Central State University
(a component unit of the State of Ohio)

Financial Report

Including Supplemental Information

June 30, 2007

Mary Taylor, CPA
Auditor of State

Board of Trustees
Central State University
P. O. Box 1004
Wilberforce, Ohio 45384

We have reviewed the *Independent Auditor's Report* of Central State University, Greene County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2006 through June 30, 2007. 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. Central State University is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 13, 2007

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Independent Auditor's Report

To the Board of Trustees
Central State University

We have audited the accompanying basic financial statements of Central State University and its discretely presented component unit as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These basic financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Central State University and its discretely presented component unit as of June 30, 2007 and 2006 and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 12, 2007 on our consideration of Central State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2007. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Trustees
Central State University

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis presented on pages 3 though 10 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 12, 2007

This section of Central State University's (the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2007, 2006, and 2005. This discussion should be read in conjunction with the accompanying financial statements and footnotes. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the University's administration.

Using this Report

The University's annual report consists of a series of financial statements prepared in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities.* The financial statements prescribed by GASB Statement No. 35 (the statement of net assets, statement of revenues, expenses, and changes in net assets, and the statement of cash flows) are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. The financial statements focus on the financial condition, the results of operations, and the impact on cash flows of the University as a whole.

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

The statement of net assets includes all assets and liabilities of the University. Changes in net assets (the difference between assets and liabilities) are an indicator of the improvement or erosion of the University's financial health when considered with nonfinancial facts, such as enrollment levels, changes in State funding, facility changes, and the like.

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

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

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

The University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* in 2004. As such, the Central State University Foundation's (the "Foundation") financial statements, footnotes, and management's discussion and analysis have been discretely incorporated into the University's financial statements.

Analysis of Results of Operations

Total revenues for the years ended June 30, 2007 and 2006 were $50.6 million and $57.7 million, respectively, of which operating revenues totaled $31.6 million and $32.2 million, respectively. Operating revenue in fiscal year 2007 decreased $.6 million, or 1.9 percent, when compared with fiscal year 2006.

Total revenues for the years ended June 30, 2006 and 2005 were $57.7 million and $53.1 million, respectively, of which operating revenue totaled $32.2 million and $33.3 million, respectively. Operating revenue decreased $1.1 million, or 3.3 percent, when compared with fiscal year 2005.

Total expenses for the years ended June 30, 2007 and 2006 were $50.7 million and $51.3 million, respectively. Operating expenses decreased $.6 million, or 1.2 percent, when compared with fiscal year 2006.

Total expenses for the years ended June 30, 2006 and 2005 were $51.3 million and $50.6 million, respectively. Operating expenses increased $.7 million, or 1.3 percent, when compared with fiscal year 2005.

The University's operating loss totaled $19.1 million during 2007 compared to $19.0 million in 2006, which represented an unfavorable increase of $.1 million, or .5 percent. The decrease in net assets for fiscal 2007 was $16 thousand.

The University's operating loss totaled $19.0 million during 2006 compared to $17.2 million in 2005, which represented a favorable decrease of $1.8 million, or 10.5 percent.

Student enrollment increased 8.8 percent in fall fiscal year 2007 compared to fall fiscal year 2006; tuition, fees, room, and board rates for 2007 increased 6 percent when compared to 2006 amounts. Of the $0.6 million decrease in operating revenues, federal grants decreased $1.7 million, state, local, and private grants and contracts decreased $.8 million, and other sources decreased $0.6 million offset by $1.2 million related to net tuition and fee increases and $1.4 million increases related to net auxiliary revenue.

Student enrollment decreased 10.8 percent in fall of fiscal year 2006 compared to fall of fiscal year 2005; tuition, fees, room, and board rates for 2006 increased 6 percent when compared to 2005 amounts.

A breakdown and comparison of operating revenues are provided below.

Operating Revenues (in millions)	2007	2006	2005
Tuition and fees - Net	$ 6.8	$ 5.6	$ 5.8
Federal grants and contracts	13.0	14.7	18.4
State, local, and private grants and contracts	2.5	3.2	1.8
Indirect cost recovery	.5	0.7	0.7
Auxiliary activities - Net	7.5	6.1	6.2
Other sources	1.3	1.9	0.4
Total	**$ 31.6**	**$ 32.2**	**$ 33.3**

The University's nonoperating revenues are comprised primarily of State of Ohio (State) appropriations. State appropriations include core funding sources composed of the State's Share of Instructional Support (SSIS) and the Central State University Supplement.

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

State Appropriations (in millions)	2007	2006	2005
State share of instruction	$ 5.5	$ 5.6	$ 5.8
Central State supplement	11.4	10.2	10.7
Total	**$16.9**	**$15.8**	**$ 16.5**

The change in State of Ohio funding from 2007 to 2006 was primarily due to a decrease in SSIS ($.1 million) and an increase of the Central State Supplement ($1.2 million). The change in State of Ohio funding from 2006 to 2005 was comprised of the decreases in SSIS ($0.2 million) and the Central State Supplement ($0.5 million).

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

Expense (in millions)	2007	2006	2005
Instruction	$ 9.4	$ 9.2	$ 8.9
Research	1.4	0.6	0.7
Student services	3.4	3.3	3.4
Academic support	6.1	5.1	4.3
Public services	2.9	6.7	8.8
Institutional administration	7.5	7.7	6.2
Operation and maintenance of plant	4.7	4.3	4.4
Auxiliary enterprises	9.3	8.8	9.0
Student aid	3.2	2.9	2.3
Depreciation	2.8	2.7	2.6
Total	**$ 50.7**	**$ 51.3**	**$ 50.6**

Central State University's operating expenses during 2007 reflected a $0.6 million decrease in operating expenses, totaling $50.7 million in 2007 as compared to $51.3 million in 2006. The decrease in expenses was primarily related to decrease in public services ($3.8 million due to the closure of the FCVP grant) and decrease in institutional administration ($0.2 million) offset by increased focus on academic areas ($0.2 million in instruction, $1.0 million in academic support, and $0.3 million in student aid), $0.5 million increase in institutional support, a $0.5 million increase in auxiliary enterprises due to increased student enrollment, and a $0.8 million increase in research expenditures.

The University's operating expenses during 2006 reflected a $0.7 million increase, totaling $51.3 million in 2006 as compared to $50.6 million in 2005. The increase in expenses was primarily related to increased student enrollment and focus on academic areas.

Analysis of Overall Financial Position

At June 30, 2007, current assets totaled $10.7 million, as compared to $11.1 million at June 30, 2006, a decrease of $0.4 million. The decrease in current assets was primarily attributable to a $0.7 million decrease in accounts receivable and a $0.3 million increase in cash and cash equivalents. Current liabilities at June 30, 2007, as compared to June 30, 2006, totaled $5.9 million and $6.0 million, respectively, a decrease of $0.1 million. The University's working capital ratios at June 30, 2007 and June 30, 2006 were 1.83 and 1.85, respectively. The decrease in current liabilities was primarily attributable to a $0.8 million decrease in accrued salaries, wages, and benefits which was partially offset by a $0.3 million increase in accounts payable, a $0.2 million increase in deferred revenue, and a $0.1 million increase in other liabilities.

The University's current assets at June 30, 2006 totaled $11.1 million, as compared to $14.2 million at June 30, 2005, which represents a decrease of $3.1 million. Current liabilities at June 30, 2006 as compared to June 30, 2005 totaled $6.0 million and $8.8 million, respectively, a decrease of $2.8 million. The University's working capital ratios at June 30, 2006 and June 30, 2005 were 1.85 and 1.61, respectively.

Noncurrent assets are comprised of capital assets and restricted cash and cash equivalents. The $0.7 million increase in the University's noncurrent assets, which total $64.8 million at June 30, 2007 and $64.1 million at June 30, 2006, is associated with a $0.1 million increase in restricted cash and cash equivalents, and a $12.5 million decrease in construction in progress associated with the Center for Education and Natural Sciences building, and a $15.9 million increase in buildings and equipment, partially offset by a $2.7 million increase in accumulated depreciation.

Noncurrent assets at June 30, 2006 were $64.1 million, as compared to $56.9 million at June 30, 2005. The increase was primarily related to the increased of construction in progress associated with the Center for Education and Natural Sciences building.

The University's noncurrent liabilities at June 30, 2007 total $3.4 million, as compared to $2.9 million at June 30, 2006. The total of University noncurrent liabilities is $0.5 million greater than the prior year and is related to the $0.6 million increase in long-term liabilities and the $0.1 million reduction in long-term debt.

Noncurrent liabilities at June 30, 2006 were $2.9 million, as compared to $2.4 million at June 30, 2005. The increase was primarily attributable to a $0.2 million reduction in long-term debt and a $0.7 million increase in long-term liabilities.

The University's net assets were $66.3 million at both June 30, 2007 and 2006.

The University's net assets were $66.3 million and $60.0 million at June 30, 2006 and 2005, respectively. The $6.3 million increase in net assets was primarily attributable to the $7.3 million increase in net investments in capital assets.

Capital Assets and Long-term Debt Activity

The University utilizes State capital appropriations for capital asset expenditures. State capital appropriations are on a biennium basis, and individual institution's capital funding allocations are based largely on enrollment as well as appropriations for new facilities. During 2007, the University utilized $1.9 million in State capital appropriations related to the construction of Phase I of the Center for Education and Natural Sciences facility. During 2006, the University utilized $9.4 million in State capital appropriations for construction of Phase I of the Center for Education and Natural Sciences facility. The total for capital appropriations in fiscal year 2005 was $3.2 million.

The University's long-term debt is comprised of its general revenue bonds, notes payable to Housing and Urban Development and the Department of Education, and capital lease obligations. During 2007, the University did not issue any new debt or capital lease obligations and paid $0.2 million in connection with debt maturities; during 2006, $0.2 million was paid in connection with debt maturities. The University is in compliance with all of its contractual long-term debt requirements and covenants.

A breakdown and comparison of the University's balance sheets as of June 30, 2007, 2006 and 2005 are provided below.

Balance Sheet (in millions)	2007	2006	2005
Assets:			
Current assets	$ 10.8	$ 11.1	$ 14.2
Noncurrent assets	64.8	64.1	56.9
Total assets	**$ 75.6**	**$ 75.2**	**$ 71.1**
Liabilities:			
Current liabilities	$ 5.9	$ 6.0	$ 8.8
Noncurrent liabilities	3.4	2.9	2.4
Total liabilities	9.3	8.9	11.2
Net assets (as restated for 2006 and 2005):			
Invested in capital assets - Net	61.4	60.7	53.4
Restricted for:			
Nonexpendable	-	-	-
Expendable	.9	1.1	1.1
Unrestricted	4.0	4.5	5.4
Total net assets	66.3	66.3	59.9
Total liabilities and net assets	**$75.6**	**$75.2**	**$ 71.1**

Statement of Cash Flows

Net cash used in operating activities was $15.2 million, $18.1 million, and $14.1 million in 2007, 2006, and 2005, respectively. Cash flows from operating activities were primarily comprised of grants and contracts ($16.0 million), tuition and fees ($10.9 million), other receipts ($1.3 million) and auxiliary enterprise charges ($1.6 million), which was offset by payments to suppliers and employees of $44.9 million.

Cash flows from noncapital financing activities were $16.9 million, $15.8 million, and $16.5 million in 2007, 2006, and 2005, respectively. In 2007, these were comprised of State of Ohio appropriations of $16.9 million, and offsetting federal family education loan receipts and disbursements.

Net cash used in capital and related financing activities for 2007, 2006, and 2005 was $1.7 million, $0.7 million, and $1.7 million, respectively. The increase in cash flows is primarily attributable to the decrease in capital grants and gifts being less than the decrease in purchases of capital assets. Cash flows from investing activities increased $0.4 million in 2007, and are related to interest on investments.

The net increase in cash and cash equivalents was $0.4 million in 2007, the net decrease in cash and cash equivalents was $2.7 million in 2006, and the net increase was $0.9 million in 2005. Year-end cash and cash equivalents for 2007, 2006, and 2005 were $8.4 million, $8.0 million, and 10.7 million, respectively.

A breakdown and comparison of the University's statement of cash flows for the years ended June 30, 2007, 2006, and 2004 are provided below:

Cash Flow Activities (in millions)	2007	2006	2005
Cash flows from operating activities	$ (15.2)	$ (18.1)	$ (14.1)
Cash flows from noncapital financing activities	16.9	15.8	16.5
Cash flows from capital and related financing activities	(1.7)	(0.7)	(1.7)
Cash flows from investing activities	0.4	0.3	0.2
Net increase (decrease) in cash and cash equivalents	0.4	(2.7)	0.9
Cash and cash equivalents - Beginning of year	8.0	10.7	9.8
Cash and cash equivalents - End of year	**$ 8.4**	**$ 8.0**	**$ 10.7**

Factors Impacting Future Periods

Phase one (60,000 sq. ft.) of the construction for the new Center for Education and Natural Sciences was completed in Fall 2006. The remaining funding for Phase II of the Center has been appropriated and planning is underway.

The University places significant reliance on State appropriations, particularly core funding received as the State Share of Instruction and the Central State University Supplement to expand programs undertake new initiatives and meet its mission and ongoing operational needs. Stability of State support and funding increases are essential for the University to continue to provide access to underserved populations and expand program offerings to meet the educational needs of students. The State restored Central State University's supplement to previous levels.

Central State University aspires to be a premier historically black university in the twenty-first century. This vision is being pursued within the framework of the institution's core values of honesty, hard work, caring, and excellence. Two strategic goals flow from the Central State vision. First, the University aims for optimal size. The measure for this is to enroll 3,000 students by 2010. Secondly, the University is committed to strengthening the academic profile of the institution. Central State is pursuing these two goals simultaneously through its Strategic Academic and Enrollment Management Plan (SAEM). The SAEM, now in its third year of implementation, involves all divisions of the University, and has function teams in the areas of recruitment, enrollment, and marketing; academic program development and enhancement; retention; assessment; and administrative support. Successful execution of SAEM is essential for concurrent growth in enrollment and strengthening of academic quality.

In addition to SAEM, Central State University is also pursuing a strategy of partnering with the Board of Regents and five participating state institutions to create a plan to increase the size of Central State from 1,800 to 6,000 students by 2017. This plan is call Speed to Scale. The plan includes a one-time investment from the State over a period of three years and an extensive set of partnerships with the participating institutions. This plan begins in fiscal year 2008.

Statement of Net Assets
University

	June 30	
	2007	2006
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$ 7,047,565	$ 6,726,524
Accounts receivable - Net of allowance of approximately $6.9 million at June 30, 2007 and $6.1 million at June 30, 2006	2,957,554	3,633,298
Notes receivable - Net of allowance of approximately $243,000 and $240,000 at June 30, 2007 and 2006, respectively	731,072	742,682
Prepaid assets	34,447	10,346
Total current assets	10,770,638	11,112,850
Noncurrent Assets		
Deposits	43,844	-
Restricted cash and cash equivalents (Note 2)	1,381,999	1,311,695
Capital assets - Net (Note 3)	63,412,013	62,822,720
Total noncurrent assets	64,837,856	64,134,415
Total assets	**$ 75,608,494**	**$ 75,247,265**
Liabilities and Net Assets		
Current Liabilities		
Deposits	$ 186,721	$ 113,046
Accounts payable	1,640,827	1,294,318
Accrued salaries, wages, and benefits	2,234,067	3,051,341
Deferred student fee revenue	233,827	54,310
Current portion of long-term debt (Note 5)	141,260	173,297
Other liabilities	244,806	126,218
Other deferred revenue	1,216,237	1,183,676
Total current liabilities	5,897,745	5,996,206
Noncurrent Liabilities		
Long-term debt (Note 5)	1,862,692	2,003,953
Long-term liabilities (Note 4)	1,557,250	939,948
Total noncurrent liabilities	3,419,942	2,943,901
Total liabilities	9,317,687	8,940,107
Net Assets, as restated for 2006 (Note 1)		
Invested in capital assets - Net of related debt	61,408,060	60,645,470
Restricted for expendable - Grants	876,795	1,134,135
Unrestricted	4,005,952	4,527,553
Total net assets	66,290,807	66,307,158
Total liabilities and net assets	**$ 75,608,494**	**$ 75,247,265**

The Notes to Financial Statements are an Integral Part of this Statement.

Central State University

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

	Year Ended June 30	
	2007	2006
Operating Revenues		
Tuition and fees	$ 9,916,047	$ 8,091,620
Less grants and scholarships	(3,111,513)	(2,504,324)
Federal grants and contracts	12,965,506	14,715,332
State, local, and private grants and contracts	2,520,678	3,302,531
Indirect cost recovery	471,999	664,740
Auxiliary activities	10,818,603	8,909,804
Less grants and scholarships	(3,334,792)	(2,789,808)
Other sources	1,307,984	1,857,618
Total operating revenues	31,554,512	32,247,513
Operating Expenses		
Instruction	9,361,732	9,175,810
Research	1,348,580	563,597
Student services	3,467,032	3,288,070
Academic support	6,120,578	5,120,540
Public services	2,912,514	6,675,261
Institutional administration	7,548,291	7,655,066
Operation and maintenance of plant	4,692,407	4,362,369
Auxiliary enterprises	9,253,002	8,813,616
Student aid	3,181,185	2,896,132
Depreciation	2,764,761	2,703,298
Total operating expenses	50,650,082	51,253,759
Operating Loss	(19,095,570)	(19,006,246)
Nonoperating Revenues (Expenses)		
State appropriations	16,868,855	15,796,182
Investment income	391,847	333,794
Interest expenses on capital asset - Related debt	(111,692)	(138,329)
Net nonoperating revenues	17,149,010	15,991,647
Loss - Before other revenues	(1,946,560)	(3,014,599)
Other Revenues - State capital appropriations	1,930,209	9,469,494
(Decrease) Increase in Net Assets	(16,351)	6,454,895
Net Assets - Beginning of year	66,307,158	59,852,263
Net Assets - End of year	**$ 66,290,807**	**$ 66,307,158**

Statement of Cash Flows
University

	Year Ended June 30	
	2007	2006
Cash Flows from Operating Activities		
Tuition and fees	$ 10,856,592	$ 9,914,194
Grants and contracts	15,990,744	15,268,993
Payments to suppliers and employees	(44,881,445)	(45,273,853)
Auxiliary enterprise charges	1,565,601	96,187
Other	1,307,984	1,867,236
Net cash used in operating activities	(15,160,524)	(18,127,243)
Cash Flows from Noncapital Financing Activities		
State appropriations	16,868,855	15,796,182
Federal family education loan receipts	11,210,753	9,501,112
Federal family education loan disbursements	(11,210,753)	(9,501,112)
Net cash provided by noncapital financing activities	16,868,855	15,796,182
Cash Flows from Capital and Related Financing Activities		
Capital grants and gifts received	1,930,209	9,469,494
Purchase of capital assets and construction	(3,354,053)	(9,834,501)
Principal paid on capital debt	(173,297)	(163,152)
Interest paid on capital debt	(111,692)	(138,329)
Net cash used in capital and related financing activities	(1,708,833)	(666,488)
Cash Flows from Investing Activities - Interest on investments	391,847	333,794
Net Change in Cash and Cash Equivalents	391,345	(2,663,755)
Cash and Cash Equivalents - Beginning of year	8,038,219	10,701,974
Cash and Cash Equivalents - End of year	**$ 8,429,564**	**$ 8,038,219**

Statement of Cash Flows (Continued)
University

	Year Ended June 30	
	2007	2006
Reconciliation of net operating loss to net cash from operating activities:		
Operating loss	$ (19,095,570)	$ (19,006,246)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	2,764,760	2,703,298
Loss on disposal of capital assets	-	5,678
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	675,744	286,897
Inventories, prepaids, and other assets	(67,945)	(10,346)
Notes receivable	11,610	34,573
Accounts payable	346,509	(569,917)
Accrued salaries, wages, and benefits	(670,863)	221,443
Other liabilities	589,479	171,369
Deferred revenue and student deposits	285,752	(1,963,992)
Net cash used in operating activities	**$(15,160,524)**	**$(18,127,243)**

Consolidated Statement of Financial Position
Discretely Presented Component Unit - Foundation

	June 30 2007	June 30 2006
Assets		
Cash and cash equivalents	$ 1,508,621	$ 1,286,275
Investments	3,750,249	3,392,734
Contributions receivable	213,629	406,443
Other receivables	128,174	162,464
Prepaid expenses	5,724	21,846
Total current assets	5,606,397	5,269,762
Restricted cash and cash equivalents (Note 2)	2,458,508	2,456,889
Fixed assets - Net (Note 3)	14,568,143	14,747,635
Financing costs - Net	1,930,466	2,032,898
Total assets	**$ 24,563,514**	**$ 24,507,184**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 263,193	$ 370,662
Accrued interest payable	511,884	517,842
Current portion of long-term debt (Note 5)	370,000	355,000
Total current liabilities	1,145,077	1,243,504
Long-term accounts payable	85,000	-
Long-term debt (Note 5)	19,613,720	19,946,040
Total liabilities	20,843,797	21,189,544
Net Assets		
Unrestricted	(253,872)	(508,839)
Temporarily restricted	2,167,780	2,105,862
Permanently restricted	1,805,809	1,720,617
Total net assets	3,719,717	3,317,640
Total liabilities and net assets	**$ 24,563,514**	**$ 24,507,184**

Central State University

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

	Year Ended June 30	
	2007	2006
Revenue		
Rental revenues	$ 2,617,070	$ 2,363,182
Contributions	1,086,892	1,466,726
Reimbursements	14,821	135,733
Other	493,859	236,105
Unrealized gain on investments	239,013	157,734
Investment income	439,460	226,895
Total revenue	4,891,115	4,586,375
Expenses		
Programs:		
Scholarship programs	431,623	354,078
Athletic programs	425,897	475,447
Academic programs	395,688	239,055
Institutional programs	367,617	229,033
Support activities:		-
Management fees	183,195	171,378
Operating expenses	654,160	755,025
Depreciation expense	606,924	607,260
Interest expense	1,061,448	1,076,010
Other	362,486	732,093
Total expenses	4,489,038	4,639,379
Increase (Decrease) in Net Assets	402,077	(53,004)
Net Assets - Beginning of year	3,317,640	3,370,644
Net Assets - End of year	**$ 3,719,717**	**$ 3,317,640**

Note 1 - Basis of Presentation and Significant Accounting Policies

Central State University (the "University") is a co-educational, degree-granting university located in Wilberforce, Ohio. The University was originally established in 1887 by the General Assembly of the State of Ohio and is considered a component unit of the State of Ohio. The University continued to expand degree programs, which resulted in a granting of university status in 1965 by Statutory Act under Chapter 3343 of the Ohio Revised Code 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-Dayton, located in Dayton, Ohio.

The Central State University Foundation (the "Foundation") is being discretely presented as part of the University reporting entity (although it is a legally separate entity and governed by its own board of directors) because its sole purpose is to provide support for the University. This was done for the first time June 30, 2004 in accordance with GASB Statement No. 39. Separate statements for the Foundation may be obtained through the State of Ohio auditor's web site.

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

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

Financial Statement Presentation

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

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

GASB Statement No. 34 established standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

- **Invested in Capital Assets - Net of Related Debt** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets
- **Restricted Assets - Nonexpendable** - Net assets which represent endowment contributions from donors that are permanently restricted as to principal. Income generated from these funds may be designated for student scholarships, loans, instruction, research, and other specific University needs.
- **Restricted Net Assets - Expendable** - Net assets whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

- **Unrestricted** - Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the board of trustees (the "board") or may otherwise be limited by contractual agreements with outside parties.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The University has elected not to follow private sector standards issued after November 30, 1989.

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

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

Allowance for Student Accounts Receivable - Effective June 30, 2005, the University has changed its method of allowing for student accounts receivable from a subsequent cash receipts method to a more systematic method based on applying percentages to the student accounts receivable aging.

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

Buildings	40 years
Building improvements	20 years
Automobiles, machinery, and equipment	5-15 years

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

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

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

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

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

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

Risk Management

The University is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; errors or omissions; employee injuries and illnesses; national disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage for any of the preceding three years. The University is self-insured for student health insurance claims; the recorded liability for these claims is $36,000 and $20,000 as of June 30, 2007 and 2006, respectively.

Reclassifications - Certain items in the June 30, 2006 financial statements have been reclassified to conform to the June 30, 2007 presentation. The classification of net assets for 2006 has been restated/reclassified to correct an error in previous years related to transferring endowment funds to the Foundation. The effect of the adjustment was to increase unrestricted net assets and decrease nonexpendable restricted net assets by $1,850,277.

Note 2 - Cash and Cash Equivalents and Investments

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a policy restricting custodial credit risk. The University had $8,029,564 and $7,638,219 of cash and cash equivalents that were uninsured and uncollateralized as of June 30, 2007 and 2006, respectively.

Credit Risk

As discussed above, State law limits investments to U.S., State, and municipal government obligations. The University has no investment policy that would further limit its investment choices. The University had $1,381,999 and $1,311,695 invested in bank mutual fund pools at June 30, 2007 and 2006, respectively; these funds are not rated by a national rating agency, due to the short-term nature of their holdings.

Restricted Cash and Cash Equivalents

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

The Foundation, through Marauder, maintains restricted cash balances in the following accounts as of June 30, 2007 and 2006:

	2007	2006
Restricted:		
Debt interest account	$ 521,912	$ 527,144
Debt principal account	384,115	366,174
Debt issuance account	23,851	22,720
Repair and replacement fund	115,103	109,643
Debt reserve fund	1,413,527	1,431,208
Total restricted cash	$ 2,458,508	$ 2,456,889

Note 3 - Capital Assets

Capital assets activity for the University for the years ended June 30, 2007 and 2006 is summarized as follows:

	2007				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets:					
Buildings and improvements	$ 95,367,624	$ 2,227,599	$ -	$ 12,524,847	$ 110,120,070
Automobiles, machinery, and equipment	13,012,243	1,104,481			14,116,724
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	12,524,847	21,973	-	(12,524,847)	21,973
Total capital assets	121,213,364	3,354,053	-	-	124,567,417
Less accumulated depreciation:					
Buildings and improvements	47,781,807	2,160,720	-	-	49,942,527
Automobiles, machinery, and equipment	10,608,837	604,040	-	-	11,212,877
Total accumulated depreciation	58,390,644	$ 2,764,760	$ -	$ -	61,155,404
Capital assets - Net	$ 62,822,720				$ 63,412,013

	2006				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets:					
Buildings and improvements	$ 95,148,711	$ 218,913	$ -	$ -	$ 95,367,624
Automobiles, machinery, and equipment	12,724,586	297,275	(9,618)	-	13,012,243
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	3,206,534	9,318,313	-	-	12,524,847
Total capital assets	111,388,481	9,834,501	(9,618)	-	121,213,364
Less accumulated depreciation:					
Buildings and improvements	45,715,609	2,066,198	-	-	47,781,807
Automobiles, machinery, and equipment	9,975,677	637,100	(3,940)	-	10,608,837
Total accumulated depreciation	55,691,286	$ 2,703,298	$ (3,940)	$ -	58,390,644
Capital assets - Net	$ 55,697,195				$ 62,822,720

Commitments for construction contracts at June 30, 2007 were approximately $80,000. Since this work has not yet been performed, no liability has been recorded at year end.

Note 3 - Capital Assets (Continued)

Capital assets activity for the Foundation for the years ended June 30, 2007 and 2006 is summarized as follows:

	2007	2006
Land	$ 75,330	$ 75,330
Building	15,592,051	15,267,051
Furniture	859,653	859,653
Total fixed assets	16,527,034	16,202,034
Less accumulated depreciation	(1,958,891)	(1,454,399)
Net	$ 14,568,143	$ 14,747,635

Note 4 - Long-term Liabilities

Long-term liability (other than long-term debt) activity for the years ended June 30, 2007 and 2006 is summarized as follows:

	2007				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 1,843,788	$ 447,461	$ 585,471	$ 1,705,778	$ 697,489
Other liabilities	78,070	470,891	-	548,961	-
Total	$ 1,921,858	$ 918,352	$ 585,471	$ 2,254,739	$ 697,489

	2006				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 1,045,149	$ 2,159,337	$ 1,360,698	$ 1,843,788	$ 981,910
Other liabilities	74,545	3,525	-	78,070	-
Total	$ 1,119,694	$ 2,162,862	$ 1,360,698	$ 1,921,858	$ 981,910

The current portion of long-term liabilities is included in accrued salaries, wages, and benefits. See Note 6 for description of compensated absences.

Note 5 - Long-term Debt

University

Long-term debt for the University consists of the following for the years ended June 30, 2007 and 2006:

	2007				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bond payable:					
Central State University Revenue Bonds of 1970, Series F, 3.0%, payable in varying installments through December 1, 2010	$ 92,550	$ -	$ 65,000	$ 27,550	$ 27,550
Notes payable:					
Note payable to HUD, 3.0%, payable in varying installments through June 12, 2010	102,460	-	24,483	77,977	25,223
Note payable to the Department of Education, 5.5%, payable in varying installments through November 1, 2021	1,982,239	-	83,814	1,898,425	88,487
Total	$ 2,177,249	$ -	$ 173,297	$ 2,003,952	$ 141,260

	2006				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bond payable:					
Central State University Revenue Bonds of 1970, Series F, 3.0%, payable in varying installments through December 1, 2010	$ 152,550	$ -	$ 60,000	$ 92,550	$ 65,000
Notes payable:					
Note payable to HUD, 3.0%, payable in varying installments through June 12, 2010	126,225	-	23,765	102,460	24,483
Note payable to the Department of Education, 5.5%, payable in varying installments through November 1, 2021	2,061,627	-	79,388	1,982,239	83,814
Total	$ 2,340,402	$ -	$ 163,153	$ 2,177,249	$ 173,297

Note 5 - Long-term Debt (Continued)

At June 30, 2007, maturities of long-term debt, including interest payments, are as follows:

	Principal	Interest	Total
2008	$ 141,260	$ 105,778	$ 247,038
2009	119,406	99,669	219,075
2010	125,400	93,674	219,074
2011	104,129	87,571	191,700
2012	109,935	81,766	191,701
2013-2017	648,746	309,757	958,503
2018-2022	755,076	203,425	958,501
Total	$ 2,003,952	$ 981,640	$ 2,985,592

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

The University is required to maintain a debt service payment account and a debt service reserve account under the Department of Education note. The University is required to deposit $23,923 semiannually in the debt service payment account for the principal and interest payments. The University has accumulated the required reserve in the debt service reserve account ($207,904). The University is also required to deposit $28,010 annually into a repair and replacement reserve account until $280,100 has been accumulated in that account ($195,415 accumulated at June 30, 2007).

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

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

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.

Note 5 - Long-term Debt (Continued)

c. The Contingency Repair and Replacement Fund is equal to .25 percent of the cost of construction on all dormitory facilities then under construction plus 3 percent of the cost of movable equipment for all dormitory facilities.

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

Central State University Foundation

The Foundation's subsidiary, Marauder Development, LLC, has the following debt related to the financing of student dormitories. Information is for the subsidiary's years ended August 31, 2007 and 2006:

	Interest Rate	Maturity	Balance September 1, 2006	Additions	Payments	Balance August 31, 2007
Revenue Bonds Series 2004	3.3%-5.1%	2035	$ 11,894,410	$ 13,584	$ 190,000	$ 11,717,994
Revenue Bonds Series 2002	3.0%-5.625%	2032	8,406,630	24,096	165,000	8,265,726
Total			$ 20,301,040	$ 37,680	$ 355,000	19,983,720
Less current portion						370,000
Long-term portion						$ 19,613,720

	Interest Rate	Maturity	Balance September 1, 2005	Additions	Payments	Balance August 31, 2006
Revenue Bonds Series 2004	3.3%-5.1%	2035	$ 11,880,682	$ 13,728	$ -	$ 11,894,410
Revenue Bonds Series 2002	3.0%-5.625%	2032	8,540,026	26,604	160,000	8,406,630
Total			$ 20,420,708	$ 40,332	$ 160,000	20,301,040
Less current portion						355,000
Long-term portion						$ 19,946,040

Note 5 - Long-term Debt (Continued)

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

Years Ending	Series 2002 Bonds		Series 2004 Bonds		
August 31	Principal	Interest	Principal	Interest	Total
2008	$ 170,000	$ 440,321	$ 200,000	$ 576,471	$ 1,386,792
2009	175,000	434,065	205,000	568,012	1,382,077
2010	180,000	427,184	225,000	563,554	1,395,738
2011	190,000	419,546	235,000	556,128	1,400,674
2012	195,000	411,121	245,000	547,669	1,398,790
2013-2017	1,125,000	1,907,073	1,370,000	2,582,146	6,984,219
2018-2022	1,440,000	1,583,338	1,710,000	2,237,320	6,970,658
2023-2027	1,895,000	1,135,403	2,180,000	1,767,170	6,977,573
2028-2032	2,460,000	534,943	2,795,000	1,154,385	6,944,328
2033-2036	620,000	17,438	2,795,000	364,905	3,797,343
Total	$ 8,450,000	$ 7,310,432	$ 11,960,000	$ 10,917,760	$ 38,638,192

Marauder issued Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the University Housing Project. The bond discount was $184,274 at June 30, 2007 and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from $170,000 on September 1, 2007 to $620,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.0 percent to 5.625 percent per annum, is payable semiannually on March 1 and September 1.

During 2004, Marauder issued $12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The original bond discount totaled $287,699, with an amortized balance of $242,006 at August 31, 2007. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from $200,000 on September 1, 2006 to $750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 percent to 5.1 percent per annum, is payable semiannually on March 1 and September 1.

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

Note 5 - Long-term Debt (Continued)

The coverage ratio computed under the bond legislation is as follows:

	2007	2006
Change in net assets	$ 242,793	$ (358,363)
Add items to convert net income to pledged revenues:		
Interest expense on bonds	1,061,448	1,076,010
Management fees	183,195	171,378
Cascading fees	13,353	269,866
Depreciation and amortization expense	606,924	607,260
Net pledged revenues as defined	$ 2,107,713	$ 1,766,151
Debt service requirement on bonds	$ 1,384,727	$ 1,198,085
Coverage ratio (1/2)	152%	147%
Required coverage ratio	120%	120%

Note 6 - Compensated Absences for Vacation and Sick Leave

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

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

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

Note 6 - Compensated Absences for Vacation and Sick Leave (Continued)

Faculty employees are full-time, academic employees. Faculty employees accrue sick leave at a rate of 15 days per year. Faculty employees accruing vacation in excess of 30 days shall forfeit it. One-third of accumulated sick leave, not to exceed one-third of 120 days, is payable to faculty employees with 10 years or more of service upon retirement.

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

Note 7 - Retirement Plans

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

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

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

OPERS
227 East Town Street
Columbus, Ohio 43215

614.466.2085

STRS
275 East Board Street
Columbus, Ohio 43215

614.227.4090

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

	Retirement System	University Share	Employee Share
Classified, contract	OPERS	13.77%	9.50%
Faculty	STRS	14.00%	10.00%

Note 7 - Retirement Plans (Continued)

The University's contributions, representing 100 percent of employer contributions, for the periods ended June 30, 2007, 2006 and 2005 are as follows:

	OPERS	STRS
2007	$ 710,362	$ 872,093
2006	643,966	840,486
2005	705,321	828,075

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

Under the provisions of ARP, the required contribution rates for plan participants are 10 percent and 9.5 percent of employees' covered compensation for employees who would otherwise participate in STRS and OPERS, respectively. The University contributes 10.5 percent of a participating faculty member's compensation and 13.77 percent of a participating contract staff member's compensation to the participant's account. The University is also required to contribute an additional 3.5 percent of employees' covered compensation to STRS. Plan participants' contributions were $474,225 and $433,199 and the University's contributions to the ARP were $632,479 and $622,259 for the years ended June 30, 2007 and 2006, respectively. In addition, the amounts contributed to ARP by the University on behalf of the faculty participants were $107,936 and $88,983 for the years ended June 30, 2007 and 2006, respectively.

Note 8 - Other Postemployment Benefits

In order to qualify for postretirement healthcare coverage, age-and-service retirees under the Traditional Pension and Combined Pans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available.

Note 8 - Other Postemployment Benefits (Continued)

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to other postemployment health benefits. Under the new method, effective January 1, 1998, employer contributions, equal to 5.0 percent of member covered payroll, are used to fund healthcare expenses. Under the prior method, accrued liabilities and the normal cost rates were determined for retiree healthcare coverage.

Starting in 2007, the portion of employer contributions that were used to fund post-employment benefits was approximated at 0.3323 of actual employer contributions as actuarially determined for OPERS.

The actuarial value of OPERS net assets available for these benefits at December 31, 2005 was $11.1 billion. There were 358,804 active, contributing members. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $26.9 billion and $16.4 billion, respectively. For the years ended June 30, 2007 and 2006, the University contributed $353,532 and $362,697, respectively, to OPERS for OPEB funding, which is equal to the actuarially required contributions of the plan.

STRS currently provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Pursuant to ORC, STRS has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS are included in the employer contribution rate. For the fiscal year ended June 30, 2001, STRS allocated employer contributions equal to 4.5 percent of covered payroll to a Health Care Reserve Fund (HCRF) from which payments for healthcare benefits are paid. The balance in the HCRF was $3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, STRS allocated employer contributions equal to 4.5 percent of covered payroll to the HCRF. There were 119,184 benefit recipients eligible for post-employment benefits at that date. For the years ended June 30, 2007 and 2006, the University contributed $27,867 and $28,017, respectively, to fund these benefits.

Note 9 - Grants and Contracts

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

Note 10 - Commitments and Contingencies

Commitments - The University has encumbered $1,097,290 and $2,864,588 of funds as of June 30, 2007 and 2006, respectively. These encumbrances represent purchase orders and other commitments for materials or services not received as of fiscal year end. These are not included as liabilities in the statement of net assets.

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

Note 11 - Related Organization

The University is the sole beneficiary of the Central State University Foundation (the "Foundation"), a separate, not-for-profit entity governed by a separate board of trustees, organized for the purpose of promoting educational and research activities. Amounts received by the University from the Foundation in the form of private gifts, grants, and contracts amounted to approximately $672,800 and $682,300 for the years ended June 30, 2007 and 2006, respectively.

The Foundation established and owns Marauder Development, LLC, which owns two residence halls (Foundation I and Foundation II) located on the University's campus. The University receives an annual management fee and the reimbursement of operating expenses from Marauder Development, LLC. These fees and reimbursement amounted to $850,708 and $1,196,300 for the years ended June 30, 2007 and 2006, respectively. The University paid Marauder Development, LLC $2,617,070 and $2,363,182 for the years ended June 30, 2007 and 2006, respectively. These payments were primarily student residence hall fees.

Note 12 - Bureau of Workers' Compensation

The University participates in a state plan that pays workers' compensation benefits to beneficiaries who have been injured on the job with any of certain state agencies and state universities. The Ohio Bureau of Workers' Compensation (the "Bureau") calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from these participating state agencies and universities in that subsequent one-year period. As these already-injured workers' claims will be paid out over a period of time, the Bureau also actuarially calculates estimated amounts that will be paid in future periods for the entire pool of state agencies and state universities.

Supplemental Information

Central State University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Agency/Pass-through Agency Program Title	CFDA Number	Federal Expenditures
CLUSTERS:		
STUDENT FINANCIAL ASSISTANCE CLUSTER:		
U.S. Department of Education Direct Programs:		
ACG Grant	84.375	$ 110,250
Smart Grant	84.376	26,000
Federal SEOG FY 2006	84.007	(2,000)
Federal Work Study FY 2006	84.033	34
Federal Pell Grant FY 2006	84.063	(5,166)
Federal Pell Grant FY 2007	84.063	3,968,646
Federal SEOG FY 2007	84.007	515,947
Federal Work Study FY 2007	84.033	653,510
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER		**5,267,221**
RESEARCH AND DEVELOPMENT CLUSTER:		
National Aeronautics and Space Administration:		
Ohio Space Grant	43.001	14,233
Student Satellite Program	43.000	1,173
Total National Aeronautics and Space Administration		15,406
Environmental Protection Agency:		
NET Incubator	66.510	14,731
Agron Optimization of Phyroremediation	66.509	16
Total Environmental Protection Agency		14,747
TOTAL RESEARCH AND DEVELOPMENT CLUSTER		**30,153**
TRIO CLUSTER:		
U.S. Department of Education Direct Programs:		
TRIO: Student Support Services	84.042A	**338,691**

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Federal Agency/Pass-through Agency Program Title	CFDA Number	Federal Expenditures
OTHER FEDERAL PROGRAMS:		
U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAMS:		
Higher Education - Institutional Aid - Direct Program:		
Center for Student Academic Success	84.031B	$ 411,487
Computer Science	84.031B	36,573
Faculty Development	84.031B	182,425
Honors Program	84.031B	36,671
Improving Administrative Management	84.031B	78,371
Improving Utilization Information Systems	84.031B	127,399
Institutional Advancement	84.031B	165,750
Library Acquisition Enhancement	84.031B	143,794
Management Administration	84.031B	7,974
Program Accreditation	84.031B	107,469
Program Administration	84.031B	146,303
SAEM	84.031B	93,391
Strengthening Institutional Enhancement 02/07 CO Yr 1	84.031B	28,208
Strengthening Institutional Enhancement 02/07 CO Yr 3	84.031B	208,168
Student Success Counseling	84.031B	149,651
Strengthening Institutional Enhancement 02/07 CO Yr 2	84.031B	39,097
Strengthening Institutional Enhancement 97/02	84.031B	2,095
Total Higher Education - Institutional Aid		1,964,826
Minority Science and Engineering Program (MSEIP)	84.120	17,820
Integrated Biotech Education	84.120	38,552
TOTAL U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAMS		**2,021,198**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Family and Community Violence Prevention	93.910	1,966,119
Head Start Teacher Preparation	93.600	142,786
TEAP	93.558	51,035
KRUNKED 4 Life	93.910	184,892
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		**2,344,832**
U.S. DEPARTMENT OF TRANSPORTATION:		
Summer Transportation Program	20.000	**22,215**
U.S. DEPARTMENT OF DEFENSE:		
Basic and Applied Scientific Research:		
Identifying Max. Rhizosphere Biom.	12.431	146,044
PET Leadership Program	12.000	13,984
Battelle Mentor Protégé	12.000	15,191
Development of Advanced Loop Heat Pipe System	12.000	56,372
Manufacturing Technology Support (MATES) Program	12.800	24,611
Intergrated Product and Process Design Techniques	12.000	488
Materials and Manufacturing Research	12.000	12,516
Sensors Technical Thrust	12.000	243
TOTAL U.S. DEPARTMENT OF DEFENSE		**269,449**

See Notes to Schedule of Expenditures of Federal Awards.

Central State University

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Federal Agency/Pass-through Agency Program Title	CFDA Number	Federal Expenditures
NATIONAL SCIENCE FOUNDATION:		
QUEST	47.076	$ 431,084
LSAMP OH Science and Engineering	47.076	37,911
Scholarships for Academic Recruitment	47.076	18,927
HPNC High Bandwidth Connection	47.070	62,457
CSU JUMP	47.076	58,781
TOTAL NATIONAL SCIENCE FOUNDATION		**609,160**
U.S. DEPARTMENT OF ENERGY:		
National Renewable Energy Laboratory	81.087	48,941
STEM UP - OUT	81.123	1,445,845
TOTAL U.S DEPARTMENT OF ENERGY		**1,494,786**
U.S. DEPARTMENT OF INTERIOR:		
Applications of Remote Sensing Technology (USBR)	15.504	**242,605**
U.S. DEPARTMENT OF AGRICULTURE:		
Monitoring Agricultural Sewage	11.460	22,308
Monitoring of Lake Erie	11.460	16,201
TOTAL U.S DEPARTMENT OF AGRICULTURE		**38,509**
U.S. DEPARTMENT OF LABOR:		
Modular Automated Training System	17.261	**55,846**
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:		
Institute for Library and Information	99.unknown	**3,500**
TOTAL EXPENDITURES OF FEDERAL AWARDS		**$ 12,738,165**

See Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Central State University and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Federal Family Education Loans

Federal Family Education Loans (Federal CFDA Number 84.032), processed for students by the University during the year ended June 30, 2007, are summarized as follows:

Federal Stafford Loans	$ 5,059,108
Federal Unsubsidized Stafford Loans	4,592,352
Federal Parental Loans for Undergraduate Students (PLUS)	1,559,293
Total Federal Family Education Loan Program	$ 11,210,753

Note 3 - Loans Outstanding

The University administers the Perkins Loan Program (Federal CFDA Number 84.038). Outstanding loans as of June 30, 2007 were $974,706. No new loans were issued during the year ended June 30, 2007.

Note 4 - Subrecipient Awards

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

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Family and Community Violence Prevention	93.910	$ 1,612,860

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

To the Board of Trustees
Central State University

We have audited the financial statements of Central State University as of and for the year ended June 30, 2007 and have issued our report thereon dated October 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Trustees
Central State University

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of trustees, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 12, 2007

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

To the Board of Trustees
Central State University

Compliance

We have audited the compliance of Central State University with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The major federal programs of Central State University are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, Central State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is 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 item 2007-01.

To the Board of Trustees
Central State University

Internal Control Over Compliance

The management of Central State University is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The University's response to the significant deficiencies and findings relating to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of trustees, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 12, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Signficiant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ____ Yes __X__ No
- Signficiant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __X__ Yes ____ No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
93.910	Family and Community Violence Prevention
84.007, 84.033, 84.063, 84.375, 84.376, 84.032, 84.038	Student Financial Assistance Cluster
47.076	Quality Enhancement in Science, Mathematics, Engineering, and Technology (QUEST), LSAMP OH Science and Engineering, Scholarships and Acedemic Recruitment, CSU Jump

Dollar threshold used to distinguish between type A and type B programs: $ 382,145

Auditee qualified as low-risk auditee? ____ Yes __X__ No

Section II - Financial Statement Audit Findings

Reference Number	Findings
	None

Section III - Federal Program Audit Findings

Reference Number	Findings
2007-01	**Program Name** - Federal Stafford Loans and Federal Unsubsidized Stafford Loans - 84.032

Pass-through Entity - None

Finding Type - Noncompliance - Timely return of Title IV refunds

Criteria - Return of Title IV funds is required to be refunded within 45 days after the date the institution determines that a student receiving the aid has withdrawn.

Condition - In the current year while reviewing NSLDS website, we noted three students with subsidized and/or unsubsidized loans that still appeared on the students' accounts and should not have because the University should have returned the funds to the lender.

Questioned Costs - $6,717 of the total $132,026 loan disbursements tested

Context - Out of 25 students tested, three errors were found.

Cause and Effect - The financial aid office implemented a new process for returning funds, and during the transition, some refunds were not made in a timely manner.

Recommendation - We recommend the loan amounts be returned to the lender immediately and the University continue to look at its process to ensure refunds are timely going forward.

Views of Responsible Officials and Planned Corrective Actions - The University agrees with the auditor's recommendation. The funds have been returned.

WCSU-FM

(a public telecommunications entity operated by Central State University)

Financial Report

June 30, 2007

Contents

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Independent Auditor's Report

To the Board of Trustees
WCSU-FM

We have audited the accompanying basic financial statements of WCSU-FM, a public telecommunications entity operated by Central State University, as of June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of WCSU-FM as of June 30, 2007 and 2006 and the changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2007 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Trustees
WCSU-FM

The management's discussion and analysis presented on pages 3 though 6 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 5, 2007

Management's Discussion and Analysis

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of WCSU - FM (the "Station"), which is owned and operated by Central State University (the "University"). The report consists of three basic financial statements that provide information on the radio station: the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. These reports begin on page 7 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion of the results are intended to provide the readers with an overview of the financial statements.

The Statement of Net Assets

The statement of net assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector institutions. Net assets - the difference between assets and liabilities - is one way to measure the financial activities of the Station. Unrestricted net assets increased by $16,226 due to excess of revenues over expenses incurred by the Station from 2006 to 2007 and increased by $25,624 due to excess of expenses over revenues incurred by the Station from 2005 to 2006. Net assets invested in capital assets decreased by $1,010 due to the acquisition of new broadcast equipment, less the ongoing depreciation of existing fixed assets, from 2006 to 2007 and increased by $25,599 due to ongoing depreciation of existing fixed assets and new purchases from 2005 to 2006. Therefore, total net assets increased by $15,216 from 2006 to 2007 and increased by $51,223 from 2005 to 2006.

Total assets decreased $7,831 in 2007 and decreased $446 in 2006; the decreases were related primarily to a reduction in the amounts due from the University (pooled cash and investments) and the recognition of the new broadcast equipment.

Total liabilities in 2007 decreased by $23,047, which was primarily attributable to a decrease in deferred revenue. Total liabilities in 2006 decreased by $51,669, which was attributable primarily to a decrease in deferred revenue and account payables.

	2007	2006	2005
Assets			
Current Assets	$ 221,462	$ 228,283	$ 254,328
Capital Assets - Net of depreciation	56,345	57,355	31,756
Total assets	**$ 277,807**	**$ 285,638**	**$ 286,084**
Liabilities and Net Assets			
Current Liabilities	$ 192,741	$ 215,788	$ 267,457
Net Assets			
Invested in capital assets	56,345	57,355	31,756
Unrestricted	28,721	12,495	(13,129)
Total net assets	85,066	69,850	18,627
Total liabilities and net assets	**$ 277,807**	**$ 285,638**	**$ 286,084**

As described further in Note 1, current assets reflect mainly the amount due to the Station from the University's pooled cash and investment system. Current assets, including advances to the University, and current liabilities decreased during 2007 and 2006 due to expended grant proceeds at year end, which caused a decrease in cash and deferred revenue. Further detail about the sources and uses of cash is reflected in the statement of cash flows.

Statement of Revenues, Expenses, and Changes in Net Assets

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

	2007	2006	2005
Operating Revenues	$ 375,814	$ 369,734	$ 223,746
Nonoperating Revenues	425,641	414,001	409,930
Total Revenues	801,455	783,735	633,676
Operating Expenses			
Programming and production	448,097	387,865	324,402
Program information and promotion	41,804	38,439	33,130
Management and general	296,338	306,208	297,360
Total operating expenses	786,239	732,512	654,892
Increase (Decrease) in Net Assets	15,216	51,223	(21,216)
Net Assets - Beginning of year	69,850	18,627	39,843
Net Assets - End of year	**$ 85,066**	**$ 69,850**	**$ 18,627**

Operating revenues increased by $6,080, or 2 percent, from 2007; Corporation for Public Broadcasting decreased $15,703 (9 percent), State Network Commission and private grants revenue decreased $14,896 (20 percent), and contributed services increased $36,679 (31 percent). This increase is due primary to a funding formula change implemented by the State of Ohio due to the merging of two funding mechanisms. Operating expenses increased by $53,727, or 7 percent.

Operating revenues increased by $145,988, or 65 percent, from 2006; Corporation for Public Broadcasting increased $66,900 (61 percent), State Network Commission and private grants revenue increased $52,789 (238 percent), and contributed services increased $26,299 (28 percent). This increase is due primarily to the timing of expenditures and recognizing revenue when expenditures are incurred as WCSU-FM utilized the unexpected grant increases received at the end of 2006. Operating expenses increased by $77,620, or 11.8 percent.

Operating revenues decreased by $43,257, or 16 percent, from 2005; Corporation for Public Broadcasting decreased $11,618 (9.6 percent), State Network Commission revenue decreased $14,779 (40 percent), and contributed services decreased $17,130 (15.6 percent). This decrease is due primarily to the timing of expenditures and recognizing revenue when expenditures are incurred. Operating expenses decreased by $35,850 or 5.2 percent.

Statement of Cash Flows

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

	2007	2006	2005
Cash Used in Operating Activities	$ (416,354)	$ (400,737)	$ (366,531)
Cash Provided by Noncapital Financing Activities	425,641	414,001	408,029
Cash Used in Capital and Related Financing Activities	(16,108)	(39,309)	-
(Decrease) Increase in Cash	(6,821)	(26,045)	41,498
Cash - Beginning of year	226,777	252,822	211,324
Cash - End of year	**$ 219,956**	**$ 226,777**	**$ 252,822**

The Station consumed $416,354 and $400,737 in operating activities in 2007 and 2006, respectively. The primary operating cash receipts consist of grants and contracts of $252,567 and $332,074 for 2007 and 2006, respectively. Cash outlays include payments for wages and to vendors of $668,921 and $732,811 for 2007 and 2006, respectively. The primary noncapital financing activities consist of support from the University.

Economic Factors that Will Affect the Future

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

Statement of Net Assets

	June 30 2007	June 30 2006
Assets		
Current Assets		
Due from the University (Note 2)	$ 219,956	$ 226,777
Accounts receivable	1,506	1,506
Total current assets	221,462	228,283
Capital Assets - Net (Note 3)	56,345	57,355
Total assets	**$ 277,807**	**$ 285,638**
Liabilities and Net Assets		
Current Liabilities		
Deferred revenue	$ 192,518	$ 215,788
Accounts payable	223	-
Total liabilities	192,741	215,788
Net Assets		
Unrestricted net assets	28,721	12,495
Net investment in capital assets	56,345	57,355
Total net assets	85,066	69,850
Total liabilities and net assets	**$ 277,807**	**$ 285,638**

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2007	2006
Support and Revenue		
Corporation for Public Broadcasting (Note 4)	$ 160,282	$ 175,985
State Network Commission and private grants (Note 5)	60,062	74,958
Contributed services	155,470	118,791
Total support and revenue	375,814	369,734
Expenses		
Program services:		
Programming and production	448,097	387,865
Program information and promotion	41,804	38,439
Support services - Management and general	296,338	306,208
Total expenses	786,239	732,512
Operating Loss	(410,425)	(362,778)
Nonoperating Revenues		
Miscellaneous	4,432	4,855
University support (Note 6)	421,209	409,146
Total nonoperating revenues	425,641	414,001
Increase in Net Assets	15,216	51,223
Net Assets - Beginning of year	69,850	18,627
Net Assets - End of year	**$ 85,066**	**$ 69,850**

Statement of Cash Flows

	Year Ended June 30	
	2007	2006
Cash Flows from Operating Activities		
Grants and contracts	$ 252,567	$ 332,074
Payments to employees and vendors	(668,921)	(732,811)
Net cash used in operating activities	(416,354)	(400,737)
Cash Flows from Noncapital Financing Activities -		
University support and other receipts	425,641	414,001
Cash Flows from Capital and Related Financing Activites -		
Purchase of capital assets	(16,108)	(39,309)
Net Decrease in Cash	(6,821)	(26,045)
Cash - Beginning of year	226,777	252,822
Cash - End of year	**$ 219,956**	**$ 226,777**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (410,425)	$ (362,778)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	17,118	13,710
Changes in assets and liabilities:		
Accounts payable	-	(14,009)
Deferred revenue	(23,047)	(37,660)
Net cash used in operating activities	**$ (416,354)**	**$ (400,737)**

Note 1 - Significant Accounting Policies

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

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

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

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

- **Invested in Capital Assets** - Capitalized physical assets net of accumulated depreciation
- **Unrestricted** - Net assets that are not subject to externally-imposed restrictions. May be designated for specific purposes by the board of trustees

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

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

Capital Assets - Capital assets are recorded at cost or, if acquired by gift, at fair value at the date of the gift. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the invested in capital assets component of net assets is adjusted as appropriate. Capital assets, with the exception of land, are depreciated on the straight-line method over their estimated useful lives, ranging from 5 to 10 years.

Note 2 - Due from the University

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

Note 3 - Capital Assets

Capital assets activity for the years ended June 30, 2007 and 2006 is summarized as follows:

	2007			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	$ 15,082	$ -	$ -	$ 15,082
Telecommunications equipment	371,972	16,108	-	388,080
Total	387,054	16,108	-	403,162
Less accumulated depreciation:				
Office equipment	14,911	112	-	15,023
Telecommunications equipment	314,788	17,006	-	331,794
Total accumulated depreciation	329,699	17,118	-	346,817
Capital assets - Net	$ 57,355	$ (1,010)	$ -	$ 56,345

	2006			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	$ 15,082	$ -	$ -	$ 15,082
Telecommunications equipment	332,663	39,309	-	371,972
Total	347,745	39,309	-	387,054
Less accumulated depreciation:				
Office equipment	14,799	112	-	14,911
Telecommunications equipment	301,190	13,598	-	314,788
Total accumulated depreciation	315,989	13,710	-	329,699
Capital assets - Net	$ 31,756	$ 25,599	$ -	$ 57,355

Note 4 - Corporation for Public Broadcasting Grants

WCSU-FM receives grant funding from the Corporation for Public Broadcasting (CPB) to assist in the operations of WCSU-FM. The CPB grants consist of a Radio Community Service Grant (CSG), which is unrestricted in its use, and a National Program Production and Acquisition Grant (NPPAG), which is restricted to national programming activities. Recognition of the CPB grant revenue is deferred until expenses are incurred. Any unused grant amounts at the end of the spending period must be returned to the granting agency. There were no amounts due to the CPB at June 30, 2007 or 2006.

Note 5 - State Network Commission Grant and Private Grants

WCSU-FM receives unrestricted radio station funding through the Ohio Educational Telecommunications Network Commission (OET), or E-Tech as it is being renamed. For the years ended June 30, 2007 and 2006, WCSU-FM received cash support of $35,062 (a portion of which is deferred) and $35,247, respectively. WCSU-FM received in-kind contributed services support from OET of $147,250 and $117,471 during the years ended June 30, 2007 and 2006, respectively.

Private grants in the amount of $25,000 and $25,000 in 2007 and 2006, respectively, have been received.

Note 6 - University Support Allocation

The operations of WCSU-FM are supported primarily by the general revenues of the University. The University effectively covers all operating costs of WCSU-FM in excess of direct support received through grant awards and contributions attributable to WCSU-FM's operations. The University's support allocation amounted to $208,207 and $186,850 in direct support for 2007 and 2006, respectively, and $213,002 and $222,296 in indirect administrative support for 2007 and 2006, respectively.

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

To the Board of Trustees
WCSU - FM

We have audited the financial statements of WCSU-FM as of and for the year ended June 30, 2007 and have issued our report thereon dated October 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WCSU-FM's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of WCSU-FM's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WCSU-FM's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Trustees
WCSU-FM

Compliance and Other Matters

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

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

Plante & Moran, PLLC

October 5 ,2007

Mary Taylor, CPA
Auditor of State

CENTRAL STATE UNIVERSITY

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 29, 2007

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