031B	(541)
TOTAL HIGHER EDUCATION - INSTITUTIONAL AID		1,704,103
Minority Science and Engineering Program	84.120	72,632
Integrated Biotech Education	84.120	122,132
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b>1,898,867</b>

# Central State University

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
<b>OTHER FEDERAL PROGRAMS:</b>		
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Family and Community Violence Prevention	93.910	7,653,237
Family Life Center	93.910	(331)
Head Start Teacher Preparation	93.600	44,817
Technical Assistance Workshop	93.100	1,000
Health Care/Other Facilities	93.144	<u>85,561</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b>7,784,284</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>		
Summer Transportation Program	20.000	<b>30,289</b>
<b>U.S. DEPARTMENT OF DEFENSE</b>		
Basic and Applied Scientific Research:		
Programming Environment Training	12.000	324
PET Leadership Program	12.000	25,246
PET Summer Program	12.000	25,933
SEMAC Urban Education	12.300	71,645
STAPP APPS To Curved Antennas	12.000	2,257
Student Satellite Program	12.000	264
Modeling/Design Multifunction Systems	12.000	1,074
Manufacturing Technology Support (MATES) Program	12.800	9,888
Development of ADXRS Sockets Prototype Project	12.630	1,640
Advanced MFG Demonstration	12.630	<u>1,074</u>
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>		<b>139,345</b>
<b>NATIONAL SCIENCE FOUNDATION</b>		
QUEST	47.076	428,737
LSAMP OH Science and Engineering	47.076	8,949
Scholarships for Academic Recruitment	47.076	100,272
HPNC High Bandwidth Connection	47.070	11,974
CSU JUMP	47.076	<u>18,782</u>
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>		<b>568,714</b>
<b>U.S. DEPARTMENT OF ENERGY</b>		
National Renewable Energy Laboratory	81.087	<b>24,021</b>
<b>U.S. DEPARTMENT OF INTERIOR</b>		
Applications of Remote Sensing Technology	15.504	<b>94,458</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>		
Law Enforcement Block Grant	16.592	<u>16,132</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$ 16,278,583</u></b>

# Central State University

## Notes to Schedule of Expenditures of Federal Awards June 30, 2005

### 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, 2005, are summarized as follows:

Federal Stafford Loans	\$ 4,372,421
Federal Unsubsidized Stafford Loans	3,948,190
Federal Parental Loans for Undergraduate Students (PLUS)	<u>1,658,060</u>
Program	<u>\$ 9,978,671</u>

### Note 3 - Loans Outstanding

The University administers the Perkins Loan Program (Federal CFDA Number 84.038). Outstanding loans as of June 30, 2005 were \$1,026,513. No new loans were issued during the year ended June 30, 2005.

### 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
Family and Community Violence Prevention	93.910	<u>\$ 4,544,987</u>



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*

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, 2005 and have issued our report thereon dated October 14, 2005. 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. For the year ended June 30, 2004, Central State University adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Units are Component Units*. The impact of this statement was to bring in the Central State University Foundation and its subsidiary as a discretely presented component unit.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the University's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items Finding 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above (Finding 2005-1) to be a material weakness.

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 fraud 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, 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 14, 2005

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

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, 2005. 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. 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 item 2005-2.

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, 2005.

### **Internal Control Over Compliance**

The management of Central State University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, 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 14, 2005

# Central State University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2005

### 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
- Reportable condition(s) 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
- Reportable condition(s) 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 program(s):

CFDA Number(s)	Name of Federal Program or Cluster
84.033, 84.007, 84.063, 84.038 and 84.032 93.910	Student Financial Assistance Cluster Family and Community Violence Prevention

Dollar threshold used to distinguish between type A and type B programs: \$488,357

Auditee qualified as low risk auditee?  Yes  No

# Central State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

### Section II - Financial Statement Audit Findings

Reference Number	Findings
2005-01	<p><b>Finding Type</b> - Material weakness and reportable condition</p> <p><b>Criteria</b> - A strong internal control structure is supported by timely and accurate account reconciliations of general ledger and bank balances.</p> <p><b>Condition</b> - The University did not complete bank reconciliations for the operating and federal loan drawdown accounts throughout the year.</p> <p><b>Cause/Effect</b> - Personnel in the finance area were not required to complete reconciliations timely nor were they reviewed by a supervisor.</p> <p><b>Recommendation</b> - All bank and account reconciliations should be prepared within a week or two of closing each month's transactions and receiving the bank statements. All reconciling items should be identified and properly recorded and/or resolved if in error. All reconciliations should be reviewed by a person of proper authority, immediately after being prepared, to ensure the accuracy and adequacy of preparation.</p> <p><b>Grantee Response</b> - The University has made account reconciliations and segregation of duties its highest priority. This finding was also in last year's audit report that was completed in May 2005. The corrective action plan went into place in June 2005 and the issue has been remedied for the June 30, 2006 audit.</p>

# Central State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

### Section III - Federal Program Audit Findings

Reference Number	Findings
2005-02	<p><b>Program Name</b> - Student Financial Assistance Cluster - 84.007, 84.032 84.038, 84.033, and 84.063</p> <p><b>Finding Type</b> - Non-compliance - Timely return of Title IV refunds</p> <p><b>Criteria</b> - Return of Title IV refunds is required to be refunded within 30 days after the date the institution determines that a student receiving the aid has withdrawn.</p> <p><b>Condition</b> - During our testing, we noted the returning of funds was not being performed within 30 days of the date that the University determined a withdrawal took place.</p> <p><b>Questioned Costs</b> - Unknown</p> <p><b>Context</b> - 5 out of 23 students tested did not have the Title IV refund completed within the 30 days after withdrawal was determined to have taken place.</p> <p><b>Cause and Effect</b> - The student financial aid office appears to be calculating the refunds within the required timeframe; however, the office is not submitting the payment within the required timeframe.</p> <p><b>Recommendation</b> - The student financial aid department should implement procedures to ensure that refunds are submitted within 30 days after a student withdraws.</p> <p><b>Grantee Response</b> - Currently, the practice of the Office of Student Financial Aid is to notify the Office of the Bursar by e-mail when a refund is required. This is done when the Office of Student Financial Aid completes the Return of Title IV calculation, and is within the 30 day required timeframe.</p> <p>To resolve the timeliness of the refund concern, we will increase the communication between the Office of Student Financial Aid and the Office of the Bursar. We will begin to include a date in the e-mail notification that these funds must be returned by, as well as additional follow up to ensure our success. This was a finding in the prior year audit as well and the corrective action plan was put into place in June 2005.</p>

# Central State University

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2005

Reference Number	Corrective Action Taken
2004-01	<p><b>Program Name</b> - None</p> <p><b>Audit Finding</b> - Material weakness related to bank account reconciliations</p> <p><b>Contact Person Responsible for Corrective Action</b> - Merv L. Alphonso, Vice President for Administration and Chief Financial Officer</p> <p><b>Corrective Action Taken</b> - The University is in the process of replacing and upgrading most of the staff within the finance office. New procedures have been put in place related to on-line banking to ensure adequate segregation of duties. All bank reconciliations were up to date beginning in June 2005. Ongoing efforts and procedures were identified and implemented for June 30, 2005 balances and activity for 2006. Reconciliation procedures are being implemented that have due dates, and reviewer approvals have been implemented.</p>
2004-2	<p><b>Program Name</b> - Student Financial Aid</p> <p><b>Audit Finding</b> - Compliance - Timely Return of Title IV Funds</p> <p><b>Contact Person Responsible</b> - Veronica Leech, Director of Student Financial Aid</p> <p><b>Corrective Action Taken</b> - Prior plan was put into effect June 2005. Communication between offices has improved.</p>
2004-3	<p><b>Program Name</b> - Student Financial Aid</p> <p><b>Audit Finding</b> - Compliance - NSLDS Data Quality</p> <p><b>Contact Person Responsible</b> - Veronica Leech, Director of Student Financial Aid</p> <p><b>Corrective Action Taken</b> - The error that occurred has been resolved.</p>



# Central State University

## Summary Schedule of Prior Audit Findings (Continued) Year Ended June 30, 2005

Reference Number	Corrective Action Taken
2004-4	<p><b>Program Name</b> - Family and Community Violence Prevention</p> <p><b>Audit Finding</b> - Noncompliance - Subrecipient Monitoring</p> <p><b>Contact Person Responsible</b> - Dr. Laxley Rodney</p> <p><b>Corrective Action Taken</b> - The University developed a tracking system to verify subrecipient monitoring.</p>
2004-5	<p><b>Program Name</b> - National Science Foundation</p> <p><b>Audit Finding</b> - Noncompliance - Indirect Cost Allocation</p> <p><b>Contact Person Responsible</b> - Morakinyo A.O. Kuti</p> <p><b>Corrective Action Taken</b> - Indirect cost rate allocation issue will be automated through increased monitoring within the University's Banner Software Management System Research Module. Training on this module will occur in late 2005.</p>
2004-6	<p><b>Program Name</b> - NA</p> <p><b>Audit Finding</b> - Noncompliance related to Annual Audit Reporting Submission</p> <p><b>Contact Person Responsible</b> - Merv L. Alphonso</p> <p><b>Corrective Action Taken</b> - The University has complied with the annual audit filing requirement for June 30, 2005.</p>
2004-7	<p><b>Program Name</b> - NA</p> <p><b>Audit Finding</b> - Reporting Instance of Fraud</p> <p><b>Contact Person Responsible</b> - Merv L. Alphonso</p> <p><b>Corrective Action Taken</b> - All fraud has been reported.</p>

# Central State University

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## Corrective Action Plan Year Ended June 30, 2005

Reference Number	Corrective Action Taken
2005-1	<p><b>Program Name</b> - NA</p> <p><b>Audit Finding</b> - Material weakness and reportable condition</p> <p><b>Contact Person Responsible</b> - Merv L. Alphonso</p> <p><b>Corrective Action Taken</b> - The University is in the process of replacing and upgrading most of the staff within the finance office. New procedures have been put in place related to on-line banking to ensure adequate segregation of duties. All bank reconciliations were up to date beginning in June 2005. Ongoing efforts and procedures were identified and implemented for June 30, 2005 balances and activity for 2006. Reconciliation procedures have due dates and reviewer approvals implemented. The University has made account reconciliations and segregation of duties its highest priority. This finding was also in last year's audit report, which was completed in May 2005. The corrective action plan went into place in June 2005 and the issue has been remedied for the June 30, 2006 audit.</p>
2005-2	<p><b>Program Name</b> - Student Financial Aid</p> <p><b>Audit Finding</b> - Compliance - Timely Return of Title IV Funds</p> <p><b>Contact Person Responsible</b> - Veronica Leech, Director of Student Financial Aid</p> <p><b>Corrective Action Taken</b> - To resolve the timeliness of the refund concern, we will increase the communication between the Office of Student Financial Aid and the Office of the Bursar. We will begin to include a date in the e-mail notification by which these funds must be returned, as well as additional follow up to ensure our success. This was a finding in the prior year audit as well and the corrective action plan was put into place in June 2005. It involves better communication and accountability between departments.</p>

**WCSU-FM**  
**(a Public Telecommunications Entity**  
**Operated by Central State University)**

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**Financial Report**  
**June 30, 2005**

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**Independent Auditor's Report**

To the Board of Trustees  
WCSU-FM

We have audited the accompanying basic financial statements of WCSU-FM, a public telecommunications entity operated by Central State University, as of June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of WCSU-FM as of June 30, 2005 and 2004 and the changes in its 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 have also issued a report dated October 14, 2005 on our consideration of WCSU-FM's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis presented on pages 2 through 4 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 14, 2005

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**Management's Discussion and Analysis**

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of WCSU - FM, which is owned and operated by Central State University. The report consists of three basic financial statements that provide information on the radio station: the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. These reports begin on page 5 and should be read in conjunction with the notes to the financial statements. The following summary and management discussion of the results are intended to provide the readers with an overview of the financial statements.

**The Statement of Net Assets**

The statement of net assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. Net assets - the difference between assets and liabilities - is one way to measure the financial activities of the Station. Unrestricted net assets decreased by \$9,074 due to excess of expenses over revenues incurred by the Station. Net assets invested in capital assets decreased by \$12,142 due to ongoing depreciation of existing fixed assets, and no new purchases. Therefore, total net assets decreased by \$21,216.

Total liabilities in 2005 increased by \$52,078, which was primarily attributable to an increase in deferred revenue; accounts payable remained relatively constant.

Total assets in 2005 increased \$30,862; the increase was primarily related to amounts due from the University (pooled cash and investments).

	2005	2004
<b>Assets</b>		
<b>Current Assets</b>	\$ 254,328	\$ 211,324
<b>Capital Assets</b> - Net of depreciation	31,756	43,898
Total assets	<u>\$ 286,084</u>	<u>\$ 255,222</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b> - Current	\$ 267,457	\$ 215,379
<b>Net Assets</b>		
Invested in capital assets	31,756	43,898
Unrestricted	<u>(13,129)</u>	<u>(4,055)</u>
Total net assets	<u>18,627</u>	<u>39,843</u>
Total liabilities and net assets	<u>\$ 286,084</u>	<u>\$ 255,222</u>

**Management's Discussion and Analysis (Continued)**

Current assets, including advances to the University, and current liabilities increased during 2005 due to unexpended grant proceeds at year-end which caused an increase in cash and deferred revenue and a decrease in operating revenues and expenses. As described further in Note 1, current assets reflect mainly the amount due to the Station from the University's pooled cash and investment system. Further detail about the sources and uses of cash is reflected in the statement of cash flows.

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

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

	<u>2005</u>	<u>2004</u>
<b>Operating Revenues</b>	\$ 223,746	\$ 267,273
<b>Nonoperating Revenues</b>	<u>409,930</u>	<u>391,919</u>
<b>Total Revenues</b>	633,676	659,192
<b>Operating Expenses</b>		
Programming and production	324,402	351,736
Program information and promotion	33,130	33,188
Management and general	<u>297,360</u>	<u>305,818</u>
Total operating expenses	<u>654,892</u>	<u>690,742</u>
<b>Decrease in Net Assets</b>	(21,216)	(31,550)
<b>Net Assets - Beginning of year</b>	<u>39,843</u>	<u>71,393</u>
<b>Net Assets - End of year</b>	<u><u>\$ 18,627</u></u>	<u><u>\$ 39,843</u></u>

Operating revenues decreased by \$43,527, or 16 percent, from 2004; Corporation for Public Broadcasting decreased \$11,618 (9.6%), State Network Commission revenue decreased \$14,779 (40%), and Contributed Services decreased \$17,130 (15.6%). This decrease is primarily due to the timing of expenditures and recognizing revenue when expenditures are incurred. Operating expenses decreased by \$35,850, or 5.2 percent.

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**Management's Discussion and Analysis (Continued)****Statement of Cash Flows**

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

	<u>2005</u>	<u>2004</u>
Cash used in operating activities	\$ (366,531)	\$ (373,078)
Cash provided by noncapital financing activities	<u>408,029</u>	<u>391,919</u>
Increase in cash	41,498	18,841
<b>Cash - Beginning of year</b>	<u>211,324</u>	<u>192,483</u>
<b>Cash - End of year</b>	<u><b>\$ 252,822</b></u>	<u><b>\$ 211,324</b></u>

The Station consumed \$366,531 in operating activities in 2005. The primary operating cash receipts consist of grants and contracts of \$274,352. Cash outlays include payments for wages and to vendors of \$640,883. The primary non-capital financing activities consist of support from the University.

**Economic Factors that Will Affect the Future**

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



**Statement of Net Assets**

<b>Assets</b>	June 30	
	2005	2004
<b>Current Assets</b>		
Due from the University (Note 2)	\$ 252,822	\$ 211,324
Accounts receivable	<u>1,506</u>	<u>-</u>
Total current assets	254,328	211,324
Capital assets - Net (Note 3)	<u>31,756</u>	<u>43,898</u>
Total assets	<u><b>\$ 286,084</b></u>	<u><b>\$ 255,222</b></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Deferred revenue	\$ 253,448	\$ 201,336
Accounts payable	<u>14,009</u>	<u>14,043</u>
Total liabilities	267,457	215,379
<b>Net Assets</b>		
Unrestricted deficit	(13,129)	(4,055)
Net investment in capital assets	<u>31,756</u>	<u>43,898</u>
Total net assets	<u>18,627</u>	<u>39,843</u>
Total liabilities and net assets	<u><b>\$ 286,084</b></u>	<u><b>\$ 255,222</b></u>

# WCSU-FM

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

	Year Ended June 30	
	2005	2004
<b>Support and Revenue</b>		
Corporation for Public Broadcasting (Note 4)	\$ 109,085	\$ 120,703
State Network Commission (Note 5)	22,169	36,948
Contributed services	92,492	109,622
Total support and revenue	223,746	267,273
<b>Expenses</b>		
Program services:		
Programming and production	324,402	351,736
Program information and promotion	33,130	33,188
Support services - Management and general	297,360	305,818
Total expenses	654,892	690,742
<b>Operating Loss</b>	(431,146)	(423,469)
<b>Nonoperating Revenues</b>		
Miscellaneous	-	9,860
University support (Note 6)	409,930	382,059
Total nonoperating revenues	409,930	391,919
<b>Decrease in Net Assets</b>	(21,216)	(31,550)
<b>Net Assets - Beginning of year</b>	39,843	71,393
<b>Net Assets - End of year</b>	<u>\$ 18,627</u>	<u>\$ 39,843</u>

**Statement of Cash Flows**

	Year Ended June 30	
	2005	2004
<b>Cash Flows from Operating Activities</b>		
Grants and contracts	\$ 274,352	\$ 278,439
Payments to employees and vendors	(640,883)	(651,517)
Net cash used in operating activities	(366,531)	(373,078)
<b>Cash Flows from Noncapital Financing Activities -</b>		
Other receipts	408,029	391,919
<b>Net Increase in Cash</b>	41,498	18,841
<b>Cash - Beginning of year</b>	211,324	192,483
<b>Cash - End of year</b>	<u>\$ 252,822</u>	<u>\$ 211,324</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (431,146)	\$ (423,469)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	12,142	14,246
Changes in assets and liabilities:		
Receivables - Net	(1,506)	9,349
Accounts payable	(34)	(2,602)
Deferred revenue	54,013	29,398
Net cash used in operating activities	<u>\$ (366,531)</u>	<u>\$ (373,078)</u>

### Note I - Significant Accounting Policies

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

**Basis of Presentation** - WCSU-FM reports as a "business type activity," as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In accordance with GASB Statement No. 35, the funds of the Station are reported in the statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows on a consolidated basis.

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

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

**Invested in Capital Assets** - Capitalized physical assets net of accumulated depreciation.

**Unrestricted** - Net assets that are not subject to externally-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the board of trustees.

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

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

**Note 1 - Significant Accounting Policies (Continued)**

**Capital Assets** - Capital assets are recorded at cost, or, if acquired by gift, at fair value at the date of the gift. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the invested in capital assets component of net assets is adjusted as appropriate. Capital assets, with the exception of land, are depreciated on the straight-line method over their estimated useful lives, ranging from five to 10 years.

**Use of Estimates** - The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**Note 2 - Due from the University**

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

**Notes To Financial Statements  
June 30, 2005 and 2004**

**Note 3 - Capital Assets**

Capital assets activity for the years ended June 30, 2005 and 2004 is summarized as follows:

	2005			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 15,082	\$ -	\$ -	\$ 15,082
Telecommunications equipment	<u>332,663</u>	<u>-</u>	<u>-</u>	<u>332,663</u>
Total	347,745	-	-	347,745
Less accumulated depreciation:				
Office equipment	14,248	551	-	14,799
Telecommunications equipment	<u>289,599</u>	<u>11,591</u>	<u>-</u>	<u>301,190</u>
Total accumulated depreciation	<u>303,847</u>	<u>12,142</u>	<u>-</u>	<u>315,989</u>
Capital assets - Net	<u>\$ 43,898</u>	<u>\$ (12,142)</u>	<u>\$ -</u>	<u>\$ 31,756</u>
	2004			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	\$ 15,082	\$ -	\$ -	\$ 15,082
Telecommunications equipment	<u>332,663</u>	<u>-</u>	<u>-</u>	<u>332,663</u>
Total	347,745	-	-	347,745
Less accumulated depreciation:				
Office equipment	13,261	987	-	14,248
Telecommunications equipment	<u>276,340</u>	<u>13,259</u>	<u>-</u>	<u>289,599</u>
Total accumulated depreciation	<u>289,601</u>	<u>14,246</u>	<u>-</u>	<u>303,847</u>
Capital assets - Net	<u>\$ 58,144</u>	<u>\$ (14,246)</u>	<u>\$ -</u>	<u>\$ 43,898</u>

### **Note 4 - Corporation for Public Broadcasting Grants**

WCSU-FM receives grant funding from the Corporation for Public Broadcasting (CPB) to assist in the operations of WCSU-FM. The CPB grants consist of a Radio Community Service Grant (CSG), which is unrestricted in its use and a National Program Production and Acquisition Grant (NPPAG), which is restricted to national programming activities. Recognition of the CPB grant revenue is deferred until expenses are incurred. Any unused grant amounts at the end of the spending period must be returned to the granting agency. There were no amounts due to the CPB at June 30, 2005 or 2004.

### **Note 5 - State Network Commission Grant**

WCSU-FM receives unrestricted radio station funding through the Ohio Educational Telecommunications Network Commission (OET). For the years ended June 30, 2005 and 2004, WCSU-FM received cash support of \$35,689 (a portion of which is deferred) and \$36,948, respectively. WCSU-FM received in-kind contributed services support from OET of \$90,692 and \$106,478 during the years ended June 30, 2005 and 2004, respectively.

### **Note 6 - University Support Allocation**

The operations of WCSU-FM are supported primarily by the general revenues of the University. The University effectively covers all operating costs of WCSU-FM in excess of direct support received through grant awards and contributions attributable to WCSU-FM's operations. The University's support allocation amounted to \$190,972 and \$177,685 in direct support for 2005 and 2004, respectively, and \$218,958 and \$204,374 in indirect administrative support for 2005 and 2004, respectively.

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

To the Board of Trustees  
WCSU - FM

We have audited the financial statements of WCSU-FM as of and for the year ended June 30, 2005 and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered WCSU-FM's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

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

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

*Plante & Moran, PLLC*

October 14, 2005





**Auditor of State  
Betty Montgomery**

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**CENTRAL STATE UNIVERSITY**

**GREENE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 30, 2005**