
**Central State
University**

Financial Statements

**For the years ended June 30, 1999
and 1998**

**Central State
University**

Financial Statements

**For the years ended June 30, 1999
and 1998**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Central State University

We have reviewed the independent auditor's report of the Central State University, Greene County, prepared by Pricewaterhouse Coopers LLP for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized flourish.

JIM PETRO
Auditor of State

January 14, 2000

Report of Independent Accountants

To Jim Petro, Auditor of
State of Ohio and the Board of
Trustees of Central State University:

In our opinion, the accompanying balance sheets and the related statements of changes in fund balances and current funds, revenues, expenditures and other changes present fairly, in all material respects, the financial position of Central State University at June 30, 1999 and June 30, 1998, and the changes in their net assets for the years then ended, in conformity with generally accepted accounting principles in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 1999 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

PricewaterhouseCoopers LLP

December 8, 1999

Central State University
Balance Sheets
As of June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Assets		
Current Funds:		
Unrestricted:		
Educational and general:		
Cash and cash equivalents	\$ 3,248,859	\$ 1,295,426
State Senate Bill 6 receivable	1,794,389	1,515,121
Accounts receivable, net - students	456,993	2,349,914
Inventories	24,043	-
Prepaid expenses	140,180	-
Due from Endowment Funds	57,869	57,869
Due from Current Restricted Funds	930,164	1,290,683
	<u>6,652,497</u>	<u>6,509,013</u>
Auxiliary enterprises:		
Cash and cash equivalents	389,179	423,794
Other receivables	11,372	7,050
	<u>400,551</u>	<u>430,844</u>
Total unrestricted	<u>7,053,048</u>	<u>6,939,857</u>
Restricted:		
Cash and cash equivalents	579,486	1,115,391
Accounts receivable, net	2,603,428	1,390,090
Other receivables	45,913	25,074
	<u>3,228,827</u>	<u>2,530,555</u>
Total current funds	<u>\$ 10,281,875</u>	<u>\$ 9,470,412</u>
Loan Funds:		
Cash and cash equivalents	\$ 200,128	\$ 445,955
Notes receivable, net	409,430	532,595
	<u>\$ 609,558</u>	<u>\$ 978,550</u>

Central State University
Balance Sheet, Continued
As of June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Endowment and Similar Funds:		
Cash and cash equivalents	\$ 932,397	\$ 890,758
Due from Current Unrestricted Funds	1,919,381	1,919,381
	<u>\$ 2,851,778</u>	<u>\$ 2,810,139</u>
Plant Funds:		
Retirement of Indebtedness:		
Cash and cash equivalents	\$ 1,019,081	\$ 911,626
	<u>1,019,081</u>	<u>911,626</u>
Investment in Plant:		
Land	308,650	308,650
Buildings and building improvements	85,168,763	87,636,378
Equipment	8,408,061	6,939,970
	<u>93,885,474</u>	<u>94,884,998</u>
Total investment in plant	<u>93,885,474</u>	<u>94,884,998</u>
Total plant funds	<u>\$ 94,904,555</u>	<u>\$ 95,796,624</u>
Liabilities and fund balances		
Current Funds:		
Unrestricted:		
Educational and general:		
Accounts payable	\$ 586,033	\$ 751,272
Accrued salaries and wages	634,408	793,421
Accrued payroll taxes and retirement benefits	294,441	135,922
Due to Endowment Funds	1,919,381	1,919,381
Deferred fee income	91,503	264,239
Accrued vacation and sick leave	994,157	1,002,210
Due to the Central State University Foundation	150,000	150,000
Other accrued liabilities	1,545,292	1,202,452
Total liabilities	<u>6,215,215</u>	<u>6,218,897</u>
Fund balance	<u>437,282</u>	<u>290,116</u>
Total educational and general	<u>6,652,497</u>	<u>6,509,013</u>

Central State University
Balance Sheets, Continued
As of June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Auxiliary enterprise:		
Accounts payable	794	44,179
Accrued salaries and wages	29,029	9,299
Accrued payroll and retirement benefits	8,709	-
Accrued vacation and sick leave	55,841	13,361
Deferred fee income	25,207	78,209
Other accrued liabilities	33,325	49,452
Total liabilities	<u>152,905</u>	<u>194,500</u>
Fund balance	<u>247,646</u>	<u>236,344</u>
Total auxiliary enterprise	<u>400,551</u>	<u>430,844</u>
Total unrestricted	<u>7,053,048</u>	<u>6,939,857</u>
Restricted		
Accounts payable	10,622	137,552
Accrued salaries and wages	6,779	728
Accrued payroll and retirement benefits	2,033	-
Accrued vacation and sick leave	46,889	16,088
Deferred revenue	2,861,737	2,267,518
Due to Current Unrestricted Funds	930,164	1,290,683
Other accrued liabilities	857,573	1,370,864
Total liabilities	<u>4,715,797</u>	<u>5,083,433</u>
Fund deficit	<u>(1,486,970)</u>	<u>(2,552,878)</u>
Total restricted	<u>3,228,827</u>	<u>2,530,555</u>
Total current funds	<u>\$ 10,281,875</u>	<u>\$ 9,470,412</u>
Loan Funds:		
Excess liquid capital liability	\$ 146,656	\$ 422,534
Fund balance - Perkins Loan Fund	<u>462,902</u>	<u>556,016</u>
Total loan funds	<u>\$ 609,558</u>	<u>\$ 978,550</u>

**Central State University
Balance Sheets, Continued
As of June 30, 1999 and 1998**

	<u>1999</u>	<u>1998</u>
Endowment and Similar Funds:		
Accounts payable	\$ -	\$ 581
Due to Current Unrestricted Funds	<u>57,869</u>	<u>57,869</u>
Total liabilities	<u>57,869</u>	<u>58,450</u>
Fund balance	<u>2,793,909</u>	<u>2,751,689</u>
Total endowment and similar funds	<u>\$ 2,851,778</u>	<u>\$ 2,810,139</u>
Plant Funds:		
Retirement of Indebtedness:		
Fund balance	<u>\$ 1,019,081</u>	<u>\$ 911,626</u>
Total retirement of indebtedness	<u>1,019,081</u>	<u>911,626</u>
Investment in Plant:		
Notes payable	2,712,127	2,785,721
Bonds payable	<u>1,068,000</u>	<u>1,198,000</u>
Total liabilities	<u>3,780,127</u>	<u>3,983,721</u>
Net investment in plant	<u>90,105,347</u>	<u>90,901,277</u>
Total investment in plant	<u>93,885,474</u>	<u>94,884,998</u>
Total plant funds	<u>\$ 94,904,555</u>	<u>\$ 95,796,624</u>

Central Sate University
Statement of Changes in Fund Balances
For the year ended June 30, 1999

	Current Funds		Perkins	Endowment and	Plant
	Unrestricted	Restricted	Loan Fund	Similar Funds	Funds
Revenues and Other Additions:					
Unrestricted Current Fund Revenues	\$ 26,196,113	-	-	-	-
Endowment Income	-	-	-	\$ 43,052	-
State Appropriations	-	\$ 997,679	-	-	-
Federal Grants and Contracts	-	10,445,197	-	-	-
Private Gifts, Grants and Contracts	-	727,332	-	308	-
Additions of Plant Facilities	-	-	-	-	\$ 1,639,091
Other Additions	-	8,406	\$ 74,819	-	42,688
Total Revenues and Other Additions	26,196,113	12,178,614	74,819	43,360	1,681,779
Expenditures and Other Deductions:					
Educational & General Expenditures	22,546,879	-	-	-	-
Auxiliary Enterprise Expenditures	3,038,934	-	-	-	-
Current Restricted Grant Fund	-	11,112,706	-	-	-
Loan Cancellations and Write-Offs	-	-	28,650	-	-
Expended for Plant Facilities and Debt	-	-	-	-	183,470
Building Impairment	-	-	-	-	2,330,000
Disposal of Plant Facilities	-	-	-	-	308,616
Excess Liquid Capital	-	-	137,823	-	-
Scholarship & Fellowships	-	-	-	-	-
Other Deductions	-	-	1,460	1,140	-
Total Expenditures and Other Deductions	25,585,813	11,112,706	167,933	1,140	2,822,086
Transfers Among Funds -- Additions					
(Deductions)					
Mandatory Transfers:					
Principal and Interest	(451,832)	-	-	-	451,832
Total Transfers	(451,832)	-	-	-	451,832
Net Increase (Decrease) in Fund Balance (Deficit)	158,468	1,065,908	(93,114)	42,220	(688,475)
Fund Balance (Deficit) at June 30, 1998	526,460	(2,552,878)	556,016	2,751,689	91,812,903
Fund Balance (Deficit) at June 30, 1999	\$ 684,928	\$ (1,486,970)	\$ 462,902	\$ 2,793,909	\$ 91,124,428

The accompanying notes are an integral part of these financial statements.

Central Sate University
Statement of Changes in Fund Balances
For the year ended June 30, 1998

	Current Funds		Perkins	Endowment and	Plant
	Unrestricted	Restricted	Loan Fund	Similar Funds	Funds
Revenues and Other Additions:					
Unrestricted Current Fund Revenues	\$ 25,591,955	-	-	-	-
Endowment Income	-	-	-	\$ 88,227	-
State Appropriations	-	\$ 1,218,900	-	-	-
Federal Grants and Contracts	-	10,468,542	-	-	-
Private Gifts, Grants and Contracts	-	890,114	-	10,595	-
Other Additions	-	-	\$ 107,552	-	\$ 31,506
Total Revenues and Other Additions	25,591,955	12,577,556	107,552	98,822	31,506
Expenditures and Other Deductions:					
Educational & General Expenditures	18,442,009	-	-	-	-
Auxiliary Enterprise Expenditures	2,603,028	-	-	-	-
Current Restricted Grant Fund	-	12,301,892	-	-	-
Loan Cancellations and Write-Offs	-	-	38,445	-	-
Expended for Plant Facilities and Debt	-	-	-	-	198,129
Disposal of Plant Facilities	-	-	-	-	7,886,680
Excess Liquid Capital	-	-	422,534	-	-
Scholarship & Fellowships	-	-	-	11,878	-
Other Deductions	-	-	-	1,270	3,073
Total Expenditures and Other Deductions	21,045,037	12,301,892	460,979	13,148	8,087,882
Transfers Among Funds -- Additions (Deductions)					
Mandatory Transfers:					
Principal and Interest	(416,467)	-	-	-	416,467
Funding of Debt Reserves	(275,000)	-	-	-	275,000
Total Transfers	(691,467)	-	-	-	691,467
Net Increase (Decrease) in Fund Balance (Deficit)	3,855,451	275,664	(353,427)	85,674	(7,364,909)
Fund Balance (Deficit) at June 30, 1997	(3,328,991)	(2,828,542)	909,443	2,666,015	99,177,812
Fund Balance (Deficit) at June 30, 1998	\$ 526,460	\$ (2,552,878)	\$ 556,016	\$ 2,751,689	\$ 91,812,903

The accompanying notes are an integral part of these financial statements.

Central State University
Statement of Current Funds, Revenues, Expenditures and Other Changes
For the year ended June 30, 1999

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Current Funds</u>
Revenue:			
Tuition and Fees	\$ 4,333,058		\$ 4,333,058
Senate Bill 6 Revenue and Loan Cancellation	2,406,648		2,406,648
Federal Grants and Contracts	-	\$ 10,445,197	10,445,197
State Appropriations	16,197,445	997,679	17,195,124
Private Gifts and Grants	-	727,332	727,332
Sales and Services	2,351,819	-	2,351,819
Indirect Costs	518,791	-	518,791
Other Sources	388,352	8,406	396,758
	<hr/>	<hr/>	<hr/>
Total Revenues	26,196,113	12,178,614	38,374,727
Expenditures and Mandatory Transfers:			
Educational & General:			
Instruction	6,078,638	434,350	6,512,988
Research	93,805	642,013	735,818
Public Service	520,176	4,368,523	4,888,699
Academic Support	1,064,298	1,121,406	2,185,704
Student Service	1,918,385	840,677	2,759,062
Institutional Support	8,099,895	3,641,350	11,741,245
Operation & Maintenance of Plant	3,496,840	60,641	3,557,481
Scholarships & Fellowships	1,274,842	3,746	1,278,588
	<hr/>	<hr/>	<hr/>
Total Educational & General	22,546,879	11,112,706	33,659,585
Auxiliary Enterprises:			
Student Services	3,038,934	-	3,038,934
Mandatory Transfers for Principal and Interest	451,832	-	451,832
	<hr/>	<hr/>	<hr/>
Total Auxiliary Enterprises	3,490,766	-	3,490,766
	<hr/>	<hr/>	<hr/>
Total Expenditures and Mandatory Transfers	26,037,645	11,112,706	37,150,351
	<hr/>	<hr/>	<hr/>
Net Increase in Fund Balance	\$ 158,468	\$ 1,065,908	\$ 1,224,376

The accompanying notes are an integral part of these financial statements.

Central State University
Statement of Current Funds, Revenues, Expenditures and Other Changes
For the year ended June 30, 1998

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Current Funds</u>
Revenue:			
Tuition and Fees	\$ 4,266,519		\$ 4,266,519
Senate Bill 6 Revenue and Loan Cancellation	3,967,223		3,967,223
Federal Grants and Contracts	-	\$ 10,468,542	10,468,542
State Appropriations	14,194,215	1,218,900	15,413,115
Private Gifts and Grants	17,781	890,114	907,895
Sales and Services	2,363,376	-	2,363,376
Indirect Costs	431,802	-	431,802
Other Sources	351,039	-	351,039
	<u>25,591,955</u>	<u>12,577,556</u>	<u>38,169,511</u>
Total Revenues			
Expenditures and Mandatory Transfers:			
Educational & General:			
Instruction	5,778,597	669,900	6,448,497
Research	84,362	3,174,787	3,259,149
Public Service	355,425	3,996,545	4,351,970
Academic Support	837,387	911,883	1,749,270
Student Service	1,263,597	576,236	1,839,833
Institutional Support	5,944,511	2,929,952	8,874,463
Operation & Maintenance of Plant	3,243,413	4,475	3,247,888
Scholarships & Fellowships	934,717	38,114	972,831
Mandatory Transfers for Funding of Debt Reserves	275,000	-	275,000
	<u>18,717,009</u>	<u>12,301,892</u>	<u>31,018,901</u>
Total Educational & General			
Auxiliary Enterprises:			
Student Services	2,603,028	-	2,603,028
Mandatory Transfers for Principal and Interest	416,467	-	416,467
	<u>3,019,495</u>	<u>-</u>	<u>3,019,495</u>
Total Auxiliary Enterprises			
	<u>21,736,504</u>	<u>12,301,892</u>	<u>34,038,396</u>
Total Expenditures and Mandatory Transfers			
Net Increase in Fund Balance	<u>\$ 3,855,451</u>	<u>\$ 275,664</u>	<u>\$ 4,131,115</u>

The accompanying notes are an integral part of these financial statements.

Central State University

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Reporting Entity

Central State University is a coeducational, degree-granting university, located in Wilberforce, Ohio. The University was established by the General Assembly of the State of Ohio in 1965 by Statutory Act under Chapter 3343 of the Ohio Revised Code and is a component unit of the State of Ohio as a state university. The University is governed by a Board of Trustees appointed by the Governor with the advice and consent of the State Senate. The University offers undergraduate degrees in Arts and Science, Business, Teacher Education, and Technology. The University also has a branch facility, CSU-West, located in Dayton, Ohio.

The accompanying financial statements follow the provision of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the University is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board, and either (1) the University's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the University.

The Central State University Foundation (Foundation) is a legally separate nonprofit organization formed for the purpose of promoting educational and research activities for the benefit of the University. The Foundation maintains a self-appointing Board of Trustees and therefore is not a component unit of the University.

Basis of Presentation

The accompanying financial statements of the University have been prepared on an accrual basis in accordance with the principles of fund accounting. The accounts of the University are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts.

Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. For reporting purposes, funds with similar characteristics are combined in fund groups and all financial transactions are recorded and reported by such fund groups, described as follows:

- ◆ Current Funds include all funds which are available for current operations. They consist of Unrestricted Funds, which are available for general operating purposes; Auxiliary Enterprise Funds, which are available for the operation of various auxiliaries; and Restricted Funds, which are available for current operating purposes in compliance with donor and grantor restrictions.

Central Sate University Notes to Financial Statements

- ◆ Loan Funds include resources available for loans to students. Loans granted are receivables of the Fund until repaid, at which time the money becomes available for new loans. At June 30, 1999 and 1998, all outstanding loans are Perkins loans.
- ◆ Endowment Funds include resources invested with only the investment income available for purposes established by the donor, or in the case of funds functioning as endowment, by the University. These purposes include loans, scholarships, and departmental support. All realized gains and losses of investments in this fund group are treated as principal transactions.
- ◆ Plant Funds include funds restricted or designated for retirement of indebtedness incurred in connection with the acquisition of properties, reserves for repairs and replacements, and the University's investment in institutional properties and related indebtedness.

Cash and Cash Equivalents

The University's cash and cash equivalents are considered to be cash on hand, interest bearing money market accounts, and short-term investments with an original maturity of three months or less from the date of acquisition.

Accounts and Notes Receivable

Student accounts receivable, notes receivable (Perkins Loans) and other receivables are recorded net of allowances for doubtful accounts. Below is a summary of the allowances for doubtful accounts by fund:

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Student accounts receivable - Current Unrestricted Fund	\$ 4,440,644	\$ 7,554,676
Notes receivable - Loan Fund	1,234,279	1,234,279
Grants receivable - Restricted Fund	1,048,917	621,632

The Board authorized writeoff of uncollectible student accounts receivable. The total writeoffs in 1999 were \$3,622,714.

Transactions between funds outstanding at June 30, 1999 and 1998 are referred to as "due to/from other funds."

Property, Plant and Equipment

Property, plant and equipment are stated at cost at the date of acquisition or at estimated historical cost via appraisals. Donated property, plant, and equipment are recorded at their estimated fair value at the date of donation.

Central Sate University

Notes to Financial Statements

Additions to the Plant Fund are generally capitalized while repairs and maintenance are recorded as expenditures of Current Funds. When plant assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts, and the net investment in the plant is reduced accordingly. Property, plant and equipment recorded in the Plant Fund are not depreciated.

Deferred Fee Income

Deferred fee income consists of student tuition and fees for the summer quarter received prior to commencement of classes. It is based on students who are registered, or have pre-registered for the summer quarter prior to fiscal year-end.

Inventories

Inventories are valued at the lower of cost and market using the first-in/first-out (FIFO) method. The cost of the University's inventories are recorded as expenditures when consumed rather than when purchased.

Investments

Statutes authorize the University to invest in obligations of the U.S. Treasury, Agencies and Instrumentalities, Municipal and State Bonds, Certificates of Deposit collateralized at market value, Repurchase Agreements, Reverse Repurchase Agreements and Forward Commitments.

Statutes also authorize the University to invest Endowment funds in the above investments, as well as Commercial Paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, Banker's Acceptances, Eurodollars, Corporate Bonds, Common and Preferred Stock, Mutual Funds and Real Estate upon specific authorization of the Board of Trustees.

Investments are stated at fair value.

Income Taxes

The University is a tax exempt organization under Section 501 (c)(3) of the Internal Revenue Code. The University is subject to taxes on unrelated business income. The University did have unrelated business (loss) income from the health care center of approximately (\$47,600) and \$14,000 for the year ended June 30, 1999 and 1998, respectively.

Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have

Central State University

Notes to Financial Statements

not exceeded this commercial coverage in any of the three preceding years. The University is self-insured for student health insurance claims; the recorded liability for these claims is \$33,325 and \$49,452 as of June 30, 1999 and 1998, respectively.

2. Endowment Fund Loans

Due to cash flow shortages and operating deficits, the Board approved borrowings from the Endowment Fund to the Current Unrestricted Fund in fiscal 1993, fiscal 1994, and fiscal 1995 that totaled approximately \$1,900,000. Beginning in fiscal 1995, repayments have been made to the Endowment Fund in the form of cash transfers and the funding of Endowment Fund expenses by the Current Unrestricted Fund. As of June 30, 1999 and 1998, the net amount due to the Endowment Fund from the Current Unrestricted Fund is \$1,919,381. No finalized repayment plan has been approved by the University's Board of Trustees.

3. State Support

Subsidy and Supplement

The University is a state-assisted institution of higher education which receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the State of Ohio.

In March 1997, the Ohio General Assembly approved a bill providing \$10.3 million in additional appropriations for emergency aid to the University to pay past due bills and provide operating funds. The University made draws of \$7,690,939 through June 30, 1999, leaving an undrawn balance of \$2,609,061 as of June 30, 1999. By approval of this bill, the State also forgave a \$1.5 million loan that was made in April 1995 by the State to the University.

Funding for Capital Projects

In addition to the student subsidies and the special supplement, the State of Ohio provides the funding and constructs major academic plant facilities, except for auxiliary enterprises, on the University campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC). Upon completion of a facility, the Board of Regents turns over control to the University.

University facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state assisted institutions of higher education throughout the State.

Central State University
Notes to Financial Statements

As a result of the above described financial assistance provided by the State of Ohio to the University, outstanding debt issued by OPFC is not included on the University's balance sheet. In addition, the appropriations by the General Assembly to the Board of Regents for payment of debt service are not recorded as appropriation revenue received by the University, and the related debt service payments are not recorded in the University's accounts.

4. Cash, Cash Equivalents, and Investments

The carrying amounts at June 30, 1999 and 1998 of the University's cash deposits, exclusive of money market accounts and common stock for all funds, were \$4,374,975 and \$3,278,485. At June 30, 1999 and 1998, bank balances for all funds, exclusive of money market accounts and common stock, were \$6,064,012 and \$5,189,023, respectively. Of this amount, \$300,634 and \$201,949 were covered by federal depository insurance and \$5,763,378 and \$4,987,074 were covered by collateral held in single financial institutions' collateral pools with securities being held by the pledging financial institution's agent in the pool's name at June 30, 1999 and 1998, respectively.

Statement No. 3 of the Governmental Accounting Standards Board requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year end. These categories are as follows:

Category 1 - Investments that are insured or registered or for which securities are held by the University or its agent in the name of the University.

Category 2 - Uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of the University.

Category 3 - Uninsured and unregistered investments for which securities are held by the broker or dealer, or by its trust department or agent but which are not in the University's name.

The fair value of investments was as follows:

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
	Fair Value	Fair Value
Money Market Accounts	\$ 1,974,385	\$ 1,790,935
Common stock	19,770	13,530
	<u>\$ 1,994,155</u>	<u>\$ 1,804,465</u>

Central Sate University
Notes to Financial Statements

Money market accounts and common stock are not categorized as they do not exist in physical or book entry form. \$1,050,598 and \$911,626 of the money market accounts at June 30, 1999 and 1998, respectively, are restricted for debt reserve payments.

Money market accounts and common stock are allocated among the various funds of the University as follows:

	June 30, 1999		June 30, 1998	
	Money Market Accounts	Common Stock	Money Market Accounts	Common Stock
Endowment and similar funds	\$ 923,787	\$ 19,770	\$ 879,309	\$ 13,530
Plant funds	1,050,598	-	911,626	-
Total	\$ 1,974,385	\$ 19,770	\$ 1,790,935	\$ 13,530

5. Interfund Receivables and Payables

The composition of recorded interfund balances is as follows:

Receivable Fund	Payable Fund	June 30, 1999	June 30, 1998
Educational and General	Current Restricted	\$ 930,164	\$ 1,290,683
Educational and General	Endowment	57,869	57,869
Endowment	Educational and General	1,919,381	1,919,381

6. Impaired Value of Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", the University identified six buildings, mainly dormitories, that had been impaired and recognized a loss for their impairment. In 1996, the State of Ohio architect indicated that several buildings were in violation of numerous safety code requirements. The impairment amount was based upon the expected future cash flows of the impaired assets. The total impairment loss recorded at June 30, 1999 for these buildings was \$2,330,000.

Central State University
Notes to Financial Statements

7. Long-Term Debt

Long-term debt consists of the following:

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Central State University Revenue Bonds of 1962		
Revenue Bonds, Series D, 3.5%, payable in varying installments through December 1, 2002	\$ 175,000	\$ 215,000
Revenue Bonds, Series E, 3.4%, payable in varying installments through December 1, 2002	158,000	198,000
Central State University Revenue Bonds of 1970		
Revenue Bonds, Series F, 3.0%, payable in varying installments through December 1, 2010	<u>735,000</u>	<u>785,000</u>
Total bonds payable	<u>\$ 1,068,000</u>	<u>\$ 1,198,000</u>
Note payable to HUD, 3.0%, payable in varying installments through June 12, 2010	\$ 254,864	\$ 274,157
Note payable to the Department of Education, 5.5%, payable in varying installments through November 1, 2021	<u>2,457,263</u>	<u>2,511,564</u>
Total notes payable	<u>\$ 2,712,127</u>	<u>\$ 2,785,721</u>

At June 30, 1999, maturities of long-term debt, excluding interest payments of approximately \$2,074,192, are as follows

	<u>Notes</u>	<u>Bonds</u>
Fiscal Year 2000	\$ 77,205	\$ 130,000
Fiscal Year 2001	81,002	145,000
Fiscal Year 2002	84,996	145,000
Fiscal Year 2003	89,196	128,000
Fiscal Year 2004	93,614	60,000
Fiscal Year 2005 and thereafter	<u>2,286,114</u>	<u>460,000</u>
	<u>\$ 2,712,127</u>	<u>\$ 1,068,000</u>

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

Central State University

Notes to Financial Statements

The University is required to maintain a Debt Service Payment account and a Debt Service Reserve account under the Department of Education note. The University is required to deposit \$23,923 semi-annually in the Debt Service Payment account for the principal and interest payments. The University is required to deposit \$23,963 semi-annually in the Debt Service Reserve account until \$191,704 has been accumulated in that account. Once this amount is accumulated in the Debt Service Reserve account, the University is required to deposit \$28,010 annually into a Repair and Replacement Reserve account until \$280,100 has been accumulated in that account.

The University is required to provide the Department of Education with audited financial statements within 90 days after year-end. The University violated this covenant as financial statements were not submitted within this time frame for fiscal year 1999.

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

- a. The University is required to make deposits on May 15 and November 15 of each year to the Debt Service Fund, in an amount equal to the principal plus interest payments due in the current year for certain series of dormitory revenue bonds.
- b. The Debt Service Reserve Fund is equal to the maximum principal and interest requirements for any consecutive two-year certain series of dormitory revenue bonds.
- c. The Contingency Repair and Replacement Fund is equal to one quarter of one percent of the cost of construction on all dormitory facilities then under construction plus three percent of the cost of movable equipment for all dormitory facilities.

The University is required to provide the trustees and the original purchasers of the bonds with an annual report of the accounts and operations of the dormitory facilities within 120 days after year-end. The University violated this covenant as this report was not submitted. Because of these violations, the University's lending institutions may declare the University's debt to be immediately due and payable.

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 ten years or more of service upon termination or retirement.

Contract employees are nonacademic, contracted, full-time employees. Contract employees are entitled to vacation leave based upon length of service. The employee may accumulate up to a maximum of 20 days of vacation leave. Vacation leave becomes payable upon termination or retirement.

Faculty employees are full-time academia employees. Faculty employees accrue sick leave at a rate of 15 days per year. One-third of accumulated sick leave, with a maximum of 120 days, is payable to faculty employees with ten years or more of service upon retirement.

9. Retirement Plans

The University participates in two State pension plans: the Public Employees Retirement System (PERS) and the State Teachers Retirement System (STRS), which covers full-time faculty, classified, and contract employees.

The PERS and STRS plans are cost sharing, multiple employer, defined benefit, public employee retirement plans. Each provides retirement, disability and death benefits to plan members and beneficiaries. The PERS and STRS plans also provide health care benefits to vested retirees. Benefits provided under the plans are established by State Statute.

Each of the plans issue separate, publicly available financial reports that include balance sheets and required supplementary information. These reports may be obtained by contacting each System as follows: Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215, Telephone (614) 466-2085; State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215, Telephone (614) 227-4090.

Central State University
Notes to Financial Statements

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

	<u>Reitrmnt System</u>	<u>University Share (%)</u>	<u>Employee Share (%)</u>
Classified, Contract	PERS	13.31%	8.5%
Faculty	STRS	14.00%	9.3%

The University's contributions, representing 100% of employer contributions, for the periods ended June 30, 1999, June 30, 1998 and December 31, 1997, are as follows:

	<u>PERS</u>	<u>STRS</u>
1999	\$ 999,126	\$ 721,499
1998	758,326	683,521
1997**	438,675	452,422

** Denotes a 6-month time period from January 1, 1997 through June 30, 1997.

10. Other Post-Employment Benefits

In addition to the pension benefits described in Note 9 above, PERS and STRS provide post-retirement health care coverage, commonly referred to as OPEB (Other Post-Employment Benefits). The Ohio Revised Code provides the authority for public employers to fund post-retirement health care through their contributions.

PERS

PERS provides post-retirement health care coverage to age and service retirants and dependents with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The 1998 employer rate for University employees covered by PERS was 13.31% of which 4.2% was used to fund health care.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

Central State University

Notes to Financial Statements

STRS

STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code, the STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of the health care costs in the form of a monthly premium. The cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The STRS Board currently allocates employer contributions equal to 2% of covered payroll to a health care reserve fund from which payments for health care benefits are paid. As of June 30, 1998, there were 91,999 eligible benefit recipients.

11. Grants and Contracts

The University receives grants and contracts from certain Federal, State and local agencies to fund research and other activities. At June 30, 1999 and 1998, the University's net grant receivable balance was \$2,603,428 and \$1,390,090, respectively. The costs, both direct and indirect, which have been charged to the grants or contracts are subject to examination and approval by the granting agency. No allowance, if any, is recorded for the potential that such costs may be disallowed or adjustments to such costs may be made.

12. Commitments and Contingencies

Commitments: The University has encumbered \$4,230,577 and \$1,599,498 of funds as of June 30, 1999 and 1998, 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 balance sheet.

Litigation: The University is involved in various litigation and regulatory matters. Based upon management review, there were four matters that were recorded as an estimated liability at June 30, 1999. The first matter is the settlement with the U.S. Department of Education as of August 18, 1999 on the Financial Aid Fiscal Audit Determination in the sum of \$131,772 plus legal expenses. Secondly, an AAUP settlement that had previously been appealed was finalized in the amount of approximately \$475,000. In the third matter, damages were assessed the University on December 2, 1999, in the amount of \$697,850. Lastly, the damages in a wrongful termination case were settled in November 1999 in the amount of \$47,365. All of these incidents were accrued as of June 30, 1999. In addition, these settlements will be reimbursed by Senate Bill 6 Funds and have been recorded accordingly. The ultimate disposition of the other matters are uncertain; therefore, no adjustments have been made to the financial statements relative to these matters.

13. Related Organization

The University is the sole beneficiary of the Central State University Foundation (the Foundation), a separate not-for-profit entity organized for the purpose of promoting educational and research activities. Assets totaling approximately \$1,594,855 and \$1,061,300 as of June 30, 1999 and 1998, respectively, are held by the Foundation and are not recorded in the accompanying balance sheet. Amounts received by the University from the Foundation in the form of private gifts, grants, and contracts amounted to \$164,707 and \$67,710 for the year ended June 30, 1999 and 1998, respectively.

14. Subsequent Events (Unaudited):

- Green Hall was re-opened after spending \$1,000,000 on renovation.
- The University installed a new administrative computer system effective July 1, 1999.
- New student loan default management plan has been implemented, and the University hired a new default manager.
- Planning has now begun for the new Urban Institute as part of the school of education.
- State funding for Fiscal Year 2000 was increased by \$2,000,000.

Report of Independent Accountants

Our report on the audit of the financial statements of Central State University as of June 30, 1999 and 1998 and for the years then ended is presented in the first section of this document. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Year 2000 Issue on page 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because the disclosure criteria specified by TB 98-1, as amended, are not sufficiently specific and therefore, preclude the prescribed procedures from providing meaningful results. In addition, we do not provide assurance that Central State University is or will become year 2000 compliant, that Central State University's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Central State does business are or will become year 2000 compliant.

PricewaterhouseCoopers LLP

Y2K Update

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the University's operations.

Effective with fiscal year 2000, the University has completed installation, testing and implementation of a new administrative computing system for the following functional areas: student financial aid, registration, accounts receivable, accounts payable, purchasing, budgeting, general ledger and financial reporting. Conversion and validation of student and financial aid history will be completed during fiscal year 2000.

The remaining modules are being tested and will be implemented during fiscal year 2000 for fixed assets, Human Resources/Payroll, Admission, and Alumni.

During fiscal year 2000 the University has begun a significant upgrade of facility environmental controls. In addition, supporting phone, email and network upgrades have taken place. Based on this review, the University is in the remediation stage for buildings and facilities.

During fiscal year 1999, the University purchased \$21,000 related to Year 2000 software and hardware and has \$34,000 in future commitments for Year 2000 related projects. Because our facilities upgrades are bundled with a variety of projects, we cannot reasonably provide a separate dollar estimate for specific Year 2000 related facilities projects.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter, management can not assure that the University is or will be Year 2000 ready, that the University's remediation efforts will be successful in whole or in part, or that parties with whom the University does business will be Year 2000 ready.

Central State University

Federal Entity Identification

Number 1-31-067-5386-A1

**Report on Federal Awards in Accordance
with OMB Circular A-133**

For the year ended June 30, 1999

Central State University

Federal Entity Identification

Number 1-31-067-5386-A1

**Report on Federal Awards in Accordance
with OMB Circular A-133**

For the year ended June 30, 1999

Central State University
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**Report of Independent Accountants on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To Jim Petro, Auditor of State of Ohio,
and the Board of Trustees of
Central State University

We have audited the financial statements of Central State University (the "University") as of and for the year ended June 30, 1999, and have issued our report thereon dated December 8, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the University in a separate letter dated December 8, 1999. Deficiencies in the University's internal control did not allow us to obtain reasonable assurance regarding the University's compliance with grant requirements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in

To Jim Petro, Auditor of State of Ohio,
and the Board of Trustees of
Central State University
Page 2

our judgment, could adversely affect the University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-1 and 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the reportable condition described above as item 99-1 to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the University in a separate letter dated December 8, 1999.

This report is intended solely for the information of the Board of Trustees, management, federal awarding agencies and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

Dayton, Ohio
December 8, 1999

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

To Jim Petro, Auditor of State of Ohio
and the Board of Trustees of
Central State University

Compliance

We were engaged to audit the compliance of Central State University (the "University") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management.

We noted significant deficiencies in the University's monitoring of compliance over grants and contracts during the audit period relating to grants from prior to fiscal 1999. Items noted included grant activity was not always recorded in the appropriate fund, lack of reconciliations of grant account balances, inactive grants were not closed, deferred revenue on cash advances were not recorded during the year, and unexpended cash balances in inactive funds.

Because of the matters described in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the University's compliance with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit engagement, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing

To Jim Petro, Auditor of State of Ohio
and the Board of Trustees of
Central State University
Page 4

procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the University's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above as item 99-1 to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Central State University (the "University") as of and for the year ended June 30, 1999, and have issued our report thereon dated December 8, 1999. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information of the Board of Trustees, management, federal awarding agencies, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.



Dayton, Ohio
December 8, 1999

Central State University
Schedule of Expenditures of Federal Awards
For the year ended June 30, 1999

<u>Federal Award</u>	<u>CFDA Number</u>	<u>Total Federal Expenditures</u>
United States Department of Education Direct Programs:		
TRIO - Upward Bound	84.047A	\$ <u>399,137</u>
TRIO - Student Support Services	84.042A	<u>254,334</u>
National Resource Centers and Fellowship Program for Language and Area or Language and International Studies	84.015	<u>80,671</u>
MSIP Project	84.120A	<u>41,503</u>
Higher Education - Institutional Aid:		
IAP - Linkage	84.031B	118,034
IAP - Hospitality Management	84.031B	55,964
IAP - Registration	84.031B	16,175
IAP - Purchase of Library Books	84.031B	8,463
NCATE Accreditation	84.031B	53,904
IAP - Com Assessment Prog	84.031B	101,854
IAP - MultiMedia LN & Res	84.031B	5,534
Supplementary Instruction	84.031B	137,630
First Time Experience	84.031B	34,385
Faculty Development Program	84.031B	37,513
Program Administration	84.031B	16,745
Early Start Program	84.031B	110,628
One Stop Student Service Center	84.031B	144,270
Transfer Articulation	84.031B	34,710
Technology Upgrade for Instructional Management	84.031B	105,583
Enhancement Performing Arts Department	84.031B	1,833
Financial Aid Services	84.031B	140,890
Student Leadership Program	84.031B	<u>57,120</u>
Total Higher Education - Institutional Aid		<u>1,181,235</u>
Student Financial Aid:		
Federal Supplemental Educational Opportunity Grant Program (SEOG)	84.007	734,257
Federal Work Study	84.033	558,943
Federal Pell Grant Program	84.063	<u>1,211,996</u>
Total Student Financial Aid		<u>2,505,196</u>
Total United States Department of Education		<u>4,462,076</u>

Central State University
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 1999

<u>Federal Award</u>	<u>CFDA Number</u>	<u>Total Federal Expenditures</u>
United States Department of Health and Human Services Direct Programs:		
Research and Development:		
Center for Substance Abuse	93.144	336,168
Family and Community Violence Prevention Program (Family Life Centers)	93.910	<u>4,027,739</u>
Total United States Department of Health and Human Services		<u>4,363,907</u>
Other Grants		
Research and Development:		
Meniscus in Microgravity		69,170
Musprin-NRST		19,889
ROTC Enhanced Skills Training		178,051
Global Change Award Program		114
Global Warming Program		31,495
Diamondlike Coating		5,435
HUD Program		73,940
Institute on Disability and Human Development		52,866
Oak Ridge National Lab		1,224
Fisk University - NASA		74,278
Ohio Space grant		12,512
Undergrad. Edu. Thru. Global Res		480
Identification of Soil		14,857
HBCU Scholarship Fund		14,200
Ph.D. in History		4,250
Entrepreneurial Training		47,637
HBCU Photovolta Assn.		5,021
HBCU Photovoltaic Research		13,370
Lean Transition		50,529
Low Density African Training Module		29,633
U.S. EPA Training Program		<u>3,922</u>
Total Other Grants		<u>702,873</u>
Total Federal Expenditures		<u>\$ 9,528,856</u>

See Accompanying notes to the Schedule of Expenditures of Federal Awards

Central State University
Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant transactions of Central State University (the "University") recorded on the accrual basis of accounting.

2. Catalog of Federal Domestic Assistance Numbers

Catalog of Federal Domestic Assistance (CFDA) numbers are presented for those programs for which such numbers are available. These numbers were not available for several programs.

3. Perkins Loan Program

The University administers the Perkins Loan Program (CFDA #84.038). Outstanding loans as of June 30, 1999 under the Perkins Loan Program were \$1,643,710.

4. Federal Family Education Loan Program

The University also participates in the Federal Family Education Loan Program. Loan awards under the Federal Family Education Loan Program approximated \$4,578,685 for the year ended June 30, 1999.

5. Indirect Costs and Cost Sharing

The University recovers indirect costs by means of predetermined fixed indirect cost rates. Federal expenditures on the Schedule of Expenditures of Federal Awards include indirect costs charged to eligible grants of approximately \$520,000. The Department of Education has waived the University's requirement to fund a portion of College Work Study and SEOG expenditures.

Central State University
Schedule of Findings and Questioned Costs
Section I - Summary of Auditor's Results
For the year ended June 30, 1999

Financial Statements

Type of auditor's report issued: Unqualified opinion

Internal control over financing reporting:

*Material weakness identified? X yes no

*Reportable conditions identified
that are not considered to be
material weaknesses? X yes none reported

Noncompliance material to financial
statements noted? yes X no

Federal Awards

Internal control over major programs:

*Material weakness identified? X yes no

*Reportable conditions identified
that are not considered to be material
weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs: Disclaimer for all major programs

Any audit findings disclosed that are
required to be reported in accordance
with section 510 (a) of Circular A-133? yes X no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.031B	Higher Education - Institutional Aid
84.007, 84.033, 84.063, 84.038	Student Financial Aid
93.144, 93.910	Research and Development

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

Auditee qualified as low-risk auditee? yes X no

Central State University
Schedule of Findings and Questioned Costs
Section II - Financial Statement Findings
For the year ended June 30, 1999

99-1

Criteria:

The University should maintain effective internal control over financial accounting, financial reporting, and compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

Condition:

We noted there was inadequate monitoring of compliance over grants during the audit period relating to grants from prior to fiscal 1999. This led to the issuance of a disclaimer regarding compliance for major programs. Items noted include:

- 1) Grant revenue, cash receipts, and expenditures for a grant period were not always recorded in the appropriate fund.
- 2) Reconciliations of all grant receivable balances were not performed.
- 3) Inactive grant funds were not closed.
- 4) Deferred revenue was not recorded for cash advances received during the year.
- 5) Cash balances remaining in inactive funds.

Cause:

- 1) Lack of internal control policies and procedures
- 2) Lack of preparation of account reconciliations
- 3) Inadequate recordkeeping
- 4) Lack of employee training

Recommendation:

The University did establish policies that govern internal controls over grant activities during fiscal year 1999. They should continue their efforts in performing a comprehensive review of all grant programs currently in their accounting records and resolve the status of those funds. The review should consist of determining if a grant is open or closed, collectibility of recorded grants receivable, reason for positive or negative cash balance, and if funds are due to a granting agency on a closed grant. In addition, a checklist for each grant program should be established and completed accordingly to ensure the stated policies have been complied with. Each item on the checklist should be assigned to the appropriate individual and signed off upon completion. Management should review this checklist to ensure that all items have been completed in a timely manner.

See corrective action plan on pages 13-15.

Central State University
Schedule of Findings and Questioned Costs
Section II - Financial Statement Findings, Continued
For the year ended June 30, 1999

99-2

Criteria:

The University should maintain effective internal control over financial accounting and financial reporting of their fixed asset records.

Condition:

We noted there was inadequate monitoring controls over the fixed asset records during the audit period. This included:

- 1) Fixed assets were not maintained by item in a system or manually.
- 2) Additions were not being properly capitalized.
- 3) Notification of disposal were not being made in a timely manner.
- 4) Activity was not being recorded in accounting books in a timely manner.

Cause:

- 1) Lack of internal control policies and procedures
- 2) Inadequate recordkeeping
- 3) Lack of preparation of account reconciliations

Recommendation:

We recommend that the University review and revise the written policy for fixed assets and distribute to all University departments. This policy should include capitalization threshold, capital purchase approval requirements, disposal notification, and the timing of physical inventory of assets. The fixed assets that are currently held should be input into the fixed asset module of Banner. An individual should be assigned to record and monitor all fixed activity into the system. A reconciliation between the fixed asset system and the accounting records should be performed in a timely manner. A listing of fixed assets should be forwarded to department heads for review. Physical inventory of fixed assets should be performed on a regular basis.

It should also be noted that the Governmental Accounting Standards Board (GASB) has issued new reporting standards for public colleges and universities, specifically GASB Statement No. 35. One of the most significant changes prescribed by this standard is the requirement that public colleges and universities amortize capital asset costs over the useful lives of those assets. The new standard will go into effect for fiscal years beginning July 1, 2001. In order for the University to be in compliance, prompt attention should be given to the recommendation.

See corrective action plan on page 16.

Central State University
Schedule of Findings and Questioned Costs
Section III - Federal Award Findings and Questioned Costs
For the year ended June 30, 1999

99-1

This material weakness is reported in Section II - Financial Statement Findings of the Schedule of Findings and Questioned Costs (see page 9). It pertains to the University's lack of effective internal control over financial accounting, financial reporting, and compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

Central State University
Summary Schedule of Prior Audit Findings
For the year ended June 30, 1999

Finding 98-1 - Inadequate internal control

Finding was re-issued for current year. See corrective action plan for Finding 99-1 on pages 13-15.

**Central State University
 Corrective Action Plan
 For the year ended June 30, 1999**

Issue #99-1	Action Step	Individual Responsible	Estimated Completion Date
1. Lack of internal control	The Grants Accounting Office (GAO) will develop and implement Restriction Fund policies and procedures for the administration and post award management of all restricted (grant) funds.	GAO Director with review and approval by University Board of Trustees	Completed 7/1/98

**Central State University
Corrective Action Plan, Continued
For the year ended June 30, 1999**

Issue #99-1	Action Step	Individual Responsible	Estimated Completion Date
3. Inadequate recordkeeping	<p>Based upon the review of all active and inactive grant programs, the GAO will:</p> <ol style="list-style-type: none"> 1. update internal reporting documents; 2. develop documentation to ensure that accurate information is input into the new Banner information system regarding all grant program; 3. add appropriate documentation to all grant program files. 	Director, Grant Specialist	6/30/2000
4. Lack of employee training	The GAO will develop a step by step instruction manual for specific tasks within the office to assure consistency and continuity in office operating procedures.	Director, Grant Specialist	12/31/99

**Central State University
Corrective Action Plan, Continued
For the year ended June 30, 1999**

Issue #99-2	Action Step	Individual Responsible	Estimated Completion Date
1. Lack of internal control	Policy #9005, "Property, Plant and Equipment Guidelines and Procedures" will be revised to ensure all requirements are set forth, including University and State. Once adopted, the revised policy will be communicated to all University personnel and compliance enforced.	Vice President of Finance	04/30/2000
2. Lack of recordkeeping	Fixed assets inventory will be integrated into Banner. The Facility Management will ensure: 1. All assets are properly tagged; 2. All additions and disposals are property reflected in the system; 3. Inventory listings by location are forwarded for management review.	Logistical Service Center Supervisor Director, Facility Mgmt	02/28/2000 02/28/2000
3. Lack of account reconciliations	A reconciliation between Banner fixed asset system and accounting records should be performed by the Finance Department on a quarterly basis.	Controller	06/30/2000

**Central State University
Corrective Action Plan, Continued
For the year ended June 30, 1999**

ADDITIONAL INFORMATION

Lead Auditor: Richard C. Stover

Telephone No.: (937) 331-2100

Our engagement was performed at the University's facilities as follows:

Location	Description of Facility	Dates Visited
Wilberforce	Central State University - Main Campus	August 1999- December 1999

All the records relating to the administration of student financial aid programs are maintained at the main campus in Wilberforce, Ohio.

The University utilizes EduServ Technologies, Inc. to perform certain billing, recordkeeping and due diligence functions for the University's Perkins Loan program.

University's Accrediting Organization: North Central Association of Colleges and Schools.

WCSU-FM

A Public Telecommunications Entity

Operated by Central State University

Report on Audit of Financial Statements

For the Year Ended June 30, 1999

WCSU-FM

A Public Telecommunications Entity

Operated by Central State University

Report on Audit of Financial Statements

For the Year Ended June 30, 1999

Report of Independent Accountants

Board of Trustees
Central State University
Wilberforce, Ohio

In our opinion, the accompanying balance sheet and the related statements of revenues, expenses, and changes in fund balance and of cash flows present fairly, in all material respects, the financial position of WCSU-FM at June 30, 1999, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of WCSU-FM's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Board of Trustees
Central State University
Wilberforce, Ohio
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 1999 on our consideration of WCSU-FM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

PricewaterhouseCoopers LLP

October 8, 1999

WCSU-FM*A Public Telecommunications Entity Operated by Central State University***Balance Sheet****At June 30, 1999**

Assets

Current assets

Due from University \$ 346,889

Property and equipment

Telecommunication and
other equipment 217,094Total assets \$ 563,983**Liabilities and Fund Balance**

Current liabilities

Accounts payable \$ 12,600

Accounts payable to Corporation for
Public Broadcasting 192,444Deferred revenues 92,079

Total liabilities 297,123

Fund balance 266,860Total liabilities and fund balance \$ 563,983

The accompanying notes are an integral part of these financial statements.

WCSU-FM*A Public Telecommunications Entity Operated by Central State University***Statement of Revenues, Expenses and Changes in Fund Balance****For the year ended June 30, 1999**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues			
Corporation for Public Broadcasting	\$ 16,309	\$ 8,366	\$ 24,675
State Network Commission	49,120	-	49,120
Contributed services	50,661	-	50,661
Miscellaneous	676	-	676
Total revenues	<u>116,766</u>	<u>8,366</u>	<u>125,132</u>
University Support			
Direct	135,114	-	135,114
Indirect	134,226	-	134,226
Total University support	<u>269,340</u>	<u>-</u>	<u>269,340</u>
Total revenues and University support	<u>386,106</u>	<u>8,366</u>	<u>394,472</u>
Expenses			
Programs services			
Programming, production and broadcasting	226,867	8,366	235,233
Public information and promotion	9,868	-	9,868
Total program services	<u>236,735</u>	<u>8,366</u>	<u>245,101</u>
Supporting services			
Management and general	180,575	-	180,575
Total expenses	<u>417,310</u>	<u>8,366</u>	<u>425,676</u>
Deficit of revenues and University support over expenses	(31,204)	-	(31,204)
Fund balance at beginning of year	<u>298,064</u>	<u>-</u>	<u>298,064</u>
Fund balance at end of year	<u>\$ 266,860</u>	<u>\$ -</u>	<u>\$ 266,860</u>

The accompanying notes are an integral part of these financial statements.

WCSU-FM*A Public Telecommunications Entity Operated by Central State University***Statement of Cash Flows****For the year ended June 30, 1999**

Cash Flows From Operating Activities:

Deficit of revenues and University support over expenses	\$ (31,204)
Adjustments to reconcile deficit of revenues and University support over expenses to net cash provided by operating activities:	
Changes in assets:	
Accounts receivable	204
Due from University	(11,917)
Changes in liabilities:	
Deferred revenues	35,216
Accounts payable	16,765
Net cash provided by operating activities	<u>9,064</u>
Cash Flows From Investing Activities:	
Purchase of property and equipment	<u>(9,064)</u>
Net change in cash	-
Cash balance at beginning of year	<u>-</u>
Cash balance at end of year	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

WCSU-FM

A Public Telecommunications Entity Operated by Central State University

Statement of Cash Flows

For the year ended June 30, 1999

1. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed in the preparation of these financial statements.

Description of Entity

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

Basis of Accounting

The financial statements of the Station have been prepared on the accrual basis of accounting. The Station prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement Number 29 "The Use of Not-For-Profit Accounting and Financial Accounting Principles by Governmental Entities." This statement requires that governmental entities that had previously applied not-for-profit accounting and financial reporting principles by following Statement of Position (SOP) Number 78-10 as issued by the American Institute of Certified Public Accountants (AICPA) must either follow the AICPA not-for-profit model or the governmental. The Station elected to use the not-for-profit model, which includes the accounting and financial reporting principles contained in SOP 78-10 as modified by all applicable Financial Accounting Standards Board pronouncements issued through November 30, 1989 and as modified by all GASB pronouncements issued after GASB Statement Number 1 "Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide."

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Station, the accounts of the Station are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities, and fund balance of the Station are reported in two self-balancing operating funds, which include unrestricted and restricted resources. These funds represent resources available for support of Station operations. Restricted funds consist of funds received from the Corporation for Public Broadcasting, which are restricted for national programming activities.

WCSU-FM

A Public Telecommunications Entity Operated by Central State University

Statement of Cash Flows

For the year ended June 30, 1999

Income Taxes

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

2. Due From University

The financial records for the Station are maintained as a part of the operations of the University. Separate fund account activities are maintained to account for the operations of the Station. Separate cash accounts are not maintained for the Station. Consequently, funds deposited on account for the Station are reflected in the financial statements as due from the University.

3. Property and Equipment

Property and equipment are recorded at cost. In accordance with the practice of broadcasting stations affiliated with governmental educational institutions, depreciation of equipment is not recorded. Property and equipment balances at June 30, 1999 consist of the following:

Office equipment	\$ 13,538
Telecommunication equipment	<u>203,556</u>
	<u>\$ 217,094</u>

4. Corporation for Public Broadcasting Grants

The Station receives grant funding from the Corporation for Public Broadcasting ("CPB") to assist in the operations of the Station. 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 CPB grant revenue is deferred until the money is spent. The CPB grants must be spent within a specified two year spending period, which for fiscal year 1998 grants was October 1, 1997 to September 30, 1999. The fiscal year 1999 grant spending period is from October 1, 1998 to September 30, 2000. Any unexpended moneys at the end of the spending period must be returned to the granting agency. At June 30, 1999, the Station maintains \$192,444 of CPB funds that were not expended within the spending periods outlined in the grant agreements. This amount is recorded on the balance sheet as a liability.

WCSU-FM

A Public Telecommunications Entity Operated by Central State University

Statement of Cash Flows

For the year ended June 30, 1999

5. State Network Commission Grant

The Station receives unrestricted radio station funding through the Ohio Educational Telecommunications Network Commission. During 1999, the Station received cash support of \$49,120 and in-kind contributed services support of \$50,661.

6. University Support Allocation

The operations of the Station are primarily supported by the general revenues of the University. The University effectively covers all operating costs of the Station in excess of direct support received through grant awards and contributions attributable to the Station's operations. During 1999, the University's support allocation amounted to \$269,340: \$135,114 in direct support and \$134,226 in indirect administrative support.

7. Commitments

The Station has encumbered approximately \$21,000 of funds for purchase orders and other commitments for materials and services not received at June 30, 1999. These items are not included as liabilities on the balance sheet.

WCSU-FM*A Public Telecommunications Entity Operated by Central State University***Schedule of Functional Expenses****For the year ended June 30, 1999**

	<u>Programming, Production and Broadcasting</u>	<u>Public Information and Promotion</u>	<u>Total Programs Services</u>	<u>Supporting Services Management and General</u>	<u>Total Expenses</u>
Salaries and wages	\$ 97,381	\$ 4,039	\$ 101,420	\$ 19,945	\$ 121,365
Payroll taxes and fringe benefits	28,329	1,160	29,489	5,804	35,293
Supplies	8,366	-	8,366	-	8,366
Broadcasting transmission	50,661	-	50,661	-	50,661
Professional services	42,105	-	42,105	20,600	62,705
Travel	-	4,669	4,669	-	4,669
Miscellaneous expenses	8,391	-	8,391	-	8,391
Indirect administrative support:					
Occupancy	-	-	-	25,773	25,773
Institutional support	-	-	-	73,135	73,135
Physical plant operations	-	-	-	35,318	35,318
Total	<u>\$ 235,233</u>	<u>\$ 9,868</u>	<u>\$ 245,101</u>	<u>\$ 180,575</u>	<u>\$ 425,676</u>

**Report of Independent Accountants on Compliance
and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Board of Trustees
Central State University
Wilberforce, Ohio

We have audited the financial statements of WCSU-FM as of and for the year ended June 30, 1999, and have issued our report thereon dated October 8, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether WCSU-FM's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as item 99-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WCSU-FM's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Board of Trustees
Central State University
Wilberforce, Ohio
Page 2

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect WCSU-FM's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above as item 99-1 to be a material weakness.

This report is intended solely for the information and use of the Board of Trustees and management of WCSU-FM and the Auditor of State of Ohio and is not intended to be used and should not be used by anyone other than these specified parties.

Private House Conference

October 8, 1999

WCSU-FM

A Public Telecommunications Entity Operated by Central State University

Schedule of Findings

99-1: CPB Grant Noncompliance

The Corporation for Public Broadcasting ("CPB") publishes a radio grants packet that is distributed to recipients of the Radio Community Service Grant ("CSG") and the National Program Production and Acquisition Grant ("NPPAG") each fiscal year. This packet serves as the instructions for the administration of the grants for that fiscal year. The packet includes the following requirement:

All funds must be expended by the end of the two-year grant period. All unexpended funds are required to be returned to CPB.

Condition:

WCSU-FM has historically not expended the full amount of the grant awards by the end of the grant periods; however, these funds have not been returned to CPB.

Effect:

WCSU-FM has recorded a payable to CPB of \$192,444 on the balance sheet. This liability represents the unexpended balances from grants from 1998 and years previous.

Cause:

WCSU-FM has not monitored the administration and compliance of the grants in accordance with the regulations.

Recommendation:

We recommend that WCSU-FM develop and monitor separate grant budgets to ensure that funds are properly expended within the grant period. WCSU-FM should also remit unexpended funds to CPB as appropriate.

WCSU-FM

A Public Telecommunications Entity Operated by Central State University

Summary Schedule of Prior Audit Findings

Audit finding 98-1

Status:

- 1) WCSU-FM has requested that University financial personnel assist in the preparation of the final grant reports submitted to CPB;
- 2) Separate accounts have been set up for the 1999 grant year CSG and NPPAG moneys; and
- 3) WCSU-FM has continued to spend less than the full amount of the grant awards by the end of the grant periods and has not returned the funds to CPB, thus the \$161,096 payable to CPB at June 30, 1998 has increased by \$31,348 to \$192,444 at June 30, 1999. Audit finding has been reissued for current year. In early 1999, WCSU-FM has requested CPB to approve an expenditure plan for resolution of the liability.

Report of Independent Accountants on Required Supplementary Information

Our report on the audit of the financial statements of WCSU-FM as of June 30, 1999 and for the year then ended is presented in the first section of this document. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Year 2000 Issue on page 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because the disclosure criteria specified by TB98-1, as amended, are not sufficiently specific and, therefore, preclude the prescribed procedures from providing meaningful results. In addition, we do not provide assurance that WCSU-FM is or will become year 2000 compliant., that WCSU-FM's year 2000 remediation efforts will be successful in whole or in part, or that parties with which WCSU-FM does business are or will become year 2000 compliant.

PricewaterhouseCoopers LLP

October 8, 1999

Required Supplementary Information

Year 2000 Issue

June 30, 1999

WCSU-FM is owned and operated by Central State University (the "University"). The following Year 2000 information is prepared for the University on an overall basis.

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the University's operations.

Effective with FY2000 fiscal year, the University has completed installation, testing and implementation of a new administrative computing system for the following functional areas: student financial aid, registration, accounts receivable, accounts payable, purchasing, budgeting, general ledger and financial reporting. Conversion and validation of student and financial aid history will be completed during FY2000.

The remaining modules are being tested and will be implemented during FY2000 for fixed assets, Human Resources/Payroll, Admissions, and Alumni.

During FY2000 the University has begun a significant upgrade of facility environmental controls. In addition, supporting phone, email and network upgrades have taken place. Based on this review, the University is in the remedial stage for buildings and facilities.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter, management can not assure that the University is or will be Year 2000 ready, that the University's remediation efforts will be successful in whole or in part, or that parties with whom the University does business will be Year 2000 ready.

WCSU-FM

**Schedule of Nonfederal Financial
Support Attached to CPB Annual
Financial Report
For the year ended June 30, 1999**

WCSU-FM

**Schedule of Nonfederal Financial
Support Attached to CPB Annual
Financial Report
For the year ended June 30, 1999**

Report of Independent Accountants

October 8, 1999

Board of Trustees
Central State University
Wilberforce, Ohio

We have audited, in accordance with generally accepted auditing standards, the financial statements of WCSU-FM for the year ended June 30, 1999, and have issued our report thereon dated October 8, 1999. We have also audited the accompanying schedule of nonfederal financial support for the year ended June 30, 1999. This schedule is the responsibility of WCSU-FM's management. Our responsibility is to express an opinion on this schedule based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule was prepared for the purpose of complying with the criteria for revenue established in the Corporation for Public Broadcasting's Fiscal Year 1999 Annual Financial Report Handbook of Instructions, and is not intended to be a complete presentation of WCSU-FM's revenue.

In our opinion, the schedule referred to above presents fairly, in all material respects, the nonfederal financial support of WCSU-FM for the year ended June 30, 1999, in accordance with the definitions and criteria established by the Corporation for Public Broadcasting in its Handbook of Instructions for the CPB Annual Financial Report for fiscal year ended 1999.

Board of Trustees
Central State University
Page 2
October 8, 1999

This report is intended solely for the information and use of the Board of Trustees and management of Central State University and the Corporation for Public Broadcasting and should not be used for any other purpose.

PricewaterhouseCoopers

Dayton, Ohio

WCSU-FM**Schedule of Nonfederal Financial Support Attached to CPB****Annual Financial Report****For the year ended June 30, 1999**

1. Direct Revenue	\$ 184,234
2. Indirect Administrative Support	134,226
3. In-Kind Contributions:	
a. Services and Other Assets	50,661
b. Property and Equipment	<u>-</u>
4. Total Nonfederal Financial Support	<u>\$ 369,121</u>

WCSU-FM

A Public Telecommunications Entity

Operated by Central State University

Report on Audit of Financial Statements

For the Year Ended June 30, 1999

WCSU-FM

A Public Telecommunications Entity

Operated by Central State University

Report on Audit of Financial Statements

For the Year Ended June 30, 1999

Report of Independent Accountants

Board of Trustees
Central State University
Wilberforce, Ohio

In our opinion, the accompanying balance sheet and the related statements of revenues, expenses, and changes in fund balance and of cash flows present fairly, in all material respects, the financial position of WCSU-FM at June 30, 1999, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of WCSU-FM's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Board of Trustees
Central State University
Wilberforce, Ohio
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 1999 on our consideration of WCSU-FM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Priesthouse Cooper LLP

October 8, 1999

WCSU-FM*A Public Telecommunications Entity Operated by Central State University***Balance Sheet****At June 30, 1999**

Assets

Current assets	
Due from University	\$ 346,889
Property and equipment	
Telecommunication and other equipment	<u>217,094</u>
Total assets	<u>\$ 563,983</u>

Liabilities and Fund Balance

Current liabilities	
Accounts payable	\$ 12,600
Accounts payable to Corporation for Public Broadcasting	192,444
Deferred revenues	<u>92,079</u>
Total liabilities	297,123
Fund balance	<u>266,860</u>
Total liabilities and fund balance	<u>\$ 563,983</u>

The accompanying notes are an integral part of these financial statements.

WCSU-FM*A Public Telecommunications Entity Operated by Central State University***Statement of Revenues, Expenses and Changes in Fund Balance****For the year ended June 30, 1999**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues			
Corporation for Public Broadcasting	\$ 16,309	\$ 8,366	\$ 24,675
State Network Commission	49,120	-	49,120
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Miscellaneous	676	-	676
Total revenues	<u>116,766</u>	<u>8,366</u>	<u>125,132</u>
University Support			
Direct	135,114	-	135,114
Indirect	134,226	-	134,226
Total University support	<u>269,340</u>	<u>-</u>	<u>269,340</u>
Total revenues and University support	<u>386,106</u>	<u>8,366</u>	<u>394,472</u>
Expenses			
Programs services			
Programming, production and broadcasting	226,867	8,366	235,233
Public information and promotion	9,868	-	9,868
Total program services	<u>236,735</u>	<u>8,366</u>	<u>245,101</u>
Supporting services			
Management and general	180,575	-	180,575
Total expenses	<u>417,310</u>	<u>8,366</u>	<u>425,676</u>
Deficit of revenues and University support over expenses	(31,204)	-	(31,204)
Fund balance at beginning of year	<u>298,064</u>	<u>-</u>	<u>298,064</u>
Fund balance at end of year	<u>\$ 266,860</u>	<u>\$ -</u>	<u>\$ 266,860</u>

The accompanying notes are an integral part of these financial statements.

WCSU-FM*A Public Telecommunications Entity Operated by Central State University***Statement of Cash Flows****For the year ended June 30, 1999**

Cash Flows From Operating Activities:

Deficit of revenues and University support over expenses	\$ (31,204)
Adjustments to reconcile deficit of revenues and University support over expenses to net cash provided by operating activities:	
Changes in assets:	
Accounts receivable	204
Due from University	(11,917)
Changes in liabilities:	
Deferred revenues	35,216
Accounts payable	<u>16,765</u>
Net cash provided by operating activities	<u>9,064</u>
Cash Flows From Investing Activities:	
Purchase of property and equipment	<u>(9,064)</u>
Net change in cash	-
Cash balance at beginning of year	<u>-</u>
Cash balance at end of year	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

WCSU-FM

A Public Telecommunications Entity Operated by Central State University

Statement of Cash Flows

For the year ended June 30, 1999

1. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed in the preparation of these financial statements.

Description of Entity

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

Basis of Accounting

The financial statements of the Station have been prepared on the accrual basis of accounting. The Station prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement Number 29 "The Use of Not-For-Profit Accounting and Financial Accounting Principles by Governmental Entities." This statement requires that governmental entities that had previously applied not-for-profit accounting and financial reporting principles by following Statement of Position (SOP) Number 78-10 as issued by the American Institute of Certified Public Accountants (AICPA) must either follow the AICPA not-for-profit model or the governmental. The Station elected to use the not-for-profit model, which includes the accounting and financial reporting principles contained in SOP 78-10 as modified by all applicable Financial Accounting Standards Board pronouncements issued through November 30, 1989 and as modified by all GASB pronouncements issued after GASB Statement Number 1 "Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide."

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Station, the accounts of the Station are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities, and fund balance of the Station are reported in two self-balancing operating funds, which include unrestricted and restricted resources. These funds represent resources available for support of Station operations. Restricted funds consist of funds received from the Corporation for Public Broadcasting, which are restricted for national programming activities.

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For the year ended June 30, 1999

Income Taxes

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

2. Due From University

The financial records for the Station are maintained as a part of the operations of the University. Separate fund account activities are maintained to account for the operations of the Station. Separate cash accounts are not maintained for the Station. Consequently, funds deposited on account for the Station are reflected in the financial statements as due from the University.

3. Property and Equipment

Property and equipment are recorded at cost. In accordance with the practice of broadcasting stations affiliated with governmental educational institutions, depreciation of equipment is not recorded. Property and equipment balances at June 30, 1999 consist of the following:

Office equipment	\$	13,538
Telecommunication equipment		<u>203,556</u>
	\$	<u>217,094</u>

4. Corporation for Public Broadcasting Grants

The Station receives grant funding from the Corporation for Public Broadcasting ("CPB") to assist in the operations of the Station. 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 CPB grant revenue is deferred until the money is spent. The CPB grants must be spent within a specified two year spending period, which for fiscal year 1998 grants was October 1, 1997 to September 30, 1999. The fiscal year 1999 grant spending period is from October 1, 1998 to September 30, 2000. Any unexpended moneys at the end of the spending period must be returned to the granting agency. At June 30, 1999, the Station maintains \$192,444 of CPB funds that were not expended within the spending periods outlined in the grant agreements. This amount is recorded on the balance sheet as a liability.

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Statement of Cash Flows

For the year ended June 30, 1999

5. State Network Commission Grant

The Station receives unrestricted radio station funding through the Ohio Educational Telecommunications Network Commission. During 1999, the Station received cash support of \$49,120 and in-kind contributed services support of \$50,661.

6. University Support Allocation

The operations of the Station are primarily supported by the general revenues of the University. The University effectively covers all operating costs of the Station in excess of direct support received through grant awards and contributions attributable to the Station's operations. During 1999, the University's support allocation amounted to \$269,340: \$135,114 in direct support and \$134,226 in indirect administrative support.

7. Commitments

The Station has encumbered approximately \$21,000 of funds for purchase orders and other commitments for materials and services not received at June 30, 1999. These items are not included as liabilities on the balance sheet.

WCSU-FM*A Public Telecommunications Entity Operated by Central State University***Schedule of Functional Expenses****For the year ended June 30, 1999**

	<u>Programming, Production and Broadcasting</u>	<u>Public Information and Promotion</u>	<u>Total Programs Services</u>	<u>Supporting Services Management and General</u>	<u>Total Expenses</u>
Salaries and wages	\$ 97,381	\$ 4,039	\$ 101,420	\$ 19,945	\$ 121,365
Payroll taxes and fringe benefits	28,329	1,160	29,489	5,804	35,293
Supplies	8,366	-	8,366	-	8,366
Broadcasting transmission	50,661	-	50,661	-	50,661
Professional services	42,105	-	42,105	20,600	62,705
Travel	-	4,669	4,669	-	4,669
Miscellaneous expenses	8,391	-	8,391	-	8,391
Indirect administrative support:					
Occupancy	-	-	-	25,773	25,773
Institutional support	-	-	-	73,135	73,135
Physical plant operations	-	-	-	35,318	35,318
Total	<u>\$ 235,233</u>	<u>\$ 9,868</u>	<u>\$ 245,101</u>	<u>\$ 180,575</u>	<u>\$ 425,676</u>

**Report of Independent Accountants on Compliance
and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Board of Trustees
Central State University
Wilberforce, Ohio

We have audited the financial statements of WCSU-FM as of and for the year ended June 30, 1999, and have issued our report thereon dated October 8, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether WCSU-FM's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as item 99-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WCSU-FM's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Board of Trustees
Central State University
Wilberforce, Ohio
Page 2

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect WCSU-FM's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above as item 99-1 to be a material weakness.

This report is intended solely for the information and use of the Board of Trustees and management of WCSU-FM and the Auditor of State of Ohio and is not intended to be used and should not be used by anyone other than these specified parties.

Princeton House Coopers & P

October 8, 1999

WCSU-FM

A Public Telecommunications Entity Operated by Central State University

Schedule of Findings

99-1: CPB Grant Noncompliance

The Corporation for Public Broadcasting ("CPB") publishes a radio grants packet that is distributed to recipients of the Radio Community Service Grant ("CSG") and the National Program Production and Acquisition Grant ("NPPAG") each fiscal year. This packet serves as the instructions for the administration of the grants for that fiscal year. The packet includes the following requirement:

All funds must be expended by the end of the two-year grant period. All unexpended funds are required to be returned to CPB.

Condition:

WCSU-FM has historically not expended the full amount of the grant awards by the end of the grant periods; however, these funds have not been returned to CPB.

Effect:

WCSU-FM has recorded a payable to CPB of \$192,444 on the balance sheet. This liability represents the unexpended balances from grants from 1998 and years previous.

Cause:

WCSU-FM has not monitored the administration and compliance of the grants in accordance with the regulations.

Recommendation:

We recommend that WCSU-FM develop and monitor separate grant budgets to ensure that funds are properly expended within the grant period. WCSU-FM should also remit unexpended funds to CPB as appropriate.

WCSU-FM

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Summary Schedule of Prior Audit Findings

Audit finding 98-1

Status:

- 1) WCSU-FM has requested that University financial personnel assist in the preparation of the final grant reports submitted to CPB;
- 2) Separate accounts have been set up for the 1999 grant year CSG and NPPAG moneys; and
- 3) WCSU-FM has continued to spend less than the full amount of the grant awards by the end of the grant periods and has not returned the funds to CPB, thus the \$161,096 payable to CPB at June 30, 1998 has increased by \$31,348 to \$192,444 at June 30, 1999. Audit finding has been reissued for current year. In early 1999, WCSU-FM has requested CPB to approve an expenditure plan for resolution of the liability.

Report of Independent Accountants on Required Supplementary Information

Our report on the audit of the financial statements of WCSU-FM as of June 30, 1999 and for the year then ended is presented in the first section of this document. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Year 2000 Issue on page 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because the disclosure criteria specified by TB98-1, as amended, are not sufficiently specific and, therefore, preclude the prescribed procedures from providing meaningful results. In addition, we do not provide assurance that WCSU-FM is or will become year 2000 compliant., that WCSU-FM's year 2000 remediation efforts will be successful in whole or in part, or that parties with which WCSU-FM does business are or will become year 2000 compliant.

PricewaterhouseCoopers LLP

October 8, 1999

Required Supplementary Information

Year 2000 Issue

June 30, 1999

WCSU-FM is owned and operated by Central State University (the "University"). The following Year 2000 information is prepared for the University on an overall basis.

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the University's operations.

Effective with FY2000 fiscal year, the University has completed installation, testing and implementation of a new administrative computing system for the following functional areas: student financial aid, registration, accounts receivable, accounts payable, purchasing, budgeting, general ledger and financial reporting. Conversion and validation of student and financial aid history will be completed during FY2000.

The remaining modules are being tested and will be implemented during FY2000 for fixed assets, Human Resources/Payroll, Admissions, and Alumni.

During FY2000 the University has begun a significant upgrade of facility environmental controls. In addition, supporting phone, email and network upgrades have taken place. Based on this review, the University is in the remedial stage for buildings and facilities.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation effects will not be fully determinable until the Year 2000 and thereafter, management can not assure that the University is or will be Year 2000 ready, that the University's remediation efforts will be successful in whole or in part, or that parties with whom the University does business will be Year 2000 ready.

WCSU-FM

**Schedule of Nonfederal Financial
Support Attached to CPB Annual
Financial Report
For the year ended June 30, 1999**

WCSU-FM

**Schedule of Nonfederal Financial
Support Attached to CPB Annual
Financial Report
For the year ended June 30, 1999**

Report of Independent Accountants

October 8, 1999

Board of Trustees
Central State University
Wilberforce, Ohio

We have audited, in accordance with generally accepted auditing standards, the financial statements of WCSU-FM for the year ended June 30, 1999, and have issued our report thereon dated October 8, 1999. We have also audited the accompanying schedule of nonfederal financial support for the year ended June 30, 1999. This schedule is the responsibility of WCSU-FM's management. Our responsibility is to express an opinion on this schedule based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule was prepared for the purpose of complying with the criteria for revenue established in the Corporation for Public Broadcasting's Fiscal Year 1999 Annual Financial Report Handbook of Instructions, and is not intended to be a complete presentation of WCSU-FM's revenue.

In our opinion, the schedule referred to above presents fairly, in all material respects, the nonfederal financial support of WCSU-FM for the year ended June 30, 1999, in accordance with the definitions and criteria established by the Corporation for Public Broadcasting in its Handbook of Instructions for the CPB Annual Financial Report for fiscal year ended 1999.

Board of Trustees
Central State University
Page 2
October 8, 1999

This report is intended solely for the information and use of the Board of Trustees and management of Central State University and the Corporation for Public Broadcasting and should not be used for any other purpose.

PricewaterhouseCoopers LLP

Dayton, Ohio

WCSU-FM**Schedule of Nonfederal Financial Support Attached to CPB****Annual Financial Report****For the year ended June 30, 1999**

1. Direct Revenue	\$ 184,234
2. Indirect Administrative Support	134,226
3. In-Kind Contributions:	
a. Services and Other Assets	50,661
b. Property and Equipment	<u> -</u>
4. Total Nonfederal Financial Support	<u>\$ 369,121</u>



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CENTRAL STATE UNIVERSITY

GREENE COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*

Date: **FEBRUARY 10, 2000**