Central State University

Financial Statements and Single Audit Reports for the Year Ended June 30, 2002

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Central State University

We have reviewed the Independent Auditor's Report of the Central State University, Greene County, prepared by Deloitte & Touche LLP for the audit period July 1, 2001 through June 30, 2002. 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.

JIM PETRO
Auditor of State

December 24, 2002

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CENTRAL STATE UNIVERSITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis section provides an overview of the Central State University's (the "University") activities for the year ended June 30, 2002 from a financial perspective. This section should be considered in conjunction with the financial statements and footnotes.

Financial Highlights

For the fiscal year ended June 30, 2002, Central State University's revenues exceeded expenses by $364,773, creating an increase in net assets of the same. Increased enrollment revenue and management controls was offset by the State funding decrease of $1.2 million and the expense increase of $2.8 million in depreciation expense.

Overview of the Financial Statements

Using Financial Reports

The University's financial statements were prepared in accordance with Governmental Accounting Standards Board (GASB) principles. For the fiscal year 2002, the University implemented GASB statements 34 and 35. These statements establish standards for external financial reporting that require a consolidated financial statement for the University as a whole.

The major changes to financial reports are:

- Three consolidated financial statements**:** Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

- Establishing an operating and nonoperating basis of reporting whereby revenue from university goods and services are operating revenue while all other is considered nonoperating. For a state-supported university such as Central State University, the support from the State of Ohio is the largest nonoperating item.

- Institutional scholarships, federal Pell Grants, and federal SEOG grants applied to student accounts as part of financial aid are now shown as a reduction of student tuition, residence, and dining fees. Previously, these scholarships and grants were presented as expenses.

- Capital assets now must be depreciated over the useful life of the asset. As a result, the prior years' depreciation is shown as accumulated depreciation on the Statement of Net Assets. Each year depreciation expense must now be included to recognize the cost of aging assets.

Since GASB 35 has been adopted by the University for the year ended June 30, 2002, comparative analysis will not be provided this year but will be presented in future years.

Total assets decreased from $129.4 million in FY01 to $67.9 million in FY02. The decrease is primarily related to accumulated depreciation of $49.8 million, which was not included in financial statements of the prior year, $2.8 million in inter-fund amounts eliminated by consolidation of the unrestricted and restricted funds, and a $1.6 million decrease in receivables. This decrease was partially offset by an increase of capital assets of $2.8 million.

Capital asset additions included campus-wide HVAC upgrades, $701,000 in equipment additions, and $1.6 million for the Stokes Center on Aging. Capital renovations also were accomplished in the Hunter and Williamson residence halls and the Mercer Cafeteria to provide an improved physical environment for learning and campus life. Various technology upgrades were completed, including a major upgrade on the campus network, and new computer equipment for student laboratories in the library and C.J. McLin building. Details of the capital asset breakdown and associated long-term debt are presented in Footnotes C and E.

Total liabilities decreased from $16.6 million in FY01 to $11.3 million in FY02; the decrease in liabilities is related to the $2.8 million in inter-fund amounts eliminated by consolidation of the unrestricted and restricted funds, a $945,000 deferred student revenue decrease, a $347,000 decrease in accounts payable and a $775,000 decrease in accrued salaries, wages, and benefits.

The University's total net assets decreased in FY02 from $103.8 million to $56.6 million. This decrease was primarily related to accumulated depreciation of capital assets totaling $47.3 million, as well as $2.8 million in depreciation expense in the current year.

NET ASSETS
(in millions)

Current	$13.0
Other noncurrent assets	2.3
Capital assets	52.6
Total assets	**67.9**
Current liabilities	7.8
Long-term liabilities	3.5
Total liabilities	**11.3**
Net assets:	
Invested in capital assets	49.4
Restricted – expendable	0.8
Restricted – unexpendable	2.9
Unrestricted	3.5
Total net assets	**$56.6**

Statement of Revenue, Expenses and Changes in Net Assets

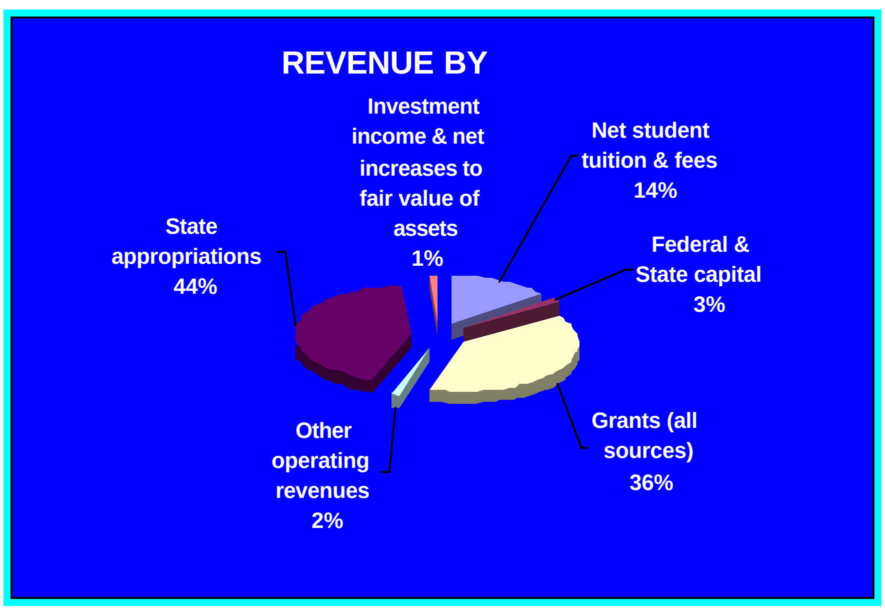
The increase in net assets for fiscal 2002 was $364,773. The decrease from prior year's increase in net assets is primarily related to an expense increase for depreciation expense of $2.8 million and a $1.2 million revenue decrease due to reductions in State appropriations. Operating revenue increased $1,072,149 in tuition and fees and auxiliary services as a result of a 24% increase in enrollment in FY02. Operating expense increased 2%, primarily attributable to costs necessary to support the delivery of instruction and the previously noted depreciation expense.

During the year we were able to complete a project that documented corrections needed to our restricted funds. Most of these corrections were needed due to multi-year grant accounting records that were not finalized during the mid 1990's. In prior years, we have recorded estimates of amounts to close out these funds. However, our research has shown that many balances were multi-year funds, and when they were combined and closed, the previously recorded amounts were no longer necessary. As a result, the change in assets in 2002 was increased approximately $388,000.

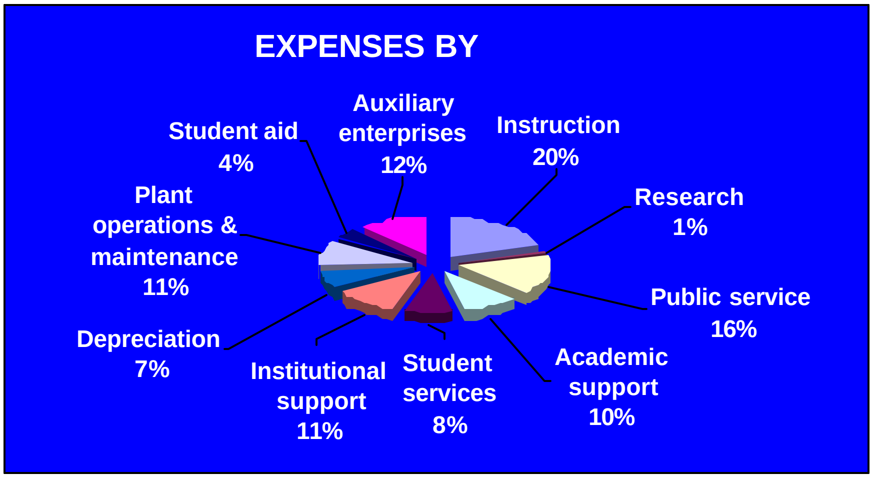
REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(in millions)

Revenues – operating	
Student tuition and fees, net	$ 2.8
Federal grants and contracts	12.4
State and local grants and contracts	2.3
Senate bill 6	0.4
Auxiliary enterprises, net	3.0
Indirect cost recovery	0.6
Other operating revenue	0.3
Total operating revenues	**21.8**
Expenses – operating	
Instruction	8.1
Research	0.5
Public service	6.7
Academic support	4.2
Student services	3.2
Institutional support	3.6
Depreciation	2.8
Plant operations and maintenance	4.3
Student aid	1.7
Auxiliary enterprises	5.0
Total operating expenses	**40.1**
Non-operating and other revenues	
Federal and state capital	1.0
State appropriations	17.7
Investment income and net increase in fair value of investments	0.2
Interest on capital-related debt	(0.2)
Increase in net assets	**$ 0.4**

The following is a graphic representation of the University's total revenue by source:



The following is a graphic representation of our total expenditures by function:



Statement of Cash Flows

For the year ended June 30, 2002, the University had an increase in cash of $926,650, mainly as a result of management's actions to reduce spending in response to lower state funding levels compared to prior years.

Future Economic Factors

During fiscal year 2002, the capacity for student housing, which had to be supplemented with other sources due to enrollment increases, was increased in FY2003 as a result of the construction of a new, 300-bed resident hall. This will allow the University to discontinue its arrangement of supplemental local student housing. Planning has also begun for the new University Center, which will result in improved facilities for Student Services, Dining, Recreation, and the Student Government.

Student Enrollment at Central State University continues to grow; however, the State funding reductions that have occurred as a response to the economic downturn experienced in Ohio and nationally, have resulted in scarce financial resources. Resources for State funding of higher education appear equally limited in the near future.

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

The President and Board of Trustees of
Central State University and Mr. Jim Petro,
Auditor of State:

We have audited the accompanying statement of net assets of Central State University (the "University") as of June 30, 2002, and the related consolidated statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the management of the University. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central State University at June 30, 2002, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the financial statements, in fiscal year 2002, the University has implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,* GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government: Omnibus,* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's Discussion and Analysis on pages 1 – 4 are not a required part of the basic financial statements but are supplementary information required by the GASB. This supplemental information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Central State University taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on pages 20 – 23, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule is the responsibility of the University's management. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 11, 2002, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DELOITTE & TOUCHE LLP

November 11, 2002

Deloitte
Touche
Tohmatsu

CENTRAL STATE UNIVERSITY

STATEMENT OF NET ASSETS
JUNE 30, 2002

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents (Note B)	$ 9,508,744
Accounts receivable, net of allowance of $6,527,194	3,148,364
Prepaid expenses	316,939
Notes receivable	51,932
Total current assets	13,025,979
NONCURRENT ASSETS:	
Restricted cash and cash equivalents (Note B)	2,136,925
Investments (Note B)	203,275
Prepaid expenses	2,000
Capital assets, net (Note C)	52,554,649
Total noncurrent assets	54,896,849
Total assets	$ 67,922,828

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	$ 1,655,489
Accrued salaries, wages and benefits (Notes F)	2,116,353
Deferred student fee income	136,624
Other deferred revenue	3,100,147
Deposits	179,584
Current portion of long-term debt (Note E)	243,941
Other liabilities	330,335
Total current liabilities	7,762,473
NONCURRENT LIABILITIES:	
Long-term debt (Note E)	2,948,503
Accrued salaries, wages and benefits (Notes D and F)	582,329
Total noncurrent liabilities	3,530,832
Total liabilities	11,293,305
NET ASSETS:	
Invested in capital assets - net of related debt	49,362,205
Restricted - expendable	789,554
Restricted - unexpendable	2,911,171
Unrestricted	3,566,593
Total net assets	56,629,523
Total liabilities and net assets	$ 67,922,828

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

CENTRAL STATE UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2002

REVENUES	
Operating revenues:	
Student tuition and fees	$ 4,507,445
Less grants and scholarships	(1,730,847)
Student tuition and fees net of grants and scholarships (Note A)	2,776,598
Federal grants and contracts	12,433,193
State and local grants and contracts	2,351,413
Senate Bill 6	399,150
Auxiliary enterprises (net of grants and scholarships of $1,895,230)	3,034,956
Indirect cost recovery	582,032
Other operating revenues	258,010
Total operating revenues	21,835,352
EXPENSES	
Operating expenses:	
Education and general:	
Instruction	8,118,343
Research	551,161
Public service	6,725,382
Academic support	4,157,284
Student services	3,183,246
Institutional support	3,701,582
Depreciation	2,775,851
Plant operations and maintenance	4,350,110
Student aid	1,666,450
Auxiliary enterprises	4,953,702
Total operating expenses	40,183,111
Operating loss	(18,347,759)
Nonoperating revenues (expenses):	
State appropriations	17,634,888
Investment income	213,003
Net increase in the fair value of investments	4,215
Interest on capital-related debt	(156,221)
Total nonoperating revenues net of nonoperating expenses	17,695,885
Other revenues:	
Federal capital grants	233,558
State capital grants	783,089
Total other revenue	1,016,647
CHANGE IN NET ASSETS	364,773
NET ASSETS:	
Beginning of year as previously reported	104,253,713
Cumulative effect of change in accounting principle (Note A)	(47,988,963)
Beginning of year as restated	56,264,750
End of Year	$ 56,629,523

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

CENTRAL STATE UNIVERSITY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$ 2,842,439
Grants and contracts	15,063,875
Payments to vendors and employees	(33,327,567)
Auxiliary enterprise charges	(1,845,300)
Other receipts	1,112,495
Net cash used in operating activities	(16,154,058)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State appropriations	17,634,888
Federal family education loan receipts	1,303,569
Federal family education loan disbursements	(1,303,569)
Net cash provided by non-capital financing activities	17,634,888
CASH FLOWS FROM FINANCING ACTIVITIES:	
Capital appropriations	783,089
Capital grants	233,558
Purchases of capital assets	(1,404,136)
Principal paid on capital debt and leases	(240,496)
Interest paid on capital debt and leases	(156,221)
Net cash used in financing activities	(784,206)
CASH FLOWS FROM INVESTING ACTIVITIES -	
Interest on investments	230,026
NET INCREASE IN CASH AND CASH EQUIVALENTS	926,650
CASH AND CASH EQUIVALENTS:	
Beginning of year	10,719,019
End of year	$ 11,645,669
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES -	
Operating loss	$ (18,347,759)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Depreciation	2,775,851
Changes in net assets:	
Accounts receivable	1,604,267
Prepaid expenses	(97,695)
Notes receivable	272,452
Accounts payable	(298,890)
Accrued salaries, wages and benefits	65,372
Deferred revenue	(1,580,464)
Other liabilities	(547,192)
Net cash used in operating activities	$ (16,154,058)
NON-CASH TRANSACTIONS - Capital lease	$ 86,020

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

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity – Central State University (the "University"), is a coeducational, degree-granting university, located in Wilberforce, Ohio. The University was originally established in 1887 by the General Assembly of the State of Ohio. The University continued to expand degree programs, which resulted in a granting of University status in 1965 by Statutory Act under Chapter 3343 of the Ohio Revised Code and is a component unit of the State of Ohio as a state university. The University is governed by a Board of Trustees appointed by the Governor with the advice and consent of the State Senate. The University offers undergraduate degrees in Arts and Science, Business, Teacher Education, and Technology. The University also has a branch facility, CSU-West, located in Dayton, Ohio.

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

Accrual Accounting – The accompanying financial statements have been prepared on the full accrual basis of accounting, whereby revenue is recognized in the period earned, or in the case of advances from other governments, when all eligibility requirements are met in accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." Expenditures are recognized when the related liabilities are incurred.

Financial Statements – The University reports as "business type activities," as defined by GASB Statement No 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In accordance with GASB Statement No. 35, the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows are reported on a consolidated basis.

Net Asset Classifications – In accordance with GASB Statement No. 35 guidelines, the University's resources are classified into the following four net asset categories:

Invested in Capital Assets – capitalized physical assets, net of accumulated depreciation and related debt – see Note C.

Restricted – Expendable – net assets related to grants and contracts activity, whose use is subject to externally-imposed restrictions.

Restricted – Unexpendable – net assets represent endowment contributions from donors that are permanently restricted as to principle. Income generated from these funds may be used for student scholarships, loans, instruction, research and other specific university needs.

Unrestricted – net assets that are not subject to externally-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Board of Trustees.

The cumulative effect of applying GASB Statement No. 35 to the University's financial statements is reported as a restatement of beginning net assets. The following is a reconciliation of the total June 30, 2001, fund balances as previous reported, to the restated Net Assets – Beginning of the Year balance reported on the Statement of Revenues, Expenditures and Changes in Net Assets:

	June 30, 2001
Combined fund balances, as previously reported	$ 104,253,713
Accumulated depreciation	(47,323,747)
Other (Note N)	(665,216)
Combined fund balances, restated as net assets	$ 56,264,750

Operating Versus Nonoperating Revenues and Expenses – The University defines operating activities as reported on the Statement of Revenues, Expenses and Changes in Net Assets as those that generally result from exchange transactions such as payments received for providing goods or services and payments made for goods or services received. All of the University's expenses are from exchange transactions. Certain significant revenue streams relied on for operations are reported as nonoperating revenues as required by GASB Statement No. 35, including state appropriations, investment income, and state capital grants.

Cash and Cash Equivalents can include cash, certificates of deposit, and money market funds, stated at cost which approximates market.

Deferred Student Fee Income consists of the unearned portion of student tuition and fees for the Summer 2002 session.

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

Buildings	40 years
Automobiles, machinery and equipment	5-15 years

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

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

Reclassification – Certain reclassifications have been made to conform balances with the 2002 presentation.

Income Taxes – The University is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. The University is subject to taxes on unrelated business income. The University did not have unrelated business income for the year ended June 30, 2002.

Risk Management – The University is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; national disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising form such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The University is self-insured for student health insurance claims; the recorded liability for these claims is $35,000 as of June 30, 2002.

Accounting Pronouncements – Effective July 1, 2001, the University adopted Government Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," and GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis -for Public Colleges and Universities – an amendment of GASB Statement No. 34." Also effective July 1, 2001, the University adopted two related GASB Statements: GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures." These statements establish comprehensive new financial reporting requirements for governmental colleges and universities throughout the United States. Much of the reporting of the University has been restructured and includes management discussion and analysis.

GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14," was issued in May 2002. This Statement amends Statement 14 to provide additional guidance to determine whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary entity. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of an institution. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2003. The University believes, based on a preliminary assessment of the Statement, that the Central State University Foundation will be included as a component unit of the University in its financial statements beginning in fiscal year 2004.

B. CASH AND CASH EQUIVALENTS AND INVESTMENTS

In accordance with the State of Ohio's and the University's policy, the University is authorized to invest in obligations of the U.S. Treasury, Agencies and Instrumentalities, municipal and state bonds, certificates of deposit collateralized at market value, repurchase agreements, reverse repurchase agreements and forward commitments. Statutes also authorize the University to invest Endowment funds in the above investments, as well as commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, eurodollars, corporate bonds, common and preferred stock, mutual funds and real estate upon specific authorization of the Board of Trustees. The classification of cash and cash equivalents, and investments in the financial statements is based on the criteria set forth in GASB Statement No. 3. Cash equivalents are defined to include investments with original maturities of three months or less.

The carrying amounts at June 30, 2002 of the University's cash deposits were $9,845,724. At June 30, 2002, bank balances for the cash deposits were $11,031,653. Of this amount, $302,073 was covered by federal depository insurance and $10,729,580 was covered by collateral held in single financial institutions' collateral pools with securities being held by the pledging financial institutions' agent in the pool's name at June 30, 2002. These arrangements are in compliance with Ohio Revised Code.

GASB Statement No. 3 requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year-end.

These categories are as follows:

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

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

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

The fair value of investments at June 30, 2002 are as follows:

	June 30, 2002
Money market account (included in restricted cash and cash equivalents)	$1,799,945
Mutual funds	197,918
Common stock	5,357
	$2,003,220

The money market investments are held by the custodial banks or their agents who internally designate the investments as owned by or pledged to the University (Category 3). Of the money market accounts held at June 30, 2002, approximately $941,900 is restricted for debt reserve payments, with the remainder restricted for University endowment.

C. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2002, is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land and improvements	$ 308,650	$ -	$ -	$ 308,650
Buildings and improvements	89,197,031	2,122,399	-	91,319,430
Automobiles, machinery and equipment	10,267,351	701,199	246,760	10,721,790
Construction in Progress	1,391,059	42,617	1,376,059	57,617
Total	101,164,091	2,866,215	1,622,819	102,407,487
Less accumulated depreciation:				
Buildings and improvements	40,082,571	1,945,516		42,028,087
Equipment and fixtures	7,241,176	830,335	246,760	7,824,751
Total accumulated depreciation	47,323,747	2,775,851	246,760	49,852,838
Capital assets, net	$ 53,840,344	$ 90,364	$ 1,376,059	$ 52,554,649

In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and For Long-Lived Assets to Be Disposed Of," the University identified six buildings, mainly dormitories, that had been impaired and recognized a loss for their impairment. In 1996, the State of Ohio architect indicated that several buildings were in violation of numerous safety code requirements. The impairment amount was based upon the expected future cash flows of the impaired assets. The impairment loss was recorded in the year ended June 30, 1999. The impairment reserve recorded at June 30, 2002 for these buildings is $2,330,000.

D. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2002, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 1,163,019	$ 678,465	$ 720,308	$ 1,121,176	$ 720,308
Other liabilities	47,285	7,600	-	54,885	-
Long-term debt	3,346,920	86,020	240,496	3,192,444	243,941
Workers' compensation	665,216	-	529,816	135,400	8,824
	$ 5,222,440	$ 772,085	$ 1,490,620	$ 4,503,905	$ 973,073

E. LONG-TERM DEBT

Long-term debt consists of the following:

	June 30, 2002	Current Portion
Central State University Revenue Bonds of 1962		
Revenue Bonds, Series D, 3.5%, payable in varying installments through December 1, 2002	$ 45,000	$ 45,000
Revenue Bonds, Series E, 3.4%, payable in varying installments through December 1, 2002	28,000	28,000
Central State University Revenue Bonds of 1970		
Revenue Bonds, Series F, 3.0%, payable in varying installments through December 1, 2010	575,000	55,000
Total bonds payable	$ 648,000	$ 128,000
Note payable to HUD, 3.0%, payable in varying installments through June 12, 2010	$ 193,415	$ 21,733
Note payable to the Department of Education, 5.5%, payable in varying installments through November 1, 2021	2,275,509	67,462
Total notes payable	$ 2,468,924	$ 89,195
Central State University Capital Lease		
Capital lease, 6.91%, payable in varying in through September 1, 2004	$ 75,520	$ 33,724

At June 30, 2002, maturities of long-term debt, including interest payments are as follows:

	Principal				
Fiscal Year	**Notes**	**Bonds**	**Capital Leases**	**Interest**	**Total**
2003	$ 89,195	$ 128,000	$ 26,746	$ 152,944	$ 396,885
2004	93,614	60,000	28,644	142,305	324,563
2005	98,263	60,000	20,130	134,018	312,411
2006	103,153	60,000	-	127,023	290,176
2007	108,297	65,000	-	120,003	293,300
2008 - 2012	572,580	275,000	-	484,770	1,332,350
2013 - 2017	648,745	-	-	309,757	958,502
2018 - 2022	755,077	-	-	107,575	862,652
	$ 2,468,924	$ 648,000	$ 75,520	$ 1,578,395	$ 4,770,839

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

The University is required to maintain a Debt Service Payment account and a Debt Service Reserve account under the Department of Education note. The University is required to deposit $23,923 semi-annually in the Debt Service Payment account for the principal and interest payments. The University has accumulated the required reserve in the Debt Service Reserve account ($191,704). The University is now required to deposit $28,010 annually into a Repair and Replacement Reserve account until $280,100 has been accumulated in that account ($118,492 accumulated at June 30, 2002).

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

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

b. The Debt Service Reserve Fund is equal to the maximum principal and interest requirements for any consecutive two-year certain series of dormitory revenue bonds.

c. The Contingency Repair and Replacement Fund is equal to one quarter of one percent of the cost of construction on all dormitory facilities then under construction plus three percent of the cost of movable equipment for all dormitory facilities.

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

F. COMPENSATED ABSENCES FOR VACATION AND SICK LEAVE

The University has three classifications of employees: Classified, Contract, and Faculty:

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

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

Faculty Employees are full-time academic employees. Faculty employees accrue sick leave at a rate of 15 days per year. Faculty employees accruing vacation in excess of 30 days shall forfeit it. One-third of accumulated sick leave, not to exceed one-third of 120 days, is payable to faculty employees with ten years or more of service upon retirement.

Vested or accumulated leave is recorded as an expenditure and liability of the current funds as the benefits accrue to employees.

G. STATE SUPPORT

The University is a state-assisted institution of higher education, which receives a student-based subsidy determined annually using a formula devised by the Ohio Board of Regents.

In March 1997, the Ohio General Assembly approved a bill providing $10.3 million in additional appropriations for emergency aid to the University to pay past due bills and provide operating funds. The University made draws for $449,983 during the year ended June 30, 2002, leaving an undrawn balance of $781,814 as of June 30, 2002. By approval of this bill, the State also forgave a $1.5 million loan that was made in April 1995 by the State to the University.

In addition to the student subsidies and the special supplement, the State of Ohio provides the funding for construction of major plant facilities on the University campus. The funding is obtained from the issuance of revenue bonds by the Ohio Pubic Facilities Commission (OPFC), which in turn results in construction and subsequent transfer of the facility to the University by the Ohio Board of Regents.

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

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

H. RETIREMENT PLANS

University faculty participate in either the State Teachers Retirement System of Ohio (STRS) or an alternative retirement plan (ARP). Substantially all other employees participate in either the Public Employees Retirement System of Ohio (PERS) or the ARP.

The PERS and STRS plans are statewide cost sharing, multiple employer, defined benefit retirement plans. Each provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The PERS and STRS plans also provide health care benefits to vested retirees. Authority to establish and amend benefits for PERS and STRS is provided by state statute by Chapters 145 and 3307, respectively, of the Ohio Revised Code.

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

PERS	STRS
227 East Town Street	275 East Broad Street
Columbus, Ohio 43215	Columbus, Ohio 43215
Telephone (614) 466-2085	Telephone (614) 227-4090

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

	Retirement System	University Share	Employee Share
Classified, contract	PERS	13.31 %	8.5 %
Faculty	STRS	14.00 %	9.3 %

The University's contributions, representing 100% of employer contributions, for the periods ended June 30, 2002, 2001 and 2000, are as follows:

	PERS	STRS
2002	$575,363	$447,857
2001	581,702	670,303
2000	514,817	516,516

Certain full-time University faculty and staff have the option to choose the ARP in place of STRS or PERS. The ARP is a defined contribution plan which provides employees with the opportunity to establish individual retirement accounts with a defined group of investment options, with each participant having control of the assets and investment options associated with those assets. The administrators of the plan are the providers of the plan investment options. Authority to establish and amend benefits and contribution requirements of the ARP is provided by state statute per the Ohio Revised Code.

Under the provisions of ARP, the required contribution rates for plan participants are 9.3% and 8.5% of employees' covered compensation for employees who would otherwise participate in STRS and PERS, respectively. The University contributes 8.24% of a participating faculty members' compensation and 13.31% of a participating contract staff member's compensation to the participant's account. The University is also required to contribute an additional 5.76% of employees' covered compensation to STRS. Plan participants' contributions were $281,203 and $293,381, and the University's contributions to the ARP were $416,001 for the years ended June 30, 2002 and 2001. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were $15,572 for the year ended June 30, 2002.

I. OTHER POSTEMPLOYMENT BENEFITS

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

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to other post employment health benefits. Under the new method, effective January 1, 1998, employer contributions, equal to 4.3% of member covered payroll, are used to fund healthcare expenses. Under the prior method, accrued liabilities and the normal cost rates were determined for retiree health care coverage.

The actuarial value of PERS net assets available for these benefits at December 31, 2000 were $11.736 billion. There were 411,076 active contributing members. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $14.365 billion and $2.269 billion, respectively. For the year ended June 30, 2002, the University contributed $185,880 to PERS for OPEB funding, which is equal to the actuarially required contributions of the plan.

STRS currently provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Pursuant to ORC, STRS has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS are included in the employer contribution rate. For the fiscal year ended June 30, 2001, STRS allocated employer contributions equal to 8.0% of covered payroll to a Health Care Reserve Fund (HCRF) from which payments for health care benefits are paid. The balance in the HCRF was $3.256 billion at June 30, 2001. For the fiscal year ended June 30, 2001, STRS allocated employer contributions equal to 8.0% of covered payroll to the HCRF. There were 102,132 benefit recipients eligible for post employment benefits at that date. For the year ended June 30, 2002, the University contributed $143,954 to fund these benefits.

J. 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, which have been charged to their grants or contracts, are subject to examination and approval by the granting agency. It is the opinion of University administration that any potential disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

K. COMMITMENTS AND CONTINGENCIES

Commitments – The University has encumbered approximately $3,279,000 of funds as of June 30, 2002. These encumbrances represent purchase orders and other commitments for materials or services not received as of fiscal year-end. These are not included as liabilities in the statement of net assets.

Litigations – The University is involved in various litigation and regulatory matters. Based upon management review, the ultimate disposition of these matters are uncertain; therefore, no adjustments have been made to the financial statements relative to these matters. The University's administration believes that the ultimate disposition of these matters would not have a material adverse effect upon the financial condition of the University.

L. 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. Net assets totaling approximately $2,600,000 as of June 30, 2002, are held by the Foundation and are not recorded in the accompanying balance sheet. Amounts received by the University from the Foundation in the form of private gifts, grants, and contracts amounted to $217,590 for the year ended June 30, 2002.

M. SEGMENT INFORMATION

The following information represents identifiable activities for which the University's outstanding revenue bond debt is related. These activities provide dormitory space and food service to students of the University.

Condensed Statement of Net Assets	**June 30, 2002**
Assets:	
Current assets	$ 2,329,285
Capital assets	595,656
Total	2,924,941
Liabilities:	
Current liabilities	310,740
Long-term liabilities	2,924,835
Total	3,235,575
Net Assets (Deficit):	
Invested (deficit) in capital assets, net of debt	(2,521,268)
Unrestricted and restricted	2,210,634
Total	$ (310,634)
Condensed Statement of Revenue, Expenses, and Change in Net Assets:	
Operating revenues	$ 3,574,395
Operating and non-operating expenses	2,915,275
Increase in net assets	$ 659,120
Condensed Statement of Cash Flows:	
Cash flows provided by operating activities	$ 866,424
Cash flows used by capital and related financing activities	(386,216)
Net increase in cash	$ 480,208

N. BUREAU OF WORKERS' COMPENSATION

The University participates in a state plan that pays workers' compensation benefits to beneficiaries who have been injured on the job with any of certain state agencies and state universities. The Ohio Bureau of Workers' Compensation (the "Bureau") calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claim 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.

As part of the State of Ohio's implementation of GASB Statement No. 34 and 35, the State has allocated the unfunded workers' compensation liabilities for public employer state agencies to the individual agencies. The University's pro-rata share of this estimated liability for such future payments has been calculated on the basis of the University's share of actual cash payments paid to the Bureau. Accordingly, the University's statement of net assets reflects unfounded workers' compensation liabilities of $135,400 and $665,216 at June 30, 2002 and 2001, respectively.

Management acknowledges that premium payments to the Bureau were designed to meet the cash needs of the Bureau and that costs for injuries in future years will be funded by future premium payments to the Bureau. In addition, the recording of this liability is based upon an allocation of the entire pool on a pro-rata basis by the State of Ohio to the participating state agencies and state universities. Such an amount could differ had a separate actuarial computation by participating state agencies and state universities been performed.

* * * * * *

CENTRAL STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number	Expenditures
STUDENT FINANCIAL ASSISTANCE CLUSTER:		
U.S. Department of Education Direct Programs:		
Federal Supplemental Educational Opportunity Grant	84.007	$ 435,365
Federal Family Education Loans (Note B)	84.032	
Federal Work Study	84.033	504,709
Federal Perkins Loans (Note C)	84.038	
Federal Pell Grant	84.063	2,309,316
Total U.S. Department of Education - Student Financial Assistance		3,249,390
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER		3,249,390
HIGHER EDUCATION - INSTITUTIONAL AID:		
U.S. Department of Education Direct Programs:		
Enhancement Criminal Justice Program	84.031B	$ 1,318
Enhancement Performing Arts Department	84.031B	591
Faculty Development	84.031B	117,840
Financial Aid Services	84.031B	10,748
First Year Experience	84.031B	250,768
Honors Program	84.031B	41,411
Improving Services to Students	84.031B	2,071
Institutional Advancement	84.031B	136,824
International Studies Center Enhancement	84.031B	13,643
Library Acquisition Enhancement	84.031B	150,189
One Stop Student Service Center	84.031B	5,401
Planning for Pharmacy Program	84.031B	5,304
Program Administration	84.031B	96,113
Social Work Program	84.031B	1,444
Strengthen Administrators	84.031B	38,599
Student Leadership	84.031B	122,063
Supplemental Instruction	84.031B	114,772
Technology Upgrade	84.031B	22,698
Transfer Articulation	84.031B	86,310
Total U.S. Department of Education Direct Programs		1,218,107
TOTAL HIGHER EDUCATION - INSTITUTIONAL AID		1,218,107

See notes to the Schedule of Expenditures of Federal Awards. (Continued)

CENTRAL STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number	Expenditures
TRIO CLUSTER:		
U.S. Department of Education Direct Programs:		
TRIO: Student Support Services	84.042A	$ 286,215
TRIO: Upward Bound	84.047A	541,414
Total U.S. Department of Education Direct Programs		827,629
TOTAL TRIO CLUSTER		827,629
RESEARCH AND DEVELOPMENT CLUSTER:		
National Aeronautics and Space Administration -		
Ohio Space Grant	43.001	13,316
National Oceanic and Atmospheric Administration -		
Identification of Soil	11.432	77
TOTAL RESEARCH AND DEVELOPMENT CLUSTER		13,393
U.S. Department of Education Direct Programs -		
MISP Project	84.120A	1,831
U.S. Department of Health and Human Services:		
Family and Community Violence Prevention	93.910	5,979,794
Family Life Center	93.910	172,643
Subtotal		6,152,437
Health Care/Other Facilities	93.887	614,635
Total U.S. Department of Health and Human Services		6,767,072

See notes to the Schedule of Expenditures of Federal Awards

(Continued)

CENTRAL STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Transportation:		
Summer Transportation Program	20.000	$ 66,065
Transportation Forum	20.000	772
Total U.S. Department of Transportation		66,837
U.S. Department of Energy:		
Student Outreach with Renewable Energy Technology	81.087	52,220
HBCU Photovoltaic Association	81.087	11,295
Total U.S. Department of Energy		63,515
U.S. Department of Defense:		
LEAN Transition	12.000	32,395
Summer Engineering Camp	12.000	1,440
Symvionics Mentor/Protégé Program	12.000	36,025
Integrated Product/Process Design	12.000	145,155
Subtotal		215,015
SEMAC Urban Education	12.300	70,599
Total U.S. Department of Defense		285,614
U.S. Department of Enviromental Protection Agency -		
US EPA Training Program	66.607	21,156
U.S. Department of Housing and Urban Development -		
Tawawa Development Corporation	14.237	120,434
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 12,634,978

See notes to the Schedule of Expenditures of Federal Awards.

(Concluded)

CENTRAL STATE UNIVERSITY

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Central State University under programs financed by the U.S. government for the year ended June 30, 2002, and is prepared on the accrual basis of accounting.

For the purposes of the Schedule, expenditures of federal awards include the following:

- Direct federal awards

- Pass-through funds received from non-Federal organizations made under federally sponsored programs conducted by those organizations.

Awards are classified into major program and non-major program categories in accordance with the provisions of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Catalog of Federal Domestic Assistance (CFDA) Numbers or Primary Grant Numbers are presented for those programs for which such numbers are available.

B. FEDERAL FAMILY EDUCATION LOANS

Federal Family Education Loans (Federal CFDA Number 84.032) processed for students by the University during the year ended June 30, 2002, are summarized as follows:

Federal Stafford Loans	$2,335,665
Federal Unsubsidized Stafford Loans	1,616,799
Federal Parental Loans for Undergraduate Students (PLUS)	684,685
	$4,637,149

The University is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loan programs and accordingly, these loans are not included in the University's financial statements.

C. PERKINS LOAN PROGRAM

The University administers the Perkins Loan Program (Federal CFDA Number 84.038). Outstanding loans as of June 30, 2002 were $1,170,963.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The President and Board of Trustees of
Central State University and Mr. Jim Petro,
Auditor of State:

We have audited the financial statements of Central State University (the "University") as of and for the year ended June 30, 2002, (on which we have issued our report dated November 11, 2002, which includes an explanatory paragraph relating to the change in accounting principle described in Note A). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

However, we have communicated other observations involving the internal control over financial reporting to the management of the University in a separate letter dated November 11, 2002.

* * * * * *

This report is intended solely for the information and use of the Board of Trustees, the management of the University, the U.S. Department of Education, other applicable U.S. Government Agencies, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

DELOITTE & TOUCHE LLP

November 11, 2002

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The President and Board of Trustees of
Central State University and Mr. Jim Petro,
Auditor of State:

Compliance

We have audited the compliance of Central State University (the "University") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The University's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2002-1 through 2002-5.

Internal Control Over Compliance

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

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

* * * * * *

This report is intended solely for the information and use of the Board of Trustees, the management of the University, the U.S. Department of Education, other applicable U.S. Government Agencies, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

DELOITTE & TOUCHE LLP

November 11, 2002

CENTRAL STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2002

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued – Unqualified

Internal control over financial reporting:

- Material weaknesses identified – None
- Reportable conditions identified that are not considered to be material weaknesses – None

Noncompliance material to the financial statements noted – None

Federal Awards

Internal control over major programs:

- Material weaknesses identified – None
- Reportable conditions identified that are not considered to be material weaknesses – None

Type of auditor's report issued on compliance for major programs – Unqualified

Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 – Yes

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
84.007, 84.032, 84.033, 84.038, 84.063	Student Financial Assistance Cluster
93.910	Family and Community Violence Prevention
84.042A, 84.047A	Trio Cluster

Dollar threshold used to distinguish between type A and type B programs: $379,049

Auditee qualified as low-risk auditee – Yes

Section II – Financial Statement Findings

None

Section III - Federal Award Findings

2002-1

Federal Program:

Student Financial Assistance Cluster, CFDA Numbers 84.007, 84.032, 84.033, 84.038, and 84.063.

Requirement:

Annual Limits for Subsidized Loans (Sophomore): For an undergraduate student who has successfully completed the first year but has not successfully completed the second year of an undergraduate program the limit is: (1) up to $3,500 for a program of study at least an academic year in length, and (2) for programs with less than an academic year remaining, the loan must be prorated. Programs less than one-third of an academic year are not eligible for these loans.

Annual Limits for Unsubsidized Loans (Sophomore): For a student who has not successfully completed the first two years of an undergraduate study: (1) up to $4,000 for a program of study at least an academic year in length; and (2) for programs with less than a full academic year remaining, the loan must be prorated.

Condition:

Per review of a student's application, the student indicated that they were a junior. The student had earned 55 hours and is considered a sophomore by the University standards. Per the A-133 supplement, an independent sophomore student's annual loan limits should have been $3,500 subsidized and $4,000 unsubsidized. Per review of the University records, this student was awarded and disbursed $5,142, which is $1,642 more than the allowed subsidized amount. The student was also awarded and disbursed $5,358 in unsubsidized aid, which is $1,358 more than the allowed amount. This student was awarded and disbursed $3,300 more than the amount stated in the A-133 compliance supplement.

Context:

Auditor noted one error in a total population of 25 students tested.

Cause:

A Financial Aid counselor failed to confirm the grade level on the student application with the grade level per University records before the student was disbursed any SFA funds.

Recommendation:

The number of credit hours earned per University records and the grade level reported on the student application should be compared and reconciled, if necessary, before the student is disbursed any SFA funds.

Management Response:

We agree and address this in the corrective action plan on page 35.

2002-2

Federal Program:

Student Financ ial Assistance Cluster, CFDA Numbers 84.007, 84.032, 84.033, 84.038, and 84.063.

Requirement:

Aggregate Loan Limits for Subsidized and Unsubsidized Loans: Aggregate loan limits for subsidized and unsubsidized loans are $23,000 for a dependent undergraduate student; $46,000 for an independent student (subsidized loan portion may not exceed $23,000 of the aggregate loan amount); and $138,500 for a graduate or professional student subsidized portion limited to $65,000. This $138,500 limit includes loans for undergraduate study.

Condition:

It was noted that a student had received $23,043 in Stafford subsidized Loans, which exceeds the aggregate loan limits per the A-133 supplement. The aggregate limits for subsidized and unsubsidized loans are $23,000 for a dependent undergraduate student

Context:

Auditor noted one error in a total population of 25 students tested.

Cause:

Student financial aid was not aware the student had exceeded the aggregate limit before amounts were disbursed.

Recommendation:

During the packaging of student financial aid funds, a counselor reviews the types of awards packaged and confirms that the student will not exceed any limits if these amounts are disbursed. A system check should put in place that notifies if a student has reached their aggregate limit for either one of the subsidized or unsubsidized loan types before the amounts are packaged for the student.

Management Response:

We agree and address this in the corrective action plan on page 35.

2002-3

Federal Program:

Student Financial Assistance Cluster, CFDA Numbers 84.007, 84.032, 84.033, 84.038, and 84.063.

Requirement:

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment or period of enrollment as of the student withdrawal date. A student earned 100% if his or her withdrawal date is after the completion of 60% percent of (1) the payment period or period of enrollment for a program measured in credit hours or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours. Otherwise, the percentage is equal to the percentage of the payment period or period of enrollment that was completed as of the student's withdrawal date.

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew.

The institution must return the lesser of (1) the total amount of unearned Title IV assistance to be returned as described above; or (2) an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student.

Condition:

It was noted that refunds are not being calculated in a consistent method.

Context:

Auditor noted inconsistencies in the calculations of the refunds selected.

Cause:

A consistent method of calculating refunds has not been established.

Recommendation:

Refund calculations should be reviewed by appropriate management on a regular basis.

Management Response:

We agree and address this in the corrective action plan on page 35.

2002-4

Federal Program:

Student Financial Assistance Cluster, CFDA Numbers 84.007, 84.032, 84.033, 84.038, and 84.063.

Requirement:

Returns of Title IV funds are required to be deposited to the SFA accounts or returned to the appropriate FFEL lender within 30 days after the date the institution determines that the student withdrew. An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment (2) academic year in which the student withdrew (3) or educational program from which the student withdrew.

Condition:

It was noted that the refund calculation was not being calculated within 30 days of the time the student withdraws.

Context:

Auditor noted eight errors in a total population of fourteen students.

Cause:

Student financial aid office is not timely completing the refund calculation when students withdraw.

Recommendation:

The student financial aid department should create a procedure to ensure that when a student withdraws the refund calculation is completed timely.

Management Response:

We agree and address this in the corrective action plan on page 35.

<u>2002-5</u>

Federal Program:

Student Financial Assistance Cluster, CFDA Numbers 84.007, 84.032, 84.033, 84.038, and 84.063.

Requirement:

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment or period of enrollment as of the student withdrawal date. A student earned 100% if his or her withdrawal date is after the completion of 60% percent of (1) the payment period or period of enrollment for a program measured in credit hours or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours. Otherwise, the percentage is equal to the percentage of the payment period or period of enrollment that was completed as of the student's withdrawal date.

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew.

The institution must return the lesser of (1) the total amount of unearned Title IV assistance to be returned as described above; or (2) an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student.

Condition:

It was noted that no support for the original calculation was available and the original calculation was incorrect.

Context:

Auditor noted seven errors in a total population of fourteen students.

Cause:

Hard copy support of the refund calculation was not maintained and reviewed by appropriate management for accuracy.

Recommendation:

Hard copy support of the refund calculations should be maintained and reviewed by appropriate management on a regular basis.

Management Response:

We agree and address this in the corrective action plan on page 35.

2001-1

Federal Program:

Student Financial Assistance Cluster, CFDA Numbers 84.007, 84.032, 84.033, 84.038, and 84.063.

Condition:

During review of the Activities Allowed or Unallowed for Title IV Programs, noted that the Community Service section of the Federal Work Study program required at least one student to be employed as a reading tutor for preschool or elementary school children, or in a Family Literacy Project. In order to meet this requirement, Central State University had two students lined up to work for the America Reads program, but neither one of the students worked for the program during the 2001-2002 school year.

Current Year Status:

The University had two students per quarter employed in the America Reads program during the 2001-2002 academic school year. The University has also moved the America Reads program to the Dayton Project Impact service center to ensure that at least one student is employed by the America Reads program. The University appears to have taken the steps necessary to ensure at least one student is employed by the America Reads Program during the school year.

CENTRAL STATE UNIVERSITY

CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2002

2002 Finding	Action Step	Individual Responsible	Estimated Completion Date
1. Financial aid over-awards.	Packaging (and other) training has been provided for financial aid counselors in May 2002 and will continue throughout the year.	D. Merchant	Training will continue on a bi-weekly basis.
2. Aggregate Loan Limits	Enhancements will be made to the Banner Financial Aid Module to identify students who are close to their aggregate loan limit, and to hold the disbursement of aid until further review.	D. Merchant	December 2002
3. Inconsistencies in the calculations of R2TIV.	We have implemented the R2TIV software to ensure accuracy of calculations. Limited staff will be identified to conduct calculations to ensure consistency.	D. Merchant	October 2002
4. R2TIV calculations not being completed within 30-day requirement.	Obtain bi-weekly electronic rosters from the Registrar's Office identifying those students who have withdrawn from the University.	D. Merchant	October 2002
5. Lack of support for R2TIV calculations.	Hard copies of the R2TIV calculations shall be filed within each student's folder and one copy sent to the Bursar's Office.	D. Merchant	October 2002

WCSU-FM

(A Public Telecommunications Entity Operated by Central State University)

Financial Statements for the Year Ended June 30, 2002 and Independent Auditors' Report

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

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of Central State University:

We have audited the accompanying statement of net assets of WCSU-FM, a public telecommunications entity operated by Central State University as of June 30, 2002, and the related consolidated statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the management of WCSU-FM. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WCSU-FM at June 30, 2002, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the financial statements, in fiscal year 2002, WCSU-FM has implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,* GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government: Omnibus,* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's Discussion and Analysis on pages 2-4 are not a required part of the basic financial statements but are supplementary information required by the GASB. This supplemental information is the responsibility of WCSU-FM management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 26, 2002, on our consideration of WCSU-FM's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DELOITTE & TOUCHE LLP

November 26, 2002

WCSU Radio Station

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2002

Introduction

The Management's Discussion and Analysis section provides an overview of WCSU Radio station ("WCSU") activities for the year ended June 30, 2002 from a financial perspective. This section should be considered in conjunction with the financial statements and footnotes.

Using Financial Reports

WCSU's financial statements were prepared in accordance with Governmental Accounting Standards Board (GASB) principles. For the fiscal year 2002, WCSU implemented GASB statements 34 and 35. These statements establish standards for external financial reporting that require consolidated financial statements for WCSU as a whole.

The major changes to financial reports are:

- Three consolidated financial statements**:** Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

- Capital assets now must be depreciated over the useful life of the asset. As a result, the prior years' depreciation is shown as accumulated depreciation on the Statement of Net Assets. Each year depreciation expense must now be included to recognize the cost of aging assets.

Since GASB 35 has been adopted by WCSU for the year ended June 30, 2002, comparative analysis will not be provided this year but will be presented in future years.

Assets

Total assets decreased $34,208 during fiscal year 2002. Current assets declined slightly and noncurrent equipment assets decreased due to accumulated depreciation.

There were no capital assets purchased during the year.

Total liabilities decreased by $9,275 (6%) primarily due to a decrease in Accounts Payable.

WCSU's total net assets decreased by $24,932 primarily due to depreciation. Prior year net assets were restated to include capital asset accumulated depreciation.

A summary of net assets is as follows (in thousands):

Current and non-current assets	$163
Capital assets	75
Total assets	$238
Current liabilities	$135
Long-term liabilities	0
Total liabilities	135
Net assets:	
Invested in capital assets	75
Unrestricted	28
Total net assets	103
Total	$238

The statement of cash flows shows a $16,274 net use of cash for operations.

Statement of Revenue, Expenses and Changes in Net Assets

The decrease in net assets for fiscal 2002 was $24,932, which was a $51,184 decrease from the prior year. Revenue decreased (3%) due to grant funding reductions.

University support revenue declined 1% from year to year. Expenditures for program services increased by 5%, and support expenditures decreased by 2%. Total operating expense increased (6%), primarily attributable to $17,933 depreciation expense.

REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(in thousands)

Operating revenue	$297
Non-operating revenue:	
Miscellaneous revenues	4
University support	398
Total non-operating revenue	402
Total revenue	$699
Expenses:	
Program Services	438
Supporting Services	286
Total operating expenses	724
Decrease in net assets	$ (25)

Total Revenue by source is summarized as follows:

Corporation for Public Broadcasting 16%, State of Ohio Network Commission 7%, contributed services 21%, and University support 56%.

Future Economic Factors

The State of Ohio funding reductions that have occurred as a response to the economic downturn experienced in Ohio and nationally have resulted in reductions in state support for WCSU. Resources for State funding for WCSU appear equally limited in the near future.

WCSU-FM

(A Public Telecommunications Entity Operated by Central State University)

STATEMENT OF NET ASSETS
JUNE 30, 2002

ASSETS

Current assets—due from University	$ 163,413
Capital assets, net of accumulated depreciation	74,538
Total assets	$ 237,951

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	$ 15,615
Deferred revenues	119,456
Total current liabilities	135,071
Net assets:	
Invested in capital assets	74,538
Unrestricted	28,342
Total net assets	102,880
Total liabilities and net assets	$ 237,951

See notes to financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2002

REVENUES:	
Corporation for Public Broadcasting	$ 112,616
State Network Commission	47,668
Contributed services	136,443
Total revenues	296,727
EXPENSES:	
Operating expenses:	
Programs services:	
Programming, production and broadcasting	410,293
Public information and promotion	27,599
Total program services	437,892
Supporting services—management and general	286,070
Total operating expenses	723,962
Operating loss	(427,235)
NON-OPERATING REVENUES:	
Miscellaneous	3,905
University support:	
Direct	182,336
Indirect	216,062
Total University support	398,398
TOTAL NON-OPERATING REVENUES	402,303
DECREASE IN NET ASSETS	(24,932)
NET ASSETS:	
Beginning year	335,107
Cumulative effect of change in accounting principle	(207,295)
	127,812
End of year	$ 102,880

See notes to financial statements.

WCSU-FM

(A Public Telecommunications Entity Operated by Central State University)

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Grants and contracts	$ 307,399
Payments to vendors and employees	(725,976)
Net cash used in operating activities	(418,577)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES— Other receipts	402,303
NET DECREASE IN CASH EQUIVALENTS	16,274
CASH EQUIVALENTS:	
Beginning of year	179,687
End of year	$ 163,413
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES—Operating loss	$ (427,235)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Depreciation	17,933
Changes in net assets:	
Accounts payable	(19,947)
Deferred revenues	10,672
Net cash used in operating activities	$ (418,577)

See notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Entity—These financial statements reflect only the financial activities of WCSU-FM, 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.

Financial Statements—WCSU-FM reports as "business type activities," as defined by GASB Statement No 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In accordance with GASB Statement No. 35, the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows are reported on a consolidated basis.

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

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

Invested in Capital Assets—Capitalized physical assets net of accumulative depreciation.

Unrestricted—Net assets that are not subject to externally-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Board of Trustees.

Operating Versus Nonoperating Revenues and Expenses—WCSU-FM defines operating activities as reported on the Statement of Revenues, Expenses and Changes in Net Assets as those that generally result from exchange transactions such as payments received for providing goods or services 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.

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

***Accounting Pronouncements*—**Effective July 1, 2001, WCSU-FM adopted Government Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments," and GASB Statement No. 35, "Basic Financial Statements—and Management's Discussion and Analysis -for Public Colleges and Universities—an amendment of GASB Statement No. 34." Also effective July 1, 2001, WCSU-FM adopted two related GASB Statements: GASB Statement No. 37, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures." These statements establish comprehensive new financial reporting requirements for governmental colleges and universities throughout the United States. Much of the reporting of WCSU-FM has been restructured and includes management discussion and analysis.

The cumulative effect of applying GASB Statement No. 35 to WCSU-FM's financial statements is reported as a restatement of beginning net assets. The following is a reconciliation of the total June 30, 2001, fund balances as previous reported, to the restated Net Assets – Beginning of the Year balance reported on the Statement of Revenues, Expenses and Changes in Net Assets:

	June 30, 2001
Combined fund balances, as previously reported	$ 335,107
Accumulated depreciation	(255,274)
Other changes to fixed assets	47,979
Combined fund balances, restated as net assets	$ 127,812

B. DUE FROM UNIVERSITY

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

C. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2002, is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	$ 15,082	$ -	$ -	$ 15,082
Telecommunications equipment	332,663			332,663
Total	347,745			347,745
Less accumulated depreciation:				
Office equipment	10,939	1,226		12,165
Telecommunications equipment	244,335	16,707		261,042
Total accumulated depreciation	255,274	17,933		273,207
Capital assets, net	$ 92,471	$ (17,933)	$ -	$ 74,538

D. 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 CPB grant revenue is deferred until the expenses are incurred. The CPB grants must be used within a specified two-year period, which for fiscal year 2001 grants was October 1, 1999 to September 30, 2002. The fiscal year 2002 grant period is from October 1, 2001 to September 30, 2002. Any unused grant amounts at the end of the spending period must be returned to the granting agency.

E. STATE NETWORK COMMISSION GRANT

WCSU-FM receives unrestricted radio station funding through the Ohio Educational Telecommunications Network Commission. During 2002, WCSU-FM received cash support of $47,668 and in-kind contributed services support of $131,169.

F. UNIVERSITY SUPPORT ALLOCATION

The operations of WCSU-FM are primarily supported by the general revenues of the University. The University effectively covers all operating costs of WCSU-FM in excess of direct support received through grant awards and contributions attributable to WCSU-FM's operations. During 2002, the University's support allocation amounted to $398,398: $182,336 in direct support and $216,062 in indirect administrative support.

G. COMMITMENTS

WCSU-FM has encumbered approximately $19,696 of funds for purchase orders and other commitments for materials and services not received at June 30, 2002. These items are not included as liabilities on the statement of net assets.

* * * * * *

WCSU-FM

(A Public Telecommunications Entity Operated by Central State University)

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2002

	Programming Production and Broadcasting	Public Information and Promotion	Total Program Services	Supporting Services Management and General	Total Expenses
Salaries and wages	$136,278	$19,468	$155,746	$ 38,937	$194,683
Payroll taxes and fringe benefits	43,177	6,168	49,345	12,336	61,681
Professional services	75,398		75,398	800	76,198
Supplies	15,685		15,685		15,685
Travel	2,573		2,573		2,573
Awards		354	354		354
Miscellaneous expenses	739	1,609	2,348	1	2,349
Broadcasting transmission	131,169		131,169		131,169
Volunteer service	5,274		5,274		5,274
Depreciation expense				17,934	17,934
Indirect administrative support:					
Occupancy				149,395	149,395
Institutional support				66,667	66,667
TOTAL	$410,293	$27,599	$437,892	$286,070	$723,962

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

To the Board of Trustees of Central State University:

We have audited the financial statements of WCSU-FM as of and for the year ended June 30, 2002, on which we have issued our report thereon dated November 26, 2002, which includes an explanatory paragraph relating to the change in accounting principle described in Note A to the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

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

Internal Control Over Financial Reporting

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

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

DELOITTE & TOUCHE LLP

November 26, 2002

Deloitte
Touche
Tohmatsu

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JIM PETRO, AUDITOR OF STATE

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CENTRAL STATE UNIVERSITY

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 9, 2003