CENTRAL STATE UNIVERSITY
Wilberforce, Ohio

FINANCIAL STATEMENTS
June 30, 2015 and 2014

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Central State University, Greene County, prepared by Crowe Horwath LLP, for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

January 11, 2016

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CENTRAL STATE UNIVERSITY
Wilberforce, Ohio

FINANCIAL STATEMENTS
June 30, 2015 and 2014

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Management and Board of Trustees
Central State University
Wilberforce, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Central State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Central State University and its discretely presented component unit as of June 30, 2015 and 2014, and the respective changes financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1 to the financial statements, Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date were effective for the University's fiscal year ending June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 to 11, the Schedules of the University's Proportionate Share of the Net Pension Liability on page 46, and the Schedules of the University's Contributions on page 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the University's basic financial statements as a whole. The Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated the same date as this report on our consideration of Central State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central State University's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 30, 2015

This section of Central State University's (the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2015, 2014, and 2013. This discussion should be read in conjunction with the accompanying financial statements and notes. Management has prepared the financial statements and the related note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the University's administration.

Using this Report

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

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

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

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

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

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

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

(Continued)

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

During fiscal year 2015, the University adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The provisions of this Statement were effective for periods ending June 30, 2015. These changes were not reflected retroactively due to the unavailability of the information form the pension plans.

Analysis of Results of Operations

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

Total revenue for the years ended June 30, 2014 and 2013 was $57.5 million and $56.5 million, respectively, of which operating revenue totaled $28.4 million and $31.4 million, respectively. Operating revenue in fiscal year 2014 decreased $3.0 million, or 9.6 percent, when compared with fiscal year 2013.

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

Total expenses for the years ended June 30, 2014 and 2013 were $57.6 million and $63.8 million, respectively. Operating expenses decreased $6.2 million, or 9.7 percent, when compared with fiscal year 2013.

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

The University's operating loss totaled $29.2 million during 2014 compared to $32.4 million in 2013, which represented an favorable increase of $5.2 million, or 19.1 percent.

The University's total net position decreased $7.8 million during 2015 compared to a decrease of $0.1 million during 2014. This decrease in 2015 includes a reduction of $26 million as a result of the adoption of GASB 68. Therefore, net position would have increased $18.2 million exclusive of the effect of GASB 68. The significant portion of this increase came from the $19 million in capital asset appropriations received in fiscal 2015 as discussed below.

The University's total net position decreased $0.1 million during 2014 compared to a decrease of $7.3 million during 2013, which represents a favorable improvement of $7.2 million.

Student enrollment decreased 15.3 percent in fall fiscal year 2015 compared to fall fiscal year 2014; tuition and fees increased $188 per annum (the state maximum), while room and board were increased 3 percent for 2015 when compared to 2014 amounts.

(Continued)

The $3.2 million decrease in operating revenue was related to decreases of $1.7 million in tuition and fees due to the 15.3 percent reduction in enrollment, combined with lower tuition charges from tuition waiver and reciprocity; Auxiliary revenue was down $1.9 million as a result of the enrollment decline, however if was partially offset by increases in other revenue sources and lower tuition discounting; $0.4 million in federal and state grants due to lower expenditures for Center for Excellence STEM grant, and Dept. of Defense Minority Leaders Program and $0.2 million in indirect cost recovery as a result of this lower grant activity.

Student enrollment decreased 4 percent in fall fiscal year 2014 compared to fall fiscal year 2013; tuition and fees increased $188 per annum (the state maximum), while room and board were increased 3 percent for 2014 when compared to 2013 amounts. Starting in 2014, tuition reciprocity was offered to students from 14 counties in Indiana, whereby their out of state surcharge was waived. In addition, tuition waivers of 80 percent of the out of state surcharge were provided to students from Wayne County, Michigan, Marion County, Indiana and Cook County, Illinois.

The $3.0 million decrease in operating revenue was related to decreases of $1.7 million in tuition and fees due to the 4% reduction in enrollment combined with lower tuition charges from tuition reciprocity and waivers; $1 million in federal grants due to the conclusion in FY14 of the CADRE grant; and $0.3 million in indirect cost recovery while other sources, auxiliary and state, local, and private grants and contracts remained flat.

A breakdown and comparison of operating revenues are provided below:

	2015	2014	2013
Operating Revenue (in millions)			
Tuition and fees - Net	$ 6.2	$ 7.3	$ 9.1
Federal grants and contracts	6.6	7.1	8.1
State, local, and private grants and contracts	0.7	0.9	0.9
Indirect cost recovery	0.3	0.5	0.7
Auxiliary activities - Net	8.9	10.4	10.4
Other sources	2.5	2.2	2.2
Total	$ 25.2	$ 28.4	$ 31.4

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

	2015	2014	2013
Non-operating Revenue (Expenses) (in millions)			
Federal Pell grant appropriations	$ 6.6	$ 7.4	$ 7.7
State appropriations	18.1	17.3	17.2
Interest expense	(0.4)	(0.5)	(0.1)
Gain on disposal of capital assets, net	0.1	0.2	0.0
Total	$ 24.4	$ 24.4	$ 24.8

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

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

State Appropriations (in millions)	2015	2014	2013
State Share of Instructional Support	$ 7.0	$ 6.2	$ 6.3
Central State supplement	11.1	11.1	10.9
Total	$ 18.1	$ 17.3	$ 17.2

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

The increase in State of Ohio funding from 2014 to 2013 was primarily due to Central State supplement increase of $0.2 million, or 1.8 percent offset by SSIS decrease by $0.1 million, or 1.6 percent.

Operating expenses include educational and general, auxiliary enterprises, restricted funding from grants and contracts, and depreciation. A breakdown and comparison of these expenses are as follows:

Expenses (in millions)	2015	2014	2013
Instruction	$ 9.6	$ 11.0	$ 12.0
Research	0.8	1.4	2.0
Student services	2.7	2.9	3.4
Academic support	6.0	7.0	7.2
Public services	2.1	2.2	2.8
Institutional administration	5.9	6.2	9.5
Operation and maintenance of plant	4.3	5.3	5.7
Auxiliary enterprises	11.2	13.1	13.3
Student aid	2.9	4.1	3.8
Depreciation	5.2	4.4	4.1
Total	$ 50.7	$ 57.6	$ 63.8

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

Central State University's operating expenses during 2014 reflected a $6.2 million decrease in operating expenses, totaling $57.6 million in 2014 as compared to $63.8 million in 2013. The decrease in expenses was primarily related to a decrease in institutional administration ($3.3 million), instruction ($1.0 million), public services ($0.6 million), research ($0.5 million), student services ($0.5 million), student support ($0.2 million), operation of plan ($0.4 million) and auxiliary ($0.3 million) offset by an increase in student aid ($0.3 million) and depreciation ($0.3 million). The changes reflect ongoing realignment of funds to fulfill the tenants and compelling priorities of the University while striving to sustain a balanced budget position by reducing daily operating expenditures to correspond to the decrease in revenue.

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Analysis of Overall Financial Position

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

The University's current assets at June 30, 2014 totaled $15.2 million, as compared to $19.6 million at June 30, 2013, which represents a decrease of $4.4 million. Current liabilities at June 30, 2014 as compared to June 30, 2013 totaled $14.2 million and $15.4 million, respectively, a decrease of $1.2 million.

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

Noncurrent assets at June 30, 2014 were $93.5 million as compared to $91.2 million at June 30, 2013. The increase was primarily associated primarily with an $18.9 million increase in buildings, equipment, and construction in progress, offset by a $4.4 million increase in accumulated depreciation and a decrease of $13.3 million of restricted cash used in the construction of the buildings.

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

The University's noncurrent liabilities at June 30, 2014 were $18.3 million, as compared to $20.1 million at June 30, 2013. The $1.8 million decrease was attributed to a decrease in long-term debt of $1.1 million, a decrease in long-term liabilities of $0.6 million and a decrease in long-term leases of $0.1 million.

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

The University's net position was $76.1 million at June 30, 2014 and $76.2 million at June 30, 2013.

Net Pension Liability

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

As a result of implementing GASBs 68 and 71, the University is reporting a net pension liability and deferred outflows and deferred inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at July 1, 2014 from $76,093,090 to $50,089,648**.** See Note 9 for more detailed information on the adoption of GASB 68.

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Capital Assets and Long-term Debt Activity

The University utilizes state capital appropriations for capital asset expenditures. State capital appropriations are on a biennium basis, and individual institutions' capital funding allocations are based largely on enrollment as well as appropriations for new facilities. During 2015, the University utilized $19.0 million in state capital appropriations. During 2014, the University utilized $4.7 million in state capital appropriations.

The University's long-term debt is comprised of notes payable to the Department of Education and bonds issued during 2013 under the State of Ohio Air Quality Development Authority Tax Exempt Revenue Bond program for $16.6 million. The University has capital lease obligations of $0.1 million. During 2015, the University paid $1.1 million in connection with debt maturities. The University is in compliance with all of its contractual long-term debt requirements and covenants.

A breakdown and comparison of the University's balance sheet as of June 30, 2015, 2014, and 2013 are provided below:

	2015	2014	2013
Balance Sheet (in millions)			
Assets:			
Current assets	$ 9.5	$ 15.2	$ 19.6
Noncurrent assets:			
Restricted cash and equivalents	1.5	4.2	17.4
Capital assets - Net	105.9	89.3	74.7
Total assets	116.9	108.7	111.7
Deferred outflows of resources	1.7		
Liabilities:			
Current	6.7	14.2	15.4
Noncurrent	40.4	18.4	20.1
Total liabilities	47.1	32.6	35.5
Deferred Inflows of Resources – Pension costs:	3.2	-	-
Net position:			
Invested in capital assets Net	89.5	75.0	72.2
Restricted - expendable	0.3	0.1	1.0
Unrestricted	(21.5)	1.0	3.0
Total net position	68.3	76.1	76.2

Statement of Cash Flows

Net cash used in operating activities was $23.9 million, $25.3 million, and $27.9 million in 2015, 2014, and 2013, respectively. In 2015, cash flows from operating activities were primarily comprised of tuition and fees ($10.2 million), grants and contracts ($5.1 million), other receipts ($2.6 million), and auxiliary enterprise charges ($2.2 million), which were offset by payments to suppliers and employees of $44.1 million.

Cash flows from noncapital financing activities were $24.7 million, $24.7 million, and $24.9 million, in 2015, 2014, and 2013, respectively. In 2015, these were comprised of State of Ohio appropriations of $18.1 million, Federal Pell Grants of $6.6 million, and offsetting federal loan receipts and disbursements.

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Cash used in capital and related financing activities for 2015 was $4.1 million, while net cash flow in 2014 and 2013 was $15.0 million and $14.9 million, respectively. In 2015, cash flows from capital grants and gifts was $19.3 million. This was offset by purchase of capital assets and construction of $21.7 million, principal payment of capital lease of $0.1 million, principal payment on capital debt $1.1 million, and interest on capital debt and capital lease $0.4 million. In 2014, cash flows from capital grants and gifts was $4.6 million. This was offset by purchase of capital assets and construction of $18.9 million, principal payment of capital lease of $0.1 million, principal payment on capital debt $0.3 million, and interest on capital debt and capital lease $0.3 million.

The net change in cash and cash equivalents was a decrease of $3.2 million in 2015, a decrease of $15.6 million in 2014, and an increase of $11.8 million in 2013. Year-end cash and cash equivalents for 2015, 2014, and 2013 were $5.6 million, $8.8 million, and $24.4 million, respectively.

A breakdown and comparison of the University's statement of cash flows for the years ended 2015, 2014, and 2013 are provided below:

	2015	2014	2013
Cash Flows Activities (in millions)			
Cash flows from operating activities	$ (23.9)	$ (25.3)	$ (27.9)
Cash flows from noncapital financing activities	24.7	24.7	24.9
Cash flows from capital and related financing activities	(4.1)	(15.0)	14.9
Net increase (decrease) in cash and cash equivalents	(3.3)	(15.6)	11.9
Cash and cash equivalents - Beginning of year	8.8	24.4	12.5
Cash and cash equivalents - End of year	$ 5.5	$ 8.8	$ 24.4

Factors Impacting Future Periods

Central State University continues to aspire to be a premier historically black university in the twenty-first century. In support of this goal the institution is expanding and realigning many of its operations and programs to meet the ever changing landscape of higher education. The recent designation of an 1890 Land Grant Institution is now firmly integrated into our mission and our long term plans. Funding has since been appropriated and received and programmatic plans are underway as the institution begins an aggressive journey to implement the plans connected with this program. This federal designation, 125 years in the making, enables the University to benefit from access to programs through the US Department of Agriculture (USDA). These programs will facilitate the expansion of the University's capacity in teaching, research and community outreach in science, technology, engineering, math and agriculture (STEMA).This opportunity opens the door to new collaborations and new enrollment opportunities we haven't had previously.

In addition to the academic enterprise opportunities the University is also celebrating two major project completions this year which will have a far reaching impact on the health and vitality of the University. In February 2015 the $16.2 million dollar investment into the energy infrastructure of the University was completed and on October 9, 2015 the $33.5 million University Student Center was opened. These two projects in conjunction with the Land Grant programming will have a major impact on the future growth and ongoing stability of the Institution.

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The University is continuing its institutional review and updates in everything it touches and produces. This process is yielding exciting new levels of academic excellence and institutional prominence. The strategic plan in concert with our three tenets; *service, protocol, and civility form our roadmap*. The three tenets, along with the university's six compelling priorities, will lead our strategic growth and modernization over the next 10 years. The University continues to implement the plan issued in accordance with HB 153, to reach an enrollment attainment of 3,000 over the next few years as the University continues to focus on enrollment, course completion, retention and graduation. This refocused strategy is strongly supported by the leadership's compelling priorities of (1) quality academic experience, (2) targeted student enrollment, (3) reduced time to degree, (4) improved retention rates, (5) development of graduates with knowledge, skills, and disposition for professional placement in schools and professional careers, and (6) efficient and effective operations. These priorities align directly with the governor's goals for higher education as well as the 2012 Chancellor's Plan for Advancing Progress at Central State.

Central State University has significant capital infrastructure deficiencies. Years of limited state capital allocation has led to many failing systems and costly problems in our infrastructure. The recent infusion of funds for the energy project and the University Center only touched the surface of the capital and infrastructure needs of the institution. In this regard, the University is actively meeting with State of Ohio officials to secure an increased capital commitment to remedy the critical needs of the institution. During FY 2015, the University began the $4.5 million capital improvement project for the roof replacement of the Hallie Q. Brown Library, and obtained a $213,000 funding from Ohio's Board of Regents for upgrading the fire detectors and strobe light systems in the residence halls. The Ohio Dept. of Natural Resources razed 108 dead Emerald Ash trees which will elevate the attractiveness of the campus and the Dept. of Transportation began the repair of our curbs and roads. All these projects are proceeding and should be finished in FY 2016 except the roadway project which may extend over a couple years. This additional support from the state will improve our infrastructure and in turn increase growth opportunities along with helping us meet our 3% efficiency goals.

The University continues to pursue an HBCU loan of $13.2 million through the Federal Department of Education for the purchase of two residence halls currently owned by a private developer. This loan closed in fall 2015. These capital improvement projects all fit strategically in the master plan of the institution and are integral to supporting and fulfilling the tenets and compelling priorities of the University.

The University continues to actively look for revenue enhancement opportunities. Our primary and most important revenue enhancement strategy is enrollment growth. In an effort to grow student enrollment, the University, with approval from the Ohio Board of Regents, was able to offer, for a two-year period beginning in FY2014, tuition reciprocity to students residing in 14 counties in Indiana, which allowed these students to attend at the in-state tuition rate. The University also offered tuition waivers to students residing in the heavily recruited areas of Wayne County, Michigan, Marion County, Indiana and Cook County, Illinois which allowed these students to attend with an 80 percent discount of the out-of-state surcharge. The response to these offers was much greater than expected which contributed to maintaining our out-of-state enrollment numbers in FY15 during a significant in-state shortfall. However, overall enrollment was down by 15 percent from FY 2014 due to many external and economic issues related to our target population. The university was anticipating the shortfall and it reduced operating budgets to meet the budget shortfall.

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Lastly, as a result of this unexpected enrollment shortfall the University worked diligently to maintain its fiscal position. This was done primarily by deploying tactical and strategic steps that reduced daily operating expenditures. At all levels of the University, administrators, faculty, and staff worked diligently to identify and implement a variety of cost-saving measures. These cost savings measures reduced daily spending significantly. The workforce reductions and divisional realignments resulted in a significant reduction in personnel expenses and related discretionary expenses., These combined personnel actions, energy efficiencies of $1.0 million, and higher capital funding from the State of Ohio for the University Center, contributed to the University garnering a positive cash fund balance and an increase in net position during fiscal year 2015, excluding the impact of GASB 68.

Fiscal Watch Declaration

Central State was placed on Fiscal Watch on April 21, 2015. The composite score for the period of July 1, 2013 to June 30, 2014 was 1.0 and for the prior year 1.3. Pursuant to Ohio Administrative Rule 126:3-1-01, paragraph C, the Chancellor shall declare fiscal watch if any of the criteria set forth in paragraph B has been satisfied for reasons other than natural disaster. Paragraph B(3) states a criteria for fiscal watch is a composite score of 1.75 or less for the last two consecutive years. As a result, of this declaration the University has met all the requirements and will continue to follow all criteria related to fiscal watch. The University has prepared a three year recovery that was reviewed by its Board of Trustees and accepted by the State. Central State University's goal is to emerge from fiscal watch by FY17. The rightsizing and restructure of the University has prepared it to meet that goal.

CENTRAL STATE UNIVERSITY
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	2015	2014
Current assets		
Cash and cash equivalents	$ 4,028,628	$ 4,581,147
Accounts receivable - Net of allowance of approximately $14.7 million at June 30, 2015 and $13.6 million at June 30, 2014	4,315,916	10,162,826
Due from CSU Foundation	708,706	-
Inventory	361,856	374,900
Prepaid assets	35,092	50,138
Total current assets	9,450,198	15,169,011
Noncurrent assets		
Restricted cash and cash equivalents	1,508,532	4,198,164
Capital assets - net	105,897,257	89,307,350
Total noncurrent assets	107,405,789	93,505,514
Total assets	$ 116,855,987	$ 108,674,525
Deferred outflows of resources		
Pension	$ 1,724,394	$ -
Current liabilities		
Deposits	$ 326,990	$ 257,836
Accounts payable	532,218	796,129
Accrued salaries, wages, and benefits	3,283,206	3,358,750
Unearned student fee revenue	38,080	4,075,601
Current portion of long-term debt	1,134,840	1,111,964
Current portion of capital lease	120,817	126,017
Other liabilities	802,628	1,561,076
Other unearned revenue	456,707	2,958,245
Total current liabilities	6,695,486	14,245,618
Noncurrent liabilities		
Long-term debt	15,268,419	16,403,259
Long-term capital lease	-	140,261
Long-term liabilities	771,419	1,278,933
Net pension liability	24,376,359	-
Other long-term liabilities	-	513,364
Total noncurrent liabilities	40,416,197	18,335,817
Total liabilities	47,111,683	32,581,435
Deferred inflows of resources		
Pension	3,194,608	-
Net position		
Net investment in capital assets	89,526,930	75,031,938
Restricted for expendable - grants	254,689	90,485
Unrestricted	(21,507,529)	970,667
Total net position	$ 68,274,090	$ 76,093,090

See accompanying notes to financial statements.

CENTRAL STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2015 and 2014

	2015	2014
Operating revenue		
Tuition and fees	$ 9,731,920	$ 11,413,936
Less grants and scholarships	(3,507,848)	(4,079,973)
Tuition and fees, net	6,224,072	7,333,963
Federal grants and contracts	6,611,327	7,071,358
State, local, and private grants and contracts	705,180	876,749
Indirect cost recovery	325,979	541,542
Auxiliary activities	13,388,234	15,303,531
Less grants and scholarships	(4,480,741)	(4,953,196)
Auxiliary activities, net	8,907,493	10,350,335
Other sources	2,420,046	2,178,438
Total operating revenue	25,194,097	28,352,385
Operating expenses		
Instruction	9,617,976	11,007,082
Research	768,120	1,429,845
Student services	2,680,543	2,907,724
Academic support	5,962,327	7,030,473
Public services	2,078,782	2,191,028
Institutional administration	5,916,875	6,180,469
Operation and maintenance of plant	4,340,602	5,309,529
Auxiliary enterprises	11,196,729	13,076,093
Student aid	2,914,178	4,049,125
Depreciation	5,207,504	4,381,732
Total operating expenses	50,683,636	57,563,100
Operating loss	(25,489,539)	(29,210,715)
Nonoperating revenue (expenses)		
Federal Pell Grant appropriations	6,569,366	7,421,072
State appropriations	18,131,608	17,301,895
Investment income	1,145	4,836
Interest expense	(429,410)	(490,722)
Other restricted nonoperating revenue	95,843	199,887
Net nonoperating revenue	24,368,552	24,436,968
Income - before other revenue	(1,120,987)	(4,773,747)
Other revenue - State capital appropriations	19,305,429	4,662,698
Increase (decrease) in net position	18,184,442	(111,049)
Net position - beginning of year	76,093,090	76,204,139
Adjustment for change in accounting principle	(26,003,442)	-
Net position - beginning of year, as restated	50,089,648	76,204,139
Net position - end of year	$ 68,274,090	$ 76,093,090

See accompanying notes to financial statements.

CENTRAL STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Tuition and fees	$ 10,229,327	$ 11,859,242
Grants and contracts	5,140,948	8,276,264
Payments to suppliers and employees	(44,063,683)	(49,858,634)
Auxiliary enterprise charges	2,191,505	2,227,438
Other	2,643,896	2,178,438
Net cash from operating activities	(23,858,007)	(25,317,252)
Cash flows from noncapital financing activities		
Federal Pell grant	6,569,366	7,421,071
State appropriations	18,131,608	17,301,895
Federal loan receipts	14,089,493	16,343,106
Federal loan disbursements	(14,089,493)	(16,343,106)
Net cash from noncapital financing activities	24,700,974	24,722,966
Cash flows from capital and related financing activities		
Capital grants and gifts received	19,305,429	4,662,698
Purchase of capital assets and construction in progress	(21,704,857)	(18,924,295)
Principal paid on capital debt	(1,111,964)	(322,536)
Principal paid on capital lease	(145,461)	(121,820)
Interest paid on capital debt	(429,410)	(290,835)
Net cash from capital and related financing activities	(4,086,263)	(14,996,788)
Cash flows from investing activities - interest on investments	1,145	4,836
Net change in cash and cash equivalents	(3,242,151)	(15,586,238)
Cash and cash equivalents - beginning of year	8,779,311	24,365,549
Cash and cash equivalents - end of year	$ 5,537,160	$ 8,779,311
Reconciliation of net operating loss to net cash from operating activities		
Operating loss	$ (25,489,539)	$ (29,210,715)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	5,207,504	4,381,732
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	5,138,204	1,896,736
Inventories, prepaids, and other assets	28,090	104,846
Accounts payable	(263,911)	(138,339)
Accrued salaries, wages, and benefits	(387,231)	(1,258,385)
Pension	(156,869)	-
Other liabilities	(1,464,350)	571,687
Unearned revenue and student deposits	(6,469,905)	(1,664,814)
Net cash used in operating activities	$ (23,858,007)	$ (25,317,252)

See accompanying notes to financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 2,079,021	$ 1,533,902
Contributions receivable, net	6,558	12,439
Deposits	-	36,302
Other receivables	1,557	4,917
Prepaid expenses	6,233	6,470
Total current assets	2,093,369	1,594,030
Investments	4,484,391	4,654,662
Restricted cash and cash equivalents	3,857,316	3,492,437
Capital assets, net	11,994,858	12,418,973
Financing costs, net	1,138,754	1,233,762
Total assets	$ 23,568,688	$ 23,393,864
Liabilities		
Accounts payable	$ 38,412	$ 177,270
Payable to Central State University	920,193	216,078
Unearned revenue	-	30,000
Accrued interest payable	429,357	443,107
Current portion of long-term debt	545,000	525,000
Total current liabilities	1,932,962	1,391,455
Long-term debt, net of current portion	16,258,077	16,868,381
Total liabilities	18,191,039	18,259,836
Net Assets		
Unrestricted	425,472	375,282
Temporarily restricted	2,400,338	2,231,966
Permanently restricted	2,551,839	2,526,780
Total net assets	5,377,649	5,134,028
Total liabilities and net assets	$ 23,568,688	$ 23,393,864

See accompanying notes to financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended June 30, 2015 and with comparative totals for 2014

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Rental revenue	$ 3,021,240	$ -	$ -	$ 3,021,240	$ 3,086,834
Contributions	392,607	364,297	25,059	781,963	1,320,847
Other	264,767	105,389	-	370,156	282,350
Investment income	53,800	204,558	-	258,358	656,151
Net assets released from restrictions	505,872	(505,872)	-	-	-
Total revenue	4,238,286	168,372	25,059	4,431,717	5,346,182
Expenses					
Programs:					
Scholarship programs	171,514	-	-	171,514	359,518
Athletic programs	352,222	-	-	352,222	171,039
Academic programs	257,483	-	-	257,483	171,338
Institution programs	592,559	-	-	592,559	476,525
Student support programs	43,296	-	-	43,296	21,971
Housing programs	2,479,500	-	-	2,479,500	2,441,370
Operating expenses	233,165	-	-	233,165	79,592
Fundraising expenses	58,357	-	-	58,357	21,317
Total expenses	4,188,096	-	-	4,188,096	3,742,670
Increase in net assets	50,190	168,372	25,059	243,621	1,603,512
Net Assets - beginning of year	375,282	2,231,966	2,526,780	5,134,028	3,530,516
Net Assets - end of year	$ 425,472	$ 2,400,338	$ 2,551,839	$ 5,377,649	$ 5,134,028

See accompanying notes to financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
Year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Rental revenue	$ 3,086,834	$ -	$ -	$ 3,086,834
Contributions	778,123	520,400	22,324	1,320,847
Other	178,720	103,630	-	282,350
Unrealized (loss) gain on investments	28,894	404,855	-	433,749
Investment income	71,763	150,639	-	222,402
Net assets released from restrictions	608,777	(608,777)	-	-
Total revenue	4,753,111	570,747	22,324	5,346,182
Expenses				
Programs:				
Scholarship programs	359,518	-	-	359,518
Athletic programs	171,039	-	-	171,039
Academic programs	171,338	-	-	171,338
Institution programs	497,842	-	-	497,842
Student support programs	21,971	-	-	21,971
Housing programs	2,441,370	-	-	2,441,370
Support activities:				
Depreciation and amortization	19,922	-	-	19,922
Interest	1,378	-	-	1,378
Surplus expense	42,197	-	-	42,197
Other	16,095	-	-	16,095
Total expenses	3,742,670	-	-	3,742,670
Increase (decrease) in net assets	1,010,441	570,747	22,324	1,603,512
Net Assets (Deficit) - beginning of year	(635,159)	1,661,219	2,504,456	3,530,516
Net Assets (Deficit) - end of year	$ 375,282	$ 2,231,966	$ 2,526,780	$ 5,134,028

See accompanying notes to consolidated financial statements.

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

The Central State University Foundation (the “Foundation”) is being discretely presented as part of the University reporting entity (although it is a legally separate entity and governed by its own board of directors) because its sole purpose is to provide support for the University in accordance with GASB Statement No. 39. Separate statements for the Foundation may be obtained through the state of Ohio auditor’s web site. The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under the GASB. No modifications have been made to the Foundation financial information included in the University’s financial report to account for these differences.

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

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

(Continued)

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

Financial Statement Presentation: The accompanying financial statements have been prepared using the total economic resource measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities, and are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures,* GASB Statement No. 63*, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No 65, *Items Previously Reported as Assets and Liabilities*. The College follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of the University's financial statements:

- Management's discussion and analysis (unaudited)
- Basic financial statements, including a statement of net position, statement of revenue, expenses, and changes in net position, and a statement of cash flows for the University as a whole
- Notes to the financial statements

Net Position is classified into three major categories:

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the University's policy is to first apply restricted resources.

Cash and Cash Equivalents: Cash and cash equivalents include cash and money market funds, stated at cost (which approximates market).

(Continued)

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

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

Inventory: Inventory is recorded using the first-in first-out (FIFO) method and is stated at the lower of cost or market.

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

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

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

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

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

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

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

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

(Continued)

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

Income Taxes: The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The University would be subject to taxes on unrelated business income; however, any taxable income would be minimal.

Adoption of New Accounting Pronouncements: In fiscal year 2015, the provisions of the following GASB Statements became effective:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* issued January 2013. The requirements of this Statement are effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

- GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68,* issued November 2013. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

See adoption of accounting principle section below for more information on the effect of GASB Statements Nos. 68 and 71. GASB Statement 69 did not have any impact on the financial statements.

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

- GASB Statement No. 72, *Fair Value Measurement and Application,* issued February 2015. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements.

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

(Continued)

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

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

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

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* issued June 2015. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP).

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

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

The University has not yet determined the effect these Statements will have on the University's financial statements and disclosures. However, the effect of GASB 75 is expected to be significant.

<u>Adoption of Accounting Principle</u>: Due to the University's adoption of GASBs 68 and 71, net position was restated at July 1, 2014. Previously, pension expense was reported equal to the amount remitted as statutory contributions. Information describing the retirement plans, contribution rates and where to find information about the plans was included in the Notes to the Financial Statements. With the adoption of GASBs 68 and 71, the University is required to report a proportionate share of the retirement system's net pension liability (or unfunded liability) and other activity, including pension expense on the University's financial statements and also provide disclosures in the Notes to the Financial Statements (See Note 9 Defined Benefit Pension Plans). This standard only impacts financial reporting and does not affect the amount the University is required to fund under Ohio law. Under Ohio law, employers are not required to pay more than the current statutory contribution.

The effect of this change resulted in a net decrease in net position of the University at July 1, 2014 of \$26,003,442. The components of this decrease in net position was an increase in the net pension liability of \$27,308,366 and increase in deferred pension cost outflows of \$1,304,924. The University did not retroactively implement these statements as of July 1, 2013 because it was not deemed practical. The defined benefit plans in which the University participates did not have the information readily available. Therefore, certain disclosures required under previous GASB statements are disclosed for fiscal year 2014.

(Continued)

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

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

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

In accordance with the State of Ohio's and the University's policy, the University is authorized to invest in obligations of the U.S. Treasury, agencies and instrumentalities, municipal and state bonds, certificates of deposit collateralized at market value, repurchase agreements, reverse repurchase agreements, and forward commitments. Statutes also authorize the University to invest endowment funds in the above investments, as well as commercial paper rated A-1 by Standard & Poor's bonds, common and preferred stock, mutual funds, and real estate upon specific authorization by the board of trustees.

Custodial Credit Risk of Bank Deposits: Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a policy restricting custodial credit risk. The University did not have any uninsured or uncollateralized cash and cash equivalents at June 30, 2015 or 2014.

Credit Risk: As discussed above, state law limits investments to U.S., state, and municipal government obligations. The University has no investment policy that would further limit its investment choices. The University had $1,317,805 and $2,107,847 invested in bank mutual fund pools at June 30, 2015 or 2014, respectively; these funds are not rated by a national rating agency due to the short-term nature of their holdings.

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

The Foundation, through Marauder, maintains restricted cash balances in the following accounts as of August 31, 2015 or 2014:

	2015	2014
Restricted:		
Debt interest account	$ 429,362	$ 443,107
Debt principal account	1,105,029	500,020
Redemption fund	520,014	87,000
Repair and replacement fund	376,415	1,036,008
Debt reserve fund	1,426,496	1,426,302
Total restricted cash	$ 3,857,316	$ 3,492,437

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

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

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

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Assets	Quoted prices in Active markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance
	Assets Measured at Fair Value on a Recurring Basis at June 30, 2014			
Private equity investments:				
Certificate of Deposit	$ 113,786	$ -	$ -	$ 113,786
Equity mutual funds	2,965,936	-	-	2,965,936
Subtotal	3,079,722	-	-	3,079,722
Fixed-income investments:				
U.S. gov't obligations	-	18,544	-	18,544
Bond mutual funds	1,556,396	-	-	1,556,396
Subtotal	1,556,396	18,544	-	1,574,940
Total investments	$ 4,636,118	$ 18,544	$ -	$ 4,654,662

NOTE 3 – RECEIVABLES

At June 30, 2015 and 2014, receivables consist of the following:

	2015	2014
Student accounts receivable	$ 15,490,840	$ 20,617,201
Student notes receivable	946,287	948,324
Grant and contract receivables	1,454,969	1,539,801
Other	1,151,301	701,008
Total	19,043,397	23,806,334
Less allowance for doubtful accounts	(14,727,481)	(13,643,508)
Net receivables	$ 4,315,916	$ 10,162,826

Student note receivables represent outstanding loans from the Federal Perkins Loan Program. These loans have been assigned to the Department of Education and are no longer administered by the University. The outstanding balance at June 30, 2015 and 2014 has been reserved in full and is included in the allowance for doubtful accounts.

(Continued)

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the University for the years ended June 30, 2015 and 2014 is summarized as follows:

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

(Continued)

NOTE 4 - CAPITAL ASSETS (Continued)

2014	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets:					
Buildings and improvements	$ 126,259,938	$ 5,750	$ -	$ 8,918,487	$ 135,184,175
Automobiles, machinery, and equipment	20,737,923	33,623	(54,775)	1,998,623	22,715,394
Assets under capital lease	626,934	-	-	-	626,934
Total depreciable assets	147,624,795	39,373	(54,775)	10,917,110	158,526,503
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	4,612,755	18,929,210	(44,289)	(10,917,110)	12,580,566
Total nondepreciable assets	4,921,405	18,929,210	(44,289)	(10,917,110)	12,889,216
Total capital assets	152,546,200	18,968,583	(99,064)	-	171,415,719
Less accumulated depreciation:					
Buildings and improvements	61,498,490	3,053,112	-	-	64,551,602
Automobiles, machinery, and equipment	16,111,242	1,211,433	(54,775)	-	17,267,900
Assets under capital lease	171,680	117,187	-	-	288,867
Total accumulated depreciation	77,781,412	$ 4,381,732	$ (54,775)	$ -	82,108,369
Capital assets - Net	$ 74,764,788				$ 89,307,350

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

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

Capital assets activity for the Foundation for the years ended June 30, 2015 and 2014 is summarized as follows:

	2015	2014
Land	$ 140,800	$ 140,800
Building	16,519,103	16,519,103
Furniture and Fixtures	896,603	896,603
Total Capital Assets	17,556,506	17,556,506
Less Accumulated Depreciation	(5,561,648)	(5,137,533)
Net Capital Assets	$ 11,994,858	$ 12,418,973

(Continued)

NOTE 5 - LONG-TERM LIABILITIES

Long-term liability (other than long-term debt and capital lease) activity for the years ended June 30, 2015 and 2014 is summarized as follows:

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

2014	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Compensated absences	$ 1,797,335	$ 614,601	$ 931,258	$ 1,480,678	$ 980,430
Voluntary Severance Program	1,516,501	-	489,773	1,026,728	513,364
Other liabilities	764,937	14,393	645	778,685	-
Total	$4,078,773	$ 628,994	$ 1,421,676	$ 3,286,091	$ 1,493,794

The additions column for net pension liability includes both the beginning restatement adjustment related to the implementation of GASBs 68 and 71 and the current year expense. Other long term liabilities include litigation and contingencies as discussed further in Note 11 and the Voluntary Severance Program discussed further in Note 9. The current portion of long-term liabilities is included in accrued salaries, wages, and benefits. See Note 8 for description of compensated absences.

NOTE 6 - LONG-TERM DEBT

Long-term debt for the University consists of the following for the years ended June 30, 2015 and 2014:

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

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

2014	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Notes payable:					
Bond payable to 1st Niagara, 1.594 percent, payable in varying installments through December 1, 2022	$ 9,550,000	$ -	$ 200,000	$ 9,350,000	$ 982,596
Bond payable to 1st Niagara, 3.7 percent, payable in varying installments through December 1, 2028	7,000,000	-	-	7,000,000	-
Note payable to the Department of Education, 5.5 percent, payable in varying installments through November 1, 2021	1,287,759	-	122,536	1,165,223	129,368
Total	$ 17,837,759	$ -	$ 322,536	$ 17,515,223	$ 1,111,964

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

	DOE Note		Bond Series A		Bond Series B		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	$ 136,581	$ 55,119	$ 998,259	$125,420	$ -	$ 259,000	$ 1,574,379
2017	144,196	47,504	1,014,171	109,381	-	259,000	1,574,252
2018	152,236	39,464	1,030,337	93,087	-	259,000	1,574,124
2019	160,724	30,976	1,046,761	76,532	-	259,000	1,573,993
2020	169,686	22,015	1,063,446	59,714	-	259,000	1,573,861
2021-2025	272,432	110,969	3,214,430	76,156	2,351,593	1,203,779	7,229,359
2026-2029	-	-	-	-	4,648,407	345,580	4,993,987
	$1, 035,855	$306,047	$ 8,367,404	$540,290	$ 7,000,000	$ 2,844,359	$ 20,093,955

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

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

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

The Series A bonds were dated May 3, 2013 and issued at par therefore no bond discount was recorded. The bonds mature on December 1 in various amounts ranging from $200,000 on December 1, 2013 to $1,036,414 on December 1, 2022. Interest, at 1.594%, is payable semiannually on December 1 and June 1. Interest expense related to the Series A bonds during the years ended June 30, 2015 and 2014 was $141,208 and 159,976, respectively.

The Series B bonds were dated May 3, 2013 and issued at par therefore no bond discount was recorded. The Series B bonds mature after the Series A bonds are fully redeemed. The Series B bonds mature on December 1 in various amounts ranging from $78,701 on December 1, 2022 to $1,175,089 on December 1, 2028. Interest, at 3.7%, is payable semiannually on December 1 and June 1, beginning December 1, 2013. Interest expense related to the Series B bonds during the years ended June 30, 2015 and 2014 was $259,000 and $267,792, respectively.

Central State University Foundation

On May 30, 2014, the Foundation obtained a commercial loan in the amount of $491,326 from PNC Bank to purchase property for use as a Presidential residence and hospitality center. Under the terms of the agreement, the Foundation will make 59 monthly principal payments beginning July 1, 2014 amortized over 20 years with the remaining balance due on the maturity date, May 30, 2019. The terms of the loan include a variable interest rate of five-year COF plus 3%. At June 30, 2015, the interest rate was 3.185%. The commercial loan is collateralized with $490,264 of unrestricted cash held in a money market account at PNC Bank.

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

2016	$ 25,000
2017	25,000
2018	25,000
2019	389,243
Total	$ 464,243

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's years ended August 31, 2015 and 2014:

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

NOTE 6 - LONG-TERM DEBT (Continued)

	Interest Rate	Maturity	Balance August 31, 2013	Additions	Payments	Balance August 31, 2014
Revenue Bonds Series 2002	3.0%-5.625%	2032	$ 7,253,215	$ 11,395	$ (550,000)	$ 6,714,610
Revenue Bonds Series 2004	3.3%-5.1%	2035	10,435,341	12,104	(260,000)	10,187,445
Total			$ 17,688,556	$ 23,499	$ (810,000)	16,902,055
Less current portion						500,000
Long-term portion						$ 16,402,055

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

	Series 2002 Bonds Principal	Series 2002 Bonds Interest	Series 2004 Bonds Principal	Series 2004 Bonds Interest	Total
Revenue Bonds					
2016	$ 235,000	$ 347,431	$ 285,000	$ 498,995	$ 1,366,426
2017	245,000	335,431	300,000	485,683	1,366,114
2018	260,000	322,806	310,000	471,498	1,364,304
2019	275,000	308,916	325,000	456,494	1,365,410
2020	285,000	293,866	340,000	440,275	1,359,141
2021-2025	1,695,000	1,213,103	1,980,000	1,920,875	6,808,978
2026-2030	2,215,000	677,509	2,530,000	1,354,560	6,777,069
2031-2035	1,265,000	88,734	3,245,000	621,562	5,220,296
2036	-	-	750,000	19,125	769,125
Total	$ 6,475,000	$ 3,587,796	$ 10,065,000	$ 6,269,067	$ 26,396,863

During 2002, Marauder issued $8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The unamortized bond discount was $60,433 and $70,390 at August 31, 2015 and 2014, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from $235,000 on September 1, 2015, to $200,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. During 2015, $85,000 of bonds due on September 1, 2032 were called and retired in addition to $215,000 scheduled to be retired on September 1, 2013. Interest, at rates varying from 3.0 to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

During 2004, Marauder issued $12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The original bond discount totaled $287,699, with an amortized balance of $140,733 and $152,555 at August 31, 2015 and 2014, respectively. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from $285,000 on September 1, 2015, to $750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

Bond Legislation provides that Marauder Development, LLC, will charge rates sufficient for the excess of revenues over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio). As of June 30, 2015 and 2014, Marauder Development, LLC was in compliance with these requirements.

NOTE 7 - CAPITAL LEASE OBLIGATIONS

The University entered into various noncancellable equipment lease agreements during 2012 and 2013. These leases are accounted for as capital leases and principal payments of $145,461 were made under the agreements during the year ended June 30, 2015. Future minimum lease payments subsequent to June 30, 2015 are summarized as follows:

	Principal	Interest	Total
2016	$ 120,817	$ 2,561	$ 123,378

The cost of the assets was $626,934 and accumulated depreciation totaled $406,054 and $288,867 at June 30, 2015 and 2014, respectively.

NOTE 8 - COMPENSATED ABSENCES FOR VACATION AND SICK LEAVE

The University has three classifications of employees: classified, contract, and faculty.

Classified employees are nonacademic, permanent, full-time employees. Classified employees are entitled to vacation leave based upon length of service. The employees may accumulate up to a maximum of 30 to 75 days of vacation leave, depending on number of years of service. Vacation leave becomes payable upon termination or retirement. Employees may accumulate an unlimited amount of sick leave. One-third of accumulated sick leave is payable to classified employees with 10 years or more of service upon termination or retirement.

Contract employees are nonacademic, contracted, full-time employees. Contract employees are entitled to vacation leave based upon length of service and/or classification. The employee may accumulate up to a maximum of 30 days of vacation leave. Vacation leave not to exceed 240 hours becomes payable upon termination or retirement. Contract employees accrue sick leave at a rate of 15 days per year. One-third of accumulated sick leave, not to exceed one-third of 120 days, is payable to contract employees with 10 years or more of service upon retirement.

Faculty employees are full-time, academic employees. Faculty employees accrue sick leave at a rate of 15 days per year. One-third of accumulated sick leave, not to exceed one-third of 120 days, is payable to faculty employees with 10 years or more of service upon retirement.

(Continued)

NOTE 9 - RETIREMENT PLANS

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

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

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

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

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

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

OPERS Benefits

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

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

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

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

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

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

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

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

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

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

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

STRS Benefits

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

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

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

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

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

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Contributions

OPERS Contributions

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

The University's contributions to OPERS were $1,174,454, $1,368,750, $1,564,828, and $1,543,647 for the fiscal years ended June 30, 2015, 2014, 2013 and 2012 respectively. The University's contributions were equal to the required contributions for each year as set by state statute.

STRS Contributions

Employer and member contribution rates are established by the STRS Board and limited by Chapter 3307 of the Ohio Revised Code. Under the STRS plans, the employee contribution rate is 12% and 11%, for years ended June 30, 2015 and 2014, respectively. Under the Combined Plan, 1% of the employee contribution is to fund the defined benefit. The member contribution rate is scheduled to increase to 13% of salary effective July 1, 2015 and to 14% of salary effective July 1, 2016. The employer contribution rate is 14%. Under the Defined Contribution Plan, 4.5 percent of the employer contribution is used to amortize the unfunded actuarial accrued liability of the defined benefit plan.

The University's contributions to STRS for the years ended June 30, 2015, 2014, 2013, and 2012 respectively, were $799,062, $903,841, $1,020,285, and $1,062,756 The University's contributions were equal to the required contributions as set by state statute.

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

OPERS Pension Costs

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

The net pension liability and asset for the Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liabilities were determined by an actuarial valuation as of that date.

NOTE 9 - RETIREMENT PLANS (Continued)

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

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

At June 30, 2015, the University reported $345,186 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to OPERS pensions will be recognized in pension expense as follows for the year ended June 30, 2015:

2016	$ (41,072)
2017	(41,072)
2018	(94,460)
2019	(105,306)
2020	691
Thereafter	2,363

STRS Pension Costs

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

NOTE 9 - RETIREMENT PLANS (Continued)

For the year ended June 30, 2015, the University recognized pension expense of $1,109,363. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

At June 30, 2015, the University reported $796,647 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to STRS pensions will be recognized in pension expense as follows for the year ended June 20, 2015:

2016	$ 722,187
2017	722,187
2018	722,187
2019	722,188

Actuarial Assumptions

OPERS Actuarial Assumptions

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

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

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

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

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

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS Board as outlined in the annual investment plan. The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

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

STRS Actuarial Assumptions

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

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

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

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

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

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

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

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

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

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

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

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

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

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

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

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

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

The University chose to fund the $1,637,790 of severance payouts in three even installments of $545,930 payable in September 2013, 2014 and 2015. The payout amounts were determined by Educators

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Preferred Corporation based on salary amounts provided by the University and the agreed upon fees per the plan agreement.

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

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

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% during calendar years 2014. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% during calendar year 2013. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the University's calendar year 2014, 2013, and 2012 contributions required and made to OPERS used to fund post-retirement benefits was $27,375, $15,684, and $31,331, respectively.

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

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for the years ended June 30, 2014 and 2013. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care. The portion of the University's fiscal years 2015, 2014, and 2013 contributions required and made to STRS Ohio used to fund post-employment benefits was $0, $9,038, and $10,195, respectively.

(Continued)

NOTE 11 - GRANTS AND CONTRACTS

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

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Commitments: The University has encumbered $344,129 and $655,058 of funds as of June 30, 2015 and 2014, respectively. These encumbrances represent purchase orders and other commitments for materials or services not received as of fiscal year end. These are not included as liabilities in the statement of net position.

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

NOTE 13 - RELATED ORGANIZATION

The University is the sole beneficiary of the Central State University Foundation (the "Foundation"), a separate, not-for-profit entity governed by a separate board of trustees, organized for the purpose of promoting educational and research activities. Amounts received by the University from the Foundation in the form of private gifts, grants, and contracts amounted to $325,000 and $128,000 for the years ended June 30, 2015 and 2014, respectively.

The Foundation established and owns Marauder Development, LLC, which owns two residence halls (Foundation I and Foundation II) located on the University's campus. The University receives an annual management fee and the reimbursement of operating expenses from Marauder Development, LLC. These fees and reimbursement amounted to $1,105,866 and $1,038,376 for the years ended June 30, 2015 and 2014, respectively. The University paid Marauder Development, LLC $3,021,240 and $3,086,834 for the years ended June 30, 2015 and 2014, respectively. These payments were primarily student residence hall fees.

(Continued)

NOTE 13 - RELATED ORGANIZATION

Details of the Foundation's restricted net assets at June 30, 2015 and 2014 are as follows:

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

2014	Temporarily Restricted	Permanently Restricted
Academic	$ 436,587	$ 640,948
Scholarship	660,079	1,185,871
Other general funds	1,135,300	699,961
Total net assets	$ 2,231,966	$ 2,526,780

NOTE 14 – RISK MANAGEMENT

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

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors or omissions; employee injuries and illnesses; national disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage for any of the preceding three years. The University was self-insured for student health insurance claims; the recorded liability for these claims was $15,850 as of June 30, 2014. Effective July 1, 2015, the University is no longer self-insured for student health claims.

NOTE 15 – FISCAL WATCH

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

(Continued)

NOTE 16 – SUBSEQUENT EVENT

On October 23, 2015 Central State University, through the Rice Capital Access Program, LLC, borrowed $13.1 million to purchase John and Fox Residence Halls from University Housing Solutions, a private developer. The loan is a 30 year loan at 2.426% fixed rate and will be administered by The Bank of New York Mellon Trust Company, N.A. as Trustee for RCAP Bond Series A 2013-9.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL STATE UNIVERSITY
SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
June 30, 2015

OPERS

		2015
College's proportion of the collective net pension liability (asset) - Traditional		0.06570%
College's proportion of the collective net pension liability (asset) - Combined		0.04948%
College's proportionate share of the collective net pension liability (asset)	$	7,905,345
College's covered-employee payroll	$	8,232,618
College's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll		96.02%
Plan fiduciary net position as a percentage of the total pension liability		84.00%

STRS Ohio

College's proportion of the collective net pension liability (asset)		0.06772%
College's proportionate share of the collective net pension liability (asset)	$	16,471,015
College's covered-employee payroll	$	5,700,090
College's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll		288.96%
Plan fiduciary net position as a percentage of the total pension liability		74.70%

NOTE: Years prior to 2015 are not available.

CENTRAL STATE UNIVERSITY
SCHEDULE OF UNIVERSITY CONTRIBUTIONS
June 30, 2015

OPERS		2015
Statutorily required contribution	$	1,174,454
Contributions in relation to the statutorily required contribution	$	1,174,454
Annual contribution deficiency	$	-
College's covered-employee payroll	$	8,232,618
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll		14.26%
STRS Ohio		
Statutorily required contribution	$	799,062
Contributions in relation to the statutorily required contribution	$	799,062
Annual contribution deficiency	$	-
College's covered-employee payroll	$	5,700,090
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll		14.02%

SUPPLEMENTARY INFORMATION

Federal Grants/Pass-Through Grant/Program Title	Federal CFDA Number	Pass-through Award	Federal Expenditures
STUDENT FINANCIAL ASSISTANCE CLUSTER			
U.S. Department of Education Direct Programs			
PELL Grant Program	84.063		$ 6,548,663
Federal Supplemental Educational Opportunity Grant	84.007		563,882
Federal Work-Study Program	84.033		468,906
TEACH Grant	84.379		37,655
Federal Direct Loan Program	84.268		14,418,734
Total Student Financial Assistance Cluster			22,037,840
RESEARCH AND DEVELOPMENT CLUSTER			
National Aeronautics and Space Administration			
Ohio Space Grant	43.001		16,017
OSGC Education Scholarship	43.001		2,000
Total National Aeronautics and Space Administration			18,017
National Science Foundation – Direct Awards			
Benjamin Banneker's Scholarship Program	47.076		(237)
Robotic Group for Invasive	47.070		2,816
Molecular Interaction	47.076		1,658
Center for Cyber Sensors	47.076		92,389
Integrated Geoscience Curriculum for Workforce Development for Oil and Gas Industry (IGC)	47.076		108,809
Software Defined Radio Lab Platform	47.076		8,601
Collaborative RET Site	47.041		4,781
Center for Cyber Sensors – Supplemental	47.076		11,580
Improving Pathways for STEM	47.076		220,466
Total National Science Foundation – Direct Awards			450,863
National Science Foundation – Pass-through Programs			
ADVANCE	47.076	HRD-0810989	24,046
Center for Layered Polymeric Systems (CLiPS)	47.049	DMR-0423914	37,570
Ohio LSAMP Alliance	47.076	HRD-1304371	61,606
Total National Science Foundation – Pass through Programs			123,222
U.S. Department of Health and Human Services:			
Center for Allaying Health Disparities Through Research and Ed.	93.307		(3,100)
Total U.S. Department of Health and Human Services			(3,100)
U.S. Department of Defense:			
Central State University Center of Excellence in STEM Education (CSU-STEM-X-ED)	12.630		700,136
Total U.S. Department of Defense			700,136
Total Research and Development Cluster			1,289,138

(Continued)

CENTRAL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

Federal Grants/Pass-Through Grant/Program Title	Federal CFDA Number	Pass-through Award	Federal Expenditures
TRIO CLUSTER			
U.S. Department of Education Direct Programs:			
TRIO: Student Support Services	84.042A		$ 371,083
TRIO: Upward Bound Program	84.047		268,196
Total TRIO Cluster			639,279
OTHER FEDERAL PROGRAMS			
U.S. Department of Education Direct Programs			
HIGHER EDUCATION - INSTITUTIONAL AID – Direct Program	84.031B		
Total Higher Education - Institutional Aid			2,617,013
Minority Science Improvement Grant			
ExCEL	84.120		22,692
Total Minority Science Improvement Grant			22,692
Total U.S. Department of Education Direct Programs			3,278,984
U.S. Department of Health and Human Services:			
HET: Triple Jeopardy Health Environment, passed-through	93.630	12OU05QU14	14,054
Total U.S. Department of Health and Human Services			14,054
U.S. Department of Transportation – Passed-through Programs:			
University Transportation Center	20.701	DTRT12-G-UTC05	13,007
FHWA Summer Transportation Institute 2014	20.205		31,995
FHWA Summer Transportation Institute 2015	20.205		26,926
Total FHWA Summer Transportation Institute			58,921
Total U.S. Department of Transportation			71,928
U.S. Department of Defense – Passed-through Programs:			
Basic and Applied Scientific Research:			
Computer Methods Fracture Mechanics	12.300	FA8650-05-D-5800	25,688
Lithium Iron Battery	12.300	FA8650-05-D-5800	31,375
Sensors Research	12.300	FA8650-13-C-5800	25,086
Total U.S. Department of Defense			82,149
U.S. Department of Agriculture			
USDA/1890 National Scholars Program	10.001		6,774
USDA/NRCS National Scholars Program	10.001		6,489
Total National Scholars Program			13,263
2014-2017 Facilities Grant	10.500		103,102
Seed 2 Bloom	10.902		10,840
2014 Summer Food Service Program, passed-through	10.559		1,444
Technology Weed Disruption	10.216		67,266
Development of Drought Triggers, passed-through	10.310	2011-67019-21122	4,331
Total U.S. Department of Agriculture			200,246
U.S. Environmental Protection Agency			
Research Training for College and Universities, passed-through	66.511		5,960
Total Environmental Protection Agency			5,960
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 26,980,299

See Notes To Schedule Of Expenditures Of Federal Awards

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Central State University under programs of the federal government for the year ended June 30, 2015. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUBRECIPIENT AWARDS

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount provided to subrecipients
Central State University Center for Excellence in STEM Education (CSU-STEM-X-ED)	12.630	$ 51,812
Center for Cyber Sensors	47.076	10,734
Total		$ 62,546

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Management and Board of Trustees
Central State University
Wilberforce, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Central State University as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 30, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Finding 2015-001 in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Finding 2015-001 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

(Continued)

Compliance and Other Matters

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

The University's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 30, 2015

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

Management and Board of Trustees
Central State University
Wilberforce, Ohio

Report on Compliance for Each Major Federal Program

We have audited Central State University's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Central State University's major federal programs for the year ended June 30, 2015. Central State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Central State University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Central State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

(Continued)

Report on Internal Control Over Compliance

Management of Central State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central State University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 30, 2015

PART I: SUMMARY OF AUDITORS' RESULTS

<u>Financial Statements</u>

Type of auditors' report issued	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	X	Yes		No
Significant deficiencies identified not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

<u>Federal Awards</u>

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified not considered to be material weakness(es)?		Yes	X	None reported
Type of auditors' report issued on compliance for major programs	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?		Yes	X	None reported

(Continued)

PART I: SUMMARY OF AUDITORS' RESULTS (Continued)

Name of Major Program Identified	CFDA Number
U.S. Department of Education	
Student Financial Aid Cluster:	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Loan Program	84.268
TEACH Grant	84.379
Higher Education – Institutional Aid, Title III	84.031B

Dollar threshold used to distinguish between Type A and Type B programs $300,000

Auditee qualified as low-risk auditee? ___X___ Yes ________ No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

Finding 2015-001

Criteria: The University should have internal controls over a financial reporting process designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United State of America. In addition, the University's reporting and closing process should include timely reconciliations and schedules that support the amounts recorded in the financial statements.

Condition: Multiple adjusting journal entries were made during the course of the audit. In addition, journal entries were not approved per University policy.

Cause: The principal factors appear to be the University's turnover experienced during and after the current fiscal year and the lack of a formalized closing process.

Effect: The condition noted above has the potential to lead to misstatements or misclassifications in the financial statements.

Recommendation: We recommend that the University establish a process that is designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United State of America. We also recommend the University review its internal control procedures over its reporting and closing process to include timely reconciliations and schedules that support the amounts recorded in the financial statements. We further recommend journal entries be approved in accordance with University policy.

Management's response: The University concurs with the finding. Management is working to review and update policies and procedures to ensure staff is knowledgeable and they can complete tasks when turnover exists in the future.

(Continued)

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

There were no findings.

PART IV: SUMMARY OF PRIOR YEAR FINDINGS

Finding 2014-001

Federal Program Information:	Federal Supplemental Education and Opportunity Grants (FSEOG), CFDA No. 84.007; Federal Work Study Program CFDA No. 84. 033; Federal Pell Grant Program, CFDA No. 84.063; Federal Direct Loan Programs (FDL), CFDA No. 84.268; and Teacher Education Assistance for College and Higher Education Grants CFDA No. 84.379
Condition:	During verification testing for a sample of 25 student files, it was noted the University did not make changes to student information that resulted from the verification process as required for four students.
Status:	Resolved.

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

FINANCIAL STATEMENTS
August 31, 2015 and 2014

MARAUDER DEVELOMENT, LLC
Wilberforce, Ohio

FINANCIAL STATEMENTS
August 31, 2015 and 2014

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Marauder Development, LLC (Marauder), a wholly owned subsidiary of Central State University Foundation, which comprise the statement of financial position as of August 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marauder as of August 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated December 30, 2015 on our consideration of Marauder's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marauder's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 30, 2015

MARAUDER DEVELOPMENT, LLC
BALANCE SHEETS
August 31, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 914,339	$ 948,943
Prepaid expenses	6,233	6,470
Total current assets	920,572	955,413
Restricted Cash and Cash Equivalents	3,857,316	3,492,437
Capital Assets-Net	10,920,905	11,319,038
Financing Costs-Net	1,138,754	1,233,762
Total assets	$ 16,837,547	$ 17,000,650
LIABILITIES AND DEFICIENCY IN MEMBER'S CAPITAL		
Current Liabilities		
Management fees payable	$ 211,487	$ 216,078
Interest payable	429,357	443,107
Current portion of long-term debt	520,000	500,000
Total current liabilities	1,160,844	1,159,185
Long-term Debt – Net of current portion	15,818,834	16,402,055
Deficiency in Member's Capital	(142,131)	(560,590)
Total liabilities and deficiency in member's capital	$ 16,837,547	$ 17,000,650

See accompanying notes to financial statements.

MARAUDER DEVELOPMENT, LLC
STATEMENTS OF OPERATIONS
Years ended August 31, 2015 and 2014

	2015	2014
REVENUES		
Rental revenues	$ 3,021,240	$ 3,086,834
Interest income	61,138	61,140
Total revenues	3,082,378	3,147,974
EXPENSES - Housing facilities		
Management fees	211,487	216,078
Operating expenses	894,379	822,298
Surplus expense	184,419	42,197
Depreciation and amortization expense	493,141	494,660
Interest expense	880,493	909,712
Total expenses	2,663,919	2,484,945
Increase in Member's Capital	418,459	663,029
Deficiency in Member's Capital - Beginning of year	(560,590)	(1,223,619)
Deficiency in Member's Capital - End of year	$ (142,131)	$ (560,590)

See accompanying notes to financial statements.

MARAUDER DEVELOPMENT, LLC
STATEMENTS OF CASH FLOWS
Years ended August 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Increase in member's capital	$ 418,459	$ 663,029
Adjustments to reconcile increase in member's capital to net cash from operating activities		
Depreciation	398,133	398,133
Amortization of issuance costs	95,008	96,527
Amortization of bond discount	21,779	23,499
Decrease (increase) in assets		
Prepaid expenses	237	(798)
Increase (decrease) in liabilities		
Management fees payable	(4,591)	216,078
Accrued interest payable	(13,750)	(19,827)
Net cash provided by operating activities	915,275	1,376,641
Cash Flows from Financing Activities		
Retirement of bonds payable	(585,000)	(810,000)
Net Increase in Cash and Cash Equivalents	330,275	566,641
Cash and Cash Equivalents - Beginning of year	4,441,380	3,874,739
Cash and Cash Equivalents - End of year	$ 4,771,655	$ 4,441,380
Cash paid for interest	$ 872,464	$ 906,040

NOTE 1 - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

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

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

Marauder maintains commercial checking and savings accounts in several financial institutions. These accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of August 31, 2015 and 2014, amounts held in financial institutions that exceeded insured limits were approximately $2,571,000 and $2,236,000, respectively.

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

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

Description	Years
Building	40
Building improvements	15
Furniture	7

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

Financing Costs: The unamortized financing costs include consulting fees, attorney's fees and other fees incurred in connection with the bond obligations. These costs are capitalized and amortized on the interest method over the lives of the bonds and are included as amortization expense. Accumulated amortization at August 31, 2015 and 2014 was $1,176,415 and $1,081,407, respectively.

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

(Continued)

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

Surplus Expense: The agreement with the University requires that the year-end balance in the surplus account held by the trustee, less applicable amounts for management fees that have not been funded to the management fee accounts, is paid at 90 percent to the University as a land/lease payment, with the remaining 10 percent to the Foundation. The trustee is required to calculate this surplus from the audited financial statements beginning with the August 31, 2005 year end. Based on the information provided by the trustee, the amount calculated for the years ended August 31, 2015 and 2014 was $184,419 and $42,197, respectively.

Management Fee: During 2015 and 2014, Marauder incurred a management fee of $211,487 and $216,078, respectively, to the University for administrative services.

Income Taxes: Marauder is treated as a pass-through entity for federal income tax purposes. Marauder's taxable income or loss is passed through to the Foundation, which is a tax-exempt entity. The Foundation files income tax returns in the U.S. federal and various state jurisdictions. With few exceptions, Marauder is no longer subject to tax examinations by tax authorities for years before June 30, 2009. As of August 31, 2015 and 2014, Marauder's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year end. Marauder does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

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

Subsequent Events: The financial statements and related disclosures include evaluation of events through and including December 30, 2015, the date the financial statements were available to be issued.

NOTE 2 - RESTRICTED CASH AND CASH EQUIVALENTS

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

	2015	2014
Debt interest account	$ 429,362	$ 443,107
Repair and replacement fund	1,105,029	1,036,008
Debt principal fund	520,014	500,020
Redemption fund	376,415	87,000
Debt reserve fund	1,426,496	1,426,302
Total restricted	$ 3,857,316	$ 3,492,437

(Continued)

NOTE 3 – CAPITAL ASSETS

Details of capital assets are summarized as follows:

	2015	2014
Building	$ 15,267,051	$ 15,267,051
Building improvements	246,851	246,851
Furniture	859,653	859,653
Total capital assets	16,373,555	16,373,555
Less accumulated depreciation	(5,452,650)	(5,054,517)
Net	$ 10,920,905	$ 11,319,038

Depreciation expense on property and equipment totaled $398,133 annually for 2015 and 2014.

NOTE 4 – LONG-TERM DEBT

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

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

(Continued)

NOTE 4 – LONG-TERM DEBT (Continued)

For the year ended August 31, 2014, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance September 1, 2013	Additions	Payments	Balance August 31, 2014
Revenue Bonds Series 2002	3.0-5.625%	2032	$ 7,253,215	$ 11,395	$ (550,000)	$ 6,714,610
Revenue Bonds Series 2004	3.3-5.1%	2035	10,435,341	12,104	(260,000)	10,187,445
Total			$ 17,688,556	$ 23,499	$ (810,000)	16,902,055
Less current portion						500,000
Long-term portion						$ 16,402,055

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

Year Ending August 31,	Series 2002 Bonds Principal	Series 2002 Bonds Interest	Series 2004 Bonds Principal	Series 2004 Bonds Interest	Total
2016	$ 235,000	$ 347,431	$ 285,000	$ 498,995	$ 1,366,426
2017	245,000	335,431	300,000	485,683	1,366,114
2018	260,000	322,806	310,000	471,498	1,364,304
2019	275,000	308,916	325,000	456,494	1,365,410
2020	285,000	293,866	340,000	440,275	1,359,141
2021-2025	1,695,000	1,213,103	1,980,000	1,920,875	6,808,978
2026-2030	2,215,000	677,509	2,530,000	1,354,560	6,777,069
2031-2035	1,265,000	88,734	3,245,000	621,562	5,220,296
2036	-	-	750,000	19,125	769,125
Total	$ 6,475,000	$ 3,587,796	$ 10,065,000	$ 6,269,067	$ 26,396,863

During 2002, Marauder issued $8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The unamortized bond discount was $60,433 and $70,390 at August 31, 2015 and 2014, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from $235,000 on September 1, 2015, to $200,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. During 2015, $85,000 of bonds due on September 1, 2032 were called and retired in addition to $225,000 scheduled to be retired on September 1, 2014. During 2014, $335,000 of bonds due on September 1, 2032 were called and retired in addition to $215,000 scheduled to be retired on September 1, 2013. Interest, at rates varying from 3.0 to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

(Continued)

NOTE 4 – LONG-TERM DEBT (Continued)

During 2004, Marauder issued $12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The unamortized bond discount is $140,733 and $152,555 at, August 31, 2015 and 2014, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from $285,000 on September 1, 2015, to $750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

Bond Legislation provides that Marauder Development, LLC, will charge rates sufficient for the excess of revenues over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio). As of August 31, 2015 and 2014, Marauder Development, LLC is in compliance with these requirements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Management and the Board of Trustees
Marauder Development, LLC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Marauder Development, LLC ('Marauder'), which comprise the statement of financial position as of August 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated the same day as this report.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 30, 2015

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

FINANCIAL STATEMENTS
June 30, 2015 and 2014

WCSU-FM
Wilberforce, Ohio

FINANCIAL STATEMENTS
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Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of WCSU-FM, Central State University Radio Station (the "Station"), as of and for the year ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Central State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Central State University as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date were effective for the Station's fiscal year ending June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 3 to 5, the Schedule of the Station's Proportionate Share of the Net Pension Liability and the Schedule of the Station's Contributions on page 18 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated December 30, 2015 on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 30, 2015

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

The Statement of Net Position

The statement of net position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector institutions. Net position - the difference between assets and liabilities - are one way to measure the financial activities of the Station. Unrestricted net position decreased by $68,402 during fiscal year 2015 due to the adoption of GASB Statement No. 68 which required WCSU to recognize its unfunded pension benefit obligation as a liability for the first time. During fiscal year 2014, unrestricted net position increased $62,594 due to increased contribution revenue and decreased expenses.

Net investment in capital assets decreased by $4,392 and $21,647 due primarily to depreciation of capital assets during fiscal years 2015 and 2014, respectfully. Total net position decreased $72,794 and increased $40,947 during fiscal years 2015 and 2014, respectively.

Total assets increased by $43,689 during 2015 and increased by $37,713 during 2014; the increase in 2015 and 2014 was related primarily to additional contribution revenue received.

Total liabilities increased by $127,362 in 2015 and decreased by $3,234 in 2014. The increase in 2015 was related primarily to recognition of the net pension liability in accordance with GASB Statement No. 68 offset by a decrease in unearned revenue. The decrease in 2014 was related primarily to a decrease in unearned revenue.

	2015	2014	2013
Assets			
Current assets	$ 317,061	$ 268,980	$ 209,620
Capital assets - net of depreciation	45,065	49,457	71,104
Total assets	$ 362,126	$ 318,437	$ 280,724
Deferred outflows of resources	$ 13,456	$ -	$ -
Liabilities			
Current liabilities	148,445	159,380	162,614
Net pension liability	138,297	-	-
Total liabilities	$ 286,742	$ 159,380	$ 162,614
Deferred inflows of resources	$ 2,577	$ -	$ -
Net position			
Net investment in capital assets	45,065	49,457	71,104
Unrestricted	41,198	109,600	47,006
Total net position	$ 86,263	$ 159,057	$ 118,110

(Continued)

Statement of Revenue, Expenses, and Changes in Net Position

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

	2015	2014	2013
Operating revenue			
Corporation for Public Broadcasting	$ 147,497	$ 141,177	$ 115,924
State Network Commission and private grants	20,729	19,695	23,950
Fundraising revenue, net	-	1,853	8,126
Underwriting revenue	-	2,900	1,835
Contributions	56,283	51,525	12,308
Contributed services	84,199	85,910	91,592
Non-operating revenue			
Net investment income	5,940	8,413	-
Miscellaneous income	-	-	-
University support	482,652	540,949	426,974
Total revenue	797,300	852,422	680,709
Operating expenses			
Program services			
Programming and production	238,214	260,245	244,602
Broadcasting and engineering	84,200	85,910	91,592
Program information and promotion	34,031	37,178	34,943
Support services			
Management and general	385,295	428,142	314,552
Total operating expenses	741,740	811,475	685,689
Increase (decrease) in net position	55,560	40,947	(4,980)
Net position - beginning of year	159,057	118,110	123,090
Adjustment for change in accounting principle	(128,354)	-	-
Net position – beginning of year, as restated	30,703	-	-
Net position - end of year	$ 86,263	$ 159,057	$ 118,110

Operating revenue increased by $5,648, or 1.9 percent during fiscal year 2015; Corporation for Public Broadcasting (CPB) increased by $6,320 (4.5 percent), State Network Commission increased by $1,034 (5.3 percent), contributions increased by $4,758 (9.2 percent) and contributed services decreased by $1,711 (2.0 percent). The CPB revenue has returned to the historical level after the one time drop in FY13. The increase in State Network Commission is due to an increase of State funding from eTech Ohio. The increase in contributions is due to more gifts received during fiscal year 2015.

(Continued)

Statement of Cash Flows

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

	2015	2014	2013
Cash used in operating activities	$ (126,910)	$ (156,100)	$ (186,123)
Cash provided by noncapital financing activities	189,172	216,910	202,736
Cash used in capital and related financing activities	(14,358)	-	-
Increase in cash	47,904	60,810	16,613
Cash - beginning of year	268,980	208,170	191,557
Cash - end of year	$ 316,884	$ 268,980	$ 208,170

The Station consumed $126,910 and $156,100 in operating activities in 2015 and 2014, respectively. The primary operating cash receipts consist of grants and contracts of $231,047 and $215,676 for 2015 and 2014, respectively. Cash outlays include payments for wages and to vendors of $357,957 and $371,776 for 2015 and 2014, respectively. The primary noncapital financing activities consist of support from the University.

For 2015, the primary capital and related financing activities consist of cash used to purchase capital assets. There was no cash used to purchase capital assets during 2014.

Economic Factors that Will Affect the Future

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

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

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

With some success this past year, WCSU-FM will continue to solicit major donors and foundations as part of it fundraising appeals to support local broadcast programs and technical upgrades.

WCSU-FM
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash held by the University	$ 156,000	$ 165,874
Cash held by the Foundation	160,884	103,106
Prepaid expenses	177	-
Total current assets	317,061	268,980
Capital assets - net	45,065	49,457
Total assets	$ 362,126	$ 318,437
Deferred outflows of resources		
Pension	$ 13,456	$ -
Liabilities and net position		
Current liabilities		
Unearned revenue	148,445	157,490
Accounts payable	-	1,890
Total current liabilities	148,445	159,380
Net pension liability	138,297	-
Total liabilities	286,742	159,380
Deferred inflows of resources		
Pension	2,577	-
Net position		
Unrestricted	41,198	109,600
Net investment in capital assets	45,065	49,457
Total net position	$ 86,263	$ 159,057

See accompanying notes to financial statements.

WCSU-FM

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Years ended June 30, 2015 and 2014

	2015	2014
Support and revenue		
Corporation for Public Broadcasting	$ 147,497	$ 141,177
State Network Commission	20,729	19,695
Fundraising revenue (net of expense $0 in 2015 and $2,772 in 2014)	-	1,853
Underwriting revenue	-	2,900
Contributions	56,283	51,525
Contributed services	84,199	85,910
Total support and revenue	308,708	303,060
Expenses		
Program services		
Programming and production	238,214	260,245
Broadcasting and engineering	84,200	85,910
Program information and promotion	34,031	37,178
Support services		
Management and general	385,295	428,142
Total expenses	741,740	811,475
Operating loss	(433,032)	(508,415)
Non-operating revenue		
Net investment income	5,940	8,413
University support	482,652	540,949
Total non-operating revenue	488,592	549,362
Increase in net position	55,560	40,947
Net position - beginning of year	159,057	118,110
Cumulative effect of GASBs 68 and 71 implementation	(128,354)	-
Net position - beginning of year, as restated	30,703	118,110
Net position - end of year	$ 86,263	$ 159,057

See accompanying notes to financial statements.

WCSU-FM
STATEMENTS OF CASH FLOWS
Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Grants and contracts	$ 231,047	$ 215,676
Payments to employees and vendors	(357,957)	(371,776)
Net cash used in operating activities	(126,910)	(156,100)
Cash flows from noncapital financing activities		
University support	189,172	216,910
Cash flows from capital and related financing activities		
Purchase of capital assets	(14,358)	216,910
Increase in cash	47,904	60,810
Cash - beginning of year	268,980	208,170
Cash - end of year	$ 316,884	$ 268,980
Reconciliation of operating loss to net cash from operating activities		
Operating loss	$ (433,032)	$ (508,415)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	18,750	21,647
Donated facilities and administrative support from University	299,417	332,452
Changes in assets and liabilities:		
Pledges receivable	-	1,450
Accounts payable	(2,064)	444
Pension expense	(936)	-
Unearned revenue	(9,045)	(3,678)
Net cash used in operating activities	$ (126,910)	$ (156,100)

See accompanying notes to financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation: WCSU-FM reports as a "business-type activity," as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

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

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

Cash held by the University: The financial records for WCSU-FM are maintained as a part of the operations of the University. Separate fund account activities are maintained to account for the operations of WCSU-FM. Consequently, funds deposited on account for WCSU-FM are reflected in the financial statements as cash held by the University.

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

Pledges Receivable: These are pledge receivables whereby the commitment to pay was made during the fiscal year but the funds were received in the next fiscal year. All pledges were received during 2015 and 2014. There were no outstanding pledge receivables as of June 30, 2015 and 2014, respectively.

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

(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Adoption of Accounting Principle: Due to the Station's adoption of GASBs 68 and 71, net position was restated at July 1, 2014. Previously, pension expense was reported equal to the amount remitted as statutory contributions. With the adoption of GASBs 68 and 71, the Station is required to report a proportionate share of the retirement system's net pension liability (or unfunded liability) and other activity, including pension expense on the Station's financial statements and also provide disclosures in the Notes to the Financial Statements. This standard only impacts financial reporting and does not affect the amount the Station is required to fund under Ohio law. Under Ohio law, employers are not required to pay more than the current statutory contribution.

The effect of this change resulted in a net decrease in net position of the Station at July 1, 2014 of $128,354, comprised of $7,055 of deferred outflows of resources and $135,409 net pension liability. The Station did not retroactively implement these statements as of July 1, 2013 because information was not readily available from the Plan. Therefore, certain disclosures required under previous GASB statements are disclosed for fiscal year 2014.

(Continued)

NOTE 2 - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2015 and 2014 are summarized as follows:

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

	2014			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	$ 15,082	$ -	$ -	$ 15,082
Telecommunications equipment	456,816	-	-	456,816
Total	471,898	-	-	471,898
Less accumulated depreciation:				
Office equipment	15,082	-	-	15,082
Telecommunications equipment	385,712	21,647	-	407,359
Total accumulated depreciation	400,794	21,647	-	422,441
Capital assets - net	$ 71,104	$ (21,647)	$ -	$ 49,457

NOTE 3 - CORPORATION FOR PUBLIC BROADCASTING GRANTS

WCSU-FM receives grant funding from the Corporation for Public Broadcasting (CPB) to assist in the operations of WCSU-FM. The CPB grants consist of a Radio Community Service Grant (CSG), which is unrestricted in its use, and a National Program Production and Acquisition Grant (NPPAG), which is restricted to national programming activities. Recognition of the CPB grant revenue is deemed unearned until expenses are incurred. Any unused grant amounts at the end of the spending period must be returned to the granting agency. There were no amounts due to the CPB at 2015 or 2014.

(Continued)

NOTE 4 - STATE NETWORK COMMISSION GRANT AND CONTRIBUTED SERVICES

WCSU-FM receives unrestricted radio station funding through E-Tech Ohio (OET). For the years ended June 30, 2015 and 2014, WCSU-FM received cash support of $20,729 and $19,695, respectively. WCSU-FM received in-kind contributed services support from OET of $79,615 and $72,193 during 2015 and 2014, respectively. WCSU-FM also received volunteer services related to programming activities of $4,584 and $13,717 during 2015 and 2014, respectively

NOTE 5 - UNIVERSITY SUPPORT ALLOCATION

The operations of WCSU-FM are supported primarily by the general revenue of the University. The University effectively covers all operating costs of WCSU-FM in excess of direct support received through grant awards and contributions attributable to WCSU-FM's operations. The University's support allocation totaled $183,232 and $208,497 in direct support for 2015 and 2014, respectively, and $299,420 and $332,452 in indirect administrative support and donated facilities for 2015 and 2014, respectively.

NOTE 6 - LONG-TERM LIABILITIES

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

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

The additions column for net pension liability includes both the beginning restatement adjustment related to the implementation of GASBs 68 and 71 and the current year expense. There were no long term liabilities for the year ended June 30, 2014.

NOTE 7 - RETIREMENT PLANS

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

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

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

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

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

(Continued)

NOTE 7 - RETIREMENT PLANS (Continued)

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

OPERS Benefits

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

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

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

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

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

(Continued)

NOTE 7 - RETIREMENT PLANS (Continued)

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

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

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

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

OPERS Contributions

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

(Continued)

NOTE 7 - RETIREMENT PLANS (Continued)

The Station's contributions to OPERS were $20,546, $23,945, $27,375, and $27,005 for the fiscal years ended June 30, 2015, 2014, 2013 and 2012 respectively. The Station's contributions were equal to the required contributions for each year as set by state statute.

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

At June 30, 2015, the Station reported a liability of $138,297 for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Station's proportion of the net pension liability was based on the Station's long-term share of contributions to OPERS relative to the total projected long-term employer contributions received from all of OPERS' participating employers. At December 31, 2014, the Station's proportion was 0.017494%.

The net pension liability and asset for the Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liabilities were determined by an actuarial valuation as of that date.

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

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

At June 30, 2015, the Station reported $6,039 as deferred outflows of resources related to pensions resulting from Station contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to OPERS pensions will be recognized in pension expense as follows:

2016	$ (719)
2017	(719)
2018	(1,652)
2019	(1,842)
2020	12
Thereafter	40

(Continued)

NOTE 7 - RETIREMENT PLANS (Continued)

Actuarial Assumptions

OPERS Actuarial Assumptions

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

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

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

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

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS Board as outlined in the annual investment plan. The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

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

(Continued)

NOTE 7 - RETIREMENT PLANS (Continued)

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

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

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

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

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

OPERS		2015
Station's proportion of the collective net pension liability (asset)		0.017494%
Station's proportionate share of the collective net pension liability (asset)	$	138,297
Station's covered-employee payroll	$	146,751
Station's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll		94.24%
Plan fiduciary net position as a percentage of the total pension liability		84.00%

SCHEDULE OF THE STATION’S CONTRIBUTIONS

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

Crowe Horwath.

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Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of WCSU-FM, Central State University Radio Station (the "Station"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Station's financial statements, and have issued our report thereon dated December 30, 2015.

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

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Finding 2015-001 in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Finding 2015-001 in the accompanying Schedule of Findings and Responses to be a material weakness.

(Continued)

Compliance and Other Matters

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

The Station's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 30, 2015

Finding 2015-001

Criteria:	The Station should have internal controls over a financial reporting process designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America.
Condition:	Adjusting journal entries were necessary to ensure financial statements were presented in accordance with accounting principles generally accepted in the United States of America.
Cause:	The principal factors appear to be Central State University's (University) turnover that was experienced during and after the current fiscal year.
Effect:	The condition noted above has the potential to lead to misstatements or misclassifications in the financial statements.
Recommendation:	We recommend the University establish a process that is designed to ensure that the Station's financial statements are presented in accordance with accounting principles generally accepted in the United State of America, formalize its reporting and closing process to include reconciliations and schedules that support the amounts recorded in the financial statements and footnote disclosures.
Management's response:	The University concurs with the finding. Management is working to review and update policies and procedures to ensure that staff is knowledgeable and that they can complete tasks when staff turnover occurs in the future.

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Dave Yost • Auditor of State

CENTRAL STATE UNIVERSITY

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 26, 2016

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