CENTRAL STATE UNIVERSITY
Wilberforce, Ohio

FINANCIAL STATEMENTS
June 30, 2016 and 2015

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Central State University, Greene County, prepared by Crowe Horwath LLP, for the audit period July 1, 2015 through June 30, 2016. 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.

Dave Yost

Dave Yost
Auditor of State

January 11, 2017

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CENTRAL STATE UNIVERSITY
Wilberforce, Ohio

FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

Management and Board of Trustees
Central State University
Wilberforce, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Central State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Central State University and its discretely presented component unit as of June 30, 2016 and 2015, and the respective changes financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 to 10, the Schedules of the University's Proportionate Share of the Net Pension Liability on pages 47 and 48, and the Schedules of the University's Contributions on pages 49 and 50, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated the same date as this report 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. 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 an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central State University's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 30, 2016

This section of Central State University's (the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2016, 2015, and 2014. This discussion should be read in conjunction with the accompanying financial statements and notes. Management has prepared the financial statements and the related note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the University's administration.

Using this Report

The University's annual report consists of a series of financial statements prepared in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* as amended by Governmental Accounting Standards Board Statement *No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosure*

The financial statements prescribed by GASB Statement No. 35 (the statement of net position, statement of revenue, expenses, and changes in net position, and the statement of cash flows) are prepared under the accrual basis of accounting, whereby revenue and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. The financial statements focus on the financial condition, the results of operations, and the impact on cash flows of the University as a whole.

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

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

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

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

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

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The University follows GASB Statement No. 61, *The Financial Reporting Entity: Omnibus.* As such, Central State University Foundation's (the "Foundation") financial statements and notes have been discretely incorporated into the University's financial statements.

During fiscal year 2015, the University adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The provisions of this Statement were effective for periods ending June 30, 2015.

Analysis of Results of Operations

Total revenue for the years ended June 30, 2016 and 2015 was $57.2 million and $69.3 million, respectively, of which operating revenue totaled $27.0 million and $25.2 million, respectively. Operating revenue in fiscal year 2016 increased $1.8 million, or 7.2 percent, when compared with fiscal year 2015.

Total revenue for the years ended June 30, 2015 and 2014 was $69.3 million and $57.5 million, respectively, of which operating revenue totaled $25.2 million and $28.4 million, respectively. Operating revenue in fiscal year 2015 decreased $3.2 million, or 11.1 percent, when compared with fiscal year 2014.

Total operating expenses for the years ended June 30, 2016 and 2015 were $52.1 million and $50.7 million, respectively. Operating expenses increased $1.4 million, or 2.7 percent, when compared with fiscal year 2015.

Total operating expenses for the years ended June 30, 2015 and 2014 were $50.7 million and $57.6 million, respectively. Operating expenses decreased $6.9 million, or 11.9 percent, when compared with fiscal year 2014.

The University's operating loss totaled $25.1 million during 2016 compared to $25.5 million in 2015, which represented a favorable decrease in the operating loss of $ .4 million, or 1.6 percent.

The University's operating loss totaled $25.5 million during 2015 compared to $29.2 million in 2014, which represented a favorable decrease in the operating loss of $3.7 million, or 12.7 percent.

The University's total net position increased $4.5 million during 2016 compared to a decrease of $7.8 million during 2015, which represents a favorable improvement of $12.3 million.

The University's total net position decreased $7.8 million during 2015 compared to a decrease of $0.1 million during 2014, which represents an unfavorable decrease of $7.9 million.

Student enrollment increased 3 percent in fall fiscal year 2016 compared to fall fiscal year 2015; tuition and fees did not increase due state tuition freeze while room and board were increased 3% percent for 2016 when compared to 2015 amounts.

(Continued)

The $1.9 million increase in operating revenue was related to increases of $0.3 million in tuition and fees due to the 3 percent increase in enrollment, Federal and State Land Grant revenue $1.3 million; Auxiliary revenue $0.8 million as a result of higher on-campus residency and 28.7% general fee increase from 2015. The general fee increase was due to the introduction of a University Center fee, removing the mandatory fee and redistributing it between other components of the general fee.

Student enrollment decreased 15.3 percent in fall fiscal year 2015 compared to fall fiscal year 2014; tuition and fees increased $188 per annum (the state maximum), while room and board were increased 3 percent for 2015 when compared to 2014 amounts. The increase in fees did not offset the $3.2 million decrease in operating revenue as a result of the enrollment drop. The decreases of $1.1 million in tuition and fees and $1.5 million in auxiliary income were directly related to this drop. The decreases in Federal and State Grants $.7 million (Center for Excellence STEM Grants) and $0.2 million in indirect cost recovery which is directly related to grant activity.

A breakdown and comparison of operating revenues are provided below:

	2016	2015	2014
Operating Revenue (in millions)			
Tuition and fees - Net	$ 6.5	$ 6.2	$ 7.3
Federal grants and contracts	7.0	6.6	7.1
State, local, and private grants and contracts	1.2	0.7	0.9
Indirect cost recovery	0.4	0.3	0.5
Auxiliary activities - Net	9.7	8.9	10.4
Other sources	2.2	2.5	2.2
Total	$ 27.0	$ 25.2	$ 28.4

A breakdown and comparison of non-operating revenue are as follows:

	2016	2015	2014
Non-operating Revenue (Expenses) (in millions)			
Federal Pell grant appropriations	$ 6.2	$ 6.6	$ 7.4
State appropriations	17.7	18.1	17.3
Interest expense	(0.6)	(0.4)	(0.5)
Gain on disposal of capital assets, net	0.2	0.1	0.2
Total	$ 23.5	$ 24.4	$ 24.4

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

(Continued)

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

	2016	2015	2014
State Appropriations (in millions)			
State Share of Instructional Support	$ 6.6	$ 7.0	$ 6.2
Central State supplement	11.1	11.1	11.1
Total	$ 17.7	$ 18.1	$ 17.3

The decrease in State of Ohio funding from 2015 to 2016 was primarily due to Central State supplement decrease of $0.4 million, or 5.7 percent. This decrease is a result of the reduction in the Access Challenge and Plant Operation and Maintenance (POM) funding in the State Share of Instruction.

The increase in State of Ohio funding from 2014 to 2015 was primarily due to SSIS increase of $0.9 million, or 14.5 percent. This increase is a result of the funding model moving to 50% degree attainment and a significant increase in graduates during the biennium.

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:

	2016	2015	2014
Expenses (in millions)			
Instruction	$ 9.6	$ 9.6	$ 11.0
Research	1.1	0.8	1.4
Student services	3.1	2.7	2.9
Academic support	5.4	6.0	7.0
Public services	2.3	2.1	2.2
Institutional administration	5.7	5.9	6.2
Operation and maintenance of plant	4.7	4.3	5.3
Auxiliary enterprises	12.3	11.2	13.1
Student aid	2.7	2.9	4.1
Depreciation	5.2	5.2	4.4
Total	$ 52.1	$ 50.7	$ 57.6

Central State University's operating expenses during 2016 reflected a $1.4 million increase in operating expenses, totaling $52.1 million in 2016 as compared to $50.7 million in 2015. The increase in expenses was primarily related to an increase in auxiliary enterprises ($1.1 million), public service ($0.2 million), operation of plant ($0.3 million), research ($0.3 million), student services ($0.4 million) and offset by a decrease in scholarships ($0.2 million) institutional support ($0.2 million) and academic support ($0.6 million). The unfavorable increase in expenses from 2015 reflect the increases in grant activity (Land Grant), enrollment infrastructure investments (Royall & Co.) and auxiliary enterprises (housing and dining). The increased activity of the Land Grant program and the refinance of Wesley Village Residential Halls will drive more expense but the revenue and investment funding from these two activities are building capacity for the future and prepares the institution for continued growth and stability.

Central State University's operating expenses during 2015 reflected a $6.9 million decrease in operating expenses, totaling $50.7 million in 2015 as compared to $57.6 million in 2014. The decrease in expenses was primarily related to a decrease in auxiliary enterprises ($1.9 million), instruction ($1.4 million), academic support ($1.1 million), operation of plant ($1.0 million), research ($0.7 million), student aid ($1.1 million), student services ($0.2 million) and institutional support ($0.3 million) offset by an increase in depreciation ($0.8 million). The favorable improvement in expenses reflect ongoing realignment of funds, divisions and operations to fulfill the tenets and compelling priorities of the University while maintaining a balanced budget position by reducing daily operating expenditures to correspond to the decrease in revenue.

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Analysis of Overall Financial Position

At June 30, 2016, current assets totaled $21.3 million, as compared to $9.5 million at June 30, 2015, an increase of $11.8 million. The increase in current assets was primarily attributable to a $9.5 million increase in accounts receivable due to pre-billing student accounts for FY17 and a $2.1 million increase in cash and cash equivalents. Current liabilities at June 30, 2016, as compared to June 30, 2015, totaled $18.0 million and $6.7 million, respectively, an increase of $11.3 million. The increase in current liabilities was primarily attributable to an increase of $10.5 million in unearned student fee revenue, $1.8 million in other unearned revenue, offset by a decrease of $0.9 million in accrued salaries, wages and benefits, and $0.8 million in other liabilities. The University's working capital ratios at June 30, 2016 and June 30, 2015 were 1.18 and 1.41, respectively.

At June 30, 2015, current assets totaled $9.5 million, as compared to $15.2 million at June 30, 2014, a decrease of $5.7 million. The decrease in current assets was primarily attributable to a $5.8 million decrease in accounts receivable and a $0.1 million decrease in cash and cash equivalents. Current liabilities at June 30, 2015, as compared to June 30, 2014, totaled $6.7 million and $14.2 million, respectively, a decrease of $7.5 million. The decrease in current liabilities was primarily attributable to a decrease of $4.0 million in unearned student fee revenue, $2.5 million in other unearned revenue, $0.8 million in other liabilities, and $0.3 million in accounts payable. The University's working capital ratios at June 30, 2015 and June 30, 2014 were 1.41 and 1.06, respectively.

Noncurrent assets are comprised of capital assets and restricted cash and cash equivalents. The $14.6 million increase in the University's noncurrent assets, which total $122 million at June 30, 2016 and $107.4 million at June 30, 2015, is associated with a $14.1 million increase in buildings, equipment, and construction in progress and an increase of $0.5 million of restricted cash used in the construction of the buildings.

The $13.9 million increase in the University's noncurrent assets, which total $107.4 million at June 30, 2015 and $93.5 million at June 30, 2014, is associated with a $21.8 million increase in buildings, equipment, and construction in progress, offset by a $5.2 million increase in accumulated depreciation and a decrease of $2.7 million of restricted cash used in the construction of the buildings.

The University's noncurrent liabilities at June 30, 2016 total $54.0 million, as compared to $40.4 million at June 30, 2015. The $13.6 million increase is primarily attributed to an increase in long-term debt of $11.1 and an increase in the net pension liability of $2.5 million.

The University's noncurrent liabilities at June 30, 2015 total $40.4 million, as compared to $18.3 million at June 30, 2014. The $22.1 million increase is primarily attributed to the net pension liability of $24.4 million due to adoption of GASB Statement No. 68, offset by a decrease in long-term debt of $1.1 million, and long-term liabilities of $1.1 million.

The University's net position was $72.8 million at June 30, 2016 and $68.3 million at June 30, 2015. The University's net position was $68.3 million at June 30, 2015 and $76.1 million at June 30, 2014.

Net Pension Liability

During fiscal year 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements significantly revise accounting for pension costs and liabilities.

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Capital Assets and Long-term Debt Activity

The University utilizes state capital appropriations for capital asset expenditures. State capital appropriations are on a biennium basis, and individual institutions' capital funding allocations are based largely on enrollment as well as appropriations for new facilities. During 2016, the University utilized $6.1 million in state capital appropriations. During 2015, the University utilized $19.0 million in state capital appropriations.

The University's long-term debt is comprised of notes payable to the Department of Education, bonds issued during 2013 under the State of Ohio Air Quality Development Authority Tax Exempt Revenue Bond program for $16.6 million and a loan payable obtained during fiscal year 2016 from The Bank of New York Mellon Trust of $13.1 million. The University completed their capital lease obligations in fiscal year 2016. During 2016, the University paid $1.6 million in connection with debt maturities. The University is in compliance with all of its contractual long-term debt requirements and covenants.

A breakdown and comparison of the University's balance sheet as of June 30, 2016, 2015, and 2014 are provided below:

Balance Sheet (in millions)	2016	2015	2014
Assets:			
Current assets	$ 21.3	$ 9.5	$ 15.2
Noncurrent assets:			
Restricted cash and equivalents	2.0	1.5	4.2
Capital assets - Net	120.0	105.9	89.3
Total assets	143.3	116.9	108.7
Deferred outflows of resources	5.3	1.7	-
Liabilities:			
Current	18.0	6.7	14.2
Noncurrent	54.0	40.4	18.4
Total liabilities	72.0	47.1	32.6
Deferred Inflows of Resources – Pension costs:	3.8	3.2	-
Net position:			
Invested in capital assets Net	92.0	89.5	75.0
Restricted - expendable	0.2	0.3	0.1
Unrestricted	(19.4)	(21.5)	1.0
Total net position	$ 72.8	$ 68.3	$ 76.1

Statement of Cash Flows

Net cash used in operating activities was $19.2 million, $23.9 million, and $25.3 million in 2016, 2015, and 2014, respectively. In 2016, cash flows from operating activities were primarily comprised of tuition and fees ($10.2 million), grants and contracts ($10.1 million) and other receipts of ($2.2 million), which were offset by payments to suppliers and employees of $39.1 million and auxiliary enterprise charges ($2.6 million)

Cash flows from noncapital financing activities were $24.1 million, $24.7 million, and $24.7 million, in 2016, 2015, and 2014, respectively. In 2016, these were comprised of State of Ohio appropriations of $17.7 million, Federal Pell Grants of $6.2 million, and offsetting federal loan receipts and disbursements.

Cash used in capital and related financing activities for 2016 was $2.3 million, while net cash flow in 2015 and 2014 was $4.1 million and $15.0 million, respectively. In 2016, cash flows from capital grants and gifts was $6.1 million and cash flows from the principal on capital debt was $13.2 million. This was offset by purchase of capital assets and construction of $19.2 million, principal payment of capital lease of $0.1 million, principal payment on capital debt $1.6 million, and interest on capital debt and capital lease $0.6 million. In 2015, cash flows from capital grants and gifts was $19.3 million. This was offset by purchase of capital assets and construction of $21.7 million, principal payment of capital lease of $0.1 million, principal payment on capital debt $1.1 million, and interest on capital debt and capital lease $0.4 million.

The net change in cash and cash equivalents was a increase of $2.6 million in 2016, a decrease of $3.2 million in 2015, and a decrease of $15.6 million in 2014. Year-end cash and cash equivalents for 2016, 2015, and 2014 were $8.1 million, $5.6 million, and $8.8 million, respectively.

A breakdown and comparison of the University's statement of cash flows for the years ended 2016, 2015, and 2014 are provided below:

	2016	2015	2014
Cash Flows Activities (in millions)			
Cash flows from operating activities	$ (19.2)	$ (23.9)	$ (25.3)
Cash flows from noncapital financing activities	24.1	24.7	24.7
Cash flows from capital and related financing activities	(2.3)	(4.1)	(15.0)
Net increase (decrease) in cash and cash equivalents	2.6	(3.3)	(15.6)
Cash and cash equivalents - Beginning of year	5.5	8.8	24.4
Cash and cash equivalents - End of year	$ 8.1	$ 5.5	$ 8.8

Factors Impacting Future Periods

Central State University continues to aspire to be Ohio's premier public 4-year institution in the twenty-first century. In support of this goal the institution has expanded and realigned many of its operations and programs to meet the ever-changing landscape of higher education. The recent designation as an 1890 Land Grant Institution is now firmly integrated into our mission and our long term plans. As a Land Grant University, state and federal allocations are provided to enhance research, extension and facilities growth for college campuses. The research and extension services provided by Central State University primarily focuses on providing support and services to area farmers, youth who reside in a 45 mile radius and the building of facilities that support and enhance the community. United States Department of Agriculture and the National Institute of Food and Agriculture (NIFA) align these foci with the federal requirements. These programs will facilitate the expansion of the University's capacity in teaching, research and community outreach in science, technology, engineering, math and agriculture (STEMA). This opportunity opens the door to new collaborations and new enrollment opportunities we haven't had previously.

The University's strategic plan clearly defines the road for the future. This plan, thoroughly integrated in the three tenets and the six compelling priorities is yielding exciting new levels of academic excellence and institutional growth. The three tenets (*service, protocol, and civility) along with* the university's six compelling priorities 1) quality academic experience, 2) targeted student enrollment, 3) reduced time to degree, 4) improved retention rates, 5) knowledge, skills and disposition, 6) efficient and effective operations, are leading our strategic growth and modernization. This focus will improve enrollment levels, course completion, and retention and graduation rates. These priorities align directly with the Governor's goals for higher education as well as the 2012 Chancellor's Plan for Advancing Progress at Central State.

(Continued)

The University ended FY 2015 in a much-improved state. Cash balances improved, monthly expenses were contained and capital support impacted many deferred maintenance projects. As a result, Central State University's SB-6 composite score, excluding GASB 68, was 2.3. This improvement confirmed our expectations that our financial efficiencies had taken hold and we are now financially postured to improve the Institution's financial viability. These significant improvements in University operations were through collaborative efforts of stakeholders both internal and external. Some of the significant actions that improved FY2015 performance were; reduced personnel expense, lower facility expense, and significant increase in capital spending and overall lower operating expenses. These key improvements were the baseline for our improved financial operational efficiency.

These improvements continued in FY2016. During FY2016, some of the major operational improvements were the completion of the $33.5 million University Center in October 2015, closing of the HBCU Loan to purchase two residential halls from the developer in November 2015, outsourcing of the general maintenance of campus facilities to Brewer-Garrett Company, and outsourcing the University Bookstore to Barnes and Noble. These were a just a few of the major operational improvements for FY 2016.

The University also made some major changes on the enrollment and new revenue opportunities side. Royall and Company, a company specializing in enrollment strategies was secured to help us grow our enrollment in current and new territories. The success of this initiative along with our focused enrollment campaigns drove a 22% increase in our Fall 16 freshman class. In addition, to that initiative the institution initiated a lower out of state surcharge fee for all out of state students thereby encouraging even more out state students to choose Central State. Our affordability has made our competitive opportunities even greater.

The future for the institution is bright and we are on target to emerge from Fiscal Watch in FY2017. The continued support from the state through capital investments, the Land Grant activities both in facilities and programming, and the new enrollment infrastructure has shown new growth opportunities for Central State. The institution has a right sized staff and new business model for growth and expansion. The University is continuing to upgrade facilities and look for new opportunities for partnerships and collaborations as it meets the ever-changing higher education environment.

<u>Fiscal Watch Declaration</u>

Central State University was placed on Fiscal Watch on April 21, 2015. The composite score for the period of July 1, 2013 to June 30, 2014 was 1.0 and for the prior year 1.3. Pursuant to Ohio Administrative Rule 126:3-1-01, paragraph C, the Chancellor shall declare fiscal watch if any of the criteria set forth in paragraph B has been satisfied for reasons other than natural disaster. Paragraph B (3) states criteria for fiscal watch is a composite score of 1.75 or less for the last two consecutive years. As a result of this declaration the University has met all the requirements and will continue to follow all criteria related to fiscal watch. The University has prepared a three-year recovery plan that was reviewed by its Board of Trustees and accepted by the State. The University's composite score for the year ended 30 June 2015 was 2.3 and it is the University's goal to emerge from fiscal watch in FY2017.

CENTRAL STATE UNIVERSITY
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

	2016	2015
Current assets		
Cash and cash equivalents	$ 6,118,715	$ 4,028,628
Accounts receivable - Net of allowance of approximately $15.5 million at June 30, 2016 and $14.7 million at June 30, 2015	13,897,312	4,315,916
Due from CSU Foundation	1,183,933	708,706
Inventory	500	361,856
Prepaid assets	60,388	35,092
Total current assets	21,260,848	9,450,198
Noncurrent assets		
Restricted cash and cash equivalents	2,043,283	1,508,532
Capital assets – net	119,951,441	105,897,257
Total noncurrent assets	121,994,724	107,405,789
Total assets	$143,255,572	$ 116,855,987
Deferred outflows of resources		
Pension	$ 5,278,338	$ 1,724,394
Current liabilities		
Deposits	-	326,990
Accounts payable	424,880	532,218
Accrued salaries, wages, and benefits	3,084,464	3,283,206
Unearned student fee revenue	10,515,832	38,080
Current portion of long-term debt	1,495,604	1,134,840
Current portion of capital lease	-	120,817
Other liabilities	109,016	802,628
Other unearned revenue	2,338,560	456,707
Total current liabilities	17,968,356	6,695,486
Noncurrent liabilities		
Long-term debt	26,446,638	15,268,419
Long-term liabilities	682,868	771,419
Net pension liability	26,832,141	24,376,359
Total noncurrent liabilities	53,961,647	40,416,197
Total liabilities	71,930,003	47,111,683
Deferred inflows of resources		
Pension	3,802,949	3,194,608
Net position		
Net investment in capital assets	92,013,683	89,526,930
Restricted expendable - grants	229,347	254,689
Unrestricted	(19,442,072)	(21,507,529)
Total net position	$ 72,800,958	$ 68,274,090

See accompanying notes to financial statements.

CENTRAL STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2016 and 2015

	2016	2015
Operating revenue		
Tuition and fees	$ 10,129,444	$ 9,731,920
Less grants and scholarships	(3,596,913)	(3,507,848)
Tuition and fees, net	6,532,531	6,224,072
Federal grants and contracts	7,013,307	6,611,327
State, local, and private grants and contracts	1,245,525	705,180
Indirect cost recovery	364,846	325,979
Auxiliary activities	14,470,329	13,388,234
Less grants and scholarships	(4,815,151)	(4,480,741)
Auxiliary activities, net	9,655,178	8,907,493
Other sources	2,199,090	2,420,046
Total operating revenue	27,010,477	25,194,097
Operating expenses		
Instruction	9,599,516	9,617,976
Research	1,096,344	768,120
Student services	3,154,893	2,680,543
Academic support	5,483,061	5,962,327
Public services	2,271,270	2,078,782
Institutional administration	5,663,610	5,916,875
Operation and maintenance of plant	4,677,848	4,340,602
Auxiliary enterprises	12,272,518	11,196,729
Student aid	2,725,397	2,914,178
Depreciation	5,176,273	5,207,504
Total operating expenses	52,120,730	50,683,636
Operating loss	(25,110,253)	(25,489,539)
Nonoperating revenue (expenses)		
Federal Pell Grant appropriations	6,175,484	6,569,366
State appropriations	17,734,188	18,131,608
Investment income	1,668	1,145
Interest expense	(599,120)	(429,410)
Other restricted nonoperating revenue	192,719	95,843
Net nonoperating revenue	23,504,939	24,368,552
Income - before other revenue	(1,605,314)	(1,120,987)
Other revenue - State capital appropriations	6,132,182	19,305,429
Increase (decrease) in net position	4,526,868	18,184,442
Net position - beginning of year	68,274,090	50,089,648
Net position - end of year	$ 72,800,958	$ 68,274,090

See accompanying notes to financial statements.

CENTRAL STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Tuition and fees	$ 10,223,582	$ 10,229,327
Grants and contracts	5,325,533	5,140,948
Payments to suppliers and employees	(39,146,010)	(44,063,683)
Auxiliary enterprise charges	2,197,811	2,191,505
Other	2,199,091	2,643,896
Net cash from operating activities	(19,199,993)	(23,858,007)
Cash flows from noncapital financing activities		
Federal Pell grant	6,175,484	6,569,366
State appropriations	17,734,188	18,131,608
Other	192,719	-
Federal loan receipts	14,741,528	14,089,493
Federal loan disbursements	(14,741,528)	(14,089,493)
Net cash from noncapital financing activities	24,102,391	24,700,974
Cash flows from capital and related financing activities		
Capital grants and gifts received	6,132,182	19,305,429
Purchase of capital assets and construction in progress	(19,230,457)	(21,704,857)
Principal borrowing of capital debt	13,162,315	-
Principal paid on capital debt	(1,623,332)	(1,111,964)
Principal paid on capital lease	(120,817)	(145,461)
Interest paid on capital debt	(599,120)	(429,410)
Net cash from capital and related financing activities	(2,279,230)	(4,086,263)
Cash flows from investing activities - interest on investments	1,670	1,145
Net change in cash and cash equivalents	2,624,839	(3,242,151)
Cash and cash equivalents - beginning of year	5,537,160	8,779,311
Cash and cash equivalents - end of year	$ 8,161,999	$ 5,537,160
Reconciliation of net operating loss to net cash from operating activities		
Operating loss	$ (25,110,253)	$ (25,489,539)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	5,176,273	5,207,504
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	(10,056,624)	5,138,204
Inventories, prepaids, and other assets	336,060	28,090
Accounts payable	(107,338)	(263,911)
Accrued salaries, wages, and benefits	(198,742)	(387,231)
Pension	(489,821)	(156,869)
Other liabilities	(782,163)	(1,464,350)
Unearned revenue and student deposits	12,032,615	(6,469,905)
Net cash used in operating activities	$ (19,199,993)	$ (23,858,007)

See accompanying notes to financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	$ 1,698,257	$ 2,079,021
Contributions receivable, net	3,705	6,558
Other receivables	1,797	1,557
Prepaid expenses	6,233	6,233
Total current assets	1,709,992	2,093,369
Investments	4,410,329	4,484,391
Restricted cash and cash equivalents	3,549,556	3,857,316
Capital assets, net	11,570,744	11,994,858
Financing costs, net	1,045,457	1,138,754
Total assets	$ 22,286,078	$ 23,568,688
Liabilities		
Accounts payable	$ 29,153	$ 38,412
Payable to Central State University	1,183,933	920,193
Accrued interest payable	393,144	429,357
Current portion of long-term debt	570,000	545,000
Total current liabilities	2,176,230	1,932,962
Long-term debt, net of current portion	14,858,539	16,258,077
Total liabilities	17,034,769	18,191,039
Net Assets		
Unrestricted	230,731	425,472
Temporarily restricted	2,447,213	2,400,338
Permanently restricted	2,573,365	2,551,839
Total net assets	5,251,309	5,377,649
Total liabilities and net assets	$ 22,286,078	$ 23,568,688

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
Year ended June 30, 2016 with comparative totals for 2015

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Rental revenue	$ 2,996,789	$ -	$ -	$ 2,996,789	$ 3,021,240
Contributions	181,095	397,743	21,526	600,364	781,963
Other	580,203	117,039	-	697,242	370,156
Investment income	34,930	40,258	-	75,188	258,358
Net assets released from restrictions	508,165	(508,165)	-	-	-
Total revenue	4,301,182	46,875	21,526	4,369,583	4,431,717
Expenses					
Programs:					
Scholarship programs	266,490	-	-	266,490	171,514
Athletic programs	151,876	-	-	151,876	352,222
Academic programs	272,090	-	-	272,090	257,483
Institution programs	800,840	-	-	800,840	592,559
Student support programs	33,895	-	-	33,895	43,296
Housing programs	2,778,449	-	-	2,778,449	2,479,500
Operating expenses	89,154	-	-	89,154	233,165
Fundraising expenses	103,129	-	-	103,129	58,357
Total expenses	4,495,923	-	-	4,495,923	4,188,096
Increase in net assets	(194,741)	46,875	21,526	(126,340)	243,621
Net Assets - beginning of year	425,472	2,400,338	2,551,839	5,377,649	5,134,028
Net Assets - end of year	$ 230,731	$ 2,447,213	$ 2,573,365	$ 5,251,309	$ 5,377,649

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Rental revenue	$ 3,021,240	$ -	$ -	$ 3,021,240
Contributions	392,607	364,297	25,059	781,963
Other	264,767	105,389	-	370,156
Investment income	53,800	204,558	-	258,358
Net assets released from restrictions	505,872	(505,872)	-	-
Total revenue	4,238,286	168,372	25,059	4,431,717
Expenses				
Programs:				
Scholarship programs	171,514	-	-	171,514
Athletic programs	352,222	-	-	352,222
Academic programs	257,483	-	-	257,483
Institution programs	592,559	-	-	592,559
Student support programs	43,296	-	-	43,296
Housing programs	2,479,500	-	-	2,479,500
Operating expenses	233,165	-	-	233,165
Fundraising expenses	58,357	-	-	58,357
Total expenses	4,188,096	-	-	4,188,096
Increase in net assets	50,190	168,372	25,059	243,621
Net Assets - beginning of year	375,282	2,231,966	2,526,780	5,134,028
Net Assets - end of year	$ 425,472	$ 2,400,338	$ 2,551,839	$ 5,377,649

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
(Decrease)/Increase in net assets	$ (126,340)	$ 243,621
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	424,114	424,115
Amortization of issuance costs	93,297	95,008
Amortization of bond discount	20,462	21,779
Contributions restricted for long-term investment	(21,526)	(25,059)
Unrealized loss (gain) on investments	81,119	(33,960)
Changes in operating assets and liabilities:		
Contributions receivable	2,613	5,881
Prepaid expenses and other assets	-	39,898
Accounts payable	254,481	565,258
Unearned revenue	-	(30,000)
Accrued interest payable	(36,213)	(13,750)
Net cash from operating activities	692,007	1,292,791
Cash flows from investing activities		
Net (Purchase) Sale of investments	(7,057)	202,148
Net cash from investing activities	(7,057)	202,148
Cash flows from financing activities		
Principal payment on bonds payable	(1,395,000)	(610,000)
Contributions restricted for long-term investment	21,526	25,059
Net cash from financing activities	(1,373,474)	(584,941)
Net change in cash and cash equivalents	(688,524)	909,998
Cash and cash equivalents - beginning of year	5,936,337	5,026,339
Cash and cash equivalents - end of year	$ 5,247,813	$ 5,936,337

See accompanying notes to consolidated financial statements.

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

In early 2014, the University was designated as an 1890 land-grant institution which will enable the University to receive the benefits of the Morrill Act of 1890, legislation that provides support for agricultural and scientific research and education.

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 in accordance with GASB Statement No. 39. Separate statements for the Foundation may be obtained through the state of Ohio auditor’s web site. The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under the GASB. No modifications have been made to the Foundation financial information included in the University’s financial report to account for these differences.

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

The University performs accounting services for the Foundation. Cash receipts for the Foundation are deposited directly to the Foundation bank account; however, disbursements are made by the University on behalf of the Foundation with a monthly cash settlement process.

(Continued)

NOTE 1 - 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*, 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*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures,* GASB Statement No. 63*, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No 65, *Items Previously Reported as Assets and Liabilities*. 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 (unaudited)
- Basic financial statements, including a statement of net position, statement of revenue, expenses, and changes in net position, and a statement of cash flows for the University as a whole
- Notes to the financial statements

Net Position is classified into three major categories:

- Net Investment in Capital Assets: Capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction, or improvement of those assets.
- Restricted: Owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The restricted net position category is subdivided further into expendable and nonexpendable.
    - Restricted Nonexpendable: Endowment funds whose principal may be invested; however, only interest, dividends, and capital gains may be spent.
    - Restricted Expendable: May be spent by the institution, but only for the purpose specified by the donor, grantor, or other external entity. This category includes the unspent balance in grant funds, loan funds, debt service funds, and bond funded capital projects.
- Unrestricted: Resources derived primarily from student tuition, fees, state appropriations, and auxiliary enterprises. They are used for the general obligations of the University and may be used at the discretion of the board of trustees for any purpose furthering the University's mission.

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).

(Continued)

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Student Accounts Receivable: The University uses a systematic method based on applying percentages to the student accounts receivable aging to determine the allowance for student accounts receivable.

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

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

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

Pensions: For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net positions of the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS) and additions to/deductions from OPERS and STRS' fiduciary net position have been determined on the same basis as they are reported by these pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Operating Versus Nonoperating Revenue and Expenses: The University defines operating activities as reported on the statement of revenue, expenses, and changes in net position as those that generally result from exchange transactions such as payments received for providing goods or services. Nearly all of the University's expenses are a result of exchange transactions, and therefore classified as operating expenses. The major recurring nonoperating expense is interest expense on capital asset related debt.

Certain significant revenue streams relied on for operations are reported as nonoperating revenue as required by GASB Statement No. 35, including state appropriations, investment income, and state capital grants. Federal Pell grant revenue is included in nonoperating revenue in accordance with GASB Statement No. 34.

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

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

(Continued)

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Adoption of New Accounting Pronouncements: In fiscal year 2016, the provisions of the following GASB Statements became effective:

- GASB Statement No. 72, *Fair Value Measurement and Application,* issued February 2015. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The University does not hold investments and therefore this disclosure is not applicable to the University.

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* issued June 2015. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015 except those provisions that address employers and governmental nonemployer contribution entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. This objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement did not have any impact on the financial statements.

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* issued June 2015. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement did not have any impact on the financial statements.

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued December 2015. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement did not have any impact on the financial statements.

Newly Issued Accounting Pronouncements: As of the report date, the GASB issued the following statements not yet implemented by the University:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* issued June 2015. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* issued June 2015. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

(Continued)

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 77, *Tax Abatement Disclosures,* issued August 2015. The requirements of this Statement are effective for reporting periods beginning after December 31, 2015. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. hierarchy of generally accepted accounting principles (GAAP).

- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* issued December 2015. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.

- GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, issued January 2016. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

- GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*, issued March 2016. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The University has not yet determined the effect these Statements will have on the University's financial statements and disclosures.

Reclassifications: Certain prior year amounts have been reclassified for both the University and the Foundation to conform to the current year presentation. These reclassifications had no effect on previously reported changes in net position or total net position or previously reported changes in net position or total net position.

(Continued)

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 & Poor's bonds, common and preferred stock, mutual funds, and real estate upon specific authorization by the board of trustees. Depository funds held in the name of the University are secured by a pool of securities with a value of at least 105% of the total value of monies on deposit at the depository bank. All collateral, both specific and pooled, is held by the Federal Reserve Bank or by a designated trustee as agent for the public depositories used by the University.

Custodial Credit Risk of Bank Deposits: Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a policy restricting custodial credit risk. The University did not have any uninsured or uncollateralized cash and cash equivalents at June 30, 2016 or 2015.

Credit Risk: Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. As discussed above, state law limits investments to U.S., state, and municipal government obligations. The University has no investment policy that would further limit its investment choices. The University had $4,370,503 and $1,317,805 invested in money market mutual funds at June 30, 2016 or 2015, respectively; these funds are not rated by a national rating agency due to the short-term nature of their holdings. The difference in carrying amount and bank balance is caused by items in transit and outstanding checks.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2016 and 2015, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

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

As required by the bond indenture, the Foundation, through Marauder, maintains restricted cash balances in the following accounts as of August 31, 2016 and 2015.

	2016	2015
Debt interest account	$ 393,387	$ 429,362
Debt principal account	545,000	520,014
Redemption fund	3,695	376,415
Repair and replacement fund	1,198,768	1,105,029
Debt reserve fund	1,408,706	1,426,496
Total restricted cash	$ 3,549,556	$ 3,857,316

Investments are managed by a professional investment manager. The investment manager is subject to the Foundation's investment policies, which contain objectives, guidelines, and restrictions designed to provide for preservation of capital with emphasis on providing current income and achieving long-term growth of the funds.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The Foundation reports investments at estimated fair value, in accordance with the fair value hierarchy prescribed by ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157), which requires certain assets and liabilities to be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. The following three-tier fair value hierarchy prioritizes the inputs used in measuring fair value:

Level 1 - Observable inputs such as quoted prices in active markets

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly

Level 3 - Unobservable inputs for which there is little or no market data that requires the Foundation to develop assumptions

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments of the Foundation include cash equivalents, equity mutual funds, and bond mutual funds. The Foundation records these investments at their current fair values based on quoted market prices in active markets for identical assets, which is consistent with Level 1 in the hierarchy.

If quoted market prices are not available, then fair values are estimated by using quoted market prices of securities with similar characteristics and are classified within Level 2 of the hierarchy. Level 2 securities include U.S. Government Obligations.

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2016			
Assets	Quoted prices in Active markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance
Private equity investments:				
Equity mutual funds	$ 2,398,661	$ -	$ -	$ 2,398,661
Subtotal	2,398,661	-	-	2,398,661
Fixed-income investments:				
U.S. gov't obligations	-	21,779	-	21,779
Bond mutual funds	1,989,889	-	-	1,989,889
Subtotal	1,989,889	21,779	-	2,011,668
Total investments	$ 4,388,550	$ 21,779	$ -	$ 4,410,329

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2015			
Assets	Quoted prices in Active markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance
Private equity investments:				
Certificate of Deposit	$ 114,855	$ -	$ -	$ 114,855
Equity mutual funds	2,726,148	-	-	2,726,148
Subtotal	2,841,003	-	-	2,841,003
Fixed-income investments:				
U.S. gov't obligations	-	19,601	-	19,601
Bond mutual funds	1,623,787	-	-	1,623,787
Subtotal	1,623,787	19,601	-	1,643,388
Total investments	$ 4,464,790	$ 19,601	$ -	$ 4,484,391

NOTE 3 – RECEIVABLES

At June 30, 2016 and 2015, receivables consist of the following:

	2016	2015
Student accounts receivable	$ 26,797,442	$ 15,490,840
Student notes receivable	946,287	946,287
Grant and contract receivables	1,288,728	1,454,969
Other	352,896	1,151,301
Total	29,385,353	19,043,397
Less allowance for doubtful accounts	(15,488,041)	(14,727,481)
Net receivables	$ 13,897,312	$ 4,315,916

Student note receivables represent outstanding loans from the Federal Perkins Loan Program. These loans have been assigned to the Department of Education and are no longer administered by the University. The outstanding balance at June 30, 2016 and 2015 has been reserved in full and is included in the allowance for doubtful accounts.

(Continued)

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the University for the years ended June 30, 2016 and 2015 is summarized as follows:

2016	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets:					
Buildings and improvements	$ 138,197,180	$ 12,444,540	$ -	$ 32,871,680	$ 183,513,400
Automobiles, machinery, and equipment	26,006,526	422,091	-	-	26,428,617
Assets under capital lease	626,934	-	-	-	626,934
Total depreciable assets	164,830,640	12,866,631	-	32,871,680	210,568,951
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	28,077,131	6,363,826	-	(32,871,680)	1,569,277
Total nondepreciable assets	28,385,781	6,363,826	-	(32,871,680)	1,877,927
Total capital assets	193,216,421	19,230,457	-	-	212,446,878
Less accumulated depreciation:					
Buildings and improvements	68,432,633	3,853,414	-	-	72,286,047
Automobiles, machinery, and equipment	18,480,477	1,205,671	-	-	19,686,148
Assets under capital lease	406,054	117,188	-	-	523,242
Total accumulated depreciation	87,319,164	$ 5,176,273	$ -	$ -	92,495,437
Capital assets - Net	$ 105,897,257				$ 119,951,441

(Continued)

NOTE 4 - CAPITAL ASSETS (Continued)

2015	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets:					
Buildings and improvements	$ 135,184,175	$ 1,183,392	$ -	$ 1,829,613	$ 138,197,180
Automobiles, machinery, and equipment	22,715,394	1,571,677	-	1,719,455	26,006,526
Assets under capital lease	626,934	-	-	-	626,934
Total depreciable assets	158,526,503	2,755,069	-	3,549,068	164,830,640
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	12,580,566	19,045,633	-	(3,549,068)	28,077,131
Total nondepreciable assets	12,889,216	19,045,633	-	(3,549,068)	28,385,781
Total capital assets	171,415,719	21,800,702	-	-	193,216,421
Less accumulated depreciation:					
Buildings and improvements	64,551,602	3,881,031	-	-	68,432,633
Automobiles, machinery, and equipment	17,267,900	1,212,577	-	-	18,480,477
Assets under capital lease	288,867	117,187	-	-	406,054
Total accumulated depreciation	82,108,369	$ 5,210,795	$ -	$ -	87,319,164
Capital assets - Net	$ 89,307,350				$ 105,897,257

The State of Ohio Air Quality Development Authority Tax Exempt Revenue Bonds authorized up to $16.5 million to be spent on a variety of energy conservation construction projects over fiscal years 2014 and 2015 to include replacing the existing centralized boiler system. These projects were financed from the proceeds of the bond issuance which are maintained with The Huntington National Bank as bond trustee.

A construction-manager-at-risk contract was signed with Smoot Construction for the construction of the University Center. The State of Ohio has encumbered the funds through capital budgeting process to pay for this project. On-site construction began in fiscal year 2014 and it was completed October 2015.

Capital assets activity for the Foundation for the years ended June 30, 2016 and 2015 is summarized as follows:

	2016	2015
Land	$ 140,800	$ 140,800
Building	16,519,103	16,519,103
Furniture and fixtures	896,603	896,603
Total capital assets	17,556,506	17,556,506
Less accumulated depreciation	(5,985,762)	(5,561,648)
Net capital assets	$ 11,570,744	$ 11,994,858

(Continued)

NOTE 5 - LONG-TERM LIABILITIES

Long-term liability (other than long-term debt and capital lease) activity for the years ended June 30, 2016 and 2015 is summarized as follows:

2016	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Compensated absences	$ 1,482,590	$ 372,518	$ 442,732	$ 1,412,376	$ 831,635
Voluntary Severance Program	513,364	-	513,364	-	-
Other liabilities	69,494	32,633	-	102,127	-
Net pension liability	24,376,359	4,382,074	1,926,292	26,832,141	-
Total	$ 26,441,807	$ 4,787,225	$ 2,882,388	$ 28,346,644	$ 831,635

2015	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Compensated absences	$ 1,480,678	$ 780,616	$ 778,704	$ 1,482,590	$ 780,665
Voluntary Severance Program	1,026,728	-	513,364	513,364	513,364
Other liabilities	778,685	-	709,191	69,494	-
Net pension liability	-	27,525,638	3,149,279	24,376,359	-
Total	$ 3,286,091	$28,306,254	$ 5,150,538	$ 26,441,807	$ 1,294,029

Other long term liabilities include litigation and contingencies as discussed further in Note 11 and the Voluntary Severance Program discussed further in Note 9. The current portion of long-term liabilities is included in accrued salaries, wages, and benefits. See Note 8 for description of compensated absences.

NOTE 6 - LONG-TERM DEBT

Long-term debt for the University consists of the following for the years ended June 30, 2016 and 2015:

2016	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Notes payable:					
Bond payable to 1st Niagara, 1.594 percent, payable in varying installments through December 1, 2022	$ 8,367,404	$ -	$ 988,259	$ 7,369,145	$ 1,014,171
Bond payable to 1st Niagara, 3.7 percent, payable in varying installments through December 1, 2028	7,000,000	-	-	7,000,000	-
Loan payable to The Bank of New York Mellon Trust Company 2.426 percent, payable in varying installments through 2043	-	13,126,315	452,492	12,673,823	337,237
Note payable to the Department of Education, 5.5 percent, payable in varying installments through November 1, 2021	1,035,855	-	136,581	899,274	144,196
Total	$ 16,403,259	$ 13,126,315	$ 1,587,332	$ 27,942,242	$ 1,495,604

2015	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Notes payable:					
Bond payable to 1st Niagara, 1.594 percent, payable in varying installments through December 1, 2022	$ 9,350,000	$ -	$ 982,596	$ 8,367,404	$ 998,259
Bond payable to 1st Niagara, 3.7 percent, payable in varying installments through December 1, 2028	7,000,000	-	-	7,000,000	-
Note payable to the Department of Education, 5.5 percent, payable in varying installments through November 1, 2021	1,165,223	-	129,368	1,035,855	136,581
Total	$ 17,515,223	$ -	$ 1,111,964	$ 16,403,259	$ 1,134,840

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

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

	Bank of New York Mellon		Note - P142A80004		Bond Series A		Bond Series B		Payment
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Total**
2017	$ 337,237	$ 305,445	$ 144,196	$ 47,504	$1,014,171	$109,381	$ -	$ 259,000	$ 2,216,934
2018	345,468	297,214	152,236	39,464	1,030,337	93,087	-	259,000	2,216,806
2019	352,287	290,395	160,724	30,976	1,046,761	76,532	-	259,000	2,216,675
2020	363,281	279,400	169,686	22,015	1,063,446	59,714	-	259,000	2,216,542
2021	371,365	271,317	179,147	12,554	1,080,397	42,627	-	259,000	2,216,407
2022-2026	1,996,509	1,216,899	93,285	98,416	2,134,033	33,529	3,500,772	1,095,511	10,168,954
2027-2031	2,251,965	961,442	-	-	-	-	3,499,228	194,849	6,907,484
2032+	6,655,711	1,056,466	-	-	-	-	-	-	7,712,177
	$12,673,823	$ 4,678,578	$ 899,274	$ 250,929	$7,369,145	$414,870	$7,000,000	$ 2,585,360	$ 35,871,979

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

The University is required to maintain a debt service payment account and a debt service reserve account under the Department of Education note. The debt service account has been paid in full as of June 30, 2008 and the reserve is no longer required. The University is also required to deposit $28,010 annually into a repair and replacement reserve account until $280,100 has been accumulated in that account, which occurred by June 30, 2013.

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

The Series A bonds were dated May 3, 2013 and issued at par therefore no bond discount was recorded. The bonds mature on December 1 in various amounts ranging from $200,000 on December 1, 2013 to $1,036,414 on December 1, 2022. Interest, at 1.594%, is payable semiannually on December 1 and June 1. Interest expense related to the Series A bonds during the years ended June 30, 2016 and 2015 was $125,420 and $141,208, respectively.

The Series B bonds were dated May 3, 2013 and issued at par therefore no bond discount was recorded. The Series B bonds mature after the Series A bonds are fully redeemed. The Series B bonds mature on December 1 in various amounts ranging from $78,701 on December 1, 2022 to $1,175,089 on December 1, 2028. Interest, at 3.7%, is payable semiannually on December 1 and June 1, beginning December 1, 2013. Interest expense related to the Series B bonds during the years ended June 30, 2016 and 2015 was $259,000 and $259,000, respectively.

On September 24, 2013 The Series A 2013-9 Bond were issued through the Historically Black College and University Capital Loan Financing Program, via the Federal Financing Bank for the Central State University Project. A modification of the loan agreement was necessary due to directives from the Department of Education and the Last Day of Advance were modified on October 21, 2015 which permitted the funding of the loan. Funding by FFB occurred on October 23, 2015 totaling $13,126,315 and two wires were sent to The Bank of New York Mellon Trust Company, N.A. for this amount.

The bonds for this bond issuance mature on December 1 in various amounts ranging from $287,315 on December 1, 2015 to $317,500.22 on June 1, 2043. Interest, at 2.426%, is payable semiannually on December 1 and June 1. Interest expense related to the Series A 2013-9 bonds during the years ended June 30, 2016 was $190,189.31.

Central State University Foundation

On May 30, 2014, the Foundation obtained a commercial loan in the amount of $491,326 from PNC Bank to purchase property for use as a Presidential residence and hospitality center. Under the terms of the agreement, the Foundation will make 59 monthly principal payments beginning July 1, 2014 amortized over 20 years with the remaining balance due on the maturity date, May 30, 2019. The terms of the loan include a variable interest rate of five-year COF plus 3%. At June 30, 2016, the interest rate was 3.465%. The commercial loan is collateralized with $490,264 of unrestricted cash held in a money market account at PNC Bank.

Mandatory principal payments on the note in each of the next three years are as follows:

2017	$ 25,000
2018	25,000
2019	389,243
Total	$ 439,243

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2016 and 2015:

	Interest Rate	Maturity	Balance August 31, 2015	Additions	Payments	Balance August 31, 2016
Revenue Bonds Series 2002	3.0%-5.625%	2032	$ 6,414,567	$ 8,940	$ (1,085,000)	$ 5,338,507
Revenue Bonds Series 2004	3.3%-5.1%	2035	9,924,267	11,522	(285,000)	9,650,789
Total			$ 16,338,834	$ 20,462	$ (1,370,000)	14,989,296
Less current portion						545,000
Long-term portion						$ 14,444,296

	Interest Rate	Maturity	Balance August 31, 2014	Additions	Payments	Balance August 31, 2015
Revenue Bonds Series 2002	3.0%-5.625%	2032	$ 6,714,610	$ 9,957	$ (310,000)	$ 6,414,567
Revenue Bonds Series 2004	3.3%-5.1%	2035	10,187,445	11,822	(275,000)	9,924,267
Total			$ 16,902,055	$ 21,779	$ 585,000	16,338,834
Less current portion						520,000
Long-term portion						$ 15,818,834

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

	Series 2002 Bonds		Series 2004 Bonds		
	Principal	Interest	Principal	Interest	Total
Revenue Bonds					
2017	$ 245,000	$ 287,619	$ 300,000	$ 485,683	$ 1,318,302
2018	260,000	274,994	310,000	471,498	1,316,492
2019	275,000	261,103	325,000	456,494	1,317,597
2020	285,000	246,503	340,000	440,275	1,311,328
2021	300,000	230,331	360,000	422,775	1,313,106
2022-2026	1,795,000	879,072	2,075,000	1,819,272	6,568,344
2027-2031	2,230,000	314,756	2,660,000	1,222,215	6,426,971
2032-2036	-	-	3,410,000	451,860	3,861,860
Total	$ 5,390,000	$ 2,493,928	$ 9,780,000	$ 5,770,072	$ 23,434,000

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

During 2002, Marauder issued $8,870,000 of Student Housing Revenue Bonds, Series 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The unamortized bond discount is $51,493 and $60,433 at August 31, 2016 and 2015, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from $245,000 on September 1, 2016, to $415,000 on September 1, 2030, subject to prior mandatory sinking fund redemptions. During 2016, $200,000 of bonds due on September 1, 2032, $545,000 of bonds due on September 1, 2031 and $105,000 of bonds due on September 1, 2030 were called and retired in addition to $235,000 scheduled to be retired on September 1, 2015. During 2015, $85,000 of bonds due on September 1, 2032 were called and retired in addition to $225,000 scheduled to be retired on September 1, 2014. Interest, at rates varying from 5.0 to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

During 2004, Marauder issued $12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The unamortized bond discount is $129,210 and $140,733 at August 31, 2016 and 2015, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from $300,000 on September 1, 2016, to $750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

Bond Legislation provides that Marauder Development, LLC, will charge rates sufficient for the excess of revenues 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 June 30, 2016 and 2015, Marauder Development, LLC was in compliance with these requirements.

NOTE 7 - CAPITAL LEASE OBLIGATIONS

The University entered into various non-cancellable equipment lease agreements during 2012 and 2013. These leases are accounted for as capital leases and principal payments of $120,817 were made under the agreements during the year ended June 30, 2016.

The cost of the assets was $626,934 and accumulated depreciation totaled $523,240 and $406,054 at June 30, 2016 and 2015, respectively.

NOTE 8 - 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.

(Continued)

NOTE 8 - COMPENSATED ABSENCES FOR VACATION AND SICK LEAVE (Continued)

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. 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.

NOTE 9 - RETIREMENT PLANS

Plan Descriptions: University faculty are provided with pensions through the State Teachers Retirement System of Ohio (STRS). Substantially all other University employees are provided with pensions through the Ohio Public Employees Retirement System (OPERS). Both OPERS and STRS are statewide cost-sharing multiple employer defined benefit pension plans. Authority to establish and amend benefits for OPERS and STRS are authorized [by Chapters 145 and 3307, respectively, of] the Ohio Revised Code. Both OPERS and STRS issue publicly available financial reports. The OPERS report can be obtained at https://www.opers.org/investments/cafr.shtml. The STRS report can be obtained at https://www.strsoh.org/publications/annualreports/cafrs.html.

OPERS and STRS Ohio each offer three separate retirement plans: a defined benefit plan, a defined contribution plan, and a combined plan.

OPERS and STRS Defined Benefit Plans pay service retirement benefits using a fixed formula based on age, years of service and salary. In addition to service retirement, participants are eligible for disability and survivor benefits.

OPERS Member-Directed Plan and STRS Defined Contribution Plan are optional alternative retirement plans available to new members. Participants allocate both member and employer contributions in investment choices provided by STRS Ohio. Benefits are based on the member’s account value.

OPERS and STRS Combined Plans offer features of both a defined benefit plan and a member-directed or defined contribution plan. In the combined plans, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit along with disability and survivor benefits.

Benefits Provided: OPERS and STRS provide retirement, disability, annual cost-of-living adjustments, and survivor benefits for plan members and beneficiaries. The benefit provisions stated in the following paragraphs are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

OPERS Benefits

Under OPERS, retirement benefits are specific to each plan and members must meet the eligibility requirements based on their age and years of service within the plan. Retirement eligibility also varies by division and transition group.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Members who were eligible to retire under law in effect prior to SB 343 before January 7, 2023 are included in transition Groups A and B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

State and Local members in transition groups A and B are eligible for retirement benefits at age 60 with 5 years of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service.

Under the Traditional Plan, for Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. Final average salary represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Under the Combined Plan, the benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's final average salary for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's final average salary and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Member-Directed participants must have attained the age of 55, have money on deposit in the Defined Contribution Plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts.

The OPERS law enforcement program consists of two separate divisions: Law Enforcement and Public Safety. Both groups of members are eligible for special retirement options under the Traditional Pension Plan and are not eligible to participate in the Member-Directed or Combined plans. Public Safety Group members may file an application for full retirement benefits at age 48 or older with 25 or more years of credited service or 52 or older with 15 or more years of credited service for Groups A and B. Public Safety Group C is eligible for benefits at age 52 or older with 25 years or at age 56 or older with 15 years. Those members classified as Law Enforcement officers are eligible for full retirement at age 52 or older with 15 or more years of credited service for Group A. Law Enforcement Group B is eligible at age 48 or older with 25 years or at age 52 or older with 15 years of service. Law Enforcement Group C is eligible at age 48 or older with 25 years of service or at age 56 with 15 years of service. Annual benefits under both divisions are calculated by multiplying 2.5% of final average salary by the actual years of service for the first 25 years of service credit, and 2.1% of final average salary for each year of service over 25 years. In the Combined Plan, the benefit formula for the defined benefit component of the plan for state and local members in transition Groups A and B applies a factor of 1.0% to the member's FAS and the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. These options also permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. Law Enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury. Members participating in the Member-Directed Plan are not eligible for disability benefits.

Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Law Enforcement and Public Safety personnel are eligible for survivor benefits immediately upon employment.

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit.

STRS Benefits

Under the Defined Benefit Plan, on or before July 1, 2015, benefits are based on 2.2% of final average salary for the three highest years of earnings, multiplied by years of total Ohio service credit. The percentages increase if the member has 35 or more years of contributing service credit. Effective Aug. 1, 2015, benefits are based on an annual amount equal to 2.2% of final average salary for the five highest years of earnings, multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective Aug. 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 and five years of service on Aug. 1, 2026.

Under the Combined Plan, member contributions are allocated among investment choices by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular Defined Benefit Plan. Benefits are based on the balance in the member's defined contribution account plus an annual amount equal to 1% of final average salary for the three highest paid years multiplied by years of total Ohio service credit. Effective Aug. 1, 2015, final average salary will be average of the member's five highest salary years. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the Combined Plan may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

The Defined Contribution Plan allows members to place all their member and 9.5% of employer contributions into an investment account. Investment allocation decisions are determined by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

A Defined Benefit Plan or Combined Plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Disability benefits are determined in the same manner as retirement benefits. Members in the Defined Contribution Plan who become disabled are entitled only to their account balance. If a member of the Defined Contribution Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Under the Defined Benefit Plan, members will receive a 2% annual cost of living adjustment beginning on the fifth anniversary of retirement. Under the Combined Plan, a cost of living adjustment is not available on the service retirement benefit. For disability and survivor benefits, the basic benefit is increased each year by 2% of the original base benefit.

Contributions

OPERS Contributions

Employer and member contribution rates are established by the OPERS Board subject to limits per Chapter 145 of the Ohio Revised Code. Under the OPERS plans, the employee contribution rate for the years ended June 30, 2016 and 2015 is 10% for all employees with the exception of law enforcement. The law enforcement contribution rate was 12.6% through December 31, 2013 and increased to 13% effective January 1, 2014. The employer contribution rate is 14% for all employees with the exception of law enforcement whose rate is 18.1%. For Member-Directed Plans, for the years ended June 30, 2014 and 2013, 13.23% was paid into the member's member-directed account and the remaining .77% was paid to OPERS, as required by state legislation, to cover unfunded liabilities.

The University's contributions to OPERS were $1,132,212, $1,174,454, and $1,368,750 for the fiscal years ended June 30, 2016, 2015, and 2014, respectively. The University's contributions were equal to the required contributions for each year as set by state statute.

STRS Contributions

Employer and member contribution rates are established by the STRS Board and limited by Chapter 3307 of the Ohio Revised Code. Under the STRS plans, the employee contribution rate is 13% and 12%, for years ended June 30, 2016 and 2015, respectively. Under the Combined Plan, 1% of the employee contribution is to fund the defined benefit. The member contribution rate is scheduled to increase to 13% of salary effective July 1, 2015 and to 14% of salary effective July 1, 2016. The employer contribution rate is 14%. Under the Defined Contribution Plan, 4.5 percent of the employer contribution is used to amortize the unfunded actuarial accrued liability of the defined benefit plan.

The University's contributions to STRS for the years ended June 30, 2016, 2015, and 2014, respectively, were $794,080, $799,062, and $903,841. The University's contributions were equal to the required contributions as set by state statute.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

OPERS Pension Costs

At June 30, 2016 and 2015, the University reported a liability of $10,633,211 and $7,904,669, respectively for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the University's long-term share of contributions to OPERS relative to the total projected long-term employer contributions received from all of OPERS' participating employers. At December 31, 2015 and 2014, the University's proportion was 0.0615% and 0.0657%, respectively, representing a (0.0042%) change in proportionate share.

The net pension liability and asset for the Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2015, and the total pension liabilities were determined by an actuarial valuation as of that date.

For the years ended June 30, 2016 and 2015, the University recognized pension expense of $159,797 and $1,137,506, respectively. At June 30, 2016 and 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,317	$ 221,896
Net difference between projected and actual earnings on pension pension plan investments	3,163,969	-
Changes in proportion and differences between the difference between actual and proportionate share of contributions	-	333,905
University contributions subsequent to the measurement date	580,506	-
Total	$ 3,745,792	$ 555,801

2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 145,029
Net difference between projected and actual earnings on pension plan investments	423,985	-
Changes in proportion and differences between the difference between actual and proportionate share of contributions	-	2,254
University contributions subsequent to the measurement date	345,186	-
Total	$ 769,171	$ 147,283

At June 30, 2016, the University reported $580,506 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to OPERS pensions will be recognized in pension expense as follows for the year ended June 30, 2016:

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

2017	$ 536,242
2018	589,731
2019	780,085
2020	710,158
2021	(1,324)
Thereafter	(4,807)

STRS Pension Costs

At June 30, 2016 and 2015, the University reported a liability of $16,198,930 and $16,471,690, respectively, for its proportionate share of the STRS net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the University's long-term share of contributions to the pension plan relative to the total employer contributions from all participating STRS employers. At June 30, 2015 and 2014 the University's proportion was 0.0586% and 0.0677%, respectively, representing a (0.0091%) change in proportionate share.

For the years ended June 30, 2016 and 2015, the University recognized pension expense of $(649,661) and $1,109,363, respectively. At June 30, 2016 and 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 738,467	$ -
Net difference between projected and actual earnings on pension plan investments	-	1,165,009
Difference between actual and proportionate share of contributions	-	2,082,739
University contributions subsequent to the measurement date	794,080	-
Total	$ 1,532,547	$ 3,247,748

2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 158,576	$ -
Net difference between projected and actual earnings on pension plan investments	-	3,047,325
University contributions subsequent to the measurement date	796,647	-
Total	$ 955,223	$ 3,047,325

At June 30, 2016, the University reported $794,080 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to STRS pensions will be recognized in pension expense as follows for the year ended June 30, 2016:

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

2017	$ (807,867)
2018	(807,867)
2019	(807,867)
2020	(85,680)

Actuarial Assumptions

OPERS Actuarial Assumptions

The total pension liability in the December 31, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.75 percent
Salary increases	4.25 – 10.05 percent, average, including inflation
Investment rate of return	8.00 percent
Cost of living adjustment	3.00% simple

Mortality rates are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

The actuarial assumptions used in the December 31, 2015 and 2014 valuations were based on the results of an actuarial experience study for the five year period ended December 31, 2010.

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS Board as outlined in the annual investment plan. The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class Return	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	23.00%	2.31%
Domestic equity	19.90	5.84
International equity	19.10	7.40
Real estate	10.00	4.25
Private equity	10.00	9.25
Other	18.00	4.59
Total	100.00%	

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

STRS Actuarial Assumptions

The total pension liability in the June 30, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25% at age 20 to 2.75% at age 70
Investment rate of return	7.75 percent, net of pension plan investment expense
Cost-of-living adjustments	2% simple applied as follows: for members retiring before Aug. 1, 2013, 2% per year; for members retiring Aug. 1, 2013, or later, 2% COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015 and 2014 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class Return	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	18.00%	3.75%
Domestic equity	31.00	8.00
International equity	26.00	7.85
Alternative investments	14.00	8.00
Real estate	10.00	6.75
Liquidity reserves	1.00	3.00
Total	100.00%	

Discount rate: The discount rate used to measure OPERS total pension liability was 8.0% as of December 31, 2015 and December 31, 2014. The projection of cash flows used to determine the discount rates assumed that employee and University contributions will be made at the statutory contribution rates. Based on those assumptions, the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - RETIREMENT PLANS (Continued)

The discount rate used to measure STRS total pension liability was 7.75% as of June 30, 2015 and 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015 and 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015 and 2014.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate: The following presents the University's proportionate share of the OPERS pension plans net pension liability calculated using the discount rate of 8.0%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

2016	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
University's proportionate share of the net pension liability	$ 16,981,092	$ 10,633,211	$ 5,280,118

2015	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
University's proportionate share of the net pension liability	$ 14,581,091	$ 7,904,669	$ 2,283,817

The following presents the University's proportionate share of the STRS pension plans net pension liability calculated using the discount rate of 7.75%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

2016	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of the net pension liability	$ 22,501,536	$ 16,198,930	$ 10,869,137

2015	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of the net pension liability	$ 23,581,019	$16,471,690	$ 10,459,589

Pension plan fiduciary net position: Detailed information about OPERS and STRS fiduciary net position is available in the separately issued financial reports. Financial reports for OPERS may be obtained at www.opers.org or by writing to Ohio Public Employees Retirement System, Director-Finance, 277 East Town Street, Columbus, Ohio 43215-4642. Financial reports for STRS may be obtained at strsoh.org or by writing to State Teachers Retirement System of Ohio, Attn: Chief Financial Officer, 275 E. Broad St., Columbus, OH 43215-3771.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Voluntary Severance Program: The University offered a voluntary severance program during fiscal year 2013, of which 25 employees participated. The plan was available to full time employees with ten or more years of service with the University or those with at least five years of service who met the qualification for full or reduced retirement benefits under STRS or OPERS. Employees were required to retire no later than June 30, 2013.

The plan's benefits depended on the employee class of the participating members. Faculty electing the plan were eligible to receive 100% of their fiscal year 2013 base salary not to exceed $75,000, plus their applicable contractual sick leave pay. Unclassified employees were eligible to receive 100% of their fiscal year 2013 base salary, not to exceed $80,000, plus their applicable contractual sick leave pay. Classified employees were eligible to receive 100% of their fiscal year 2013 base salary, not to exceed $30,000, plus their applicable contractual sick leave pay. All participants receive their total benefit over five years, divided into 60 equal monthly payments made to the participant's post-employment 403(b) account of their choice. The plan is administered by a third party, Educators Preferred Corporation, who also acts as a trustee for the escrowed severance payout amounts.

The University chose to fund the $1,637,790 of severance payouts in three even installments of $545,930 payable in September 2013, 2014 and 2015. The payout amounts were determined by Educators Preferred Corporation based on salary amounts provided by the University and the agreed upon fees per the plan agreement.

	Benefit Amount	EPC Fees	Total
September 2013	$ 513,364	$ 32,566	$ 545,930
September 2014	513,364	32,566	545,930
September 2015	513,364	32,566	545,930
Total	$ 1,540,092	$ 97,698	$ 1,637,790

The severance payout amount was recognized as an expense as of June 30, 2013 due to the irrevocable agreement with the retiring employees. The fees are expensed in the year the payment is made. The severance amount has been paid in full as of September 30, 2015. OPEB obligations are not presented as these benefits are not affected by this Plan.

NOTE 10 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS): OPERS provides access to post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Access to health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided per the Ohio Revised Code.

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% during calendar years 2015 and 2014. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% during calendar year 2013. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the University's calendar year 2015, 2014, and 2013 contributions required and made to OPERS used to fund post-retirement benefits was $23,489, $27,375, and $15,684, respectively.

State Teachers Retirement System (STRS Ohio): STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for the year ended June 30, 2014. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care. The portion of the University's fiscal years 2016, 2015, and 2014 contributions required and made to STRS Ohio used to fund post-employment benefits was $0, $0, and $9,038, respectively.

NOTE 11 - GRANTS AND CONTRACTS

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

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Commitments: The University has encumbered $522,940 and $344,129 of funds as of June 30, 2016 and 2015, 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 position.

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

(Continued)

NOTE 13 - 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 $337,756 and $325,000 for the years ended June 30, 2016 and 2015, respectively.

The Foundation established and owns Marauder Development, LLC, which owns two residence halls (Foundation I and Foundation II) located on the University's campus. The University receives an annual management fee and the reimbursement of operating expenses from Marauder Development, LLC. These fees and reimbursement amounted to $1,466,890 and $1,105,866 for the years ended June 30, 2016 and 2015, respectively. The University paid Marauder Development, LLC $2,996,789 and $3,021,240 for the years ended June 30, 2016 and 2015, respectively. These payments were primarily student residence hall fees.

NOTE 13 - RELATED ORGANIZATION

Details of the Foundation's restricted net assets at June 30, 2016 and 2015 are as follows:

2016	Temporarily Restricted	Permanently Restricted
Academic	$ 436,472	$ 646,298
Scholarship	1,049,484	1,220,457
Other general funds	961,257	706,610
Total net assets	$ 2,447,213	$ 2,573,365

2015	Temporarily Restricted	Permanently Restricted
Academic	$ 463,080	$ 640,948
Scholarship	827,564	1,185,871
Other general funds	1,109,694	725,020
Total net assets	$ 2,400,338	$ 2,551,839

Net assets released from restriction totaled $508,165 and $505,872 at June 30, 2016 and 2015, respectively.

NOTE 14 – RISK MANAGEMENT

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

(Continued)

NOTE 14 – RISK MANAGEMENT (Continued)

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. Effective July 1, 2015, the University is no longer self-insured for student health claims.

NOTE 15 – FISCAL WATCH

Central State University was officially placed on Fiscal Watch on April 21, 2015. Fiscal Watch was created by the State of Ohio under Senate Bill 6 in the 1990s in response to financial issues. The goal of Senate Bill 6 is to provide financial accountability and an early warning system about a college that might be heading into financial trouble. Central State University has established a recovery plan and is meeting with the Auditor of State periodically to review their progress.

The University’s composite score for the year ended 30 June 2015 was 2.3 and it is the University’s goal to emerge from fiscal watch in FY2017.

REQUIRED SUPPLEMENTARY INFORMATION

OPERS		2016
College's proportion of the collective net pension liability (asset) - Traditional		.06153%
College's proportion of the collective net pension liability (asset) - Combined		.05127%
College's proportionate share of the collective net pension liability (asset)	$	10,633,211
College's covered-employee payroll		7,925,689
College's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll		134.16%
Plan fiduciary net position as a percentage of the total pension liability		81.19%

		2015
College's proportion of the collective net pension liability (asset) – Traditional		.06570%
College's proportion of the collective net pension liability (asset) – Combined		.04948%
College's proportionate share of the collective net pension liability (asset)	$	7,905,345
College's covered-employee payroll		8,232,618
College's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll		96.02%
Plan fiduciary net position as a percentage of the total pension liability		84.00%

(Continued)

CENTRAL STATE UNIVERSITY
SCHEDULES OF UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

STRS Ohio	2016
College's proportion of the collective net pension liability (asset)	.05861%
College's proportionate share of the collective net pension liability (asset)	$ 16,198,930
College's covered-employee payroll	5,668,086
College's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll	285.79%
Plan fiduciary net position as a percentage of the total pension liability	72.1%

	2015
College's proportion of the collective net pension liability (asset)	.06772%
College's proportionate share of the collective net pension liability (asset)	$ 16,471,015
College's covered-employee payroll	5,700,090
College's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll	288.96%
Plan fiduciary net position as a percentage of the total pension liability	74.70%

OPERS		2016
Statutorily required contribution	$	1,132,211
Contributions in relation to the statutorily required contribution		1,132,211
Annual contribution deficiency		-
College's covered-employee payroll		7,925,689
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll		14.29%

		2015
Statutorily required contribution	$	1,174,454
Contributions in relation to the statutorily required contribution		1,174,454
Annual contribution deficiency		-
College's covered-employee payroll		8,232,618
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll		14.26%

(Continued)

STRS Ohio		2016
Statutorily required contribution	$	794,080
Contributions in relation to the statutorily required contribution		794,080
Annual contribution deficiency		-
College's covered-employee payroll		5,668,086
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll		14.01%

		2015
Statutorily required contribution	$	799,062
Contributions in relation to the statutorily required contribution		799,062
Annual contribution deficiency		-
College's covered-employee payroll		5,700,090
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll		14.02%

SUPPLEMENTARY INFORMATION

CENTRAL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2016

Federal Grants/Pass-Through Grant/Program Title	Federal CFDA Number	Pass-through Award	Awards to Subrecipient	Federal Expenditures
STUDENT FINANCIAL ASSISTANCE CLUSTER				
U.S. Department of Education Direct Programs				
PELL Grant Program	84.063			$ 6,189,862
Federal Supplemental Educational Opportunity Grant	84.007			871,771
Federal Work-Study Program	84.033			526,483
TEACH Grant	84.379			20,038
Federal Direct Loan Program	84.268			14,855,919
Total Student Financial Assistance Cluster				22,464,073
RESEARCH AND DEVELOPMENT CLUSTER				
National Aeronautics and Space Administration				
Ohio Space Grant	43.001			7,500
Ground Data Acquisition and Process	43.001			3,671
Student Satellite Program	43.001			1,224
Total National Aeronautics and Space Administration				12,395
National Science Foundation – Direct Awards				
Center for Cyber Sensors	47.076		$ 28,126	24,209
Integrated Geoscience Curriculum for Workforce Development for Oil and Gas Industry (IGC)	47.076			90,461
Software Defined Radio Lab Platform	47.076			26,325
Collaborative RET Site	47.041			57,192
Center for Cyber Sensors – Supplemental	47.076			58,945
Improving Pathways for STEM	47.076		11,188	230,411
Total National Science Foundation – Direct Awards				487,543
National Science Foundation – Pass-through Programs				
ADVANCE	47.076	HRD-0810989		457
Center for Layered Polymeric Systems (CLiPS)	47.049	DMR-0423914		6,493
Ohio LSAMP Alliance	47.076	HRD-1304371		35,636
Northern Ohio AGEP-T	47.076	HRD-1432950		20,415
Total National Science Foundation – Pass through Programs				63,001
U.S. Department of Health and Human Services:				
Center for Allaying Health Disparities Through Research and Ed.	93.307			307
Total U.S. Department of Health and Human Services				307
U.S. Department of Defense:				
Central State University Center of Excellence in STEM Education (CSU-STEM-X-ED)	12.630			566,217
Total U.S. Department of Defense				566,217
U.S. Department of Defense – Passed-through Programs:				
Basic and Applied Scientific Research:				
Computer Methods Fracture Mechanics	12.300	FA8650-05-D-5800		42,964
Lithium Iron Battery	12.300	FA8650-05-D-5800		39,612
Sensors Research	12.300	FA8650-13-C-5800		15,673
Total U.S. Department of Defense				98,249
U.S. Environmental Protection Agency				
Research Training for College and Universities, passed-through	66.511	009145-0052		11,259
Total Environmental Protection Agency				11,259
Total Research and Development Cluster				1,238,971

(Continued)

CENTRAL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2016

Federal Grants/Pass-Through Grant/Program Title	Federal CFDA Number	Pass-through Award	Awards to Subrecipient	Federal Expenditures
TRIO CLUSTER				
U.S. Department of Education Direct Programs:				
TRIO: Student Support Services	84.042A			351,043
TRIO: Upward Bound Program	84.047			288,938
Total TRIO Cluster				639,981
OTHER FEDERAL PROGRAMS				
U.S. Department of Education Direct Programs				
HIGHER EDUCATION - INSTITUTIONAL AID – Direct Program	84.031B			2,737,652
Minority Science Improvement Grant				
ExCEL	84.120			10,335
Total Minority Science Improvement Grant				2,747,987
Total U.S. Department of Education Direct Programs				
U.S. Department of Health and Human Services:				
HET: Triple Jeopardy Health Environment, passed-through	93.630	12OU05QU14	16,680	44,070
Total U.S. Department of Health and Human Services				44,070
U.S. Department of Transportation – Passed-through Programs:				
University Transportation Center	20.701	DTRT12-G-UTC05		17,880
FHWA Summer Transportation Institute 2015	20.205			28,074
Total U.S. Department of Transportation				45,954
U.S. Department of Agriculture				
USDA/1890 National Scholars Program	10.001			20,797
USDA/NRCS National Scholars Program	10.001			3,123
Total National Scholars Program				23,920
Evans-Allen Formula Fund	10.205			96,919
Strengthening Capacity and Advance the Quality	10.216			70,602
Technology Weed Disruption	10.216		20,330	107,487
				178,089
Building Sustainable Networks	10.443		28,840	94,084
2014-2017 Facilities Grant	10.500			318,082
Section 1444 Extension Programs/Land Grant Colleges	10.500			45,988
Smith Lever Act, Expanded Food and Nutrition Program	10.500			2,753
				366,823
2015 Summer Food Service Program	10.599			1,299
Agriculture Innovations Plus	10.902			321,936
Seed 2 Bloom	10.902			9,327
				331,263
Total U.S. Department of Agriculture				1,092,397
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 28,273,433

See Notes To Schedule Of Expenditures Of Federal Awards

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the University under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of Central State University.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University uses indirect cost rates as follows per the respective grant agreements:

Federal Program Title	CFDA Number	Indirect Cost Rate
Ground Data Acquisition and Process	43.001	15%
Center for Cyber Sensors	47.076	43%
Center for Cyber Sensors - Supplemental	47.076	43%
Integrated Geoscience Curriculum for Workforce Development for Oil and Gas Industry	47.076	43%
Improving Pathways for STEM	47.076	45%
Software Defined Radio Lab Platform	47.076	43%
Collaborative RET Site	47.041	45%
ADVANCE	47.076	75%
Center for Layered Polymeric Systems	47.049	43%
Northern Ohio AGEP-T	47.076	45%
Center for Allaying Health Disparities through Research and Ed	93.307	75%
Central State Center of Excellence in STEM Education	12.630	35%
Computer Methods and Fracture Mechanics	12.300	45%
Lithium Ion Battery	12.300	45%
Sensors Research	12.300	45%

NOTE 2 – FEDERAL LOAN PROGRAMS

The University participates in the Federal Direct Students Loan Program (84.268) which includes Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans. The University originates but does not provide funding for Federal Direct Student Loans.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S 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*

Management and Board of Trustees
Central State University
Wilberforce, Ohio

We have audited, in accordance with the 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, the financial statements of the business-type activities and the discretely presented component unit of Central State University as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing opinion on the effectiveness of Central State University's internal control. Accordingly, we do not express opinion on the effectiveness of Central State University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Finding 2016-001 in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

(Continued)

Compliance and Other Matters

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

The University's Response to Findings

The University's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely 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 an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 30, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management and Board of Trustees
Central State University
Wilberforce, Ohio

Report on Compliance for Each Major Federal Program

We have audited Central State University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Central State University's major federal programs for the year ended June 30, 2016. Central State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Central State University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Central State University's compliance.

Opinion on Each Major Federal Program

In our opinion, Central State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-002 - 2016-004. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Central State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central State University's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-002 - 2016-004, that we consider to be significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 30, 2016

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	X	Yes		No
Significant deficiencies identified not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified not considered to be material weakness(es)?	X	Yes		None reported
Type of auditors' report issued on compliance for major programs	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X	Yes		None reported

(Continued)

PART I: SUMMARY OF AUDITORS' RESULTS (Continued)

Name of Major Program Identified	CFDA Number
U.S. Department of Education	
Student Financial Aid Cluster:	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Loan Program	84.268
TEACH Grant	84.379
Research and Development Cluster	Various

Dollar threshold used to distinguish between Type A and Type B programs $750,000

Auditee qualified as low-risk auditee? ______________ Yes ______X________ No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

Finding 2016-001

Criteria:	The University should have internal controls over a financial reporting process designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United State of America. In addition, the University's reporting and closing process should include timely reconciliations and schedules that support the amounts recorded in the financial statements.
Condition:	Reconciliations and draft financial statements were not prepared timely. In addition, proposed adjusting journal entries were made during the audit.
Context:	Multiple adjusting journal entries were made during the course of the audit.
Effect:	The condition noted above has the potential to lead to misstatements, errors, or misclassifications in the financial statements.
Cause:	The principal factors appear to be the University's lack of a formalized closing process.
Repeat Finding:	Yes
Recommendation:	We recommend the University establish a process that is designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United State of America. We also recommend the University review its internal control procedures over its reporting and closing process to include timely reconciliations and schedules that support the amounts recorded in the financial statements.

(Continued)

PART II: FINANCIAL STATEMENT FINDINGS SECTION (Continued)

Finding 2016-001 (Continued)

Views of responsible officials and planned corrective actions: The University concurs with the finding. The management of Central State University recognizes the need for a more formalized closing process. The training and documentation of this process was compromised during the departure of key personnel over the last two fiscal years. New staff have been hired and they have been charged with documenting the process and training staff to timely complete account reconciliations, journal entries and supporting schedules. In addition, the financial area has realigned responsibilities to create a financial reporting section who will be directly responsible for this activity and process.

We do take under advisement the need to ensure that financial reporting is appropriate and timely. In our lean operating environment this does at times extend our resources but the University is committed to meeting all deadlines and reporting requirements as prescribed. We have immediately addressed this particular issue and we have reaffirmed our commitment to closely monitoring this by higher management to ensure that all transactions are accurately and properly recorded in the University accounting system

PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION

Finding 2016-002

Federal Program Information: Pell Grant Program, CFDA #84.063

Criteria: 34 CFR 690.62 Calculation of a Federal Pell Grant. (a) The amount of a student's Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.

Condition: Pell Grants were not awarded according to the 2015-2016 Pell Grant payment schedules.

Context: Two students in a sample of 60 were under-awarded Pell Grants for which they were eligible. The total population of students receiving Pell Grant awards is 1,398.

Questioned costs: The amount of Pell Grants awards not awarded to tow eligible students in the sample totaled $3,608.

Effect: Students did not receive Pell Grants for which they were eligible

Cause: It appears the Pell Grants were not awarded correctly due to reliance on preliminary information and lack of review during the packaging process.

(Continued)

PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION (Continued)

Finding 2016-002 (Continued)

Repeat Finding:	No
Recommendation:	We recommend the University implement procedures to ensure Pell Grant awards are made according to the Pell Grant schedules published annually.
Views of responsible officials and planned corrective actions:	The University agrees with the recommendation. The University will implement procedures to ensure federal awards are based upon accurate student enrollment status.

Finding 2016-003

Federal Program Information:	Federal Direct Loan Program, CFDA #84.268
Criteria:	34 CFR § 685.203 Loan limits.
Condition:	Federal Direct Loans were under and over-awarded.
Context:	a. Three students in a sample of 60 were under-awarded Federal Direct Loams for which they were eligible based upon annual award limits. One student in the sample of 60 was over-awarded a Federal Direct Loan based upon annual award limits. The total population of students receiving Federal Direct Loans is 1,528. b. One student in a sample of 60 was under-awarded Federal Direct Loams for which they were eligible based upon aggregate loan limits. The total population of students receiving Federal Direct Loans is 1,528.
Questioned costs:	a. The total amount of Federal Direct Loans under-awarded based upon annual loan limits for the three students noted was $4,000. The total amount of Federal Direct Loans over-awarded based upon annual award limits for the one student noted was $1,000. b. The total amount of Federal Direct Loans over-awarded based upon aggregate loan limits for the one student noted was $12,500.
Effect:	a. Students either did not receive the amount of Federal Direct Loans for which they were eligible, or received more Federal Direct Loans for which they were eligible. b. The student received more than the aggregate Federal Direct Loans limit.
Cause:	a. Students were awarded Federal Direct Loans based upon the self-reported grade level reported on the Free Application for Federal Student Aid rather than their actual grade level status. b. It appears a manual override was processed in this instance.
Repeat Finding:	No

(Continued)

PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION (Continued)

Finding 2016-003 (Continued)

Recommendation:	We recommend the University implement procedures to ensure students are awarded Federal Direct Loans based upon their accurate grade level status and within annual and aggregate loan limits.
Views of responsible officials and planned corrective actions:	The University agrees with the recommendation. The University has replaced the staff member in charge of loans and has adopted procedures to confirm annual and aggregate amounts.

Finding 2016-004

Federal Program Information:	Student Financial Aid Cluster
Criteria:	34 CFR 668.56 Information to be verified; 34 CFR 668.59 Consequence of a change in an applicant's FAFSA information; 34 CFR 668.60 Deadlines for submitting documentation and the consequences of failing to provide documentation; and 34 CFR 668.61 Recovery of amounts from interim disbursements.
Condition:	Verification procedures were not completed as required.
Context:	In a sample of 25 students selected for verification, the University did not obtain the required verification information for two students. For an additional three students in the sample, there were discrepancies noted through the verification process that were not corrected.
Questioned costs:	Since the University did not obtain verification information for two of the students in the sample, we were unable to verify if their awards of $28,167 were accurate. For the three students for which discrepancies were identified, but not corrected, one student received a $125 over-award of Federal Pell Grant funds, CFDA # 84.063. The discrepancies noted for the other two students had no impact on their federal awards once the corrections were considered.
Effect:	If verification information is not obtained and corrections made, students could potentially receive federal awards for which they are not eligible.
Cause:	The University implemented a new method for verification procedures during the current year.
Repeat Finding:	No
Recommendation:	We recommend reviewing the policies and procedures over verification to ensure required information is obtained for students selected for verification and that discrepancies noted through the verification process are considered and processed according to federal requirements.

(Continued)

PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION (Continued)

Finding 2016-004 (Continued)

Views of responsible officials and planned corrective actions:	The University agrees with the recommendation. During the 2015-2016 year, the University implemented a new method of verification and for the 2016-2017 year and new procedures have been put in to place to confirm required information is obtained for students selected for verification and that discrepancies are thoroughly clarified and documented.

PART IV: SUMMARY OF PRIOR YEAR FINDINGS

Finding 2015-001

Criteria:	The University should have internal controls over a financial reporting process designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United State of America. In addition, the University's reporting and closing process should include timely reconciliations and schedules that support the amounts recorded in the financial statements.
Condition:	Multiple adjusting journal entries were made during the course of the audit. In addition, journal entries were not approved per University policy.
Status:	Not corrected, see Finding 2016-001.

WCSU-FM
(A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY CENTRAL STATE UNIVERSITY)
Wilberforce, Ohio

FINANCIAL STATEMENTS
June 30, 2016 and 2015

WCSU-FM
Wilberforce, Ohio

FINANCIAL STATEMENTS
June 30, 2016 and 2015

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Crowe Horwath LLP
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INDEPENDENT AUDITOR'S REPORT

Management and the Board of Trustees
Central State University
Wilberforce, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of WCSU-FM, Central State University Radio Station (the "Station"), as of and for the year ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Station's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Central State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Central State University as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 3 to 5, the Schedule of the Station's Proportionate Share of the Net Pension Liability and the Schedule of the Station's Contributions on pages 19 and 20 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated December 29, 2016 on our consideration of the Station'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. 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 an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 29, 2016

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of WCSU-FM (the "Station"), which is owned and operated by Central State University (the "University"). The report consists of three financial statements that provide information on the radio station: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These statements begin on page 6 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion of the results are intended to provide the readers with an overview of the financial statements.

The Statement of Net Position

The statement of net position 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 position - the difference between assets and liabilities - are one way to measure the financial activities of the Station. Unrestricted net position decreased by $45,773 during fiscal year 2016, due to decreased revenue from the Corporation for Public Broadcasting and increased expenses. During fiscal year 2015 unrestricted net position decreased by $68,402 in part due to the adoption of GASB Statement No. 68 which required WCSU to recognize its unfunded pension benefit obligation as a liability for the first time.

Net investment in capital assets decreased by $9,503 and $4,392 due primarily to depreciation of capital assets during fiscal years 2016 and 2015, respectively. Total net position decreased $45,773 and $72,794 during fiscal years 2016 and 2015, respectively.

Total assets increased by $37,276 during 2016 and increased by $43,689 during 2015; the increase in 2016 is primarily attributable to an increase of $50,743 in cash held by the University, mainly due to an increase in deferred grant income of $53,639. The increase in 2015 was related primarily to additional contribution revenue.

Total liabilities increased by $161,166 in 2016 and decreased by $127,362 in 2015. The increase in 2016 was related primarily to an increase in the net pension liability in accordance with GASB 68, together with an increase in unearned revenue. The increase in 2015 was related primarily to recognition of the net pension liability in accordance with GASB Statement No. 68 offset by a decrease in unearned revenue.

	2016	2015	2014
Assets			
Current assets	$ 363,840	$ 317,061	$ 268,980
Capital assets - net of depreciation	35,562	45,065	49,457
Total assets	$ 399,402	$ 362,126	$ 318,437
Deferred outflows of resources	$ 93,611	$ 13,456	$ -
Liabilities			
Current liabilities	226,758	148,445	159,380
Net pension liability	221,150	138,297	-
Total liabilities	$ 447,908	$ 286,742	$ 159,380
Deferred inflows of resources	$ 4,615	$ 2,577	$ -
Net position			
Net investment in capital assets	35,562	45,065	49,457
Unrestricted	4,928	41,198	109,600
Total net position	$ 40,490	$ 86,263	$ 159,057

(Continued)

Statement of Revenue, Expenses, and Changes in Net Position

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

	2016	2015	2014
Operating revenue			
Corporation for Public Broadcasting	$ 100,996	$ 147,497	$ 141,177
State Network Commission and private grants	24,369	20,729	19,695
Fundraising revenue, net	-	-	1,853
Underwriting revenue	-	-	2,900
Contributions	1,650	56,283	51,525
Contributed services	89,247	84,199	85,910
Non-operating revenue			
Net investment income	2,233	5,940	8,413
Miscellaneous income	-	-	-
University support	512,275	482,652	540,949
Total revenue	730,770	797,300	852,422
Operating expenses			
Program services			
Programming and production	257,180	238,214	260,245
Broadcasting and engineering	89,246	84,200	85,910
Program information and promotion	36,740	34,031	37,178
Support services			
Management and general	393,377	385,295	428,142
Total operating expenses	776,543	741,740	811,475
Increase (decrease) in net position	(45,773)	55,560	40,947
Net position - beginning of year	86,263	159,057	118,110
Adjustment for change in accounting principle	-	(128,354)	-
Net position - beginning of year, as restated	-	30,703	-
Net position - end of year	$ 40,490	$ 86,263	$ 159,057

Operating revenue decreased by $92,446, or 29.9 percent during fiscal year 2016; Corporation for Public Broadcasting (CPB) decreased by $46,501 (31.5 percent), State Network Commission increased by $3,640 (17.6 percent), contributions decreased by $54,633 (97.1 percent) and contributed services increased by $5,047 (6.0 percent). The increase in State Network Commission is due to an increase of State funding from eTech Ohio. The decrease in contributions is due to less being received during fiscal year 2016.

(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 and Foundation pooled cash and investments.

	2016	2015	2014
Cash used in operating activities	$ (157,159)	$ (126,910)	$ (156,100)
Cash provided by noncapital financing activities	213,715	189,172	216,910
Cash used in capital and related financing activities	(9,600)	(14,358)	-
Increase in cash	46,956	47,904	60,810
Cash - beginning of year	316,884	268,980	208,170
Cash - end of year	$ 363,840	$ 316,884	$ 268,980

The Station consumed $157,159 and $126,910 in operating activities in 2016 and 2015, respectively. The primary operating cash receipts consist of grants and contracts of $180,831 and $231,047 for 2016 and 2015, respectively. Cash outlays include payments for wages and to vendors of $337,990 and $357,957 for 2016 and 2015, respectively. The primary noncapital financing activities consist of support from the University.

For 2016 and 2015, the primary capital and related financing activities consist of cash used to purchase capital assets.

Economic Factors that Will Affect the Future

There are several economic factors that will affect the future for WCSU. With state and local economies in a minor state of flux, WCSU-FM is designing plans to develop major fundraising events partnering with other local arts organizations. The Station will also look to market some of its production facilities to local non-profits as another source of raising revenue.

The Station is working to partner with the National Afro-American Museum and Cultural Center in the creation of a membership base regional Jazz Hall of Fame. This new organization will be supported by an annual fundraising event.

The Station continues to research ways to extend its over-the-air signal coverage in hopes of extending the Station's listening and membership base.

WCSU-FM will continue to solicit major donors and foundations as part of it fundraising appeals to support local broadcast programs and technical upgrades.

WCSU-FM
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash held by the University	$ 206,743	$ 156,000
Cash held by the Foundation	157,097	160,884
Prepaid expenses	-	177
Total current assets	363,840	317,061
Capital assets - net	35,562	45,065
Total assets	399,402	362,126
Deferred outflows of resources		
Pension	93,611	13,456
Liabilities and net position		
Current liabilities		
Unearned revenue	202,084	148,445
Accounts payable	24,674	-
Total current liabilities	226,758	148,445
Net pension liability	221,150	138,297
Total liabilities	447,908	286,742
Deferred inflows of resources		
Pension	4,615	2,577
Net position		
Unrestricted	4,928	41,198
Net investment in capital assets	35,562	45,065
Total net position	$ 40,490	$ 86,263

See accompanying notes to financial statements.

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Years ended June 30, 2016 and 2015

	2016	2015
Support and revenue		
Corporation for Public Broadcasting	$ 100,996	$ 147,497
State Network Commission	24,369	20,729
Contributions	1,650	56,283
Contributed services	89,247	84,199
Total support and revenue	216,262	308,708
Expenses		
Program services		
Programming and production	257,180	238,214
Broadcasting and engineering	89,246	84,200
Program information and promotion	36,740	34,031
Support services		
Management and general	393,377	385,295
Total expenses	776,543	741,740
Operating loss	(560,281)	(433,032)
Non-operating revenue		
Net investment income	2,233	5,940
University support	512,275	482,652
Total non-operating revenue	514,508	488,592
(Decrease)/Increase in net position	(45,773)	55,560
Net position - beginning of year	86,263	30,703
Net position - end of year	$ 40,490	$ 86,263

See accompanying notes to financial statements.

WCSU-FM
STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Grants and contracts	$ 180,831	$ 231,047
Payments to employees	(168,198)	(146,751)
Payments to vendors	(169,792)	(211,206)
Net cash used in operating activities	(157,159)	(126,910)
Cash flows from noncapital financing activities		
University support	213,715	189,172
Cash flows from capital and related financing activities		
Purchase of capital assets	(9,600)	(14,358)
Increase in cash	46,956	47,904
Cash - beginning of year	316,884	268,980
Cash - end of year	$ 363,840	$ 316,884
Reconciliation of operating loss to net cash from operating activities		
Operating loss	$ (560,281)	$ (433,032)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	19,103	18,750
Donated facilities and administrative support from University	300,793	299,417
Changes in assets and liabilities:		
Pledges receivable	177	-
Accounts payable	24,674	(2,064)
Pension expense	4,736	(936)
Unearned revenue	53,639	(9,045)
Net cash used in operating activities	$ (157,159)	$ (126,910)

See accompanying notes to financial statements.

NOTE 1 - 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.

The financial statements of the Station have been prepared on the accrual basis of accounting whereby revenue is recognized when earned and expenses are recorded when the related liability has been incurred. These statements are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Central State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Central State University as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

> Net investment in capital assets: Capitalized physical assets net of accumulated depreciation.
>
> Unrestricted: Resources that are not subject to externally imposed stipulations. Unrestricted resources may be designated for specific purposes by action of management, Board of Trustees, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted resources are designated for Station programs, initiatives, and capital projects.

Operating Versus Non-operating Revenue and Expenses: WCSU-FM defines operating activities as reported on the statement of revenue, expenses, and changes in net position 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.

Cash held by 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. Consequently, funds deposited on account for WCSU-FM are reflected in the financial statements as cash held by the University.

Cash held by the Foundation: WCSU-FM maintains a balance with the Central State University Foundation for the purpose of receiving contributions donated used in support of the radio station. The Foundation cash accounts are maintained as a pool and the funds deposited on account for WCSU-FM are reflected in the financial statements as cash held by the Foundation.

Capital Assets: Capital assets are recorded at cost or, if acquired by gift, at acquisition value at the date of the gift. The University capitalizes all assets with a useful life greater than one year and a value in excess of $5,000. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the net investment in capital assets component of net position is adjusted as appropriate. Capital assets, are depreciated on the straight-line method over their estimated useful lives, ranging from 5 to 15 years.

(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue: Unearned revenue represents grant monies received from grants and contract sponsors that have not been earned.

Deferred Outflows and Inflows of Resources: Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require further exchange of goods or services. Deferred inflows of resources represent the acquisition of resources that are applicable to a future resource period. Deferred outflows of resources in the Station's financial statements consist of differences between projections and actual in the OPERS pension plan and contributions subsequent to the measurement date of the plan. Deferred inflows of resources in the Station's financial statements consist of differences between projections and the actual in the OPERS pension plan.

Pensions: For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position has been determined on the same basis as reported by the pension system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension system reports investments at fair value.

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

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

(Continued)

NOTE 2 - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2016 and 2015 are summarized as follows:

	2016			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	$ 15,082	$ -	$ -	$ 15,082
Telecommunications equipment	471,174	9,600	-	480,774
Total	486,256	9,600	-	495,856
Less accumulated depreciation:				
Office equipment	15,082	-	-	15,082
Telecommunications equipment	426,109	19,103	-	445,212
Total accumulated depreciation	441,191	19,103	-	460,294
Capital assets - net	$ 45,065	$ (9,503)	$ -	$ 35,562

	2015			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	$ 15,082	$ -	$ -	$ 15,082
Telecommunications equipment	456,816	14,358	-	471,174
Total	471,898	14,358	-	486,256
Less accumulated depreciation:				
Office equipment	15,082	-	-	15,082
Telecommunications equipment	407,359	18,750	-	426,109
Total accumulated depreciation	422,441	18,750	-	441,191
Capital assets - net	$ 49,457	$ (4,392)	$ -	$ 45,065

NOTE 3 - 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 deemed unearned 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 2016 or 2015.

(Continued)

NOTE 4 - STATE NETWORK COMMISSION GRANT AND CONTRIBUTED SERVICES

WCSU-FM receives unrestricted radio station funding through E-Tech Ohio (OET). For the years ended June 30, 2016 and 2015, WCSU-FM received cash support of $24,369 and $20,729, respectively. WCSU-FM received in-kind contributed services support from OET of $83,931 and $79,615 during 2016 and 2015, respectively. WCSU-FM also received volunteer services related to programming activities of $5,317 and $4,584 during 2016 and 2015, respectively

NOTE 5 - UNIVERSITY SUPPORT ALLOCATION

The operations of WCSU-FM are supported primarily by the general revenue of the University. The University effectively covers all operating costs of WCSU-FM in excess of direct support received through grant awards and contributions attributable to WCSU-FM's operations. The University's support allocation totaled $211,482 and $183,232 in direct support for 2016 and 2015, respectively, and $300,793 and $299,420 in indirect administrative support and donated facilities for 2016 and 2015, respectively.

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2016 and 2015 is summarized as follows:

2016	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Net pension liability	$ 138,297	$ 106,401	$ 23,548	$ 221,150	$ -

2015	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Net pension liability	$ -	$ 138,297	$ -	$ 138,297	$ -

NOTE 7 - RETIREMENT PLANS

Station employees are provided with pensions through the Ohio Public Employees Retirement System (OPERS). OPERS is a statewide cost-sharing multiple employer defined benefit pension plan. Authority to establish and amend benefits for OPERS is authorized by Chapters 145 of the Ohio Revised Code. OPERS issues a publicly available financial report. The OPERS report can be obtained at https://www.opers.org/investments/cafr.shtml.

OPERS offers three separate retirement plans: a defined benefit plan, a defined contribution plan, and a combined plan.

OPERS Defined Benefit Plan pays service retirement benefits using a fixed formula based on age, years of service and salary. In addition to service retirement, participants are eligible for disability and survivor benefits.

OPERS Member-Directed Plan is an optional alternative retirement plan available to new members. Participants allocate both member and employer contributions in an investment account and benefits are based on the member's account value.

(Continued)

NOTE 7 - RETIREMENT PLANS (Continued)

OPERS Combined Plans offers features of both a defined benefit plan and a member-directed or defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit along with disability and survivor benefits.

OPERS provides retirement, disability, annual cost-of-living adjustments, and survivor benefits for plan members and beneficiaries. The benefit provisions stated in the following paragraphs are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

OPERS Benefits

Under OPERS, retirement benefits are specific to each plan and members must meet the eligibility requirements based on their age and years of service within the plan. Retirement eligibility also varies by division and transition group.

Members who were eligible to retire under law in effect prior to SB 343 before January 7, 2023 are included in transition Groups A and B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

State and Local members in transition groups A and B are eligible for retirement benefits at age 60 with 5 years of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service.

Under the Traditional Plan, for Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. Final average salary represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Under the Combined Plan, the benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's final average salary for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's final average salary and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Member-Directed participants must have attained the age of 55, have money on deposit in the Defined Contribution Plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts.

(Continued)

NOTE 7 - RETIREMENT PLANS (Continued)

The OPERS law enforcement program consists of two separate divisions: Law Enforcement and Public Safety. Both groups of members are eligible for special retirement options under the Traditional Pension Plan and are not eligible to participate in the Member-Directed or Combined plans. Public Safety Group members may file an application for full retirement benefits at age 48 or older with 25 or more years of credited service or 52 or older with 15 or more years of credited service for Groups A and B. Public Safety Group C is eligible for benefits at age 52 or older with 25 years or at age 56 or older with 15 years. Those members classified as Law Enforcement officers are eligible for full retirement at age 52 or older with 15 or more years of credited service for Group A. Law Enforcement Group B is eligible at age 48 or older with 25 years or at age 52 or older with 15 years of service. Law Enforcement Group C is eligible at age 48 or older with 25 years of service or at age 56 with 15 years of service. Annual benefits under both divisions are calculated by multiplying 2.5% of final average salary by the actual years of service for the first 25 years of service credit, and 2.1% of final average salary for each year of service over 25 years. In the Combined Plan, the benefit formula for the defined benefit component of the plan for state and local members in transition Groups A and B applies a factor of 1.0% to the member's FAS and the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. These options also permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. Law Enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury. Members participating in the Member-Directed Plan are not eligible for disability benefits.

Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Law Enforcement and Public Safety personnel are eligible for survivor benefits immediately upon employment.

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit.

OPERS Contributions

Employer and member contribution rates are established by the OPERS Board subject to limits per Chapter 145 of the Ohio Revised Code. Under the OPERS plans, the employee contribution rate for the years ended June 30, 2016 and 2015 is 10% for all employees with the exception of law enforcement. The law enforcement contribution rate was 12.6% through December 31, 2013 and increased to 13% effective January 1, 2014. The employer contribution rate is 14% for all employees with the exception of law enforcement whose rate is 18.1%. For Member-Directed Plans, for the years ended June 30, 2014 and 2013, 13.23% was paid into the member's member-directed account and the remaining .77% was paid to OPERS, as required by state legislation, to cover unfunded liabilities.

NOTE 7 - RETIREMENT PLANS (Continued)

The Station's contributions to OPERS were $23,548, $20,546, and $23,945 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively. The Station's contributions were equal to the required contributions for each year as set by state statute.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016 and 2015, the Station reported a liability of $221,150 and $138,297, respectively for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of December 31, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Station's proportion of the net pension liability was based on the Station's long-term share of contributions to OPERS relative to the total projected long-term employer contributions received from all of OPERS' participating employers. At December 31, 2015 and 2014, the Station's proportion was 0.00128% and 0.00115% respectively, representing a 0.00013% change in proportionate share.

The net pension liability and asset for the Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2015, and the total pension liabilities were determined by an actuarial valuation as of that date.

For the year ended June 30, 2016 and 2015, the Station recognized pension expense of $4,736 and $21,481, respectively. At June 30, 2016 and 2015, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27	$ 4,615
Net difference between projected and actual earnings on pension plan investments	65,804	-
Changes in proportion and differences between the difference between actual and proportionate share of contributions	15,706	-
Station contributions subsequent to the measurement date	12,074	-
Total	$ 93,611	$ 4,615

2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,537
Net difference between projected and actual earnings on pension plan investments	7,417	-
Changes in proportion and differences between the difference between actual and proportionate share of contributions	-	40
Station contributions subsequent to the measurement date	6,039	-
Total	$ 13,456	$ 2,577

(Continued)

NOTE 7 - RETIREMENT PLANS (Continued)

At June 30, 2016, the Station reported $12,074 as deferred outflows of resources related to pensions resulting from Station contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to OPERS pensions will be recognized in pension expense as follows:

2017	$	19,311
2018		20,412
2019		21,718
2020		15,601
2021		(26)
Thereafter		(94)

<u>Actuarial Assumptions</u>

OPERS Actuarial Assumptions

The total pension liability in the December 31, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.75%
Salary increases	4.25 – 10.05%, average, including inflation
Investment rate of return	8.00%
Cost of living adjustment	3.00% simple

Mortality rates are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

The actuarial assumptions used in the December 31, 2015 and 2014 valuations were based on the results of an actuarial experience study for the five year period ended December 31, 2010.

(Continued)

NOTE 7 - RETIREMENT PLANS (Continued)

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS Board as outlined in the annual investment plan. The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class Return	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	23.00%	2.31%
Domestic equity	19.90	5.84
International equity	19.10	7.40
Real estate	10.00	4.25
Private equity	10.00	9.25
Other	18.00	4.59
Total	100.00%	

Discount rate: The discount rate used to measure OPERS total pension liability was 8.0% as of December 31, 2015 and December 2014. The projection of cash flows used to determine the discount rates assumed that employee and Station contributions will be made at the statutory contribution rates. Based on those assumptions, the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Station's proportionate share of the net pension liability to changes in the discount rate: The following presents the Station's proportionate share of the OPERS pension plans net pension liability calculated using the discount rate of 8.0%, as well as what the Station's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

2016	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Station's proportionate share of the net pension liability	$ 353,173	$ 221,150	$ 109,816

(Continued)

NOTE 7 - RETIREMENT PLANS (Continued)

2015

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Station's proportionate share of the net pension liability	$ 255,082	$ 138,297	$ 39,953

Pension plan fiduciary net position: Detailed information about OPERS fiduciary net position is available in a separately issued financial report. The financial report for OPERS may be obtained at www.opers.org or by writing to Ohio Public Employees Retirement System, Director-Finance, 277 East Town Street, Columbus, Ohio 43215-4642.

SCHEDULE OF THE STATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

OPERS		2016
Station's proportion of the collective net pension liability (asset)		0.00128%
Station's proportionate share of the collective net pension liability (asset)	$	221,150
Station's covered-employee payroll		168,198
Station's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll		131.48%
Plan fiduciary net position as a percentage of the total pension liability		81.19%
		2015
Station's proportion of the collective net pension liability (asset)		0.00115%
Station's proportionate share of the collective net pension liability (asset)	$	138,297
Station's covered-employee payroll		146,751
Station's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll		94.24%
Plan fiduciary net position as a percentage of the total pension liability		84.00%

Note to Schedule: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available. The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

SCHEDULE OF THE STATION'S CONTRIBUTIONS

OPERS	2016
Statutorily required contribution	$ 23,548
Contributions in relation to the statutorily required contribution	23,548
Annual contribution deficiency	-
Station's covered-employee payroll	168,198
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll	14.00%

	2015
Statutorily required contribution	$ 20,546
Contributions in relation to the statutorily required contribution	20,546
Annual contribution deficiency	-
Station's covered-employee payroll	146,751
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll	14.00%

Note to Schedule: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

INDEPENDENT AUDITOR'S 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*

Management and the Board of Trustees
Central State University
Wilberforce, Ohio

We have audited, in accordance with the 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, the financial statements of WCSU-FM, Central State University Radio Station (the "Station"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Station's financial statements, and have issued our report thereon dated December 29, 2016.

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Central State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Central State University as of June 30, 2016, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Station's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2016-001 that we consider to be a material weakness.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station'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*.

The Station’s Response to Findings

The Station’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Station’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely 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 an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 29, 2016

Finding 2016-001

Criteria:	The Station should have internal controls over a financial reporting process designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America.
Condition:	Adjusting journal entries were necessary to ensure financial statements were presented in accordance with accounting principles generally accepted in the United States of America.
Cause:	The principal factors appear to be the University's continued turnover that was experienced during the current fiscal year.
Effect:	The condition noted above has the potential to lead to misstatements or misclassifications in the financial statements.
Recommendation:	We recommend the University establish a process that is designed to ensure that the Station's financial statements are presented in accordance with accounting principles generally accepted in the United State of America, formalize its reporting and closing process to include reconciliations and schedules that support the amounts recorded in the financial statements and footnote disclosures.
Management's response:	The University concurs with the finding. The management of Central State University recognizes the need for a more formalized closing process. The training and documentation of this process was compromised during the departure of key personnel over the last two fiscal years. New staff have been hired and they have been charged with documenting the process and training staff to timely complete account reconciliations, journal entries and supporting schedules. In addition, the financial area has realigned responsibilities to create a financial reporting section who will be directly responsible for this activity and process. We do take under advisement the need to ensure that financial reporting is appropriate and timely. In our lean operating environment this does at times extend our resources but the University is committed to meeting all deadlines and reporting requirements as prescribed. We have immediately addressed this particular issue and we have reaffirmed our commitment to closely monitoring this by higher management to ensure that all transactions are accurately and properly recorded in the University accounting system.

MARAUDER DEVELOPMENT, LLC
(a wholly owned subsidiary of Central
State University Foundation)
Wilberforce, Ohio

FINANCIAL STATEMENTS
August 31, 2016 and 2015

MARAUDER DEVELOMENT, LLC
Wilberforce, Ohio

FINANCIAL STATEMENTS
August 31, 2016 and 2015

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Management
Marauder Development, LLC
Wilberforce, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Marauder Development, LLC (Marauder), a wholly owned subsidiary of Central State University Foundation, which comprise the balance sheets as of August 31, 2016 and 2015, and the related statement of operations and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marauder as of August 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated November 30, 2016 on our consideration of Marauder'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. 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 an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marauder's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 30, 2016

MARAUDER DEVELOPMENT, LLC
BALANCE SHEETS
August 31, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 907,699	$ 914,339
Prepaid expenses	6,233	6,233
Total current assets	913,932	920,572
Restricted Cash and Cash Equivalents	3,549,556	3,857,316
Capital Assets-Net	10,522,772	10,920,905
Financing Costs-Net	1,045,457	1,138,754
Total assets	$ 16,031,717	$ 16,837,547
LIABILITIES AND DEFICIENCY IN MEMBER'S CAPITAL		
Current Liabilities		
Management fees payable	$ 209,775	$ 211,487
Repairs and replacement fees payable	383,511	-
Interest payable	393,144	429,357
Current portion of long-term debt	545,000	520,000
Total current liabilities	1,531,430	1,160,844
Long-term Debt – Net of current portion	14,444,296	15,818,834
Excess (Deficiency) in Member's Capital	55,991	(142,131)
Total liabilities and deficiency in member's capital	$ 16,031,717	$ 16,837,547

See accompanying notes to financial statements.

MARAUDER DEVELOPMENT, LLC
STATEMENTS OF OPERATIONS
Years ended August 31, 2016 and 2015

	2016	2015
REVENUES		
Rental revenues	$ 2,996,789	$ 3,021,240
Interest income	34,857	61,138
Total revenues	3,031,646	3,082,378
EXPENSES - Housing facilities		
Management fees	209,775	211,487
Operating expenses	1,257,115	894,379
Surplus expense	55,075	184,419
Depreciation and amortization expense	491,430	493,141
Interest expense	820,129	880,493
Total expenses	2,833,524	2,663,919
Increase in Member's Capital	198,122	418,459
Deficiency in Member's Capital - Beginning of year	(142,131)	(560,590)
Member's Capital - End of year	$ 55,991	$ (142,131)

See accompanying notes to financial statements.

MARAUDER DEVELOPMENT, LLC
STATEMENTS OF CASH FLOWS
Years ended August 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Increase in member's capital	$ 198,122	$ 418,459
Adjustments to reconcile increase in member's capital to net cash from operating activities		
Depreciation	398,133	398,133
Amortization of issuance costs	93,297	95,008
Amortization of bond discount	20,462	21,779
Decrease (increase) in assets		
Prepaid expenses	-	237
Increase (decrease) in liabilities		
Management fees payable	(1,712)	(4,591)
Repair and replacement fees payable	383,511	-
Accrued interest payable	(36,213)	(13,750)
Net cash provided by operating activities	1,055,600	915,275
Cash Flows from Financing Activities		
Repayment of bonds payable	(1,370,000)	(585,000)
Net Increase in Cash and Cash Equivalents	(314,400)	330,275
Cash and Cash Equivalents - Beginning of year	4,771,655	4,441,380
Cash and Cash Equivalents - End of year	$ 4,457,255	$ 4,771,655
Cash paid for interest	$ 835,879	$ 872,464

See accompanying notes to financial statements.

NOTE 1 - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Marauder Development, LLC (Marauder) have been prepared on the accrual basis of accounting. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader. Marauder is a wholly owned subsidiary of Central State University Foundation (the "Foundation"), which was formed for the construction and financing of the Central State University Housing Project. Marauder has entered into a 40-year lease agreement with Central State University (the "University") for land upon which student housing was constructed for use by the University. Marauder also has entered into an agreement with the University for the management of the housing project, for which it pays a fee of 7% of gross rental receipts.

Cash and Cash Equivalents: For the purpose of the statement of cash flows, Marauder considers all demand bank deposits as cash. Marauder considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Marauder maintains commercial checking and savings accounts in several financial institutions. These accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of August 31, 2016 and 2015, amounts held in financial institutions that exceeded insured limits were approximately $2,356,000 and $2,571,000, respectively.

Restricted Cash and Cash Equivalents: Restricted assets represent various bond trust account balances established in accordance with bond legislation for specific purposes.

Capital Assets: Capital assets include the building and furniture related to the construction of the student housing project. Capital assets are defined as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of three years. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Description	Years
Building	40
Building improvements	15
Furniture	7

Impairment or Disposal of Long-lived Assets: Marauder reviews the recoverability of long-lived assets, including buildings and equipment, and other assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

Financing Costs: The unamortized financing costs include consulting fees, attorney's fees and other fees incurred in connection with the bond obligations. These costs are capitalized and amortized on the interest method over the lives of the bonds and are included as amortization expense. Accumulated amortization at August 31, 2016 and 2015 was $1,269,712 and $1,176,415, respectively.

Recognition of Revenue: Rental revenue is derived from leasing housing facilities (which were constructed and financed by Marauder as noted previously) to students at Central State University. Rental revenue is recognized when rent becomes due over the terms of the lease.

(Continued)

NOTE 1 - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Surplus Expense: The agreement with the University requires that the year-end balance in the surplus account held by the trustee, less applicable amounts for management fees that have not been funded to the management fee accounts, is paid at 90 percent to the University as a land/lease payment, with the remaining 10 percent to the Foundation. The trustee is required to calculate this surplus from the audited financial statements beginning with the August 31, 2005 year-end. Based on the information provided by the trustee, the amount calculated for the years ended August 31, 2016 and 2015 was $55,075 and $184,419, respectively.

Management Fee: During 2016 and 2015, Marauder incurred a management fee of $209,775 and $211,487, respectively, to the University for administrative services.

Repair and Replacement Costs: During 2016 and 2015, Marauder incurred repair and replacement costs of $383,511 and $50,864, respectively, to the University

Income Taxes: Marauder is treated as a pass-through entity for federal income tax purposes. Marauder's taxable income or loss is passed through to the Foundation, which is a tax-exempt entity. The Foundation files income tax returns in the U.S. federal and various state jurisdictions. With few exceptions, Marauder is no longer subject to tax examinations by tax authorities for years before June 30, 2009. As of August 31, 2016 and 2015, Marauder's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year end. Marauder does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

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

Subsequent Events: The financial statements and related disclosures include evaluation of events through and including November 30, 2016, the date the financial statements were issued.

NOTE 2 - RESTRICTED CASH AND CASH EQUIVALENTS

As required by the bond indenture, Marauder maintains restricted cash balances in the following accounts:

	2016	2015
Debt interest account	$ 393,387	$ 429,362
Repair and replacement fund	1,198,768	1,105,029
Debt principal fund	545,000	520,014
Redemption fund	3,695	376,415
Debt reserve fund	1,408,706	1,426,496
Total restricted	$ 3,549,556	$ 3,857,316

(Continued)

NOTE 3 – CAPITAL ASSETS

Details of capital assets are summarized as follows:

	2016	2015
Building	$ 15,267,051	$ 15,267,051
Building improvements	246,851	246,851
Furniture	859,653	859,653
Total capital assets	16,373,555	16,373,555
Less accumulated depreciation	(5,850,783)	(5,452,650)
Net	$ 10,522,772	$ 10,920,905

Depreciation expense on property and equipment totaled $398,133 annually for 2016 and 2015.

NOTE 4 – LONG-TERM DEBT

For the year ended August 31, 2016, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance September 1, 2015	Additions	Payments	Balance August 31, 2016
Revenue Bonds Series 2002	3.0-5.625%	2032	$ 6,414,567	$ 8,940	$ (1,085,000)	$ 5,338,507
Revenue Bonds Series 2004	3.3-5.1%	2035	9,924,267	11,522	(285,000)	9,650,789
Total			$ 16,338,834	$ 20,462	$ (1,370,000)	14,989,296
Less current portion						545,000
Long-term portion						$ 14,444,296

(Continued)

NOTE 4 – LONG-TERM DEBT (Continued)

For the year ended August 31, 2015, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance September 1, 2014	Additions	Payments	Balance August 31, 2015
Revenue Bonds Series 2002	3.0-5.625%	2032	$ 6,714,610	$ 9,957	$ (310,000)	$ 6,414,567
Revenue Bonds Series 2004	3.3-5.1%	2035	10,187,445	11,822	(275,000)	9,924,267
Total			$ 16,902,055	$ 21,779	$ (585,000)	16,338,834
Less current portion						520,000
Long-term portion						$ 15,818,834

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

Year Ending August 31,	Series 2002 Bonds Principal	Series 2002 Bonds Interest	Series 2004 Bonds Principal	Series 2004 Bonds Interest	Total
2017	$ 245,000	$ 287,619	$ 300,000	$ 485,683	$ 1,318,302
2018	260,000	274,994	310,000	471,498	1,316,492
2019	275,000	261,103	325,000	456,494	1,317,597
2020	285,000	246,053	340,000	440,275	1,311,328
2021	300,000	230,331	360,000	422,775	1,313,106
2022-2026	1,795,000	879,072	2,075,000	1,819,272	6,568,344
2027-2031	2,230,000	314,756	2,660,000	1,222,215	6,426,971
2032-2036	-	-	3,410,000	451,860	3,861,860
2037	-	-	-	-	-
Total	$ 5,390,000	$ 2,493,928	$ 9,780,000	$ 5,770,072	$ 23,434,000

During 2002, Marauder issued $8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The unamortized bond discount was $51,493 and $60,433 at August 31, 2016 and 2015, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from $245,000 on September 1, 2016, to $415,000 on September 1, 2030, subject to prior mandatory sinking fund redemptions. During 2016, $200,000 of bounds due on September 1, 2032, $545,000 of bonds due on September 1, 2031, and $105,000 of bonds due on September 1, 2030 were called and retired in addition to $235,000 scheduled to be retired on September 1, 2015. During 2015, $85,000 of bonds due on September 1, 2032 were called and retired in addition to $225,000 scheduled to be retired on September 1, 2014. Interest, at rates varying from 5.0 to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

(Continued)

NOTE 4 – LONG-TERM DEBT (Continued)

During 2004, Marauder issued $12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The unamortized bond discount is $129,210 and $140,733 at August 31, 2016 and 2015, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from $300,000 on September 1, 2016, to $750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

Bond Legislation provides that Marauder Development, LLC, will charge rates sufficient for the excess of revenues 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, 2016 and 2015, Marauder Development, LLC is in compliance with these requirements.

INDEPENDENT AUDITOR'S REPORT 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*

Management and the Board of Trustees
Marauder Development, LLC

We have audited, in accordance with the 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, the financial statements of Marauder Development, LLC ('Marauder'), which comprise the balance sheet as of August 31, 2016, and the related statements of operations, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated the same day as this report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marauder's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marauder's internal control. Accordingly, we do not express an opinion on the effectiveness of Marauder's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marauder'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*.

Purpose of this Report

The purpose of this report is solely 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 an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 30, 2016

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
JANUARY 24, 2017